

PEOPLE'S PLAN II

Being the Report of the
Committee for Economic Planning
set up by the
Indian Renaissance Institute

Released for public discussion by the
Indian Renaissance Institute

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(A Plan For India's Economic Development)

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the Indian Renaissance
Institute

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PREFACE

In the year 1943, under the inspiration of the late M.N. Roy, an all-India labour organisation called the Indian Federation of Labour set up a Committee for preparing a plan of economic development for the country. The Committee consisted of Prof. B.N. Banerjee, Prof. G.D. Parikh and myself (Convenor). In close consultation with M.N. Roy, and with the assistance of a number of economists, a plan was prepared by the Committee and was submitted to the Indian Federation of Labour on March 10, 1944. The plan came to be known as the People's Plan and evoked a great deal of interest and controversy.

The People's Plan was based on the principle that the solution of the problem of Indian poverty lies in an increase in the productivity of Indian labour. Since more than 70 per cent of Indian labour was engaged in agriculture, increase in agricultural production must be the first priority of planning in India. A rise in the purchasing power of the rural masses would create a stable basis for the development of consumer goods industries and capital goods industries. The investment priorities of Indian planning should accordingly be : agriculture, consumer goods, and capital goods, in that order. This pattern of economic development would, on the one hand, enable the economy to satisfy the primary needs of the people consisting of food, clothing, shelter, education and medicine, and on the other hand, generate adequate employment opportunities for the country's growing population. The People's Plan also visualised that planning in India should, after the initial investment,

be largely self-financed, the income from capital invested in the public sector being the source of increasing investment year by year.

After the attainment of national independence, the Government of India adopted economic planning as a national policy. The planning process commenced very hopefully with the first Five Year Plan in 1951. By the end of the Third Plan in 1966, Indian planning was clearly in the doldrums. Although much has been achieved by way of economic development, planning has not succeeded in removing poverty, reducing unemployment or increasing distributive justice. Some radical rethinking is therefore taking place. It is now being generally recognised that agricultural development and rural reconstruction must be the first priority of Indian planning -- a conclusion which was the starting point of the People's Plan.

In this situation, the Indian Renaissance Institute, a society founded by M.N. Roy, adopted in a general membership meeting on May 31, 1975 a proposal for the preparation of another People's Plan, to be called People's Plan II. The resolution stated that the proposed Plan "should not merely be a statistically updated version of the original People's Plan but a logical extension of the sound ideas, principles and directions contained in it, in the light of the developments which have taken place since 1943 particularly in respect of (a) experience gained in India and elsewhere in the field of promoting economic development, (b) updated and refined data

and (c) conceptual and theoretical advances. A Planning Commic was set up for this purpose consisting of Prof. Amlan Datta, Dr G.R. Dalvi, Prof. G.D. Parikh, Dr Amrutananda Das and myself (Convenor).

The Committee held several meetings, collected statistical material and prepared a draft plan by the beginning of December 1976. At that stage, however, the Committee had to face some serious reverses. On account of personal difficulties, Prof. Amlan Datta resigned from the Committee. A far greater tragedy was the sudden death of Prof. G.D. Parikh on December 7, 1976. Thus reduced in strength, the Committee decided nevertheless that since a major part of its work had already been done, it should proceed to finalise the Plan and present it to the public.

At all stages of its work, the Committee was fortunate to secure the active assistance and cooperation of two young colleagues, Shri V.K. Goel, a sociologist, and Shri N.K. Nair, an economist. They worked as if they were coopted members of the Committee. The Committee is grateful for their unstinting help.

The first draft of the Plan was sent to several eminent economists in the country for their comments and suggestions. The Committee is particularly grateful for the comments received from Shri Tarlok Singh, Prof. C.N. Vakil, Prof. M.L. Dantwala and Prof. Rakhal Dutta. Their suggestions were carefully considered in preparing the final draft.

People's Plan II has been prepared with the objectives of (a) supplying the primary needs of India's growing population; (b) generating adequate employment opportunities; (c) ensuring an increasing measure of distributive justice; and (d) eliminating the poverty of the weakest sections of society. The Plan gives primacy to agriculture, small industry and social services. It is based on a realistic estimate of available and expected resources. Care is taken to see that it would not generate inflationary pressures. Economic controls are sought to be minimised by recourse to indicative planning. An attempt is made to decentralise the planning process. It presents a twenty year perspective of economic development and a more concrete plan for a ten year period.

During the course of study and discussion, the Committee came across a number of outstanding issues which require further consideration. They have been identified in the concluding chapter.

The Committee has been well aware of its limitations. Non-official planners cannot possibly have the resources and the statistical materials which are available to the Planning Commission. The object of our Committee, however, was not to prepare the blueprint of a plan in substitution of any official plan. What the Committee has done is to present a concrete picture of an alternative pattern of economic development, based

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on principles the correctness of which is confirmed by the experience of Indian planning. It is hoped that People's Plan II would stimulate discussion and rethinking, and help in taking Indian planning out of the present impasse.

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V.M. Tarkunde

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CHAPTER I

A REVIEW OF PLANNING IN INDIA

1.1 The Objective of planning in India

The Planning Commission was set up in March 1950 by a resolution of the Government of India. According to this resolution, the declared objective of planning in India was "to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production, and offering opportunities to all for employment in the service of the community." This objective was to some extent elaborated or modified in the successive five year plans. Most of these modifications were made in order to emphasise or clarify three central aims, namely, promotion of rapid economic development; ensuring social justice by reducing inequalities of incomes and wealth and; creating adequate employment opportunities.

1.2 Evaluation of Performance

Evaluation of planning in India has therefore to be made in relation to its declared aims. While there can be no two opinions about the many changes and improvements brought about in the Indian economy through the implementation of successive five year plans, it is now widely recognised that planning in India has been far from successful especially if the performance is judged in relation to the proclaimed objectives as stated above. A critical evaluation of the experience of Indian planning is not intended to decry the achievements and

belittle the improvements brought about. Its purpose is to examine the causes of the failures and shortcomings, identify the errors in the strategy and the policies and take note of the inadequacies in implementation, so that planning is given a sense of purpose and a proper direction. Such a review of experience of planning in India should be useful in indicating the lines on which alternative strategies could be devised and implemented in order to secure progressive realisation of the central objectives of planning.

1.3 Significant achievements

We acknowledge the fact that the Indian economy has, over the last 25 years, made considerable progress in many spheres and sectors of economic activities. Since the commencement of planning which began in 1951, the Indian economy, has been diversified and developed in many significant ways. The infrastructure of the economy has been strengthened and extended. The economy has acquired large quantities of modern industrial capital which has resulted in considerable progress towards industrialisation. The output of agriculture has also increased in a substantial measure. Considerable progress has been made in developing and diversifying the knowledge and skills of a large number of people. The number of scientists and technologists, professional managers, and workers possessing technical skills has substantially increased. All this has resulted in bringing about a significant increase in the gross national product and to some extent in per capita income. These and

similar achievements will no doubt prove to be important and useful assets for bringing about further improvements in the economy in the coming years.

1.4 Failures, shortfalls and contradictions

While recognising the importance of these achievements, a critical evaluation should be candid. Tested in relation to the advance made towards the central objectives of planning it is clear that the record of planning in India is far from satisfactory. It is a striking fact that the economic conditions of a large majority of the people in general and of weaker sections of the society in particular have gone from bad to worse. Prices of essential consumer goods have substantially gone up. The number of employment opportunities has not kept pace with the number of job seekers, inequalities of income, wealth and opportunity have significantly widened. In many a case, exploitation of the resources of the country has been inefficient and wasteful. As will be shown in the subsequent pages, instead of leading the economy towards progressive realisation of the central objectives, planning in India has in recent years virtually taken the economy into a state of stagnation, and to make this situation worse, it has suffered greatly on account of various reasons, mainly internal from persisting dangers of inflation.

1.5 Phases of development performance

The failures of India's plan performance can be seen in clearer terms if the record of development is examined in terms

of certain broad economic indicators. The record can be divided into three distinct phases. The first phase refers to the period 1950-51 to 1960-61. During this period, the growth was reasonably rapid. The aggregate net domestic product rose by 45.4 per cent and per capita net national product rose by 20.9 per cent. The second phase refers to the years 1960-61 to 1970-71. During this period the aggregate growth rate slightly declined. The rise in the net domestic product was 44.0 per cent. Faster population growth, however, resulted in a such lower rate of increase in per capita net national product which rose by 15.5 per cent only. During the third phase (1970-71 to 1974-75) the net domestic product rose only by 5.7 per cent and per capita income actually declined approximately by 2.8 per cent.¹ Although 1975-76 was a good year for growth, this was mainly due to the fact that it was a year of recovery from

Table 1.1
Growth Performance of the Indian Economy During
1950-51 - 1975-76
(Figures at 1960-61 Prices)

Year	Net Domestic Product (Rs. million)	Average Annual growth(%)	Per capita Income (Rs.)	Average Annual Growth %
1950-51	91220		252.9	
1960-61	132630 (45.4)	4.54	305.6 (20.9)	2.09
1970-71	190960 (44.0)	4.40	353.0 (15.5)	1.55
1974-75	201830 (5.7)	1.14	343.2 (-)(2.8)	(-)0.55
1975-76	219520 (8.8)	8.76	365.9 (6.6)	6.61

Source: Central Statistical Organization

Note: Figures in brackets refer to per cent growth during the periods 1950-51 to 1960-61; 1960-61 to 1970-71; 1970-71 to 1974-75; 1974-75 to 1975-76 respectively.

1. These refer only to the average growth rates during the period. The trend rates of growth of net domestic product during the decade 1951-60 and 1961-70, work out only to lower figures of 3.8 per cent and 3.7 per cent respectively. For details see Draft Fifth Five Year Plan (Vol.I) p.7

a low base and was fortuitously blessed with a good monsoon². The tendency of stagnation reappeared in 1976-77 proving 1975-76 to be a 'flash in the pan.' Thus it is clear that the growth of the economy after 1960 has been rather sluggish and shy, and therefore the acclaimed achievements in developing the economy have not produced a satisfactory pay off in terms of a real rise in the average living standards.

1.6 Decline in Investment Effectiveness

A similar trend of declining capacity for growth emerges from the available data related to output-capital ratios. For the first Plan period 1951-56, the incremental output-capital ratio (additional income generated during the period over investments during the period) was about 47 per cent. In the Second Plan, 1956-61, it was 39 per cent. A sharp drop in the Third Plan, 1961-66, to 21 per cent was followed by a stagnation at low level. During the Annual Plan period, 1967-69, the ratio was 20 per cent, and during the Fourth Plan, 1969-74, it was only 19 per cent.

Table 1.2

Output-Capital Ratios in Five Year Plans

<u>Plan</u>	<u>Year</u>	<u>Output Capital Ratio (Per Cent)</u>
First Plan	1951-56	47
Second Plan	1956-61	39
Third Plan	1961-66	21
Annual Plans	1967-69	20
Fourth Plan	1969-74	19

Source: 'Draft Fifth Five Year Plan' and Central Statistical Organization, 'Basic Statistics 1950-51 to 1974-75'.

Figures derived by dividing rise in GDP during each plan by aggregate of investments undertaken during the period.

2. Whereas the net national product increased by a percent rate of 8.8, per capita income rose by 6.6 per cent during 1974-75 to 1975-76.

1.6.1 There are several reasons for this decline in the average index of investment effectiveness. First, pervasive under-utilisation of installed capacity has worsened the apparent relationship between investments and new output generation. Secondly, delays in implementation of investment projects have raised investment costs and delayed the emergence of new outputs. Thirdly, heavier 'weightage' towards 'high investment-cost' and 'long-gestation projects' from the Second Plan onwards has worsened the aggregate output-capital relationship. Finally, the loss of price-stability and the consequent efforts to contain inflation have kept the rate of investment low, thereby preventing satisfactory utilisation of capacities earlier created in the investment-goods sectors in anticipation of high growth rate. These reasons are themselves indicative of unsatisfactory planning as well as inefficient implementation. In particular, the impact of 'project implementation delays' are chronic in public sector projects and have become equally prevalent in private sector projects due to widespread and crippling presence of complex regulations, cumbersome procedures and red tape.

1.7 Increasing Capital Intensity

There was a gradual (and largely inevitable) rise in the capital-intensity of production within various sectors of the economy. A major share of the fall in incremental output-capital ratio can be attributed to this 'technical-modernisation effect, the remaining share of the fall being due to a shift in investment away from low capital-intensity sectors towards high

capital-intensity sectors. Simultaneously there was a rise in the capital intensity of wage goods (essential commodities) production along with a fall in the share of wage goods producing capital to total capital stock.

1.7.1 Clearly, then, the unsatisfactory growth performance during the latter phase of economic planning is, to a large extent, explained by :

1. a shift towards more capital intensive sectors of production, which might be called the 'heavy-industry bias', and;
2. a drop in the capital of wage-goods industries in relation to total accumulated capital, which might be called the 'anti-consumption bias'.

1.8 Stagnation and Inflation

Since the early sixties, the Indian economy has been simultaneously going through a state of stagnation (low growth, under-utilisation of productive capacities, mounting inventories in capital-goods-producing units, etc.) and inflation (rapid price rise, money supply rising faster than real output, pressure on the balance-of-payments situation etc.). While the factors related to stagnation suggest that investments need to be stepped up, those related to inputs suggest that investment needs to be sealed down. Caught in such a 'vice', planners have generally done neither one nor the other. They have kept investments at a level which (given the low output-capital ratios prevailing) cannot possibly lead to rapid growth in real terms and which (simultaneously) is too high, given the savings-income relationship to prevent inflationary pressures

from gathering strength. In other words the level of investment adequate to sustain reasonable growth in real terms has been higher than the level of investment which, in terms of monetary process, allows for reasonable price stability.

Table 1.3

Prices in the Indian Economy 1960-61 - 1973-74

Items	Percentage rise during the period	
	1960-61 - 1973-74	1960-61 - 1974-75
1. Food Articles	195.9	264.0
2. Fuel, Power, light and lubricants	118.8	221.3
3. Industrial Raw Materials	193.3	220.8
4. Manufactured Articles	110.0	160.0
5. General	154.8	214.3
6. Cost-of-living, Agrarian workers	147.0*	232.0**
Cost-of-living Urban workers	187.0*	269.0**
Cost-of-living Urban non-manual workers	112.0*	159.0**

Source: 'Basic Statistics', Op.cit.

*Relates to the calendar year 1973

**Relates to the calendar year 1974

It was only in 1975-76 that our policy-makers adopted effective monetary, fiscal and administrative initiatives to check the rise in prices. Aided by a good monsoon and favourable trends in the

export markets, they succeeded temporarily in combining both higher rate of growth and significant price reductions. However, the recovery (being aided by fortuitous circumstances) was not very longlasting and the subsequent trend is once again towards a lower rate of growth and rising prices.

1.9 Savings and Capital formation

An interesting index of the nature of the government's contribution to the development financing set up is the ratio of public sector capital formation to total government expenditure. In 1960-61, this stood at 38.38 per cent. In 1965-66 it was 36.58 per cent. In 1969-70 it declined to 27.24 per cent and 1973-74 saw it drop to 25.11 per cent. Thus during the latter phase of planning there has been a continual decline in the proportion of public sector capital formation to government expenditure.

1.9.1 A situation similar to the above can also be observed if we study the ratio of public sector savings as a proportion of public sector output. This ratio stood at 21.72 per cent in 1960-61. By 1973-74 this went down to 16.77 per cent, reaching a lower level in 1969-70, 14.42 per cent.

1.9.2 Indeed the entire rise in the proportion of savings to national income (from 9.95 per cent to 13.46 per cent) over 1960-61 to 1973-74, has been the result of a rise in private savings as a ratio of private sector output from 8.85 per cent to 12.91 per cent, which has more than compensated for the decline in the public sector propensity to save. These figures show quite

unmistakably that from 1960-61 to 1965-66 both the public and the private sectors were engaging in acceleration of capital formation. Beyond 1965-66 and up to 1969-70 there was sharp decline in the public capital formation effort, which was not reversed even in 1973-74. The private sectors acceleration continued upto 1969-70 but thereafter, its rate of capital formation also declined. On the savings front public savings propensities declined significantly, while private sector (including agriculture and households) saving propensities tended to grow. The net effect was a swing in national capital formation (with peaks in 1965-66 and 1973-74). As a result of the decline in the rate of capital formation and a modest rise in the rate of savings, however, a surplus of domestic savings over domestic capital formation tended to emerge reversing the earlier trend of externally-financed capital formation.

1.10 A Picture of gloom

From the Second Five Year Plan onwards the Indian planners tried a process of heavy-industry-intensive and capital-goods-intensive growth strategy, based on public sector capital formation as its leading instrument. If this could be maintained at high-intensity, the pay-off might have been impressive. What dampened the prospect was the ineffectiveness of the Government as an engine of resource mobilisation; Public Sector savings were never high enough in proportion to public sector product, so that even in the face of a quite reasonable rise in private savings propensities, domestic savings were found to

be inadequate to cover domestic capital formation costs. The process could be sustained as long as the net inflow of foreign investment could make up the gap. The end was reached in 1965-66 when the prospects of external aid and improvement in foreign exchange resources began to fade and in reality the idea of truly rapid capital accumulation was virtually given up. Since then, although the economy has more or less, (except for oil crisis disturbances) recovered its international equilibrium its internal rate of capital accumulation has had to be curtailed to levels at which a heavy-industry and capital-good biased growth strategy has become non-viable.

1.11 Structural Imbalances

The most important form of structural imbalance in the Indian economy is in respect of shortage of basic wage goods. At a level of aggregate demand which will be sufficient to fully utilise the existing productive capacities of the Indian economy, the level of expenditure that people will like to devote to the consumption of necessaries like food, cloth, edible oils, shoes, domestic utensils etc. turns out to be so large compared to available supplies, that prices of basic necessities are rapidly driven up. If, on the other hand, aggregate demand is low enough to keep the prices of basic necessaries from rising, it is plainly insufficient to activate the rest of the productive capacities. One may ask why a brisk demand for basic necessaries does not produce a reaction, rapidly augmenting these supplies. There are three main reasons for the relatively low response of basic

wage goods producers to high prices. First, agriculture (directly and indirectly the source of a large section of basic wage-goods) has been marked both by a slow long-term growth rate and large inter-year fluctuations (see table 1.4). This could be treated as a direct outcome of (a) inadequate investment outlays in this sector particularly in the latter phase of the development-planning and (b) failure to evolve policy measures to make the agricultural sector sufficiently attractive when compared to other sectors.³ Secondly, the market mechanism has tended to operate relatively ineffectively (particularly in agricultural sector) due to middlemen absorbing the bulk of price rises in the form of higher trading profits. Thirdly, several industrial wage-goods sectors are subject to price-controls and various other regulations which prevent normal response to price incentives. Finally, in several critical industrial wage-goods sectors, there has been a long-term apathy of the private investors, which has not been compensated either by public investments or by monetary-fiscal stimulatory measures. Given, then, the slow rate of growth in basic wage-goods production activities (whether in industry or in agriculture) the economy has gradually arrived at a situation in which the lack of wage-goods supplies and wage-goods production capacities, prevent the possibility of investment at high enough rates to ensure adequate growth and still avoid serious inflation.

3. The terms of trade between agricultural and other sectors remain typically unfavourable to the former. A brief reference to this subject is made in chapter 7.

1.12 Sectoral Growth Rates

Some more light can be shed on the manner in which the wage goods imbalance has tended to develop in the economy by considering the pattern of sectoral growth rates.

Table 1.4

Average Annual Growth Rates of Sectors During 1961-62 - 1973-74

(at 1960-61 Prices)

Sectors	Percentage Growth
1. Agriculture and Allied	2.07
2. Mining and Quarrying	4.04
3. Manufactures	4.21
4. Basic Wage Goods	1.82
5. Other consumption goods	7.35
6. Intermediates	4.48
7. Capital Goods	5.39
8. Electricity, Gas and Water Supply	9.90
9. Construction	4.80
10. Railways	3.27
11. Other Transport	5.17
12. Services	4.35
13. Administration	6.94
14. Social Services	2.56
15. Trade, Commerce and rest of economy	4.09
16. Gross Domestic Product	3.40

Source: 1. Fifth Five Year Plan p.98:
2. Hannan Ezekiel, Second India series of studies -
Industry, Macmillan, 1975.

Between 1961-62 and 1973-74 the average annual sectoral growth rates (at constant prices, 1960-61), were as follows: agriculture and allied activities (2.07 per cent), mining and quarrying (4.04 per cent), manufacturing (4.21 per cent), other transport (5.17 per cent), construction (4.80 per cent), railways (3.27 per cent), services (4.35 per cent), electricity, gas and water supply (9.90 per cent) and gross domestic product (3.40 per cent). Within the manufacturing sector, small industries advanced at only 2.89 per cent and organised industries at 4.95 per cent. Basic wage-goods industries advanced only by 1.82 per cent, other consumption goods by 7.35 per cent, intermediate goods by 4.48 per cent and capital goods by 5.39 per cent. Within the other services sector, administration rose by 6.94 per cent, social services by 2.56 per cent and trade, commerce and others by 4.09 per cent. The emergent pattern of imbalance can be identified by noting that the two slowest-growing sectors have been 'agriculture and allied activities', and 'basic wage-goods industries'. It is indeed, nearly incredible that the planners failed to appreciate the meaning of these trends and to take adequate measures before they became established as long-term features of the growth pattern.

1.13 Spread of Mass Poverty

There has been both a widening and a deepening of mass poverty. In 1960-61, the size of the population below the poverty line (Rs. 240/- per capita per annum at 1960-61 prices) was estimated at 235 million. By 1967-68, this had risen to 247

millions. In 1970-71, this rose to 260 millions and stands currently at or around 280 millions. The widening of the poverty phenomenon, of course, does not occur at a steady rate and undergoes large variations depending mainly on the year-to-year variations in agricultural output. The deepening of the poverty problem is an even more disconcerting factor. By 'deepening' we refer to the relative rise in the numbers of the 'destitute' among the poor. From a percentage of only 18 in 1960-61, the ratio of the destitute to the poor stood in 1973-74 at 25 per cent.⁴ (See table 1.5(a) and 1.5(b)).

Table 1.5(a)

Size and Per Head Income of the Bottom 4 deciles of the Indian population 1950-51 to 1974-75

Year	Size in Million	Per Head Income in 1960-61 Prices (Rs.)
1950-51	144.44	94.84
1960-61	175.69	114.38
1970-71	219.26	131.93
1974-75	232.98	128.03

Source:- 'Basic Statistics' Op.cit.

Note: Income estimates based on 15% of National Income going to bottom 4 deciles.

4. There are various uncertainties surrounding 'poverty statistics' in India. However, whichever of the measures is chosen, the rise in the size of the poverty group, over 1961-62, - 1973-74 comes roughly to 45 millions in absolute numbers.

Table 1.5(b)

Size of the Poverty Group 1950-51 to 1974-75

Year	Number below National Poverty Line ¹ (Millions)	Number of Acutely Destitute ² (Millions)
1950-51	208.00	31.20
1956-57	238.00	38.08
1960-61	235.00	42.30
1967-68	247.00	46.93
1973-74	280.00	70.00

1. Below Rs 240/- a year at 60-61 prices
2. Below Rs 120/- a year at 60-61 prices

Source:- (a) B.S. Minhas 'The Poor, The Weak and the Fourth Plan' in Fonseca (ed.). The challenge of Indian Poverty, Vikas Publications (1973).

(b) P.D. Ganeriwala: 'The Spread of Destitution' in Sethuraman (ed.) Profiles of Poverty, Kurup Press (1976).

Note: The 1973-74 figures on the first column is the result of projection of Minhas figure with the assumption of substantially unchanged income distribution between 1967-68 and 1973-74.

1.14 Population Growth

A part of unsatisfactory performance of Indian Plans is obviously due to faster population growth. Both the slowing down in the growth rate of per capita product and the decline in per capita supplies of wage goods (essential commodities) is-in-part due to the acceleration of population growth. Further, the increasing gap which has emerged between birth and death rates (and which will remain large, even with best efforts for quite a few years to come) represents a continuing burden on economic

progress. For this unfortunate situation, two factors are responsible:

- (a) complacency about and neglect of the population problem in the early phases of development planning, and;
- (b) inadequate and ineffective policies in the field of population control in the latter phase.

As a result, the population situation today represents a serious menace to the development prospects. Of course, there exists today a greater sense of urgency in this matter. However, in spite of this feeling of urgency and the allocation of an increasing quantum of resources to this field of activity, the results so far have not been impressive. The fundamental reasons for policy-ineffectiveness in this area have been (a) inadequate stress on motivational factors governing family planning, (b) lack of emphasis on the social infrastructure (as distinct from the techno-infrastructure) of family limitation programme, (c) non-establishment of effective linkages between family-planning and other elements of social welfare programmes, and, (d) unwillingness to provide a sufficiently effective administrative substructure for implementation of family-planning programme.

1.15 Increasing Unemployment

Increasing unemployment with a positive growth in the output is an established phenomenon in the Indian economy. There are mainly five reasons for such a development. First, effective

rate of capital formation has only marginally exceeded that of rate of growth of population. Secondly, the participation rates of male and female population has been steadily increasing thereby further augmenting the effective labour supplies. Thirdly the pattern of output has a swing towards those sectors where the employment per unit of output is relatively low. This swing has virtually absorbed all incremental capital, adding only negligibly to employment. Fourthly the proportion of capacities actually being utilized during any year has also been coming down quite recently. In labour intensive industries like cotton textiles, light engineering, jute, sugar etc. capacity utilization has reached incredibly low levels. Finally, the technological changes in the agricultural sector led to the transformation of the disguised unemployed in to open unemployed, with the concomittent tendency to migrate to urban and semi-urban areas, becoming stronger.

1.15.1 Unemployment estimates in the Indian context vary over a wide margin of 9 - 17 per cent of the population. A disturbing feature of unemployment in India is that the unemployed includes a sizable number of educated persons and trained technologists. Thus, the existence of an army of educated unemployed exposes the weaknesses of the official development Plans, the central objectives of which includes generation of adequate opportunities for employment.

1.16 Implications for Mass Welfare

The combination of a low investment rate with a heavy-industry bias implies inordinately low rates of growth in supplies of consumption goods. This is exactly what has been the case during the post 1960-61 phases. Per capita supplies of foodgrains declined from 469 grams per day per capita to 448 grams; edible oils per capita per year dropped from 3.2 kilos to 3.0 kilos; Vanaspati remained stagnant at 0.8 kilogrammes per year; cotton cloth in meters per year dropped from 13.8 to 12.1; only sugar and tea recorded modest rise from 4.7 to 6.0 kilogrammes per annum and 0.29 to 0.4 kilogrammes per annum respectively. The situation in terms of essential social services was only marginally better. Buses per 1000 persons rose from 0.13 to 0.18, and trucks from 0.39 to 0.77. Number of primary schools per 10,000 persons declined from 7.6 to 7.4. Number of secondary schools showed a rise from 1.1 per 10,000 to 1.7 per 10,000 persons. This gross failure to produce the basic necessities of consumption has been primarily responsible for the continued poverty of the Indian people after more than two decades of planning. It also resulted in obscuring some of the positive achievements in the record of the 'planning era'.

1.17 Outstanding Tasks

Indian planners have so far attached in effect low priority to the crucial tasks that have to be vigorously pursued in order to make a real difference in the welfare of India's poor. Such crucial tasks and the action needed for pursuing them are

indicated below:

- 1.17.1 First, agricultural output needs to be progressively and substantially raised and its tendency to fluctuate from year to year needs to be contained. A thorough going programme of land and water management and agro-ecological reform must be the main instrument. Much of the work can be done by labour intensive methods with massive participation of the rural poor.
- 1.17.2 Secondly, the prevailing pattern of land-distribution and land cultivation must be subjected to rational reform. Consolidation and viable grouping of such holdings, coupled with effective implementation of land ceiling laws and proper utilisation of community lands are the means.
- 1.17.3 Thirdly, nothing substantial has been done to improve the literacy of rural workers. The drive towards literacy needs to be based on the development of area organisations of the rural poor, and leadership development within such organisations.
- 1.17.4 Fourthly there should be a serious attempt to tackle the problem of substantially regulating the channels of trade in essential commodities and their supply to poor households at adequately subsidised prices.
- 1.17.5 Fifthly, there has been inadequate attention to the problem of developing and securing viability for the small and household industries sector. The aim here should be to explore to the maximum the possibility of direct public purchase (coupled with technical and credit assistance) of a sufficient proportion of the products of small and household industries.

1.17.6 Sixthly, too little attention has been paid to the importance of preventing the massive social waste implicit in the growing number of educated unemployed. Programmes both for reducing the production of unemployables' and for the organising of socio-developmental activities in which educated unemployed can validly participate, are essential.

1.17.7 Seventhly, while adequate emphasis has been placed on population control, effective methods for spreading family limitation practices among the poor have still to be worked out. Recent experiences indicate the insufficiency of tough and coercive methods by themselves.

1.17.8 Finally, there has been neglect of the need to monitor policies (particularly those concerned with agriculture, social services and small industry programmes) in respect of their actual impact on the poor. Too often in the past guess work has substituted empirical knowledge in connection with programmes meant to help the poor. As a result bulk of the benefit has gone to others than the intended beneficiaries.

1.18 Development for Poverty Elimination

It will be noted that the tasks identified above have a natural and integral relationship with the kind of growth needed for poverty elimination. A development-programme aimed at rapid reduction in size and steady improvement in the welfare of the poverty group will have certain obvious priorities.

1.18.1 First, there must obviously be rapid growth and techno-organisational progress in the sectors on which the poor depend

for employment and self-employment: agriculture, animal husbandry forestry, construction and public works, village crafts and small industry, small services units and minor transport. - All other sectors must be treated for the time being, as important only to the extent they provide necessary inputs and support services to these new priority sectors.

1.18.2 Secondly, there must be a rapid expansion in the output of basic wage-goods industries. There must be a deliberate attempt to curb the growth of non-essential consumption goods industries. Capital goods and intermediate goods sectors should be allowed to grow consistent with the needs of sustaining an inter-sectoral balance.

1.18.3 Thirdly, there must be a rapid extension of social service activities-family planning, child care, education, community organisation and health-directed especially at poor communities.

1.18.4 Fourthly, there should be an intensive attempt to improve the drinking water, sanitation and housing levels of poor communities and of slum areas. While, in the immediate future, resources and sectoral priorities may not permit rapid progress towards permanent solution of housing and community services problem, interim measure of a non-permanent low-outlay type-will have to be intensively pursued.

1.19 Growth with Social Justice

A growth strategy with the priorities outlined above and coupled with intensive attention to the neglected tasks of planning mentioned above will serve not only for more rapid

tackling of the poverty problem but also will help to accelerate growth. This belief is based on three fundamental facts.

1.19.1 First, the new sectoral priorities will serve to weight new investments towards high incremental output-capital ratio sectors and quick-gestation projects. This will not be done indiscriminately, as an a priori objective, but will follow naturally from the sectoral priorities adopted.

1.19.2 Secondly, by allowing for rapid expansion of basic wage goods output (industrial as well as agricultural) the new strategy will break the imbalance which has been responsible for continued stagnation along with inflation in the Indian economy.

1.19.3 Thirdly, by rationally restricting necessary outlays on capital goods and heavy infrastructure, the new development style will release resources for more meaningful growth promoting activities, particularly those using social services as their main activating input.

1.19.4 In our view, therefore, social justice and faster economic growth are not competitive but complementary. Rather improved social justice is the way towards more rapid economic growth and that, in turn, is the material basis for further improvement in social justice.

1.20 Some Crucial Problems

Devising and working out a development strategy of this nature requires the solution of some fairly difficult problems.

1.20.1 First, the priority sectors of the new strategy are typically those which have relatively low reinvestment ratios and also low capacity for being taxed. How, then, do we expect to raise the required resources to continue rapid growth in the longer run? This will call for a new approach to resource-mobilisation.

1.20.2 Secondly, the type of growth proposed will involve (in the initial stages at least) rapid increase in consumption levels. After accommodating requisite consumption increments, will sufficiently large savings be generated in order to permit the estimated volume of outlays? Once again it will be necessary to think of new ways of securing the macro-economic balance.

1.20.3 Thirdly, what will be the roles of the private and the public sectors in the new set-up? Most of the rapidly growing sectors are those currently in the private sector ambit and also likely to remain so. What will this imply as far as the economic weight of the private and public sectors are concerned? Certain new roles for the public sector emerge (e.g. in the social services sector and in the trade sector) which will tend to replace older roles (as builder of 'heavy industries'). The shift from a public sector mainly concerned with production to a public sector mainly interested in physical and social infrastructure, trade and community organisation represents a fairly difficult exercise in transition, just how far and at what rate the transition can be affected, is therefore, a matter of delicate judgement.

1.20.4 Fourthly, the methods of implementation which are being followed by Indian planners and administrators will, in our opinion, have to be radically improved for the type of planning envisaged in this document. What then will be the procedures for formulation and implementation of plans? Once again, fundamentally a new approach to plan administration will be required. Such an approach will be based on (a) modernisation of the structure and function of the machinery of administration, (b) professionalisation of personnel at various levels of public services, and (c) meaningful opportunities for participation of the people both in urban and rural sectors in community development programmes, consumers and producers cooperatives and social welfare activities carried through voluntary effort and voluntary organisations.

1.20.5 This analysis of the performance of planning in India shows that while over the last 25 years the Indian economy has been diversified and also developed to a certain extent, the three basic aims for which planning was initiated still remain distant and receding goals. We therefore conclude that first, the standard of living of the bulk of the people has either remained stationary or has improved only marginally and in fact the living standards of the lower 40 per cent of the population has actually declined. Secondly, across the economy the inequalities of incomes and wealth have widened and not narrowed. Thirdly creation of additional job opportunities has failed to keep pace with the growing size of unemployed population, the aggregate number of the

unemployed population has in fact substantially increased. In other words, the economy has failed to move towards progressive realisation of the central aims of planning and the trend is that these aims will recede further. This is indeed a serious failure of planning in India. It is therefore necessary to redesign and restructure the strategy and the policies of economic planning to impart to it a new sense of purpose and direction before it gets too late to do so.

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CHAPTER II

OBJECTIVES, PRIORITIES AND GUIDELINES

2.1 The purpose of Peoples' Plan II

The purpose of preparing Peoples' Plan II is to place before the Indian public a concrete alternative to the kind of economic planning so far practiced by our policy-makers and to promote an informed debate on planning in India. Naturally, the presentation of an alternative implies that the errors in the strategy and methodology of past plans are identified and that a consistent thought framework, free from the errors of the past, is developed. In the previous Chapter we have reviewed the performance of planning and indicated the shortcomings and errors and also identified the outstanding tasks. In the present Chapter we try to define a set of objectives in the context of the realities of the economic situation and in the light of the experience of the past twenty five years; draw a scheme of ~~prx~~ priorities in order to move progressively forward towards these objectives and; indicate a set of guidelines for formulation and implementation of plans¹.

2.2 The Basic Objectives

We believe that planning in India during the coming twenty years or so, should be guided by the following basic objectives:-

1 For concrete programatics and quantification of inputs, outputs and targets in the context of the objectives, priorities and guidelines see Chapters IV and V.

- i) that the minimum primary consumption needs of India's growing population should be satisfied (Primary needs)
- ii) that the productive involvement of the people in the process of economic development should be ensured by generating adequate employment opportunities. (Employment)
- iii) that economic growth on which the above two objectives are directly dependant should simultaneously reduce inequalities of incomes and wealth. (Distributive Justice), and
- iv) that the poverty, prevailing among bottom 40 per cent of the population should be eliminated. (Elimination of poverty).

2.3 Satisfaction of minimum primary needs

The primary needs of the people are food, clothing, shelter, education and medical care. We recognise that satisfaction of the primary needs even at minimum levels is unlikely to be attained in the short run. Nor will it be attainable simultaneously at some specific date. Rather, the attempt must be to attain the minimum levels of primary needs of each type at the earliest possible date. Evidently, given an assumed pattern of dates for reaching the minimum targets of primary needs and the size of population at those dates, a certain set of physical growth targets independently emerge and these become relatively rigid inputs for the planning process. Indian

planners so far have hesitated to incorporate such consideration into development planning. For one thing this would come into immediate and drastic conflict with the pattern of developmental priorities to which they have become accustomed. Given the resources constraints and the postulated growth rate, the planners found that any attempt to introduce such targets would have lowered the growth rates of most of the sectors of the economy. In other words, the heavy-industry sectors virtually represented to the planners ends-in-themselves and not the requirements emanating from the pattern and growth rate in the demand for primary consumption needs. Rather, it was the pattern of final consumption demand, including that for essential commodities, which was to be adjusted to the requirements of an adequately high rate of growth of the heavy industry sectors. Since we do not look upon industrialisation or capital goods production as ends in themselves, we believe that development priorities should include specific commitment to reach minimum primary needs targets by specified dates. We realise, of course, that the introduction of such physical target attainments may not always be easy to harmonise even with an agriculture-wage-goods services-strategy. The "shelter, water supply, sanitation" group of needs which involves heavy investment will pose difficult problems. Yet, the fact that we treat industrialisation and capital goods production as tools rather than as ends provides scope for harmonising the compulsions of growth and employment with those of supplying minimum primary needs of the people.

2.4 Maximising Employment Opportunities

We consider that the development plans should embody a clearly stated employment plan and manpower utilisation programme. The most important part of such a programme would be concerned with the utilisation of idle and partially idle manpower. There should be definite and distinct progress in every plan towards a better balance of job-seekers and job-opportunities (in terms of employment and self-employment) in the economy.

2.4.1 Effective participation of people in the process of economic development is one of the central objectives of the Peoples' Plan. Unless this fundamental aim is seriously and consistently pursued, we see no prospect for any significant improvement in mass welfare standards. Neither the provision of social welfare benefits to poor households, nor the establishment, at public cost, of community utility services in poor neighbourhoods or settlements, has a perceptible long-term impact on the welfare of the recipients. It is, therefore, necessary to ensure growing productive involvement of people in the expanding sectors of economic activity. Consequently, so long as the productive involvement of the Indian 'people' in the expanding sectors of economic activity remains at its present low level, standards of mass welfare cannot possibly improve. Neither an acceleration of the rate of growth of the economy, nor the strengthening of 'redistributive measures' nor finally, the expansion of social welfare activities of the State, will make a significant difference.

2.4.2 The statement made above is not meant to deprecate the usefulness of efforts currently being made to provide social welfare benefits and to develop 'minimum essential community services' for the poor. Our intention is to emphasise the crucial importance of productive involvement of the people as an instrument of raising mass welfare standards. By 'productive involvement' of the people we mean their becoming 'engaged in worthwhile economic activity' (either as wage workers or as self-employed) in sectors where opportunities are likely to expand as a result of economic development.

2.4.3 However, in order that opportunities for employment/self-employment being created by the process of economic development are effectively utilised by the people of a poor country, such opportunities need to be of an appropriate type. This means in effect that (a) the opportunities should be suitable for unskilled/semi-skilled workers and should require only 'minimal' training or retraining and (b) the self-employment opportunities must be viable at low levels of techno-entrepreneurial knowhow and based on moderate amounts of investible capital.

2.4.4 The problem with modern economic growth in a less developed country is precisely that most of the new employment opportunities being created are of a very different type. Typically they require effective orientation in favour of a techno-industrial civilisation, emphasise technical skills and managerial sophistication and usually involve fairly heavy

investment of capital. This mismatch of the type of opportunities being created and the type of opportunities which can be effectively utilised by the people accounts for two features of the growth process in a less-developed country: (a) the under-utilisation of economic opportunities and the consequent low 'spread effect' of investment and (b) the confining of the major benefits of economic growth to a small section of the population which alone is in a position to exploit the new opportunities.

2.4.5 Planning of a different type, operating at several levels is necessary in order to offer a reasonable chance for correcting this basic mismatch. The central purpose of such planning is to secure a faster rate of expansion of economic opportunities that the people can quickly utilise and to do this in a manner which does not prejudice the long-term capacity of the economy to grow and modernise itself.

2.5 Distributive Justice

While a well defined strategy of economic development may ensure the supplies of essential goods and also generate adequate employment it would not, however, automatically guarantee that the proceeds of growth are distributed in a just manner among the partners in the process. The growth mechanism itself may possess in-built factors through which the gains would accrue mainly to the asset holders, particularly in the short term. Indian planning has during the past twenty five years created a situation in which the beneficiaries seem to be the rentiers, the traders and the middlemen. The process has been reinforced

by the kind of strategy and policies adopted by the planners. The consequence is also quite clear. The efforts at enhancing the average living standards of the Indian people have suffered a serious set back. Income accruals among the vested sections went on unabated, considerations of equality in income distribution between the factors of production got relegated to the background and hence disparities in their personal distribution of incomes and wealth got, in effect, accentuated. It appears that inequity in distribution of incomes and wealth has become a queer characteristic feature of Indian growth process. This trend has to be reversed and that this needs to be accomplished as early as possible. We therefore emphasise the importance of ensuring an increasing measure of distributive justice and indicate a practical way of doing so.

2.6 Poverty Elimination

A reference has already been made in the preceding chapter to the extent of prevailing poverty in India despite the long and strenuous efforts of Indian planning over the past 25 years. Leaving apart the nature of data regarding the size of population in the poverty bracket and the unsettled debate on the temporal pattern of this poverty margin, the appalling living standards of the bottom 40 per cent of India's population remains an economic reality to be reckoned within any effort to plan for future development. While the above mentioned objectives and the consequent strategies may prevent the economy from any further deterioration, we believe that consciously chosen policies

are immediately called for in order to recover the huge population already caught up within the poverty trap. We recognise that achieving the objective of poverty elimination is not as easy a task as one would like it to be, but we also recognise that this is, above all, a human problem which requires priority attention in the coming two decades.

2.7 Investment Priorities

As has already been shown in Chapter 1 a major internal contradiction in the Indian pattern of development has been the combination of a heavy-industry-oriented pattern of allocations and an investment rate too low to validate such a pattern of allocations. This contradiction has emerged primarily because the ratio of domestic investment to national income has continued to remain low. We therefore approach the issue of investment priorities from the standpoint of removing this internal contradiction. The investment priorities which would be most appropriate according to us are:

(i) Since India's development performance both in terms of per capita product and the growth rate of employment will depend predominantly on what happens in the agricultural sector, the pattern of investment allocations in the People's Plan should be governed, above everything else, by the need for providing an adequate 'inputs-infrastructure-institutional base for a sufficiently rapid rise in (a) the incomes of the agricultural sector, and (b) rural employment opportunities. The Peoples' Plan aims at a comprehensive reconstruction of the rural economy

through the development of agriculture, agro-based industries and cottage/household industries. We also regard that building of the necessary infrastructural facilities (both physical and social) is of equal importance.

(ii) Since the supplies of primary consumption goods have been lagging behind their effective demand during the past two decades, economic growth has not generated the required improvements in the standard of living of the masses. Therefore, sectors engaged in producing goods of primary needs (agricultural as well as non-agricultural) should receive priority attention in the matter of investment allocations.

(iii) Since improvements in the general welfare significantly depend on services like health, education and other community development services including those to the underprivileged and the rural masses, outlays on these services/sectors, should be stepped up substantially. Apart from satisfying the known socio-political requirements, this order of investment priorities would directly enhance employment potentials because of the low capital output ratio in this sector.

2.7.1 However it needs to be noted that these priorities are not necessarily sequential or chronological. They are interdependent and complimentary in character. We deliberately opt for this group of investment priorities in preference to any other group, in any case for the 10 year plan period.

2.8 GUIDELINES FOR PLANNING

2.8.1 Population Target

The first important guideline is that the planning process should be based on a specific reasonable population estimate and that the plans themselves should visualise the outlays and programmes necessary to implement a population policy based on such estimates. At the same time all-out effort needs to be made to bring down the rate of growth of population.

2.8.2 Primacy to Agriculture, Small Industry & Social Service

The investment pattern should also accord primacy to expansion in agriculture, small industry and social service activities. The logic behind this has been already indicated. These are the three sectors (along with basic wage-goods-industries) which determine the economic opportunities and standards of living enjoyed by the poor. The meaning of 'primacy in the context of investment planning is that reasonably high growth rates for these sectors should be introduced as exogeneous inputs into planning and; the investments and growth requirements for all other sectors be derived on the basis of intersectoral balances within this framework.

2.8.3 Supply and Marketing of Basic Wage Goods

A high degree of importance should also be attached to rapid expansion of supplies and effective marketing of basic wage goods. Here the choice of investments should be guided into the lines which promise the fastest output increase per unit of direct and indirect investments. Small scale technologies may be

inappropriate for some of the basic wage-goods on the ground of investment-effectiveness and total factor productivity considerations. Confusion should not be allowed between the targets of rapid growth in basic wage goods production and the promotion of small scale industries. The effective marketing of basic wage goods and their supplies to the poor at reasonable prices will involve not only production, but proper arrangements for stocking and off take, and elimination of speculative irregularities. A system of state trading, distribution through co-operatives and effective buffer stock operations will have to be instituted in order to progressively reduce dependence on private traders and suppliers/agents of various types.

2.8.4 Non Inflationary Economy

We envisage an essentially non-inflationary process of economic development. This does not imply that all prices should be rigidly fixed or controlled. This implies that the planned investments should match actual savings and public outlays should match the quantum of resources that can be reasonably expected to be mobilised. The size of investments and outlays should be determined on the basis of realistic estimates of mobilizable savings. Such an approach will rule out recourse to inflationary and deficit financing as a means of mobilising plan resources.

2.8.5 Relative Independence from Aid

Another basic guideline on which the Peoples' Plan II is based is that economic development should become relatively independent of foreign aid in any essential or critical manner.

This will call for rational planning of exports and imports to maximise the net gain in foreign exchange to be utilised for developmental imports. We believe that such rational forward planning would lead to a more dynamic approach towards export promotion and a more liberal import regime than the one currently prevailing. We do not favour an autarchic system based on the concept of exclusive self-sufficiency. We would therefore like to encourage development of India's foreign trade on the basis of comparative cost advantage.

2.8.6 Approach to Capital Goods Investments

An attempt should be made to allow investments in capital goods production to the necessary minimum for attainment of the growth pattern visualised. This does not mean an anti-capital-goods bias, but suggests the rational principle that (in a country with limited resources for investment) less the resources are locked up in costly long-term investments, the better. An attempt should be made also to structure the growth in such a manner and to employ such technical options as would regulate the growth rate of the capital goods sector, subject to the maintenance of intersectoral balances.

2.8.7 Restricted Growth of Heavy Infrastructures

Similarly, subject to intersectoral balance requirements, there must be an attempt to restrict the investments in heavy (high-per-unit-investment-cost) physical infrastructure. Throughout an attempt must be made to substitute low-investment-cost and labour-intensive methods for infrastructure construction and to

devise interim stop gap measures which allow heavier forms of infrastructure investments to be deferred to a later date when the economy will be better able to afford such investments. The application of this and the previous principle of investment planning will involve accurate estimation of real factor scarcities and consistent application of shadow-pricing techniques in investment planning and project evaluation.

2.8.8 Minimum Necessary Controls

Plan implementation should be based on minimum essential controls. While such controls should be carefully determined and pursued with the utmost vigour, the multiplicity of (mostly unnecessary) controls and regulations which are now hampering activities at every turn should be quickly scrapped. Besides foreign exchange control, rationing and distribution of basic wage goods and restrictive controls on luxury consumption of durables and housing, there does not seem to be any other control implied in the type of planning we visualise. The resources of administration now tied-up in non-essential and counterproductive controls may well be diverted to more rigorous pursuit of the type of controls described above and towards more effective enforcement of land reform legislation.

2.8.9 Managerial Autonomy and Productivity Orientation

Plan implementation should emphasise managerial autonomy of organised-sector units (both public and private sector) and the development of productivity orientation. A decentralised indicative planning procedure, coupled with the introduction of productivity

planning at enterprise and sector levels and a stress on professionalisation of management will go a long way towards meeting these aims. The same set-up will provide a chance for effective introduction of industrial democracy and workers' participation in equity capital and management of large-scale public and private sector units. The plan implementation set-up should also emphasise parallel treatment of public and private sector enterprises in credit and resource allocations and the awarding of government contracts. Small scale sector deserves special consideration with respect to credit facilities and also in respect of awarding government contracts.

2.8.10 Regional Development and Decentralisation

Another important aspect of plan implementation is the emphasis on balanced regional development and effective decentralisation of planning of regional/sub-regional units. There is a need for evolving a multi-level indicative planning set-up which allows the central planner to retain control of macro-aggregates of the national economy, while delegating detailed planning and implementation responsibilities down the line.

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CHAPTER III

THE STRATEGY AND PROGRAMMES

We have stated in Chapter II the objectives, priorities and the guiding principles on which People's Plan is based. We propose now to formulate our strategy of economic development supported by specific action programmes the implementation of which in turn should enable the planners to redefine or refine the strategy of economic development. Our time frame is of 20 years perspective (1978-79 to 1998-1999) and a concrete plan of 10 years (1978-79 to 1988-1989).

3.1 Strategic issues

The strategic issues relate to two sorts of questions. First we have to determine the type of results we seek to achieve, along with each important target dimension of the Plan. Secondly, we have to co-ordinate these desired results into a consistent and viable vision of economic and social progress over the time-horizon of the Plan which consists of a perspective of 20 years and a concrete plan of 10 years.

3.1.1 Issues relating to programmes are also of two types.

First we have to identify the action-initiative through which the desired results in each target-sector will be secured. Secondly, the individual programmes have to be co-ordinated into a coherent and mutually supportive action-framework.

3.2 Population

The strategic aim is to reach the minimum population figure which can be reasonably expected¹ to be attained at the close of the 20 year plan perspective ending 1998-99. Within this general commitment to population limitation, however, we wish to place special stress on family-limitation strategies specially directed towards lower-income households. We believe that to the extent outlays and programmes can be concentrated on the poverty group the pay off, both in terms of general population limitation and of contribution to the welfare of poor households, can be greatly enhanced. Further, we believe that a population limitation strategy must function not as an isolated target but as a primal component of an integrated set of sociological inputs directed at poor household, and communities.

3.2.1 So far as the specific programmes are concerned, we visualise family-limitation work as being organised on the basis of (a) rural communities, (b) urban slums and poorer districts and (c) the work force employed in organised-sector industries, plantations and largescale public-sector organisations. Within each organisational unit the programme structure should comprise of continued and intensive propoganda of the small-family norm, and creation of a set-up of family-welfare and counselling services. We lay special emphasis on child-care and female education as part of a rational programme for family limitation.

3.2.2 We also feel that intensive involvement of voluntary agencies and of local community-leaders will be a sine-qua-non

1. All issues are discussed in qualitative terms.
For quantification see Chapters IV and V.

of the family-limitation programmes. A policy of identification of community-leaders of the urban and the rural poor and to secure their influence in favour of (a) enforcement of legislation relating to child marriage, (b) the adoption of small family norms and (c) the acceptance of temporary and terminal fertility-limitation options will prove helpful.

3.2.3 The proposed framework for population also includes training programmes in family planning of short duration. These training programmes intended mainly for the youth, should be well designed to fit in the socio-cultural characteristics of India's illiterate population.

3.3 Agriculture:

While satisfactory progress in output and yields of important cereal crops may be relatively easy to attain, greater attention would be needed towards (a) non-cereal food crops, (b) non-food field crops, (c) animal husbandry and fishery and (d) minor forest and fuel woods. From the point of view of export promotion intensive development of plantation crops (tea, coffee, spices etc.) will also require emphasis.

3.3.1 It also is extremely important to emphasise (a) land reform and consolidation of non-viable holdings, (b) introduction of mixed farming in order to improve the agro-ecological base, (c) promotion of scientific land and water management, recovery and utilisation of inland water resources and minor forests and intensive utilisation of farm yard manures and (d) introduction of balanced mechanisation in a manner appropriate to the needs of small and medium cultivation.

3.3.2 The envisaged strategy is expected to swing the terms of trade between agricultural and manufacturing sectors in favour of agriculture in order to make farming economically attractive and financially remunerative.

3.3.3 The programme set-up for agricultural progress will consist of a four pronged attack on the bases of rural agrarian poverty. First, the educational institutions in the rural areas would have to be reconstituted as foci for intensive adult education and propaganda incorporating sound principles of agronomy and agro-ecology and of community organisation for agricultural improvement. Secondly, there must be a vastly expanded programme for agro-rural public works, utilising idle and semi-idle labour surpluses and concentrating on land and water management, minor forest development, recovery of waste lands and water bodies and encompassing all dimensions of local-area agro-base improvement. Thirdly, there will have to occur an immense expansion of the set-up for the provision of modern inputs, machinery and credit facilities, integrating them for regularised processing, storage and marketing of agricultural outputs. Further flour prices would be fixed in such a way that agricultural output receives its fair share in the national product.

3.3.4 Institutionally this will involve the initiation and energisation of effective area-planning at the district level and the setting up of organisation of rural poor at the community (group-of-villages) level. It will also involve the development of an effective set of co-operative credit, marketing and input-

supply agencies, linked at one end with the organisations of the rural poor at the community level and at the other end with state-sector trading and credit agencies.

3.3.5 The organisation of rural poor are visualised as gradually evolving into effective organs for the pursuit of development needs of their members. Formation and functioning of village level committees consisting mainly of the beneficiaries seems to be the only effective way to deal with issues like land reforms, protection of tenancy rights etc. and to break the stranglehold of rural elites on the agro-rural situation.

3.4 Agro and Small Scale Industry and Growth Centres

The other dimension of the strategy for agro-rural uplift will involve the revitalisation and expansion of agro and small scale (including cottage) industries. We visualise these developments as taking place not at the level of village communities but at the level of viable concentrations of trade, service and industrial activity within easy access of rural communities. Two levels of such centres are postulated: (a) central villages serving 20-30 rural communities and (b) growth centres serving a higher rank-order of facilities, there being about 5-10 such centres per district.

3.4.1 Strategically, we expect the major tools of rural (small) industrialisation and growth-centre building to be an expansion of credit and marketing services (coupled with technical extension) directed at agro-processing industries, units for service/repair of agricultural machinery and units for production of locally

needed consumption necessities based on local raw material inputs. This coupled with the necessary minimum of infrastructural investments in developing the growth centres as viable foci for linking the urban and rural sectors of the economy would be sufficient to generate strong forces of rural industrialisation.

3.4.2 The final strategic purpose of the development of rural growth centres is to halt the trend towards indiscriminate migration, from rural areas to the metropolitan centres leading to concentration of population in large urban complexes and thus to improve the prospects for satisfactory development of the urban areas themselves. At the same time the growth centres are expected to serve as the link through which urban communities and agencies can find a viable channel to the rural areas.

3.4.3 We visualise the programmatic coordination both of small industry and growth centre development through the area planning authorities at the district level. Acting in collaboration with and through the banking sector, the official agencies for technical and entrepreneurial education and the state co-operative marketing institutions, the area planning authority is expected to draw up and execute programmes for small-industry development within the district.

3.4.4 Intensive utilisation of the secondary education system including its increased vocationalisation is also expected in order to spread among the people the idea of self-employment through small and household industry and to develop in them the minimum information base for effective participation in economic opportunities being created.

3.4.5 As far as growth centre planning is concerned, this will involve concentrated and coordinated decision-making at the area-planning level in the direction of (a) demarcation and notification of growth centre areas, (b) the encouragement of concentration of new industrial trade and services units at these points and (c) the planning and execution of minimum infrastructure investments and town planning works.

3.5 Organised Sector Enterprises

The major strategic objectives with respect to organised sector units (industries, trading units and major plantations) are, in general, similar. First, there must be rapid expansion in all sectors directly or indirectly concerned with the production of basic wage goods. Secondly, there must be a strict restriction on the expansion of non-essential consumption-goods production, except and in so far as it is mainly developed for export markets. Thirdly, there must be a consistent effort to improve both investment cost-to-output and total factor productivity performance. Fourthly, there must be a constant pressure towards professionalisation of management, upgradation of technical skills and establishment of harmonic relationships between workers and the management.

3.5.1 The basic programme tools for stimulating rapid expansion in wage-goods sectors will be (a) the diversion of a significant part of public investment outlays towards investment in expansion, technical renovation and rationalisation of existing units, as well as the establishment of new basic wage-goods units under

public or joint sector auspices; (b) preferential treatment in terms of credit, import and scarce resource allocation and (c) guaranteed purchase at remunerative prices of a proportion of outputs of these units for public distribution channels.

3.5.2 For discouraging non-essential consumption goods production (except for exports) we would prefer the following basic tools: (a) the requirement that new units or expansion of existing units in this sector be allowed only on the basis of guaranteed export of a fraction of output, (b) stiffer company taxation and dividend limitation laws for such units; and (c) application of heavy excise taxation of such products. For existing older units we would recommend: (d) liberal excise relief and subsidy for exports and (e) selective credit facilities for retooling to produce essential products.

3.5.3 We also recommend the setting up of productivity wage and workers welfare planning committees in all major organised sector units. These planning committees (aided by the workers education programmes) will serve as our primary instruments for achieving the organisational and social aims in this sector.

3.6 Exports, Imports and AID

The strategic targets are (a) rapid expansion of exports, (b) rational liberalisation of imports, (c) selective inflow of foreign investment into export sectors and (d) gradual reduction in dependence on foreign aid. In particular, we would prefer fuller exploitation of export markets in plantation products, light industrial and engineering goods and products of small scale industry.

3.6.1 We stress the liberalisation of credit and reduction of disabling control legislation. We also suggest joint-sector investments (preferably with foreign capital participation) for cent per cent export industries. There must also be more liberal opportunities for dynamic exploration of new export markets and of new markets for old products, coupled with seed-money provision on public account. For (small) plantation and small industry product exports, we suggest the creation of export houses in order to undertake vigorous marketing of such products. We also suggest the abolition of the distinctions between traditional and new products and the recognition of the fact that all methods of achieving a given increase in exports are equally valuable and the emphasis should be on the lowest-investment cost methods of achieving gains in export. In respect of rational liberalisation of imports we propose the following guidelines. Evidently, no restrictions need be imposed on import requirements of cent per cent export industries. Secondly, import liberalisation can be allowed in all cases where there is a reasonable prospect of net saving of foreign exchange. This will occur provided the activity has an export-proportion higher than the share of imported-material costs in its production cost structure. Finally, import liberalisation is also desirable where (for other reasons) we may not be particularly interested in developing high-cost domestic products. Long-term comparative cost advantage should be decisive in this respect.

3.6.2 For securing accelerated foreign private capital inflow, restrictions and regulations hampering foreign capital inflow should be abolished for all proposals of cent per cent export industries. The only requirement should be that they should adhere to the common code of labour-management relations practices of the country. Similarly foreign private capital participation should also be encouraged for public and joint sector enterprises in the export sector, particularly if the foreign collaborator is ready to guarantee export markets. On the other hand, foreign capital inflow into luxury consumption goods productions for the domestic market, as well as the dominance of foreign firms in basic wage-goods industries must be strictly controlled.

3.7 Anti-poverty measures

It would be useful to notice how, within the programmatic framework described above that we have the lineaments of a coherent anti-poverty programme.

3.7.1 First, there will be, on a community-to-community basis, appropriate planning of labour-intensive public works activity, involving therein the local organisations of the poor.

3.7.2 Secondly, the entire group of poor households will be brought under the purview of family planning, child care, adult and primary education, vocational guidance and enablement services. This will undoubtedly involve innovations in cutting costs and using intermediate-level services.

3.7.3 Thirdly, poor communities will be provided (through the public distribution system) with rationed quantities of basic

necessities at subsidised prices. Similarly priority will be given to provision of minimum housing and sanitation needs of poor communities throughout the geonomic spectrum.

3.7.4 Fourthly, the credit, technical extension and marketing systems will be activated to enable poor individuals and groups to effectively participate in the rapid development of small industry visualised. The rapid expansion of the small scale industry sector itself (aided by credit, technical extension, marketing and export marketing activities, as suggested above) will also offer gainful employment opportunities to individuals of the poverty group.

3.7.5 Fifthly, the expansion of the agricultural sector itself will represent the single most important agency for the improvement in employment and income standards of the poor, particularly in view of the building-in of social-justice criteria into agricultural development programmes themselves.

3.7.6 Sixthly, the envisaged policy of landreforms is intended to achieve an equitable distribution of the ownership of the means of production. The direct consequence of such a policy would be (a) that a substantial increase in the productivity of land and associated factors including the labour employed in agriculture is achieved and (b) that a major share of the growth proceeds is ensured to the weaker sections of the community, namely, small and marginal farmers and landless labourers. These results would directly contribute towards elimination of poverty in a big way.

3.7.7 Seventhly, the anticipated strategy of industrial development ensures participation of labour both in equity capital and management of large scale public and private undertakings, thereby assuring equity and justice in the ownership of the means of production as also in the distribution of output.

3.7.8 Eighthly, we also consider it necessary and desirable to incorporate into the Peoples' Plan an employment assurance scheme, intended to provide job opportunities to those who are unemployed and those who are desirous of being employed.

Employment, thus, assured may not carry market rates of wages, but may ensure a minimum income, required for self maintenance without starvation from hunger and other expressed forms of poverty. The inspiration to incorporate such a scheme is drawn from the experience gained from the operation of such scheme initiated recently in one of the state.

3.8 Education

The strategic priorities of the educational sector are amplified as follows: (a) the retooling of primary and adult education to serve as popular activation devices and development of organised activity by the poor, (b) vocationalisation of secondary education with its emphasis on self-employment, (c) rapid expansion of middle-grade technical and workers' education and (d) planned expansion of technical, medical and managerial education based on thorough manpower-need estimation.

3.8.1 It will be necessary (a) to expand and enrich the staffing of primary schools and to equip them for intensive adult-education work, (b) to combine community-service functions (nutrition, child-care, health) and community-service education using the primary schools focus, (c) to stop the indiscriminate expansion of 'secondary education' and to convert as many units as possible to 'vocationalised' and self-employment-promoting institutions, (d) to reduce expenditure on 'mainstream' degree colleges and to expand facilities for 'polytechnic' and 'industrial training centre' level facilities (e) to expand paramedical and social work education as rapidly as possible, (f) to stress the training of elementary-level agronomic cooperative and social work educators and their employment in primary and secondary schools, family planning training programmes of short duration, (g) to institute rational manpower planning for university level education and to restrict high-cost education to manpower-need levels and (h) to involve the 'educated unemployed' in expansion of various forms of elementary, adult and literacy education after minimal training.

3.9 Health

Health services will expand rapidly primarily in the dimensions of (a) preventive medicine and community-health programmes, (b) improved nutrition and dietetic education, (c) paramedical and medical social work, (d) family planning and maternity/child care centres, (e) community-level dispensaries and outpatient care systems, (f) expansion of 'free

beds' and 'general ward' facilities and (g) health insurance schemes and facilities, (h) combining health services locationally and organisationally with other community services in an integrated framework.

3.10 Housing

Strategic consideration in the housing sector are (a) rapid improvement of existing housing facilities for poor people upto minimum standards, (b) rapid expansion of cheap rentable accommodations and housing estates, (c) adequate expansion of commercial accommodation and marketing centres and (d) restrictions on other forms of housing development through appropriate legislation and/or disincentives.

3.10.1 The main instruments will be (a) nationalisation and transfer of slum properties, (b) financial subsidisation of private entrepreneurs willing to invest in low-rent housing, (c) bank loan facilities for middle and lower-middle-level private house construction, (d) joint sector ventures for commercial buildings and market facilities construction, (e) legal restrictions of luxury housing in terms of architectural laws and (f) publicly funded programmes for rural housing in central villages and growth centres, aimed at providing facilities for the poor groups. Along with health care and housing we would like to lay stress on the need for promoting supply of drinking water to every community/village. We would also like to emphasise the need for improving rural and urban systems of sanitation.

3.11 Energy, Transport & Communication

The strategy of development envisaged for this sector is primarily as complementary to the developmental efforts anticipated in the production sectors like agriculture, mining and industries. In particular, the relatively low energy intensity of the envisaged general development strategy would have to be recognised as constituting the basic approach to the expansion schemes in the sector. It is worthwhile to recall that the Peoples' Plan is primarily labour intensive because of its stress on the small-scale sector.

3.11.1 While in general moderate growth of energy, transport and communications sectors will be imperative, certain ideas of a cost-and-resource-saving nature will require emphasis. In the energy sector, emphasis will be laid on wind-power and bio-energy development, fuel conservation drives and systematic power-consumption procedures in organised and small-scale-industry units, intensive use of minor fuels and low-grade fuels and a general movement towards lower-fuel-consumption types of technologies.

3.11.2 In the transport sector emphasis will be placed on bicycles and light transport vehicles, light motorised vehicles, tractor-carriers. Public transport systems will be emphasised as against private cars and other high-cost transport options. Tempos, vans and other forms of private transport capable of combining goods and passenger transport needs will be emphasised.

3.11.3 Finally, in communications, emphasis will be placed on extension of telephone/telegraph facilities; the broadening of range, variety and development-content of radio broadcasts; the subsidisation of local newspaper and periodicals and development of television at community centres etc.

3.12 CONCLUSION

The broad strategies and the programmes therein presented above will be found in line with the guiding principles developed in Chapter II. They are also mutually supportive at both strategic and programmatic levels. The quantitative intensity at which this strategic and programmatic conception can be applied will depend, of course, on mobilisable resources. This will be discussed at the level of macro-economic consumption-saving-investment balance in Chapter IV. The more detailed investigation of public outlays and governmental resource-raising will be dealt with in Chapter IV. Anticipating the findings of these two chapters, it can be stated that resources will be sufficient for implementation of the strategy visualised and for ensuring adequate intensity for satisfactory growth performance.

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CHAPTER IV

A TWENTY YEAR DEVELOPMENT PERSPECTIVE

In the previous chapters we have worked out the fundamental principles governing Peoples' Plan II and the strategy-programme framework in terms of which it shall operate. The next stage is to calculate, in quantitative terms, the implications of applying the new plan framework to the Indian economy. We would like to make it clear that the quantitative calculations are approximate and indicative. A non-official group working with obvious limitations of time and resources and confronted with both the incompleteness and unreliability (in parts) of available data concerning the Indian economy, cannot hope, in any case, for absolute accuracy. However, for the purpose in hand - which is to indicate, in broad quantitative terms, the pattern of development expected to follow from the new approach to planning - the calculations are both sufficiently accurate and sufficiently reliable.

4.1 The Long-Range Growth Perspective

We shall first attempt to develop a long-range growth perspective covering the twenty-year period from 1978-79 to 1998-99. The year 1978-79 is chosen as the initial year for two reasons. First, planning has a certain inertia so that the new ideas cannot be incorporated into the planning mechanism earlier than this. Secondly, 1978-79 is the terminal year of the Fifth Five Year Plan. This allows us to use the official end-Plan

figures as our baseline, thus avoiding needless controversy over choice of baseline data.*

4.1.1 The long-range growth perspective is primarily a tool for determining what the economic system is capable of achieving over the next twenty years within reasonable resource limits. Such a 'perspective' differs from a 'projection' in that no attempt is made to consider the likelihood of the growth picture being evolved. Rather, the stress is on the feasibility and desirability of the outcome. 'Feasibility' in this context relates to resource constraints and the requirements of intersectoral balance. 'Desirability' refers to a value-judgement, the main criteria for which are, in our case,

- a) primary needs fulfilment
- b) employment generation
- c) distributive justice, and
- d) poverty elimination.

The growth perspective is, therefore, a picture of the performance which can be reasonably expected.

4.2 Methodology

We shall develop our growth perspective in four stages. First, an attempt will be made to arrive at reasonable assumptions concerning resource raising and aggregative growth performance. Secondly, we shall examine the population perspective and fix a reasonable end-perspective population target. This will also determine the estimates of minimum primary needs targets. Thirdly, given the aggregate growth perspective and primary need levels,

*Actual 1978-79 data referred in this Chapter are the estimates directly taken from the sources or computed on the basis of data available therein.

we shall work out a pattern of sectorwise growth for the perspective period, keeping in mind the necessities of intersectoral balance. Finally, the growth pattern thus derived will be checked for its implications in terms of employment generation and poverty elimination so as to make certain final adjustments. Evidently, several iterations are necessary before the projections yield a perspective combining satisfactory performance with resource and intersectoral balance constraints. However, in order to avoid tedium, the iterative calculations have not been included and only the finally-worked-out perspective is being presented.

4.3 Resources and Aggregate Growth

The assumptions we have judged suitable for developing the aggregate growth and resource generation perspective are the following:

(i) The ratio between disposable income and gross domestic product at factor costs will remain constant at its 1978-79 value. The meaning of this assumption is that the level of indirect taxes less subsidies will not rise further in proportion to gross domestic product. The justification for this assumption is the unfavourable impact of rising relative intensity of indirect taxation on both price levels and distributive justice.

(ii) The share of the State Sector (including administration) in disposable income is expected to rise every 5 years by 10 per cent. The meaning of this assumption is that there will be a fairly rapid rise in the share of resources under the control of the State sector. The logic behind this is the

necessity for the State sector to act as a pathbreaking leader-sector in determining the direction of economic development.

(iii) The share of the 'external' sector in disposable income is expected to remain constant at its 1978-79 value. This means that non-export earnings from the rest of the world will grow roughly parallel to domestic product. In view of the very substantial boom in such earnings in recent years, this is probably an underestimate. Given the volatile nature of such earnings, however, it is as well to be cautious.

(iv) The share of private and household sector in disposable income is expected to drop in a compensating manner. Given a constant disposable income gross domestic product ratio, a rising share of State sector and a constant share of the external sector, the private sector share will drop. This implies that the volume of spending power under private control will gradually diminish as a share of total spending power in the economy.

(v) The State sector propensity to save is expected to increase by 10 per cent every 5 years. This means that there must be rapid growth in the following elements: (a) taxes less administrative expenses, (b) savings of State sector units. We believe that emphasis must, in the first instance, be placed on holding back of administrative costs. As time passes, the improvement in State sector management efficiency can allow the savings burden to be gradually shifted to the State enterprise surpluses. Specifically, we assume that gross tax revenues will rise at the same rate as gross domestic product, that administrative expenses

will rise by 5 per cent each year at a maximum and that the rest of the targeted savings will be made up by surpluses of State enterprises. Roughly, this will require a rise from about 8% in 1978-79 to about 18% in 1998-99 in the saving rates of State enterprises, the bulk of the rise from 11% to 18% occurring in the second decade. These are fairly rigorous requirements. Yet, if we are serious about the preference for non-inflationary means of financing development, it is impossible to avoid fairly drastic reform of the cost-earning ratios both in administration and in the State undertakings. A lot of slack is known to exist and the targets posited are by no means unattainable given sufficient will. The alternative of squeezing more resources by intensified taxation efforts seems to be both more difficult of attainment and more disadvantageous in its impact on total economic performance.

(vi) The private sector propensity to save is expected to rise by 5 per cent each 5 years. This implies a steady but slow increase in private and household savings.

(vii) The ratio of net imports (imports less exports) to disposable income is expected to be reduced by 10 per cent every 5 years. This appears to be the best that can be done by export promotion and import substitution. The net effect is to reduce dependence on foreign economic aid in terms of its contribution to total investible resources quite significantly. From 3.59 per cent in 1978-79, the ratio of net foreign credit falls to 1.81 per cent of investible resources in 1998-99.

4.3.1 On these assumptions and starting with the estimated 1978-79 values of these variables, we obtain the results tabulated below in Table 4.1.

TABLE 4.1 Resource Generation Assumptions during 1978-79 - 1998-99
(P e r c e n t a g e s)

	1978-79	1983-84	1988-89	1993-94	1998-99
1. Ratio of Disposable Income to GDP	114.12	114.12	114.12	114.12	114.12
2. Share of State sector in DI*	16.64	18.30	20.13	22.14	24.35
3. Share of Private sector in DI*	82.93	81.27	79.44	77.43	75.22
4. Share of External Sector in DI*	0.43	0.43	0.43	0.43	0.43
5. Propensity to save in State sector	27.63	30.39	33.43	36.77	40.45
6. Propensity to save in Private Sector	13.53	14.21	14.92	15.67	16.45
7. Ratio of Net imports to DI*	1.04	0.83	0.66	0.53	0.42
8. Implied Share of Investible resources in GDP	19.24	20.96	22.45	24.23	26.41

*DI Disposable Income

Source: Fifth Five Year Plan p.110 for 1978-79 figures

4.3.2 With investible resources amounting to 19.24 per cent of GDP in 1978-79, the official planners propose a growth rate of 5.65 per cent. This involves an implicit incremental

capital-out ratio of 3.41:1. With our different sectoral emphasis pattern and bias towards low-investment-cost technologies, it should be possible to hold the incremental capital-output ratio down to 3.21:1 for the first 5-year period. This will allow a growth rate of 6.0% per annum. For the next three quinquenniums, we allow capital-output ratio to rise successively to 3.4:1, 3.6:1, and 3.8:1, the rise reflecting the gradual shift towards higher capital-intensity sectors and more capital-intensive technical options.

4.3.3 The growth rates of GDP for the 4 quinquenniums are thus 6.0%, 6.16%, 6.24% and 6.38% annually. This represents a slow but steady acceleration of the pace of growth as the resource-generation position improves. The results of the process are summarised in tables 4.2 and 4.3 below. They indicate that the economy will become more state-sector-oriented, that domestic savings will grow rapidly and the economy will become relatively (though not absolutely) less dependent on net imports financed by foreign capital inflows.¹

1. Notice that our assumptions rule out 'inflationary' resource generation mechanisms and involve no relative intensification of the indirect taxation effort. We believe that the distributive implications of more intensive indirect taxation and inflation to be pernicious. See, Chapter V below.

TABLE 4.2 : Growth and Resource Generation During 1978-79 - 1998-99
(Figures in 1975-76 Prices: Rs. Millions).

	1978-79	1983-84	1988-89	1993-94	1998-99
1. Gross Domestic Product	770650	1031300	1390560	1882040	2564060
2. Disposable Income	879440	1176920	1586910	2147790	2926110
3. State Sector Income	146380	215380	319440	475520	709000
4. Private Sector Income	729260	956490	1260640	1663030	2201020
5. External Sector Income	3800	5050	6830	9240	16090
6. State Sector Savings	40450	65450	106790	174850	286790
7. Private Sector Savings	98680	135920	188090	260600	362070
8. Net Imports	5320	9770	10470	11380	12290
9. Investible Resources	148250	216190	312180	456070	677240

Source: Base-line data, Fifth Five Year Plan, p.110

TABLE 4.3: Growth, Consumption and Savings During 1978-79 - 1998-99
(Figures in 1975-76 prices: Rs. Millions)

	1978-79	1983-84	1988-89	1993-94	1998-99
1. Gross Domestic Product	770650	1031300	1390560	1882040	2564060
2. Disposable Income	879440	1176920	1586910	2147790	2926110
3. Consumption	736510	940500	1285200	1703100	2261160
4. Domestic Savings	142930	206420	301710	444690	664950
5. Investment	148250	216190	312180	456070	677240

Source: Base-line data, Fifth Five Year Plan, p.110

4.3.4 Thus, over the 20 year period, the gross domestic product will rise by 232.71 per cent; consumption by 207.01 per cent, domestic savings by 365.23 per cent and net foreign capital inflows by 131.02 per cent, allowing a rise in investible resources by 356.82 per cent.

4.4 Population and Primary Needs Targets

Population in 1978-79 is estimated to stand roughly at 634 millions. Before we can set a reasonable target for 1998-99, it is worth realising that the likely estimates for the 2001 AD population vary as widely as 1025 millions to 830 millions.

However, most estimates cluster around a figure of 925 millions.²

4.4.1 The 1978-79 population figure of 634 million indicates however that the time for reaching the lowest estimate (830 million) is already passed. The turnover date by which birth and death rates must become equilibrated to a long-rung population stability is, for the 830 million estimate,³ 1975-76. The next lowest estimate (846 million) has a turnover date of 1980-81; and that for the next is 1985-86 with a 2001 AD population of

2. See F.A. Mehta, Second India Series - Economy, p.32.

3. This is the Registrar General of Census Low 1 estimate. The concept 'turnover date' is important. For reaching a population figure, there is a (for any estimate) critical date after which it cannot be reached (i.e., it will be exceeded) even if at the turnover date long-term zero growth of population has already been achieved.

924 millions. The best that we can achieve, therefore, seems to lie between these two estimates. Taking 1983-84 as the date at which birth and death rates will be compatible with long-rung population stability⁴, we have derived our target figures for population, as summarised in Tables 4.4 and 4.5⁵.

TABLE 4.4: Population Trend and Population Targets During 1976-2001
(Figures in Millions)

	Population as per present trend (by Medium 1 Estimate)	Population Target Levels.	Policy Gap
1976	605.6	605.6	(actual)
1978-79	634.0	634.0	(actual)
1981	663.3	656.0	7.3
1983-84	693.2	684.5	8.7
1986	724.5	708.0	16.5
1988-89	754.7	733.5	20.8
1991	786.2	760.0	26.2
1993-94	819.3	784.9	34.4
1996	853.8	810.6	43.2
1998-99	888.4	834.6	53.8

Source: For trend figures, Registrar General of Census, Govt. of India. Population Projection 1971 to 2001 AD.

4. This involves a considerable effort in family limitation. The policy gap, in numbers of required prevention of births between 1978-79 and the target date has been worked out in Table 4.4.

5. See also Tables 4.6, 4.7 and 4.8.

TABLE 4.5: Quinquennial Growth in Population, 1978-79 to 1998-99 (in percentage)

Period	1978-79	1983-84	1988-89	1993-94	1978-79
	1983-84	1988-89	1993-94	1998-99	1998-99
1. Present Trend	9.33	8.87	8.56	8.43	40.13
2. Target	7.96	7.15	7.00	6.33	31.64

Source: Figures in Table 4.4.

In percentage terms, the difference between trend and target levels do not seem to be very sharp. However, in absolute terms, there is a differential of 64.9 millions.

4.5 Primary Needs Targets: Consumption

Given the figures for disposable income and population, the basic needs fulfilment level supplies of some leading consumption items can be estimated. First, the amounts needed to cover per capita physical norms can be worked out directly from the population estimate. Secondly, wherever incomeelasticity of demand relations are known, the demand-fulfilment levels of supply can be worked out from the per capita income and population estimates. In Table 4.6 we given the higher of the two estimates and work out the rate ofpercentage increase over 1978-79 output levels necessary in order to reach these targets. The per head physical consumption norms are those suggested in the Report of the National Agricultural Commission (Part III). The income-elasticity relationships are those used by F.A. Mehta in the 'Second India Series - Economy' study.⁶ We also work out (for the

6. F.A. Mehta, op. cit. Macmillans, 1976.

bottom 40 per cent of the population) the physical volumes which must be handled by the public distribution system. These figures are given in Table 4.6 and are important indicators of the supply-implications of the anti-poverty programme.

TABLE 4.6: Primary Needs and Consumption Targets

	Unit	Need 98-99	Actual 78-79	Increase(%)
1. Foodgrains	Million tonnes	167.00	125.00	33.60
2. Sugar	" "	10.50	5.40	94.44
3. Gur	" "	13.53	8.22	64.60
4. Vanaspati	" "	1.72	0.61	181.97
5. Tea	" Kgs	498.00	235.00	111.91
6. Coffee	" "	103.00	52.00	98.08
7. Tobacco	" "	747.00	283.00	67.49
8. Cotton Cloth	" meters	22530.00	9500.00	137.16

Gur actual 1978-79, obtained on the basis of residual sugarcane converted to Gur. Source: (1) Fifth Five Year Plan; (2) Coffee Board, Five Year Plan; (3) Gur and Tobacco estimated on the basis of trend method.

TABLE 4.7: Supplies Needed by Bottom 4 Deciles of Population 1998-99

	Unit	Need 1998-99 for bottom 4 deciles.	Estimated Need (Total)	Production ¹ increase from 1978-79 level (%)
1. Foodgrains	Million tonnes	63.20	210.46	68.37
2. Sugar	" "	3.52	11.72	117.04
3. Gur	" "	4.09	13.62	65.69
4. Vanaspati	" "	0.61	2.03	232.79
5. Tea	" Kgs	182.40	607.39	158.46
6. Coffee	" "	33.20	110.56	112.62
7. Tobacco	" "	189.60	631.37	123.10
8. Cotton Cloth	" meters	8000.00	26640.00	180.42

1. On the basis of bottom 40% of population consuming a 30% share of total supplies.

4.5.1 As will be seen, the estimates on the basis of Table 4.7 are consistently higher than those of Table 4.6. We take, therefore, the Table 4.6 values as minimum and Table 4.7 values as the maximum estimates of supplies needed to meet minimum primary need consumption targets.

4.6 Primary Needs: Health

The basic needs targets for health services are estimated as follows. Health Department's population-based norms are used to estimate personnel requirements. For the quantum of medical expenses needed to cover the needs of the bottom 40 per cent of the population, the WHO⁷ norm of Rs.15/- per capita per year is adopted. It is also assumed that this will be roughly 30 per cent of total health services expenditure private, and public.

TABLE 4.8: Health: Primary Need Targets

	Unit	1978-79 Actual	1998-99 Target	Increase (%)	Norm
1. Doctors	nos.	167,800	238,460	42.11	1:3500 per- sons
2. Nurses	nos.	103,200	166,920	61.74	1:5000 "
3. Auxillary Nurses	nos.	83,200	166,920	100.34	1:5000 "
4. Sanitary Workers	nos.	39,230	83,460	185.53	1:10000 "
5. Expenditure on Anti-Poverty Health Service	Rs million	n.a.	5007.60	n.a.	Rs.15/-per capita
6. Total Health Service Expenditure	Rs million	1883.81	16692.00	786.08	not appli- cable

Source: Fifth Five Year Plan, Health and Educational Programmes: Annual Report of the Ministry of Health and Family Planning (1974-75). The 1978-79 actuals have been estimated on the basis of planned additions to health personnel added to 1973-74 figures.

7. W H O, Minimum Health Norms, 1972.

4.6.1 The above data show that while 'coverage' targets in the health sector do not require too much additional efforts, the problem of bringing the services upto minimum qualitative standards is quite formidable.

4.7 Primary Needs: Education

An essentially similar procedure is followed for estimating basic needs in education. Population-based norms of the Ministry of Education are used in order to estimate numbers of primary schools/adult education centres and secondary schools. A norm of Rs 18/- per capita per year is adopted as minimum educational expenditure needs of members of bottom 40 per cent of the population⁸. The outlay on poor people's education is set at 40 per cent of total educational outlays.

TABLE 4.9: Education: Basic Needs Targets

	<u>Actual</u> <u>78-79</u>	<u>Need</u> <u>98-99</u>	<u>Increase</u> <u>%</u>	<u>Norm</u>
1. Primary Schools (nos)	487980	834,600	67.60	1:1000 persons
2. Secondary Schools (nos)	102930	166,920	62.17	1:5000 "
3. Educational Expenses of bottom 40 per cent of Population (Rs. millions)	n.a.	7210.94	n.a.	Rs.18/- per capita
4. Total Expenditure on Education (Rs. millions)	3078.04	18027.35	485.68	Not applicable

Source: Ministry of Education, Education Year Book 1976. p.12.

8. See WHO, Minimum Health Norms, op. at, O.14, for UN suggestions regarding minimum educational expenditure norms.

4.7.1 Once again, "coverage" is much easier to attain than minimum qualitative standards, the latter involving a formidable 485.68 per cent rise in educational outlays over 20 years.

4.8 Primary Needs: Housing

The basic target in the housing sector is to provide the bottom 40 per cent of the population with minimum habitation standards by 1998-99. This standard involves 1 housing unit of minimum satisfactory condition per standard household of 5. This gives a target of 41.73 million housing units by 1998-99. This is the stock target.

4.8.1 At present there are around 37.85 million housing units occupied by the bottom 40 per cent of the population. Around 80 per cent of this housing is critically substandard. Thus fully meeting the bottom 40 per cent of the population's housing minimum needs will involve, by 1998-99, the following expenditure.

TABLE 4.10 Housing Minimum Needs Programme 1978-79 to 1998-99
(Rs. millions)

1. Renovation of and upkeep of 30.28 million units @ Rs.1000/- per unit	...	30280
2. Upkeep of 7.57 million units for 20 years @ Rs.20/- a year per unit	...	3028
3. New construction of 3.88 million units @ Rs.5000/- per unit.	...	19400
	Total	52708
4. Assuming poor people's Housing to be 40 per cent of Total Outlay on Housing said Total Outlays or, an yearly average of	...	131770
	...	6588.50
5. Total Investments on Housing 1978-79	...	1406.93
6. Gap in Investments in 1978-79	...	5181.57

Source: Ardeshir Dalal, Housing and the Poor, Manek Publications, Bombay, 1975; for "Conditions in 1978-79". HUDCO estimates of minimum upkeep, renovation and new construction for housing. Figures roughly average of EWS and Rural housing scheme figures. Converted pro-rata to 1975-76 base. HUDCO, Low Cost Housing Programmes, 1973.

4.9 Primary Needs: Phasing

Evidently accurate 'phasing' will be necessary in meeting primary needs targets by 1998-99. As far as consumption goods are concerned, we shall adopt the targets of attaining upto 1988-89 the growth rate which (if projected to 1998-99) will reach the Table 4.4 figures. Actually, however, beyond 1988-89, growth rates will be accelerated to reach the Table 4.5 figures by 1998-99. This will generate the following growth-perspective for consumption goods needs fulfilment.

TABLE 4.11: Target Output of Consumption Goods

	<u>1983-84</u>	<u>1988-89</u>	<u>1993-94</u>	<u>1998-99</u>
1. Foodgrains (million tonnes)	134.39	144.48	174.37	210.46
2. Sugar (million tonnes)	6.38	7.53	9.39	11.27
3. Gur (million tonnes)	9.31	10.55	11.99	13.62
4. Vanaspati (million tonnes)	0.79	1.02	1.44	2.03
5. Tea (millions kgs.)	283.54	342.10	455.83	607.39
6. Coffee (million kgs.)	61.69	73.18	89.95	110.56
7. Tobacco (million kgs.)	321.95	366.25	480.87	631.37
8. Cotton Cloth (million meters)	11789	14630	19742	26640

4.9.1 It is also clear that the three targets concerning educational expenditure (qualitative target), health expenditure target and housing programme are going to prove difficult of attainment. We have, therefore, felt that (as far as the first two targets are concerned) the first decade should achieve one third of the needed increase and the second decade two thirds of the needed increase. As far as the housing programme is concerned

the 4 quinquenniums should involve expenditure of 0.1, 0.2, 0.3 and 0.4 per cent of the total visualised expenditure.

4.9.2 This will generate the following targets of expenditure on health, education and housing, as summarised in Table 4.12 below:

TABLE 4.12: Outlays on Education, Health and Housing.
(Annual Figures in Rs. millions at 1975-76 Prices)

Year	1978-79	1983-84	1988-89	1993-94	1998-99
1. Education	3078.04	4981.33	8061.50	12055.18	18027.35
2. Health	1883.81	3414.75	6189.87	10164.70	16692.00
3. Housing	5054.16	5270.80	7906.20	10541.60	10541.60
Sub-total	10016.01	13666.88	22157.57	32761.48	45560.95
4. All Welfare Services as 1.2 times sub-total	12019.21	16400.26	26589.08	39313.78	54673.14
5. As % of Disposable Income at market prices	13.67	13.93	16.76	18.30	18.68

Thus, our projections (on the basis that all welfare services expenditure equal 120 per cent of total expenditures on education, health and housing) involve a rise in the share of social welfare expenditures to disposable income from 13.67 to 18.68 per cent with the greater part of this rise being complete by 1993-94.

4.9.3 Given this order of rise in social welfare expenses, the attainment of health and education personnel norms will be a manageable matter. Indeed most of the targets will be exceeded

substantially. Assuming that expenditure on personnel grows only half as fast as the sectoral expenditure targets, almost all personnel norms will be met by 1988-89 and so will be the "coverage" norms. Thus, our primary needs perspective is (a) meeting of lower estimate consumption needs by 1988-89 and fully meeting primary consumption goods supply targets by 1998-99, (b) coverage and personnel norms of educational and health services fully by 1988-89 and qualitative expenditure targets by 1998-99 and (c) coverage of 3/10 of the minimum housing programme by 1988-89 and of the rest 7/10 by 1998-99. This seems to be, prima facie, the best that can be achieved by 1998-99.

4.9.4 Notice that the primary needs programme involves least acceleration in the foodgrains sector, but considerably more in non-foodgrains crops (notice the rapid expansion in sugar, gur, tea, coffee, vanaspati). Industrial wage goods output will have to go up faster than agricultural output, which also means that agricultural inputs to consumption goods industries will have to keep pace with the (agro-using) industrial consumption goods sectors.

4.9.5 The social services (inclusive of housing) sector will have to grow very rapidly and increase its share in disposable income at market prices from 13.67 to 18.68 per cent. The sector "constructions" will also show rapid growth primarily on account of the huge poor peoples' housing programme being superimposed on the investment requirements for expansion in this sector. Fortunately, this will be good also for employment since

(although requiring fairly high investments per unit of output increment) most of this investment goes towards employment of labour. Construction materials, however, seem to be a likely bottleneck unless large-scale saving of cement and steel is possible in constructions sector.

4.10 Sectoral Growth Patterns

By 1998-99, the per capita income will rise from its 1978-79 level of Rs. 1387.10 to nearly Rs. 3506.00. This rise of 152.76 per cent in per capita income will, of itself generate a number of alterations in the sectoral composition of output. These changes are in the direction of (i) a drop in the share of agriculture and primary production, (ii) a rise in the share of manufacturing, services and public utilities. Positing an "internationally normal" structure of production, sectoral shares in the Indian economy in 1998-99 should be as follows:

Agriculture	27.2	Per cent
Electricity, etc.	2.2	"
Transport	6.1	"
Industry	24.8	"
Construction	8.4	"
Services	31.3	"

4.10.1 However, the policy-framework of growth we have adopted will undoubtedly introduce certain changes in this sectoral distribution. First, the shares of both "construction" and "services" will probably be higher, due to the high emphasis placed on housing, health and education. Secondly, employment considerations will also probably induce (a) a restriction in the drop of the share of agriculture, (b) relatively greater emphasis on small

scale industry within the industrial sector and (c) further strengthen the pro-service and pro-construction bias of the economy. Thirdly, the relatively greater weight of services, construction, small industry and agriculture will probably somewhat reduce the share of 'electricity' etc. and 'transport' within the economy. Finally, our stress on egalitarian norms will in all probability require a relatively higher share, both of a agricultural food crops and consumer goods industries than would otherwise have been the case. Incorporating these considerations, we can construct a second trial sectoral share (per cent) pattern of the following sort:

Agriculture	30.0	
Services	33.0	
Electricity, etc.	1.8	
Industry	21.2	(small industry 7.07)
Construction	9.0	
Transport	5.0	

4.10.2 This, if feasible, would probably be ideal for our purposes. However, calculations of intersectoral increment balances, show that this pattern will still indicate relative shortage of about 40% in electricity, 15% in transport and also about 10% in construction. Since none of these sectors are capable of being supplemented through imports, the trial balance would have to be altered. The final balance arrived at is as following:

Agriculture	28.5	Per cent
Construction	9.2	"
Industry	21.2	"
Transport	5.8	"
Services	33.3	"
Electricity etc.	2.0	"

On the basis of this "balanced" structural pattern, the following would be the over-all pattern of structural change between 1978-79 to 1998-99.

TABLE 4.13: Structural Change in the Indian Economy between 1978-79 and 1998-99

Sectoral Outputs as Percentage Share in GDP

Year	1978-79	1988-89	1998-99
1. Agriculture	48.15	42.00	28.50
2. Industry	17.49	19.00	21.20
3. Electricity etc.	0.94	1.00	2.00
4. Construction	4.21	6.23	9.20
5. Transport	3.48	3.80	5.80
6. Services	25.73	27.97	32.30

Source: For 1978-79, Fifth Five Year Plan, p.17

Corresponding to this pattern of structural change, the following will be the output figures for each sector as shown in Table 4.14.

TABLE 4.14: Sectoral Output During 1978-79 - 1998-99

Year	(Rs. Millions at 1975-76 Prices)		
	1978-79	1988-89	1998-99
1. Agriculture	371068	584073	730757
2. Manufactures	134769	264224	543581
3. Electricity, etc.	7244	13907	51281
4. Construction	32444	866637	235894
5. Transport	26819	52845	148715
6. Services and Rest of Economy	198306	388874	853832
7. GDP	770650	1390560	2564060

The percentage growth rates of the sectors over the 20 year perspective is: Agriculture: 96.93 per cent; Manufactures: 303.34 per cent; Electricity, etc.: 607.91 per cent; Construction 627.08 per cent, Services: 330.56 per cent; Transport: 454.51 per cent and GDP: 232.71 per cent. As far as the 10 year perspective is concerned, the growth rates are: Agriculture: 57.40; Manufactures: 96.05 per cent; Electricity, etc.: 91.98 per cent; Construction: 167.04 per cent; Transport: 97.04 per cent and Services: 96.09 per cent. GDP grows by 80.43 per cent.

4.10.3 There is no official 20-year growth perspective with which our 20-year perspective can be compared. There is, however, a 10-year perspective upto the end of the Seventh Plan (1984-89). In Table 4.15 below the two 10-year growth perspectives are compared.

TABLE 4.15: A Comparison of Official and Peoples' Plan Perspectives during 1978-79 - 1988-89

Sector	Officially Planned Increase (%)	Peoples' Plan Projected Increase (%)
1. Agriculture	48.16	57.40
2. Manufactures	104.00	96.05
3. Electricity etc.	132.02	91.98
4. Construction	109.84	167.04
5. Transport	76.71	97.94
6. Services	101.05	96.09
7. G D P	76.14	80.43

Source: Fifth Five Year Plan, p. 16 for official growth perspective.

4.10.4 As compared to the official perspective, then, the People's Plan perspective has a relative emphasis on (a) construction, (b) transport and (c) agriculture and relatively lower emphasis on (a) "electricity, etc.", (b) "manufactures" and (c) "services". The relative de-emphasis on services seems surprising until we realise that there is a difference in emphasis of within-service-sector elements. The share of "welfare services including housing" in the Peoples' Plan rises from 13.67 per cent of disposable income to 16.76 per cent in the period 1978-79 to 1988-89. Corresponding figures for the Official Projection are 8.23 to 10.25. The higher share of "services" in the Official Projection reflects a change in the share of "trade", commerce and administrative services" which rises from 17.50 per cent of GDP to 19.50 per cent of GDP. In the case of the Peoples' Plan the share of this sector is initially lower at 15.66 per cent of GDP and declines further to 11.21 per cent of GDP. By 1998-99 this sector absorbs only 14.62 per cent of GDP, the slight rise reflecting the inevitable intensification of trade and commerce activity in response to faster growth beyond 1988-89.

4.10.5 Within the manufacturing sector also, the share of large industry rises only from 15.46 to 16.76 per cent upto 1988-89 and to 17.50 by 1998-99. This is compensated by a rise in the small industry share from 2.03 per cent to 3.24 per cent of GDP by 1988-89 and to 3.70 by 1998-99. Comparatively, the rise in this sector is only to 2.24 per cent in 1988-89 according to official plans.

4.10.6 Thus, the relative "high" growth areas of the Peoples' Plan are (a) social services (b) agriculture, (c) small industry and (d) housing and; the relative 'low' growth areas are (a) administration, trade and commerce, (b) large-scale industry. The much greater emphasis on construction and transport are already evident. Due to this changed set of emphasis, the Peoples' Plan perspective performs slightly better in terms of aggregate growth. It performs more impressively in terms of per capita income, since its rate of targetted population growth, 15.67 per cent, is much lower than the officially planned rate of growth which is 19.03 per cent over 1978-79 to 1988-89. Thus, in the Official Plan per capita income rises by 47.98 per cent while in Peoples' Plan it increases by 55.98 per cent.

4.11 Employment Perspectives

The real superiority of the Peoples' Plan perspective becomes evident only when we consider questions relating to employment generation. The employment perspective of the Plan is presented below:

4.11.1 In working out employment perspectives the following method has been adopted. First, we have estimated new job demand in non-agricultural sectors by dividing the output increments by CSO figures of jobs per Rs. 1 million of new output. The figures have been appropriately modified for price changes between 1967-68 (when the estimates were made) and 1978-79 as well as productivity changes as far as these could be ascertained. An over-all reduction of 20 per cent has also been applied in order

to take account of productivity increase between 1978-79 and 1998-99.

TABLE 4.16: New Job Demands Created During 1978-79 - 1998-99

Sectors	Output Increments 1978-79 to 1998-99 (Rs.millions)	New Jobs Per Rs.1 Million of Additional Output	New Jobs created in the given Sector, 1978-79 to 1998-99 (Millions)
Small Industry			
Small Industry	102203	174.172	17.80
Large Industry	306609	49.552	15.19
Electricity	44037	40.352	1.78
Transport	121896	80.332	9.79
Construction	203450	127.220	25.88
Total	1793410	92.182	165.32

Source: Table 4.14 and CSO Incremental Employment Output Relations, 1969.

4.11.2 As shown in Table 4.16 we see that 165.32 million new jobs will be created over the next 20 years in the non-agricultural sectors.

4.11.3 Next we estimate the population of working age (15 to 64) obtained according to the population projections in Table 4.4. Assuming a 95 per cent male participation and 45 per cent female participation rate in 1998-99, we have the potential workforce in 1998-99 set at a figure of 288.29 million. Thus, the potential workforce will rise from 199.21 million in 1978-79 to 288.29 million a rise of 89.08 millions. This is the purely demographic increase in the number of jobs needed.

4.11.4 Beyond this, a backlog of about 14 million of open unemployed existing in 1978-79 is to be covered, so that by 1998-99 a total of 103.08 million new jobs are required in the non-agricultural sectors, merely to keep the situation as it is. The net excess of jobs created over jobs required turns out to be, therefore, 62.24 millions.

4.11.5 This is the number of people who will be moved out of the agricultural sector in 20 years, so that by 1998-99, the agricultural workforce will be 91.11 millions, as against 153.35 millions in 1978-79. At the same time, output in the agricultural sector will rise from Rs 371068 millions to Rs 730757 millions involving an increase in per worker product in agriculture from Rs 2419.75 per year to Rs 8020.60 per year. It is expected that this change will more than suffice to eliminate underemployment in the agricultural sector.

TABLE 4.17 Structural Change in Employment Patterns between 1978-79 and 1998-99

Sector	Employment (in millions)	
	1978-79	1998-99
Agriculture	153.35	91.11
Manufactures	14.34	47.33
Services	17.52	149.85
Unemployment	14.00	0.00
Potential Workforce	<u>199.21</u>	<u>288.29</u>

4.11.6 The data in Table 4.17 above indicate a sharp structural change in employment patterns with the share of agriculture falling

from 82.79 per cent to 31.60 per cent; the share of manufactures rising from 5.02 to 16.41 per cent and that of the tertiary sector from 9.46 to 51.97 per cent. The associated sectoral productivity changes are shown in Table 4.18 below:

TABLE 4.18 Productivity Changes between 1978-79 and 1998-99

Sector	Per Worker Output 1978-79 (Rs. per year).	Per Worker Output 1998-99 (Rs. per year).	% increase in 20 years.
Agriculture	2419.75	8020.60	231.46
Manufactures	9398.11	11484.91	22.20
Tertiary Sector	8401.43	8606.75	2.44

4.11.7 The extremely rapid per worker productivity increase in agriculture reflects the reduction of underemployment and the extremely slow rise in tertiary sector productivity implies the use of labour-intensive techniques in this sector.

4.12 SUMMARY

Let us briefly summarise the difference between the Official Plan and the Peoples' Plan perspective. According to the Peoples' Plan:-

First, the economy becomes relatively less rapidly industrialised while modernising faster in terms of social services, public utilities, housing standards and agrarian economic conditions.

Secondly, industrialisation is relatively more small-industry-oriented and consequently more capable of dispersal and positive interaction with the rural environment.

Thirdly, there are small but distinct gains in terms of slower population growth, faster economic growth and a faster rise of per capita incomes.

Fourthly, the State sector becomes increasingly involved with provision of services and public utilities and has relatively less to do with industrial growth.

Fifthly, transport and construction receive great emphasis, while the emphasis on power generation is reduced.

Sixthly, the process of growth becomes somewhat more consumption-oriented and somewhat less capital-accumulation-oriented. The major gains in consumption are, however, in terms of basic necessities and social welfare services.

Finally, because of the labour intensive nature of the growth process, generation of more employment opportunities is rendered possible, when compared to the official variant.

Each of these features testify to the better balance between growth and social justice requirements in the Peoples Plan perspective.

....

CHAPTER V

A TEN-YEAR PLAN FOR PEOPLE'S PROSPERITY

It will be our task now to translate the twenty year development perspective presented in Chapter IV (1978-79 - 1988-89) into a Ten Year Plan of economic advancement (1978-79 - 1988-89). The method adopted for this purpose may be briefly described as follows :

5.1 The Methodology

- (i) Assuming the aggregate growth perspective to be attainable (and we have already seen (Chapter IV) that aggregate resources of the economy permit the attainment of this growth perspective) we shall consider the prospects for resource-mobilisation for public outlays.
- (ii) The upper-limit of aggregate public outlay being the established, we next calculate the need for public outlays within this constraint. Sectorwise amounts of total investment are, first, divided between resources which would be mobilised within each sector and, second, resources needed to be transferred to that sector. Adding such transfer needs together for the economy as a whole (excluding the 'administration' sector) we get the amount of resources government needs to mobilise to make possible the planned programme of sectoral investments. The total for public investments as a whole is this sum plus the 'own finances' raised by government enterprises in each sector.

- (iii) Total public outlays are calculated by adding the necessary amounts of public non-investment developmental outlays in each sector. The upper constraint on such¹ outlays is that they should not together exceed the difference between total public resource-raising and total public investment outlays.
- (iv) Finally the total public outlays is divided among 'programme sectors' of the Plan. These sectors are different from investment sectors and include both consumption and investment components.²
- (v) The 'impact' of the Plan is studied along the following dimensions: (a) the sectoral growth pattern is worked out in greater detail and growth targets of a number of critical subsectors are indicated³; (b) employment generation figures for all major sectors are, thus, computed based on sectoral increments. The excess of the labour force increment

1. Non-investment outlays.

2. Unless outlays by 'programme sectors' as well as by 'investment sectors' are available, the true nature of the Plan remains critically vague. Such a presentation is, however, missing in the official plans.

3. And compared with end-Seventh Five Year Plan projections.

over employment generation (in non-agricultural sector) is treated as the net increase of work force in the agricultural sector⁴; (c) the employment pattern is then treated with the output pattern (both for beginning and end-plan years) and the rise in per worker productivity in agriculture is treated as a 'proxy variable' for reduction in agricultural under-employment; and (d) finally, the per capita income growth increase and its relationship with sectoral per worker productivity pattern is examined.

- (vi) The final step is to derive the Plan's implication on the poverty situation. Unfortunately, the paucity of relevant data concerning poverty, rules out direct comparison methods and results. Using a set of 'proxy variables', however a clear picture is built up concerning the improvement in the standard of living for the bottom 40 per cent of the population.

5.1.2 We recognise that (due to non-availability of a great deal of necessary data and to limitations of computational facilities) for a non-official group as ours the detailing of the Plan is much less complete than we would have liked. In particular, our efforts were constrained by the lack of reliable data on sectoral 'own funds' generation; normal 'full-employment'

4. Although not as satisfying as a direct estimate, paucity of data permits nothing else.

productivity levels of agricultural and service sector workers; sectoral distribution of workforce comparable with 'investment sectors'; the sectoral distribution of 'unskilled manual workers' and; separate fertility and mortality data for below-poverty-line populations⁵. Till such time as this data-base is generated many of the most striking advantages of the People's Plan growth strategy can be inferred but cannot be demonstrated.

5.2 Resource Raising Potentials

Table 5.1 below indicates the potentials for total resource-raising by the government.

5. Rather than pressing untestable claims for the merits of People's Plan development strategy, we have been content to use proxy variables which indubitably understate real gains. The problem is that we cannot be sure as to the degree of understatement.

TABLE 5.1 : RESOURCE MOBILISATION LIMITS DURING TEN-YEAR PLAN
PERIOD (1978-79 - 1988-89)
 (minimum estimates)

1. Gross Domestic Product (Plan Annual Average)	Rs 1035198 millions
2. Gross National Product (Plan Annual Average)	Rs 1181368 millions
3. Ratio of Direct Taxes to GNP in 1978-79	3.42 per cent
4. Direct Taxes (Plan Annual Average)	Rs 40402.79 millions
5. TOTAL DIRECT TAXES	Rs 404028 millions
6. Ratio of Indirect Taxes to GNP in 1978-79	13.32 per cent
7. Indirect Taxes (Plan Annual Average)	Rs 157358.21 millions
8. TOTAL INDIRECT TAXES	Rs 1573582.10 "
9. TOTAL TAX REVENUES (5 + 8)	Rs 1977610 "
10. Savings by State Enterprises as a ratio to GNP 1973-79	4.26 per cent
11. Planned rise during People's Plan	20 per cent
12. Rate of State Enterprise Savings	5.11 per cent
13. Government Enterprise Savings (Plan Annual Average)	Rs 60391.53 millions
14. ESTIMATED TOTAL SURPLUS OF GOVERNMENT ENTERPRISES	Rs 603915.32 "
15. Foreign capital inflows (Plan Annual Average)	Rs 12547.11 "
16. ESTIMATED TOTAL FOREIGN CAPITAL INFLOWS	Rs 125471.10 "
17. TOTAL MOBILISABLE RESOURCES WITHOUT DOMESTIC BORROWINGS (5)+(8)+(14)+(16)	Rs 2163472.4 "
18. Net borrowings, maximum	30 per cent of (17) above.
19. MAXIMUM PUBLIC OUTLAYS WITHOUT DEFICIT FINANCE	Rs 2812514 millions.

Note: The above 'minimum' estimates have been generated by assuming (1) that rates of direct and indirect taxes will not rise above the rates they are planned to reach (according to official plans) by 1978-79; (2) that the proportion of surpluses of public enterprises to Gross National Product will rise to 20 per cent above its level in 1978-79; (3) that foreign capital inflows will be as shown in the macro-economic balance (Chapter Four: Table 4.2) and (4) that domestic borrowings will be limited to not more than 30 per cent of the total resources raised by the first three methods. These assumptions guarantee that the resource-raising visualised can actually take place. These are, thus, the minimum estimates of the maximum resources that may be raised by the government, without resorting to deficit financing.

5.2.1 In order to obtain the maximum limit of all public development outlays (investment and non-investment), we have to deduct from this sum the total required for administration. By looking ahead to Table 5.2, the average yearly expenditure on 'Administration' is Rs 94359.24 millions, giving a plan total Rs 943592.4 millions at GDP level and of Rs 1076827.6 millions. Deducting this from total resources, the development resource limit is (as a minimum) Rs.1735686 millions.

5.2.2 It will be noted that this assumes that the rise in the 'administration' sector can be held back to 5 per cent per annum over the ten year plan period. This would not appear a very difficult task, except for the fact that in the past, the 'administration' sector has been growing at a rate faster than the rate of growth in national income. We, on the other hand, require it to grow slower. This is a policy-decision and is desirable independently of the needs of resource mobilisation. The desirability relates to the movement towards a more 'indicative' and 'direct-controls-avoiding' implementation of development policy. The fact that the 'administrative economy' offers a resource-bonus is an independent advantage.

5.3. Public Investments

Let us first deduct from each sector's total necessary investments, the estimated private investments and self-financed investments of public enterprises. The remainder is the necessary quantum of investment 'transfers' through public investments. It is to be noted that although derived as residual at this stage, these transfers are part of a wider balancing exercise. Thus, the whole macro-economic picture needs to be kept in mind.

TABLE 5.2 :

INVESTMENTS AND TRANSFERS DURING TEN YEAR
PLAN PERIOD (in Rs. millions at 1975-76
prices)

Sector	Output Increments	Capital ^b Output Ratios	Necessary Investments	Private ^d Invest- ments	Govt. Invest- ments	Self Financed ^e Invest- ments	Transfers (Govt. only)
Agriculture	213005	3.22	685764	274306	411458	329	411129
Small Industry	29336	3.25	95583	33454	62129	311	61818
Large Industry	100049 ^a	5.08	509020	274870	234150	187320	46830
Electricity	6663 ^c	4.21	28051	51	28000	7000	21000
Transport	26026	4.21	83543	44790	38753	27127	11626
Construction	54193	4.60	249288	108963	140325	49114	91211
Services	152046	1.93	293475	117390	176085	96629	179456
SUB TOTAL	581388	3.34	1944724	853824	1090900	367830	723070
Administration	38522	3.27	125775	0	125775	(723374) ^g (827980) ^h	(-597599) (-702205)
External Sector ^f	-	-	-	-	-	-	(-125471) (- 20865)
ECONOMIC BALANCE	619910	3.34	2070944	853824	1216675	-	0

Note: a) Includes 'mining. b) CSO estimates except for 'administration' and 'small industry' which are derived as 'residuals'. c) Power generation only. d) Private investments, see text. e) Self financed investments, see text. f) External Funds inflow, see table 5.1. g) allocations before considering public outlays other than investment. h) allocations after considering other outlays.

5.3.1 The logic underlying the plan investment pattern is explained below:-

1. Agriculture is an activity best developed under private initiative. However, it will require massive investment support. Similar is the situation for small industry. Thus, these two sectors show relatively high ratios of private and government (transfer) investments.
2. Large industry is a sector where both private and public sector investments should eventually collaborate. However, since we do not plan too-fast an increment of this sector, the degree of 'transfer' is low.
3. Electricity is a sector in which there is little private investment possibility. Self-generated government investments are also likely to be insufficient. This calls for a high rate of transfer.
4. The construction and services (less administration) sectors display fairly equal participation by private and public investment. But, due to high planned rates of growth in both sectors considerable transfer is required.

5.3.2 The logic behind the aggregate growth pattern posited has already been sufficiently discussed in Chapter IV. Considering the process of investment-financing, we note that out of a total investment outlay of Rs 1944724 millions (less administrative investments), the private sector contributes Rs 853424 millions and

the public sector raises Rs 1090900 millions of which Rs 367830 millions is financed from enterprise surpluses; Rs 597599 millions out of budgetary surpluses and; Rs 125471 millions out of external funds. Comparing this figure of Rs 1090900 millions of investment outlays with the figure of Rs 1735686 millions of total permissible public outlays of both investment and non-investment types, we see that total non-investment outlays can be Rs 644786 millions. In order that external dependence may be reduced, we have decided to cut this outlay down to Rs 540000 millions. This allows Rs 827980 millions to be financed out of budgetary surpluses and reduces the degree of external financing of total investments to Rs 20865 millions or approximately 1 per cent of total investment outlays at the cost of reducing non-investment development outlays by Rs 104786 millions (16.25 per cent).

5.3.4 We have, therefore, a total plan outlay of Rs 1630900 millions of which Rs 1090900 is investment and Rs 540000 millions is non-investment development outlay. We have now to consider the distribution of these outlays among sectors. By investment sectors, the allocation of government investment is already given. We first reallocate these into plan-programme sectors. Then we distribute the non-investment outlays by programme sectors. Adding up the two, programme wise plan allocations are obtained. This has been done in Table 5,3 below.

**TABLE 5.3 : PROGRAMMewise ALLOCATIONS OF OUTLAYS DURING
THE PERIOD 1978-79 - 1988-89 (Rs.
Millions at 1975-76 Prices)**

Sectors	Investment	Non- Invest- ment	Total	Percent Share
Agriculture and Allied Sectors	220202	29050	24962	15.28
Irrigation and Flood Control	191256	24940	216196	13.26
Power and Energy	100800 ^a	26500	134500	8.26
Industry and Mining	216279	31690	147969	15.20
Small Industry	62129	8100	70229	4.31
Large Industry	154150	23590	177740	10.89
Transport/Communication	78753 ^b	22547	101300	6.21
Housing/Community Facility etc.	120325 ^c	136595	256920	15.75
Education	46085	75900	121985	7.47
Health/Nutrition/Family Planning etc.	10200	180768	282786	17.33
Rest of Plan	8000	12000	20000	1.23
	1090900	540000	1630900	100.00

a. Does not include distribution costs. Includes "energy sector" investment in large industry (coal, petroleum etc.).

b. Includes Rs 40000 million investment on communications, does not include intra-urban transport.

c. Includes power distribution and intra-urban transport.

5.3.5 By comparing these allocations with the Fifth Plan allocations we see that our plan lays greater emphasis on (a) agriculture, (b) irrigation and flood control, (c) housing, community facilities, etc., (d) education and (e) health, nutrition and family

planning. Sharp reduction occurs in (f) industry (large), (g) transport/communications and (h) power and energy. Some of the apparent reduction is, however, an illusion created by non-conformity in sector definitions. In Table 5.4 these comparative data are presented with appropriate changes in order to secure full comparability.

TABLE 5.4 : COMPARISON OF PEOPLE'S PLAN AND FIFTH PLAN PROGRAMME OUTLAY RATIOS

Sectors	Percentage Allocations	
	People's Plan ¹	Official Fifth Plan
1. Agriculture and Allied Sectors	15.28	11.82
2. Irrigation and Flood Control	13.26	8.76
3. Power (with distribution cost added)	10.26	18.56
4. Industry and Mining	15.20	25.96
5. Transport/Communication (intra-urban transport added)	14.21	17.51
6. Education	7.47	3.27
7. Social and Community Services	23.08	12.13
8. Rest of the Plan	1.23	1.99
	<u>100.00</u>	<u>100.00</u>

Source : Fifth Five Year Plan, p.52

1. As per Official Sector Definitions.

It is clear from Table 5.4 that we plan to raise the share of agriculture in plan allocations from 11.82 to 15.28 per cent; the share of irrigation and flood control from 8.76 to 13.26 per cent; of education from 3.27 to 7.47 per cent; and of social and community services from 12.13 to 23.08 per cent. As against this, the share of industry is reduced sharply from 25.96 to 15.20 per cent and of power and energy from 18.56 to 10.26⁶ per cent. The share of transport and communication also drops, but less sharply, from 17.51 to 14.21 per cent. In other words, from an industry-power-transport-oriented plan of the official type, we have shifted to an agriculture-education-social services-oriented plan. We have also placed stress on housing, community facilities and area planning on the one hand and on health-nutrition-family planning on the other.

5.4 Growth and Employment Generation

The above mentioned shifts in the investment pattern are primarily intended to generate a greater volume of employment per unit of additional income generated. In particular we are interested in generating a much faster increase in employment opportunities for unskilled labour (both urban and rural)

6. This sharp fall in the share of power sector apparently seem to be rather difficult in view of the energy shortage prevailed during the seventies. However, the severe under utilization of installed capacity in this sector, offers a satisfactory cushion in allocating resources in the Peoples Plan. The nature of economic development contemplated by the Peoples Plan is relatively less energy intensive which is an additional factor in favour of a lower share for the sector.

so that employment generation may have the easing impact on the poverty situation.

5.4.1 In order to analyse the employment impact of the Plan, we have converted sectoral output increments into figures for new job generation in each sector. The figures of new jobs per Rs. 1 million of new output are official 1967-68 figures, appropriately modified for the price-change factor. The incremental labour-output ratios involved take in to account also of a 20 per cent increase over the decade in average labour productivity.

5.4.2 Our calculations presented in Tables 5.5, 5.6(a) and 5.6(b) respectively show the following results. The quantum of new jobs created (according to the People's Plan pattern) is 46.943 millions over the decade in the non-agricultural sectors. Applying parallel methods of analysis to the officially-planned growth pattern, new job generation in non-agricultural sectors drops to 43.357 millions. In the same period, the labour force (calculated on population basis) rises from 199.21 millions to 244.81 millions, registering a rise of 45.60 millions. Thus, while the People's Plan allows for net absorption of 1.34 millions into the non-agricultural sector, relieving the under-employment pressure in agriculture, the official variant leads to net surplus of job-seekers over jobs in the non-agricultural sector of 2.24 millions, who must be absorbed into agriculture, increasing the pressure of under-employment and unemployment.

5.4.3 As far as unskilled labour is concerned, we see that the growth pattern of the People's Plan helps in three ways. First, the increment of unskilled labour in the People's Plan is smaller by 3.13 million due to the expanded skill-building and educational programmes. Secondly, the direct generation of unskilled labour demand through People's Plan (40.787 millions) is 3.039 millions higher than that of official Plan (37.738 millions). Finally, the People's Plan includes (over and above natural employment increments to be expected through growth), much larger programmes of direct supplementary employment creation. As we shall see, these programmes, which are mainly such as are connected with (a) public works programmes in

TABLE 5.5

JOB DEMAND AND EMPLOYMENT GENERATION (Outside Agriculture)

PEOPLE'S PLAN
SECTORS

Output Increments in Rs. Ml.	New Jobs Per Rupees 1 million of New Output	Employ- ment generation (Millions)	Ratio of un- skilled Jobs to All Jobs	Job Demand in unskilled labour (Millions)
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1. INDUSTRY

a) SMALL INDUSTRY	29336	174.172	5.110	0.85	4.344
b) LARGE INDUSTRY	100049	49.552	4.957	0.66	3.272
2. ELECTRICITY	6663	40.352	0.268	0.69	0.185
3. TRANSPORT	26026	80.332	2.091	0.72	1.506
4. CONSTRUCTION	54193	127.220	6.894	0.88	6.067
5. SERVICES	190568	144.955	27.623	0.92	25.413

TOTAL	46.943	TOTAL	40.787
+ Special Employment Programme	5.000	+ Special Em- ployment programmes	5.000
	<u>51.943</u>		<u>45.787</u>
- LABOUR SUPPLY INCREASE	- 45.600	UNSKILLED LABOUR SUPPLY INCREASE	- 20.240
EMPLOYMENT GAIN	+ 6.343	GAIN	+ 25.547
Without Special Programme	- 5.000	Without Special Employment Programme	- 5.000
	<u>1.343</u>		<u>20.547</u>

TABLE 5.6(a)

JOB DEMAND AND EMPLOYMENT GENERATION (Outside Agriculture)

OFFICIAL PERSPECTIVE	Output Increases in Rs. millions	New Jobs per Rs. 1 Million of output Increases	New Jobs Generated (Millions)	Unskilled Total Labour Ratio	Unskilled labour Demand Generated (Millions)
SECTORS					
1. INDUSTRY	134705	55.672	7.499	0.72	5.399
2. ELECTRICITY	8053	40.352	0.324	0.69	0.223
3. TRANSPORT	22341	80.332	1.794	0.72	1.292
4. CONSTRUCTION	42585	127.220	5.418	0.88	4.768
5. SERVICES	195388	144.955	28.322	0.92	26.056
	Special Employment Programme ...		43.357 0.800	+ Special Employment Programmes ...	37.738 0.800
	Total New Jobs		44.157	Total New Jobs	38.538
	- Labour Force Increment ...		45.600	-Unskilled Labour Supply Increment	23.370
	NET GAIN ...		- 1.443	GAIN ...	15.168
	Without Special Employment Programmes		- 0.800 2.243	Without Special Employment Programmes	- 0.800 14.288

TABLE 5.6 (b)

COMPARISON OF OFFICIAL AND PEOPLE'S PLAN EMPLOYMENT PERSPECTIVE

	<u>PEOPLE'S PLAN</u>	<u>OFFICIAL PLANS</u>	
A. TOTAL NEW LABOUR DEMANDS GENERATED IN NON-AGRICULTURAL SECTORS (Millions)	46.94	43.36	
B. GROWTH IN LABOUR SUPPLIES	45.60	45.60	
C. NET ABSORPTION BY NON-AGRICULTURAL SECTOR	+ 1.34	- 2.24	
D. SPECIAL EMPLOYMENT PROGRAMME	+ 5.00	+ 0.80	
	<hr/>	<hr/>	
	+ 6.34	- 1.44	Net gain in Employment
E. CHANGE IN AGRICULTURAL LABOUR FORCE	- 6.34	+ 1.44	7.78 Millions
F. INCREASE IN AGRICULTURAL OUTPUT (Rs. Millions)	213005	204000	

'agriculture' and 'flood control/irrigation', supplemented by projects in 'housing and community facilities' and (b) the much greater use of 'unskilled and semi-skilled' persons in the social service sector, are expected to total 5 million additional jobs a year by 1988-89. With the most liberal extensions of official 'employment creation' programmes we cannot imagine their leading to more than 0.8 million additional jobs by 1988-89. Thus, there is a net gain of $(3.13 + 3.039 + 4.20) = 10.37$ million jobs in the People's Plan as far as unskilled labour demand is concerned. Adding in the 'special programmes', the net gain in terms of all jobs becomes $(6.34 + 1.44) = 7.78$ millions. The smaller net gain in terms of total jobs shows that while it is possible (by policy) to affect the number of unskilled labourers being added to the economy over the next ten years, the total labour force increment is already determined by previous population growth and cannot be affected by policy. The effect on employment of population policy takes 17 to 20 years to become even marginally visible.

5.4.4 While differentials in population growth do not affect shortrun labour-supply pictures, they do affect the welfare of workers by reducing the dependency rates. In the People's Plan, we have an increment of $(733.5 - 634.0) = 99.5$ millions in population compared to a $(754.7 - 634.0) = 120.7$ millions in the official variant. Thus, while in the official plans 120.7 millions of new dependents will have to be supported by 44.46 millions of new jobs, in the People's Plan 99.5 millions of new dependents will have to be supported by 52.05 millions of new jobs. The dependents to new jobs ratio improves thus from 2.67:1 to about 1.81:1.

5.4.5 We now bring the agricultural sector into the picture. Little reliable data exists here concerning incremental labour-output relationships. The high figure of 232.59 new workers per Rs. 1 million of new output is vitiated by the known fact of increasing pressure of underemployment. We note, however, that under the official plans, there occurs a net increase of 1.24 million workers in this sector, coupled with an output-increase of 48.16 per cent in output. Under the People's Plan, however, there is a net decrease of 6.34 million workers coupled with an output increase of 54.70 per cent. Thus, the gain in average productivity of the agricultural workforce increases more rapidly under the People's Plan than under the official plans.

5.5 Growth and People's Prosperity

In aggregative terms, the People's Plan expects to achieve a rise in GDP by 80.04 per cent over ten years. As population rises during the same period by about 15.85 per cent, a rise in per capita GDP of 55.41 per cent is anticipated. This will take per capita income from Rs 1387.13 to Rs 2198.86 in 1975-76 prices. Assuming that the share of the bottom 4 deciles should be raised from 15 to 18 per cent of national income, as a result of the "anti-poverty measures" undertaken, the per head income of the poverty group should rise from Rs 520.17 to Rs 962.48 in ten years with a percentage rise of 100.62. However, let us note that there will be four factors operating to raise the share of the poor in per capita national income. First there will be a rise of around 45.787 millions in the demand for unskilled labour.

Allowing a per worker wage of around Rs. 3000/- yearly, this brings extra incomes directly of Rs. 137361 millions. Secondly, the massive outlays on education, health and housing should together contribute another Rs. 9306.94 millions, even if only 50% of the increased outlays come as net benefits to the poor. Thirdly, the direct and indirect impacts of the primary needs (consumption) programme should add to the welfare standards of the poor. Finally, the pattern of growth itself will provide a certain bias in favour both of earnings by the poor and relatively low prices for basic necessities.

5.5.1 Taking only the quantitative increase, the poorest 40 per cent's income will rise by Rs. 146667 millions which will be about a 111.18 per cent rise in this group's income. The total in 1988-89 of the incomes of the bottom 40 per cent will rise to Rs. 278583 millions yielding a per capita income figure of Rs. 949.50 in 1988-89. This leaves a gap of rupees 12.98 (para 5.5) which can easily be met by factors three and four mentioned above. Calculating like-wise for the official plan variant, we come up with a per capita income for the poor group of only Rs. 785.45. Thus, there is a gain in the People's Plan of over Rs. 164 per head in the final average annual income of the bottom 40 per cent of the population.

5.6 Sectoral Growth

The new pattern of growth visualised has, in turn, implications concerning the growth rates of subsectors within the over-all growth. These are elaborated in Table 5.7 below.

TABLE 5.7

TEN YEAR PLAN (OUTPUTS AND GROWTH RATES)

(Figures in Rs. Millions at 1975-76 Prices)

Sectors	1978-79	1988-89	Increase (%)
1. AGRICULTURE AND ALLIED SECTORS	371068	685764	57.40
a. Foodgrains	89056	102965	15.58
b. Other Food Crops	59371	97712	64.57
c. Nonfood Field Crops	74214	121075	63.14
d. Plantation Products, etc.	66792	116815	74.89
e. Animal Husbandry, etc.	44528	82869	86.10
f. Forestry and others	37107	62668	68.88
2. INDUSTRY AND MINING	134769	264224	96.05
a. Small Industry	15648	45054	187.92
b. Organised Industry*	119121	219170	83.99
1. Wage Goods	26207	51216	95.42
2. Other Consumption	21442	29445	37.32
3. Intermediates*	39310	78337	99.28
4. Capital Goods	32162	60172	87.09
3. ELECTRICITY, ETC.	7244	13907	91.97
4. TRANSPORT	26819	52845	97.04
5. CONSTRUCTION**	32444	86637	167.04
6. SERVICES	198306	388874	96.09
a. Administration	77044	115566	50.00
b. Trade, Commerce, etc.	81364	146488	80.04
c. Social Services**	39898	126820	217.86
7. GDP at Factor Cost	770650	1390560	80.04

* Including mining

** Including relevant parts of 'housing'.

5.611 It is useful to note that :

1. In terms of 'increments', maximum growth takes place in 'agriculture', 'services', 'industry' and 'construction' with increases of Rs. 213005 millions, Rs. 190568 millions, Rs. 129455 millions and Rs. 54193 millions respectively. Inevitably these sectors also absorb the largest parts of investment outlays, Rs. 685764 millions, Rs. 419250 millions, Rs. 604603 millions and Rs. 249288 millions respectively, as in Table 5.1.
2. In terms of 'relative increases' (percentage growth rates) the fastest growth takes place in i. Social Services (217.86%), ii. Small Industry (187.92%), iii. Construction (167.04%); iv. Intermediate Goods including Mining (99.28%) and v. (organised industry) Wage Goods (95.42%).
3. Sectors whose rates of growth turn out to be high, even after being restricted as far as possible by policy, are (i) electricity etc. (91.97%), (ii) capital goods (87.09%) and (iii) trade and commerce (80.04%). These are illustrations of compulsions from sectoral balance considerations.
4. Sectors whose rates of growth are successfully reduced by policy choice are (i) administration (50.00%) and (ii) non-basic consumption goods (37.32%).

5. A sector whose low rate of growth requires explanation is 'foodgrains'. Since no more growth than this is required to meet primary needs minima, resources released here have been used to accelerate growth in other sectors of agriculture. The emphasis has been on animal husbandry (favourable expected demand shift/balanced ecology considerations), other food crops (demand shift-crop-cycle-balance considerations), plantation products (demand shift/exports considerations) and forestry (ecology/long-range development considerations). The relatively low rate of growth of the agricultural sector (57.40 per cent) is a reflection of its large size and not of policy de-emphasis. Indeed, our emphasis on agriculture is revealed by the fact that this sector as a whole absorbs 33.12 per cent of investment and yields 34.36 per cent of output increases over the Plan.
6. As a consequence of this pattern, the economy experiences (a) a rapid structural shift within agriculture in favour of non-foodgrains sectors, (b) a structural shift within industry in favour of small industries and basic wage goods, (c) a structural shifts at the economy level in favour of social services and construction, (d) also a shift favourable for transport, electricity etc, and the industry, but these shifts are reduced to levels below than what they might have been otherwise. The

The share of capital goods industries and intermediate goods rises, but once again the rate of shift is checked as a result of policy. Finally, the plan creates a final pattern in which agriculture, social services, small industries, wage goods and non-food grains agriculture have much greater prominence than what official perspectives visualise.

5.6.2 It is clear from Tables 5.4, 5.5, 5.6(a), 5.6(b) and 5.7, that the People's Plan as a whole is a consistent application of a different logic. While this logic follows broadly the patterns laid down in Chapter Two, a number of details become evident only at this stage.

5.7 Phasing of Priorities Within the Ten-Year Plan

Within the above-specified over-all structure of the 10-year plan, there has to be significant variations in the pattern of allocations over time. The reason behind this is that (in any process of shift from one strategy of growth to another) there must be an intervening 'transition phase' in which the imbalances of the previous strategy are corrected. Only after this phase, can growth along the new strategy begin in earnest. We have, therefore, visualised a 3-year 'transition phase plan' covering the first three years (1978-79 - 1980-81) of the ten-year plan outlined above. The main priorities in this phase can be spelt out as follows:

- (1) As far as heavy industries and costly infrastructure are concerned, the main emphasis should be in completing outstanding projects and bringing installed capacities to full utilisation.

(ii) As for the agricultural sector, the emphasis will be on rapidly extending the irrigation/drainage base of agriculture through minor irrigation and rural public works. Preparatory work for rapid expansion of mixed farming and non-food agricultural activities would also start in this period, although significant output increments will come only with a lag.

(iii) In wage-goods industries, both significant new investments as well as efforts towards better utilisation of installed capacities will have to be emphasised. Particular attention will have to be paid (in this phase) to the rehabilitation of sick industries so that this phenomenon is brought under effective control within 3 years.

(iv) In the education sector, the adult literacy-cum-primary education programme will have to be brought into full operation as soon as possible. The programmes for vocationalisation of secondary schools, extension of middle-level technical/scientific/medical education and workers' education will have to be expanded somewhat slower and will come into full operation only after this phase.

(v) As far as health and family planning programmes are concerned an intensive propaganda-cum-action drive will have to be mounted for (a) family planning, (b) community education in health and nutrition and (c) immunisation and preventive medicine. The base must also be built for

creating a cadre of paramedical and middle-level medical practitioners, as well as for reorganisation of medical services on a rational area-hierarchy basis.

(vi) In the housing sector, the transitional phase will be primarily concerned with (a) slum improvement and (b) rural housing for the poor. Expensive town-planning operations should (as far as possible) be deferred.

(vii) Reorganisation and rationalisation of the system of distribution in essential commodities will have to be implemented as an urgent priority.

(viii) As far as employment policy is concerned, the transitional phase will place emphasis upon (a) increase of agrarian/rural employment demand through the raising of crop-intensity and (b) utilisation of surplus labour through public works schemes. The upsurge of small industry and service sector employment opportunities will come only later, when the preparatory reform and reorganisation of the extension-credit-marketing set up has progressed sufficiently. The creation of the institutional basis for small industry development, therefore, will be a strongly marked priority in the transitional phase.

5.7.1 It will be noticed that (in the transitional phase) considerable resources will have to be devoted to (i) preparing for the transition in agriculture to the mixed-farming pattern, (ii) reforming the education and health services base and

(iii) establishing the extension-credit-marketing set-up for small industry development. To none of these will there be an immediate output pay off. Similarly, the resources devoted to rural public works and subsidiary employment creation will also tend (in the short run) to increase purchasing power without bringing proportionate output increases. Thus, in the transitional phase, a degree of inflationary pressure will tend to emerge unless corrective measures are taken.

5.7.2 By way of corrective measures, however, we do not necessarily refer to either heavier taxation or more stringent commodity rationing. Rather, we would like (as far as possible) to avoid such methods for inflation-suppression. Our stress will be placed on (i) improved utilisation of installed capacities, (ii) completion of outstanding unfinished projects, (iii) selective import liberalisation, (iv) rapid extension of irrigation and modern input supplies to agriculture and (v) the deferment (as far as possible) of long-gestation industrial and infrastructural investments. A slight 'go-slow' will also have to be imposed on housing and urban planning projects in view of resource limitations.

5.7.3 Keeping the above transition strategy in mind, the investment pattern for the 3-year transition phase can be spelt out as indicated below:

TABLE 5.8: GROWTH IN THE TRANSITIONAL PHASE (in Rs. Million)

Sector	Output 1978-79	Output 1981-82	Increment	Investment
Agriculture and Allied Sectors	371068	434970	63902	205629
Industry and Mining	134769	160646	25877	120900
Electricity etc.	7244	8577	1333	5610
Transport	26819	32014	5205	16709
Housing/Construction	32444	43282	10839	49858
Services	198306	259124	60818	117390
Total	770650	936614	167964	516096

5.7.4 Thus, while out of a total increment in gross domestic product of Rs. 619910 million over the 10-year period, Rs. 167964 millions are accounted for in the transitions phase (27.09%); investments worth Rs. 516096 millions (24.92%) are accounted for out of a ten-year total of Rs. 2070944 millions.

5.7.5 The investment allocation for the three year plan (1978-79 - 1980-81) have thus been attempted with a view to ensure a smooth transition from a heavy industry-capital goods oriented Fifth Five Year Plan to an agriculture-services-oriented Peoples Plan, envisaged in the 10-year development Plan. The broad allocations indicated in Table 5.8 does adhere to the new scheme of priorities evolved for the 10 year development (as high a percentage share of Rs 39.84 for agriculture and allied sectors, for instance). The allocation to the predominant sector of the official Fifth Five Year Plan (Industry and Mining) receiving about 25.96

per cent of the total developmental outlays, has been accorded somewhat an equal importance in the transition Plan, about 23.42 per cent. The sectors which account for lower shares are electricity, power etc. and transport. The importance given to industrial sector in the transition Plan emerges mainly from the needs to step up the supplies of non-agricultural wage goods. The immediate requirement to increase the supplies from the services sector is reflected in the comparative high share allocated to this sector in the total investments during the transition Plan.

5.7.6 The low share of investments allocated to sectors like electricity, power etc. and transport does not however imply that they are neglected in the transition Plan. We however, feel that supplies from these sectors could be substantially augmented if (a) optimum capacity utilisation can be achieved and (b) a re-allocation of resources within the transport sector could be attempted. While improved managerial practices including the supplies of balancing equipments being assured to the power sector, and transmission losses being reduced to the minimum, total supplies from the power sector can be substantially enhanced in the short-run. A re-allocation of investment funds within the transport sector in favour of mass passenger facilities and goods traffic could (atleast during the transition Plan Period) assure adequate transport services.

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CHAPTER VI

A FRAMEWORK FOR PLAN ADMINISTRATION

We have seen the necessary changes that must take place in development philosophy, guiding principles of planning, the desired growth perspective, and investment priorities. Such a fundamentally new and different kind of plan will require a considerably reformed framework for its implementation.

6.1 A New Frame Work

Certain ideas concerning the type of administrative framework which would be needed have been already suggested in Chapter I. We have stated that "the methods of implementation which are being followed by Indian planners and administrators will, in our opinion, have to be radically improved for the type of planning envisaged in this exercise. What then will be the procedures for formulation and implementation of such planning? Once again fundamentally a new approach to plan administration will be required. Such an approach will be based on (a) modernisation of the structure and functions of the machinery of administration, (b) professionalisation of personnel at various levels of the machinery of administration and (c) meaningful opportunities for participation of the people both from rural and urban sectors in community development programmes, consumers and producers cooperatives, and in social welfare activities carried through voluntary efforts and voluntary organisations. Other ideas for improving the machinery of administration are implicit in the aims of the anti-poverty programme as well as in

the aims of the state sector. We are of the view that it will be necessary to consider the implementation framework as an integral part of the system and process of planning and development. The purpose of the present chapter is to clarify the position in this regard.

6.1.1 We agree with the statement made in the First Five Year Plan document to the effect that "the principal objectives to be achieved in public administration are integrity, efficiency, economy and public cooperation. These aims are closely inter-related and to some extent inter-dependent. Measures designed to secure any one of the objectives help to achieve others as well. The problem, however, has to be approached simultaneously from several directions. The end we seek is service of the community through good administration".¹ This was an appropriate approach to plan administration although in practice Indian planning was partly ineffective because of shortcomings in administration.

6.2 General Guidelines

First we would like to enunciate the following general guidelines: (a) In a country of India's size and diversities, it will be necessary and desirable to evolve a machinery of administration which is decentralised for field action and which is centralised at various levels for policy formulation and administrative coordination. (b) This will involve a two way traffic of effective flow of information on policy and administration. (c) Implementation of plan programmes will have to be developed

1. First Five Year Plan, p.115.

in terms of a multi-level system of administration. (d) The personnel belonging to public services at various levels of the machinery of administration will have to acquire professional orientation. (e) The methods and procedures of administration will have to be simplified and rationalised particularly where there are contacts between the machinery of administration and the public and more so at the grass roots levels of administration. (f) In the organised sector of the economy, constant emphasis will have to be placed on the need for professionalisation of management. (g) And last but not the least, involvement of the beneficiary public in the programmes of rural development will have to be ensured particularly by strengthening voluntary organisations so that programmes of economic improvement are converted as far as possible, into community actions for self-help.

6.3 Framework of Plan Administration

We visualise the continuation of the Planning Commission as an appropriate agency for formulating, monitoring and co-ordinating the plans of economic development. We are of the view that the Planning Commission must consist, as has been the case so far, of administrators and professionals of outstanding and proven merit capable of taking objective and independent view of policies and programmes. We are also in favour of continuing the existence of the National Development Council as a forum for debating broad issues of economic development and the main features of proposed plans. Thus, while we are in favour of the apex body which exists today we would like to express our reservations in

respect of the administrative machinery under the Planning Commission which has proliferated into a leviathan. Such a machinery tends to become a fifth wheel of administration particularly when it is vested with financial and administrative powers for approving or disapproving the ongoing implementation of individual schemes and projects. Similarly, we think that the rôle of the National Development Council should undergo a radical change. Instead of converting the Council into a forum for advocating partisan or local interests it should serve more as a clearing house of experience and ideas on matters of fundamental policy.

6.4 Role of Central Ministries

In respect of basic economic and social policies it is the ministries and the departments of the Government of India which would need to take initiative for making appropriate proposals and ensuring implementation of approved policies. There is, however, a considerable scope for improving the organisation, procedures and methods of such ministries and departments. The recommendations of the Administrative Reforms Commission are pertinent in this respect and they need to be pursued with vigour and urgency. It would also be necessary to provide orientation to the personnel in public services in favour of developing a professional approach to the management of the economy and administration of planned projects.

6.5 Machinery at the State Level

We advocate the need of creating at State level a replica of the machinery at the centre. We would, therefore, suggest that

in each State there should be a State Planning Board (as it exists in some States) which should consist of administrators and professionals of proven merit. Such Planning Boards should be assisted by State level Development Councils which should consist of Secretaries of various departments as well as district administrators. Here again the emphasis should be on a professional and scientific approach to development planning and the need of keeping in view national interests and national policies. The machinery of planning at the State level will have to play a dual role in terms of filtering proposals and ideals emanating from the district level upwards and communicating the national policies and decisions down the line to the grass roots level.

6.6 District level Administration

The 'district' is still the most important single unit of administration. The district has both strengths and shortcomings as a unit for plan administration. However, in view of the historical context, it would be desirable to retain the district as the basic unit of development administration. This unit then can be sub-divided into 'development blocks', on the basis of administrative convenience as geonomic factors. At the district level the conventional functions of administration will naturally continue; however primacy should be given to the development functions. We would, therefore, suggest that the primary responsibility of the district officer should be that of administering the plan projects of economic development. In order to democratise the processes of planning both in terms of formulation and implementation it

would be desirable to set up District Planning Committees as advisory bodies. Such advisory bodies should consist of representatives of voluntary organisations and block development officers. The activities covered by the district unit should be basically concerned with the development of agriculture, reconstruction of rural economy improvement in production and distribution of wage goods, management of water resources and improvement of sanitation, family planning, education, community development and anti-poverty plans. The district unit must also be actively engaged in the development of cottage industries, small scale industries and employment guarantee schemes.

6.7 Management of Public Sector Undertakings

We are clearly of the view that the public sector undertakings should be able to enjoy complete managerial autonomy. In order to see that their production targets are in line with planned requirements, they should be encouraged to formulate corporate plans and plans for productivity improvements. Once these are approved on the basis of the projected return on investment they should be able to enjoy operational independence. As we have indicated in Chapter V, we visualise the public sector undertakings as the major contributors to the process of capital formation. They should therefore be enabled to generate savings which in turn would be easy to be mobilised as financial resources for economic development.

6.8 Administration of Economic Controls

In Chapter II, we have expressed our views on the subject of economic and administrative controls. Fewer the controls the better it is for administration. However, if and when any controls are found to be necessary, these should be administered without fear or favour.

6.9 Participation and Cooperation of the People

It is clear that in the kind of planning which is advocated here, there will be far greater scope for peoples' cooperation and participation in the process of economic development. The anti-poverty plan; employment guarantee scheme; administration of land reforms; implementation of the programmes for education; healthy and family planning; schemes for rural reconstruction; proposals for developing cooperatives; provide a variety of areas for meaningful participation of the people in the programmes of economic development. Such participation will need to be properly organised preferably by voluntary bodies and supported by village panchayats and local authorities. In the industrial and services sector, we have already referred to the need for creating a participative mechanism for employees at different levels. The task of promoting economic development must become the concern of every citizen. The nature of the schemes and programmes of economic development should provide the necessary incentives and motivations for effective participation of the people in the process of promoting economic development. Thus the concern for improving the standard of living of the people should become a powerful movement of the people.

CHAPTER VII

ISSUES FOR FURTHER CONSIDERATION

In the preceding chapters, we have outlined in concrete terms an alternative approach and a new framework of planning in India. In the process of working on this exercise, we came across certain important issues which we thought need to be further examined. While we have worked out a 20 year perspective of economic progress supported by a 10 year plan of economic development together with specific programmes for implementation, we are aware that for the implementation of such a plan, a number of specific policies will have to be evolved, from time to time, depending upon the exigencies of national as well as international factors. Day to day management of the economy will no doubt be facilitated by the strategic and programmatic frame of reference. At the same time, there will have to be a certain degree of flexibility in respect of specific policies which will be required for effective management of the economy. The areas and the nature of such policies can to some extent be anticipated; however, it would not be possible to lay down the elements of such policies in advance. In this chapter, we refer to some of the policy issues which will need further consideration before and during the implementation of the 10 year plan of economic development.

7.1 Agricultural Prices

7.1 One of the important issues is in respect of agricultural prices. On the one hand considerable evidence exists to indicate that the relationship between agricultural output and input prices

has, in general, been moving in such a manner as to make agriculture progressively less remunerative. Indeed, this may be regarded as one of the basic reasons why rising prices of agricultural goods have not provided adequate incentives for effective improvement of investment in agriculture. At the same time, it is equally obvious that as long as planning takes the maintenance of reasonably low prices for basic wage goods as one of its objectives, it becomes very difficult to justify a rise in agricultural prices which would otherwise be needed to make agriculture a suitably remunerative occupation.

7.1.1 In general, we visualise that this problem can be tackled on the following lines. It will need measures (a) to increase the supply and lower per unit costs of agricultural inputs, (b) to improve the present unsatisfactory nexus between increases in agricultural income and the need of ploughing back the savings for investment in agriculture, (c) to achieve productivity improvements in the pre-harvest and post-harvest operations supported by better management of resources, and (d) to reduce the middleman's margin between the price paid to the farmer and the price at which the consumer buys the products of agriculture. Given a consistent formulation of a policy on these lines, it would be possible to hope that the necessary increases in agricultural prices will provide reasonable incentives to the farmers. This in turn will tend to make agriculture a sufficiently remunerative occupation. Such an approach then can be supplemented by evolving policy supports in terms of price subsidies and a system of rationing for the benefit of the vulnerable sections of the society.

7.2 Agrarian Investments

Our analysis based as it is on such data as we could marshal, suggests that the crucial problem for augmentation of agricultural outputs is that of increasing investment in this sector. It is evident that adequate investment in agriculture cannot depend exclusively on resources transferred from other sectors to the agricultural sector. This is due to the fact that the size of the agricultural sector is large and its nature is very complex. However, available data suggest that rising agricultural incomes tend to result into (a) a competitive upwards shift of the prices of land, (b) diversion of investment in housing construction sometimes of a conspicuous type, and (c) tendency for spending incomes on purchase of consumer durables. These factors leave rather limited resources for being reinvested in agriculture itself. The reported existence of idle deposits of the rural banks also points to the lack of effective channelisation of the rural savings into reinvestment for the development of agriculture.

7.2.1 There are, in principle, some tentative solutions of the problem described above. The first is to devise effective methods of agricultural income tax which has a simultaneous commitment to reinvestment of the funds so generated for agricultural development. The second tentative solution could be based on a suitable reform of banking and credit system for mobilising the idle savings of the agrarian sector. The third possibility is of popularising rural development bonds which can be made attractive if the funds

so generated can be utilised for demonstrable improvements in the given locality. It would also be important to consider the possibility of restricting the tendency of utilising agricultural savings for pushing up the prices of land. While we make these tentative suggestions, we recognise that each one of them would pose immense practical difficulties, yet it is clear that effective measures in this direction would go a long way in rationalising the process of attracting investments in Agriculture.

7.3 Land Reform

The question of land values is related in a certain measure to the central requirement of regeneration of agriculture, namely the problem of land reform. We are of the opinion that the general direction of carrying out land reform should be guided by the following considerations: (a) to redistribute the land in such a manner that a maximum number of viable owner-farmer units are created; (b) to allocate an adequate land surface for grazing, fuel wood and fallow; (c) to organise the owner-farmer units through cooperatives and group credit agencies into mixed farming units which are large enough to promote the introduction of the techniques of scientific farm management, and (d) to manage the relations between agricultural wage workers, share croppers and land owners so as to provide adequate protection, both economic and social, to the weaker sections.

7.3.1 Experience shows that these improvements cannot possibly be attained as long as land reform policy remains restricted to the enactment of unimaginative ceiling laws and is not accompanied

by (a) intensive involvement of beneficiary groups in the process of land reform, (b) parallel development of cooperatives and group credit organisations, and (c) realisation of the need of providing opportunities of viable existence to the large masses of landless labour. In this respect, we hope that the plan and programme worked out in the exercise for poverty elimination would succeed in providing such a viable existence to this class of the society.

7.3.2 In the field of land reform, apart from economic and social problems, there is also an administrative problem. Implementation and administration of land reform pose many difficulties. For example, a centralised administrative machinery would not be able to take into account the need for altering local power relationships. Similarly there will be innumerable difficulties in organising associations of the beneficiaries of land reforms. Equally important is the need for improving the levels of mass education and to eliminate the hold of rural elites on the economic and social life of the village communities. We recognise the complexity of the economic and social order of the rural communities. Any sensible policy measures for the socio economic reforms of the rural communities will have to be based on a combination of a social idealism and earthy pragmatism based on findings of empirical studies and surveys.

7.4 Agricultural Wages

Another important issue in the rural sector is that of agricultural wages. The land-man situation in India is such that even after successful implementation of land reforms there will

continue to exist a substantial force of agricultural wage labour. According to our estimates it is only after the first 10 years of the Peoples' Plan period that we can visualise a significant reduction in the number of landless labourers. This will largely happen as a result of the development of rural public works which will create alternative job opportunities. This would be obvious when we compare the 20 year perspective of economic progress and the 10 years employment perspective in Chapter IV and V respectively.

7.4.1 Given the fact that the agricultural wage labour force will remain somewhere around 50 - 60 millions, some concrete measures will have to be taken to provide a minimum wage income to this group. It seems to us that it will be necessary to make progress towards this target on the following lines, (a) to provide sufficient agro-cum-rural work in order to create an adequate addition to wage-labour demand and thereby to strengthen the bargaining power of agricultural wage labourer, (b) to devise appropriate methods for educating and organising agricultural wage labourers into labour cooperatives for production of handicrafts or some kinds of wage goods, and (c) to enact and implement minimum wage laws and to energise the enforcement agencies to take up this task earnestly. We are, however, of the view that legislative measures although necessary and important will not be successful unless they are adequately backed by a reasonably formulated socio economic drive for creating job opportunities.

7.5 Banking and Credit Reform

In the presentation made in the previous chapters it has been indicated that there should be an effective channelisation of rural savings for investment in the rural sector. Similarly, there should be a concerted effort to mobilise the savings generated in the small industry and trade sectors. Uptil now, however, the record of banking and credit institutions in this regard does not appear to be satisfactory.

7.5.1 Banking and credit institutions are still conservative in their approach towards development finance and there are of course well known reasons for this. The traditional approach of banking institutions leaves the client to develop his activities on his own. Schemes which would otherwise be viable may tend to fail if the client is not suitably conditioned to make effective use of his funds and also honour his commitments for repayment of credit. There is, therefore, a case for strengthening rural banking system by such agencies voluntary or otherwise, which will be able to guide the clients in developing viable and productive economic activities. In this regard, the experience and examples of the Khadi and Village Industries Board and the Handicrafts Board should serve as a useful guide.

7.5.2 The institutional arrangements intended for integrated rural development should therefore be geared to perform the functions required for supplementing commercial banking.

7.6 Cooperatives, Marketing and Credit

In addition to intensive reform of rural banking system expansion of cooperative credit as well as cooperative purchase

and marketing activities should undoubtedly prove advantageous. Once again considerable reorientation of the existing institutions and their methods of operation will be called for. Basically, this will depend upon proper training facilities for cooperative action. Experience in India suggests that the cooperatives can work well in the social context of the country if certain conditions are created. Of the several conditions required, two are most important, namely dedication to the cause and ability in terms of business management. It seems to us that both the requirements have to be deliberately fostered. This in fact can be an extension of a massive programme for non-formal education. What is needed is a complete transformation of the cooperative movement as an instrument of social progress and economic advancement.

7.7 Employment Opportunities

It will be noted from an analysis of the problem of unemployment and a realistic approach to the creation of job opportunities that full employment will be a distant goal. This is so because it will be difficult to secure a balance between economic and demographic forces. According to our calculations in spite of the best effort a clear improvement in the situation will begin to materialise only after 10 years of the perspective of the Peoples' Plan although this record will be much better than the one which is likely to emerge on the basis of the existing type of economic planning. We therefore feel that it would be useful to visualise and implement an interim policy. One of the few encouraging initiatives adopted in recent years relates

to the introduction of the limited employment guarantee scheme by the Government of Maharashtra. Experience seems to show that within its limitations the scheme has achieved a reasonably satisfactory performance. We therefore suggest that the operation and record of that scheme should be evaluated and if the evaluation is favourable, the scheme should be adopted with appropriate modifications for giving a trial on an all India basis. The implementation of the scheme should, however, avoid any attempt at raising the required financial resources in an inequitable manner. We are also of the view that such a scheme should be introduced and intensified in a phased manner.

7.8 Workers' Participation in Industry

We are of the view that industrial peace will be necessary for raising the levels of production and productivity. It is in this context that the question of workers' participation in industry deserves serious consideration. Apart from participation of workers in the process of production at the shop-floor level it would be desirable to examine the advantages of the idea of providing workers participation in equity capital. The idea is to allow a part of wage and bonus earnings to be converted into equity investment on the part of workers subject to certain conditions. Such an approach has some record of success in developed and developing countries and it deserves serious consideration. In any case, the necessity of increasing the rate of savings of workers employed in the organised sector should be recognised and encouraged. Although a lot of preparatory work will be necessary for pursuing this idea, we are of the view that it should be given a fair trial.

7.8.1 In the context of a development strategy oriented in favour of the weaker sections of the society and particularly those who are below the poverty line it will be necessary for the employees of the organised sector to adopt constructive approach towards the question of participation in industry and more specifically to the question of wages and bonus.

7.9 The Savings-Investment Balance

One of the requirements of sound planning is to secure aggregate balances in the sectoral development. It has been shown in Chapters IV and V that it will be possible to mobilise financial resources required for implementation of the 10 year plan of economic development presented in this document. This is good so far as it goes. However, it will be necessary to carefully consider one aspect of the savings-investment programme; that is the relation between an assumed alteration in over all private savings propensity and the alteration in the inter-personal distribution of income.

7.9.1 The problem is clear. An egalitarian alteration in income distribution has a tendency to shift income to relatively low saving income groups and thus to lower the over all propensity of private savings. If it is intended to reduce the impact of this effect sufficiently, even in order to attain a modest rate of increase in the rate of private savings there must be (a) a fairly sharp reduction in the consumption propensity of the upper 20 per cent of the society and (b) a marked emphasis on the expansion of savings habits down the income distribution scale. We would prefer

development on these lines rather than resort to inflationary methods of mobilising financial resources.

7.9.2 Essentially a similar problem is encountered in regard to the supply-demand balances in respect of wage goods. The requirement of a sufficiently high rate of capital accumulation sets an upper limit to the planned expansion of wage goods supplies. At the same time the anti-poverty programme implies fairly large increases in wage goods supplies, if the supply - demand balance is not to be lost. Once again, as we have indicated before, it will be necessary to impose suitable control on luxury consumption as well as to limit the incremental consumption propensity of the middle and lower income groups. Such changes in consumption-saving behaviour is possible only in a social context of "austerity for development approach" and a policy context of providing fiscal and institutional incentives in favour of the saving habit.

7.9.3 We would therefore like to suggest action on the following lines. First, personal taxation should be altered so as to encourage savings and discourage avoidable consumption. Secondly, corporate tax should be so rationalised as to encourage productivity and efficiency and discourage slothful management and under-utilisation of capacities. And thirdly, special tax and credit incentives should be made available for investment in basic consumption necessities.

7.9.4 The question is whether even after making considerable efforts on such lines the needed alterations in consumption and

savings will be secured or not. It is therefore suggested that this question should be studied and analysed in depth in order to seek a sound basis for policy formulation.

7.9.5 Turning to the dimensions of savings in the state sector it seems to us that it is possible (a) to hold down the administration expenditure to the minimum limit; and (b) to improve productivity and profitability of public enterprises. Basically this will depend upon the improvements in result-efficiency of public spending through administrative reforms, performance planning and budgeting and the application of the principles and techniques of professional management.

7.10 Water, Energy and Ecology

The persistent lacuna of development planning in this country relates to the neglect of long range policies in respect of water resources, energy resources and ecological factors. Lack of dependable data has restricted our efforts in suggesting some qualitative directions of the required planning and policy measures. It is important, however, to quickly build up the necessary data base for long range planning of water resources, energy resources and ecology factors. In any case, proper management of water resources as well as of energy resources will become a prime requirement of successful planning in the next 25 years or so. Such policies should integrate in themselves the need for conservation of resources, the prospects for augmentation and compulsions of innovations on the basis of research and development.

7.10.1 We recognise the fact that it has not been possible for us to provide an exhaustive list of the various policy issues which emerge from the need for planned economic development as also from the plan-frame suggested in the earlier chapters. In any case, we do not wish to attempt to give final and complete answers in respect of some of the selected issues which are presented here.

7.11 CONCLUSION

We present this document, Peoples' Plan - II, to the public in India with the hope that it will provide a basis on which a meaningful debate on planning for economic development can be promoted. We feel that this document will serve a useful purpose if it succeeds in creating a suitable climate for such a debate.

(D R A F T)

PEOPLE'S PLAN II

Indian

Renaissance

Institute

D E H R A D U N

C O N T E N T S

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* Under preparation.

CHAPTER-I

A REVIEW OF INDIAN PLANNING EXPERIENCE

The drafting of People's Plan II has been undertaken with one central purpose in view. We wish to put before the intelligent Indian citizen a concrete alternative to the kind of economic planning so far practiced by our policy-makers.

Naturally, the presentation of an 'alternative' implies two things, First, we should be in a position to identify the errors- in methodology, priorities and implementation techniques- which have been responsible for poor economic performance under the Plans. Secondly, we should also be able to spell out a consistent thought-framework within which the correction of the identified errors may take place in the manner most favourable for improved development performance.

It will be, therefore, useful to begin with a brief review of Indian planning experience in order to put these issues in perspective.

Section-1 The Two Phases of Development Performance

We start by noting an interesting fact. Development performance under the Plans has been marked by two strikingly different phases. The first phase, which lasted upto 1961-62, was very encouraging. Real national product had been rising at an annual average rate of 3.93 per cent and per capita real product showed a rise of 1.99 per cent a year. Per Capita supplies of essential commodities rose by 1.96 per cent,

capital stock at 3.80 per cent and the rate of growth of money supply (in spite of certain experiments with deficit financing) had been restricted to 4.50 per cent per annum. Prices were fairly stable, the all commodities index showing a modest uptrend of 1.86 per cent, while prices of essential commodities were even more stable with only a 0.49 per cent yearly increase on average. There were only three mildly worrying signs: population growth was showing a tendency to accelerate, employment opportunities were failing to keep pace with the increasing number of job-seekers and foreign exchange shortages were beginning to manifest themselves. Yet, the broad picture was certainly hopeful and no one could have visualised the dramatic collapse in development performance that followed. Between 1962'3 to 1973'4, the growth rate in real national product dropped to 3.19 per cent, in spite of a slight rise in the rate of capital accumulation to 3.86 per cent a year. With the rate of population increase having accelerated from 1.94 to 2.22 per cent, per capita incomes rose only by 0.97 per cent a year. Per capita supplies of essential commodities actually declined at 1.82 per cent per year. The growth rate of money supplies sky-rocketted from 4.50 per cent to 10.11 per cent. Price stability was lost with the all commodities index showing average annual increase of 7.15 per cent and wage goods (essential commodities) prices running further ahead at 9.80 per cent a year. With this catastrophic decline in the quality of economic performance, the proportion of Indians living below the poverty line (which had been

dropping throughout the previous phase) began rising once-again and by the mid-'seventies was back at its mid-'fifties level of nearly 40 per cent of the population.

The central problem for the correct interpretation of Indian planning experience, then, is the following: why did development performance in Phase II prove so poor after such encouraging beginnings in Phase I ?

Section-2. Neglect of Population Control

A part of the poorer performance in Phase II is obviously due to faster population growth. Both the slowing down in the growth rate of per capita product and the decline in per capita supplies of wage goods (essential commodities) is -in part- due to the acceleration of population growth. Further, the increasing gap which has emerged between birth and death rates (and which will remain large, even with best efforts, for quite a few years to come) represents a CONTINUING BURDEN on economic progress.

For this unfortunate situation, two factors are responsible: (a) complacency about and neglect of the population problem in Phase I and (b) inadequate and ineffective policies in the field of population control in Phase II. As a result, the population situation today represents a serious menace to our development prospects.

Of course, there exists today an adequate sense of urgency in this matter. However, in spite of this feeling of urgency and the allocation of an increasing quantum of

resources to this field of activity, the results so far have not been impressive. As we shall see in chapter Two, the fundamental reasons for policy-ineffectiveness in this area have been (a) inadequate stress on motivational factors governing family planning. (b) lack of emphasis on the socio-infrastructure* (as distinct from the techno-infrastructure) of family limitation programmes, (c) the non-establishment of effective linkage between family-planning and other elements of social welfare programmes and (d) the unwillingness to provide a sufficiently powerful legal-administrative substructure for implementation of family-planning targets.

It has to be recognised, however, that while faster population growth explains PART of the poorer performance in Phase II, it explains only a SMALL PART. To be specific, it explains only 27.35 per cent of lower growth rate of per capita income and 7.4 per cent of the decline in the growth rate of per capita wage goods supplies. The BULK of the effect is due to some other force.

Section 3. Decline in the Effectiveness of Investment

Evidently, slower growth rates are also not to be explained by a slowing-down of investments. Actually, capital accumulation in Phase II was marginally HIGHER than in Phase I. The difference was made by the sharp decline in the power of new investment to generate additional real output, the effect being marked enough at the all-economy level, but being especially serious in the case of essential commodities.

While real output per unit of capital stock ROSE by 0.13 per cent annually in Phase I, it DECLINED by -0.67 per cent annually during Phase II. Supplies of wage goods per unit of capital stock rose by 0.10 per cent during phase I, while it declined by -3.46 per cent in Phase II. This alone explains 62.65 per cent of the downward variation in the growth rate per capita real output and 82.60 per cent of the downward variation in the growth rate of per capita supplies of essential commodities.

A similar story is told by statistics relating to incremental output-capital ratios (new income generated divided by investment) recorded in the Plans. For the first FYP, this was a high 47 per cent. In the second FYP, this was lower, but still adequately high at 39 per cent. In the Third Plan and Plan Holiday period, this dropped to 21 per cent and the Fourth Plan recorded an incremental output-capital ratio of only 19 per cent. The Fifth Five Year Plan, even if it fulfils the Planners' expectations will not show an incremental output-capital ratio in excess of 20 per cent. Why and how did this decline in investment effectiveness take place?

Section 4. Wrong Investment Priorities.

Basically, the effect was due to two factors. First, there was a gradual (and largely inevitable) rise in the capital-intensity of production within various sectors of the economy. According to certain estimates worked out by A.Das and Gautam Mathur, about 32 to 35 per cent of the fall in incremental output-capital ratios can be attributed to this

technical-modernisation effect (1954'55 to 1973'74). The residual 68 to 65 per cent represents the result of a shift in investment away from LOW CAPITAL-INTENSITY SECTORS towards HIGH CAPITAL-INTENSITY sectors.

As far as the effect on the ratio of wage-goods supplies to total capital stock is concerned, there are two basic effects to be considered. One is the rise in the capital intensity of wage goods (essential commodities) production itself and the other is the FALL IN THE SHARE OF WAGE-GOODS PRODUCING CAPITAL to total capital stock. In Phase I, the average annual rise in the capital intensity of wage-goods production was only 0.05 per cent. This was more than counter-balanced by a 0.15 per cent annual RISE in the share of wage-goods capital to total capital, thus leading to a 0.10 per cent annual rise in supply of wage goods per unit of capital stock. In Phase II, the rise in capital-intensity was about 0.25 per cent annually, this being added to by an annual 3.21 per cent fall in the ratio of wage-goods capital to total capital.

Clearly, then, the POORER growth performance in Phase II is to a large extent explained by

1. a shift towards more capital intensive sectors of production, which might be called the 'heavy-industry bias'; and
2. a drop in the capital of wage-goods industries in relation to total accumulated capital, which might be called the 'anti-consumption bias'

with within-sector technical modernisation proving quantitatively negligible as an explanation of higher capital-output ratios.

Section 4. Accelerated Growth of Money Supplies

Money supply rose by only 4.50 per cent in Phase I and by a high 10.11 per cent in Phase II. Combined with the decline in the growth rate of real income and supplies of wage goods, this factor resulted in a 6.92 per cent rise in money supply per unit of real product per year and a 9.71 per cent rise in money supply per unit of wage goods supplies. This compares with a 0.57 per cent and 0.60 per cent rise respectively in Phase I.

If we consider the amount of money supply in relation to capital stock, we find that this rose by 0.70 per cent in Phase I and by 6.25 per cent in Phase II. Money supply in relationship to wage-goods capital stock rose by 0.55 per cent in Phase I and by 9.46 per cent in Phase II. Thus, the bulk of inflationary pressure (as measured by high rates of rise in money supply per unit of real out and per unit of wage goods supplies in phase II) represent the net resultant of

1. accelerated growth in money supply
2. the heavy-industry bias effect and
3. the anti-consumption bias effect

with only 3.57 per cent and 2.74 per cent respectively emerging (for real output and wage good supplies in relation to money stock) as the result of within-sector rise in capital intensity.

It is interesting to probe a little deeper into the mechanism behind the accelerated growth of money supply in Phase II.

Section 5. Ineffective Development Financing

By and large the more rapid rate of monetary expansion in relation to growth in Phase II cannot be laid-as is sometimes believed- at the door of fiscal irresponsibility. Rather, the impact is to be traced more to ineffective development financing.

By and large, improved efficiency of development financing is represented by an increasing ratio of development expenditures to total expenditures of the government. In 1950-51 this ratio stood at 36.26 per cent, by 1955-56 this had risen to 46.53 per cent and 1960-61 saw a level of 47.16 per cent. By 1965-66 this had dropped to 43.68 per cent. A marginal recovery was visible between 1965-66 to 1973-74 the ratio rising to 46.64 per cent. Nonetheless, the ratio of development finance to total government expenditure AFTER HAVING RISEN RAPIDLY DURING PHASE I was lower throughout Phase II and did not recover to end-Phase I figures even in 1973-74.

Another interesting index of the nature of the government's contribution to the development financing set up is the ratio of public sector capital formation to total government expenditure. In 1960-61, this stood at 38.38 per cent. In 1965-66 it was 36.58 per cent. In 1969-70 it had further declined to 27.24 per cent and 1973-74 saw a value of 25.11 per cent. Thus, throughout Phase II there has been a continual decline in the proportion of public sector capital formation to government expenditure.

Thus, the government has allocated a diminishing share of its total expenditure to development expenses and within development expenses the share of real capital formation has fallen continuously throughout Phase II.

A situation similar to the above can also be observed if we study the ratio of public sector savings as a proportion of public sector output. This ratio stood at 21.72 per cent in 1960-61. By 1973-74 this was down to 16.77 per cent, having reached its lowest level in 1969-70 at 14.42 per cent.

Indeed the entire rise in the proportion of savings to national income (from 9.95 per cent to 13.46 per cent) over 1960-61 to 1973-74, has been the result of a rise in private savings as a ratio of private sector output from 8.85 per cent to 12.91 per cent, which has more than compensated for the decline in the public sector propensity to save.

Section 6. The Savings Investment Picture

The story can be neatly rounded off by considering the savings investment picture. Net domestic savings rose from 9.95 per cent of Net Domestic Product in 1960-61, successively to 12.31 per cent (65-66), 12.55 per cent (69-70) and 13.46 per cent (73-74). In the same period net domestic capital formation rose from 13.85 per cent (60-61) to 15.37 per cent (65-66) and then declined to 13.91 per cent (1969-70) and to 12.36 per cent (1973-74),

In the same period the public sectors' capital formation as proportion to public sector product changed from 72.15 per cent (1960-61) to 72.87 per cent (1965-66),

thereafter, drastically falling to 41.85 per cent (1969-70) and further to 40.62 per cent in 1973-74. In comparable years public sector savings stood at 21.72 per cent (60-61), 21.58 per cent (65-66), 14.42 per cent (69-70) and 16.77 per cent (73-74).

The private sector's net capital formation stood at 6.89 per cent in 60-61, 6.64 per cent in 65-66, 9.38 per cent in 69-70 and 7.63 per cent in 73-74. Its saving propensity rose from 8.55 per cent (60-61), to 10.90 per cent (65-66), to 12.25 per cent (69-70) and to 12.91 per cent (73-74). What these figures show is quite unmistakable. From 1960-61 to 1965-66 both the public and the private sectors were engaging in acceleration of capital formation. Beyond 1965-66 to 1969-70 there was a collapse in the public capital formation effort, which was not reversed even up to 1973-74. The private sector's acceleration continued upto 1969-70 but thereafter, its rate of capital formation also declined.

On the savings front public savings propensities declined significantly, while private sector saving propensities grew rapidly. The net effect was a cyclical swing in national capital formation with a peak in 1965-66 and a trough which was reached around 1973-74. As a result of the collapse of capital formation and the modest upcreep of savings, however there resulted a surplus of domestic savings over domestic capital formation, reversing the earlier trend of externally-financed capital formation which had reached its peak-intensity in 1965-66.

Section 7. The Total Picture

Broadly, then, here is the upshot of our review of planning experience. In the period after 1960-61- the Indian planners tried a process of heavy-industry-intensive and capital-goods-intensive growth strategy, based on public sector capital formation as its leading instrument. If this could be maintained at high-intensity, the pay-off MIGHT HAVE BEEN impressive. What ruined the picture was the INEFFECTIVENESS OF THE GOVERNMENT AS AN ENGINE OF RESOURCE MOBILISATION- Public Sector savings were never high enough in proportion to public sector product, so that even in the face of a quite reasonable uptrend in private savings propensities, domestic savings were totally inadequate to cover domestic capital formation costs. The process could continue as long as the net inflow of foreign investment could make up the gap. The end was reached in 1965-66 when the foreign exchange situation went beyond control and IN REALITY THE IDEA OF TRULY RAPID CAPITAL ACCUMULATION WAS EFFECTIVELY GIVEN UP.

Since then, although the economy has (more or less, except for oil-crisis disturbances) recovered its INTERNATIONAL EQUILIBRIUM, its internal rate of capital accumulation has had to be curtailed to levels at which a heavy-industry and capital-goods biassed growth strategy is simply non-viable.

In other words, with an incremental output- capital ratio of even 4.5:1 (which is the best we can hope for with a heavy-industry strategy) we would need to invest around 22.5 per cent of national income in order to attain a 5 per

cent growth rate in national income. With actual savings to national income confined below 14 per cent, the maximum feasible growth rate without international disequilibrium is around 3.1 per cent. Under such circumstances THE PERSISTENCE OF OUR PLANNERS WITH A HEAVY-INDUSTRY-BIAS GROWTH STRATEGY IS FUNDAMENTALLY ILLOGICAL.

Section 8. What this Means for the People.

The combination of a low investment rate with a heavy-industry bias implies intolerably low rates of growth in supplies of consumption goods. This is exactly what has been the case post 1960-61. Per capita supplies of foodgrains declined from 469 grammes per day per capita to 448 grammes, edible oils in kilogrammes per year dropped from 3.2 kilos to 3.0 kilos, Vanaspati remained stagnant at 0.8 kilogrammes per year, Cotton cloth in metres per year dropped from 13.8 to 12.1, only sugar and tea recorded modest rise from 4.7 to 6.0 kilogramme per annum and 0.29 to 0.41 kilogrammes per annum respectively.

The situation in terms of essential social services was only marginally better. Buses per 1000 persons rose from 0.13 to 0.18 and trucks from 0.39 to 0.77. Number of primary schools per 10,000 persons DECLINE from 7.6 to 7.4. Number of secondary schools showed a rise from 1.1 per 10,000 persons to 1.7 per 10,000 persons.

This abysmal failure to produce the basic necessities of consumption has been primarily responsible for the continued poverty of the Indian people after more than two decades of

"planning". It has also had the result of largely making 'invisible' and "nugatory" the otherwise impressive record of the "planning era".

We may briefly note the most important of these achievements: (a) between 1900 and 1950, the production of foodgrains rose by no more than 10 million tonnes, while during the first two decades of planning an extra 50 million tonnes were produced; (b) industrial output rose $4\frac{1}{2}$ times between 1900 and 1950, while it recorded an increase of more than $3\frac{1}{2}$ times between 1950-51 and 1973-74; (c) there has been a continuing uptrend in the rate of saving from around 5 per cent of national income to about 13.5 per cent; (d) the ratio of taxation to national income has risen, in spite of evasion and negligible taxation of agricultural income from about 5 per cent to nearly 18 per cent; (e) there has been a substantial expansion in the build-up of infrastructural facilities, both social and economic and (f) a cadre of technologists and managers have been created which (although few compared to the population) is the third largest of any nation in the world.

In spite of these undeniable achievements, however, poverty has continued and growth has not been a visible contributor to the People's welfare. Thus, a fundamental change is required in the directions of our economic planning. Broadly, our review has already produced certain clear indications of the needed directions of change.

CHAPTER- II

A REVISION OF DEVELOPMENTAL PRIORITIES

The fundamental internal contradiction in the Indian pattern for development has been the COMBINATION of a heavy-industry-oriented pattern of allocations and an investment rate too low to validate such a pattern of allocations. This contradiction has emerged primarily because the ratio of domestic investment to national income has continued to remain low. This, in turn, reflects the low efficiency of the government as a mobiliser-investor of resources: a fact which is vividly brought home by (a) the decline/stagnation in the ratio of development expenditure to government expenses, (b) the falling trend of public sector investment as a share of public sector product, (c) the stagnancy/decline in the ratio of public sector savings to public sector product and (d) the dropping share of new public capital formation as a share of development outlays of the government.

Apart from this INTERNAL CONTRADICTION, which would have by itself sufficed to lead to poor development performance, there have been also a number of contradictions between the pattern of development priorities and the objective needs of the developmental situation. Briefly, these EXTERNAL CONTRADICTIONS of our development strategy relate to the following areas.

Section 1. External Contradictions in the Development Pattern.

1.1 First, in a country where the ratio of agricultural

production to national income remained as high as 50.17 per cent (1973-74) and where around 75 to 80 per cent of the population depended directly on it as a source of livelihood, the pattern of development allocations (except during the First Five Year Plan) never reflected this obvious premaxy of the agricultural sector.

It can, of course, be validly urged that the TOTAL development outlays directly and indirectly promoting agricultural development have been quite substantial as a proportion of public sector outlays in Indian development plans. It can also be argued that the rate of return observed on such investments has been none too encouraging. It is also possible to refer to the relatively low reinvestment potential of the agricultural sector and the reduction in growth rates that may occur if agricultural investment is overemphasised.

However, such arguments miss the essential point. This is that India's development performance both in terms of per capita product and the growth rate of employment opportunities will depend predominantly on what happens in the agricultural sector. Consequently, the pattern of investment allocations in our development plans should have been governed, above everything else, by the need for providing an adequate inputs- infrastructure- institutions base for an adequately rapid increase in agricultural sector incomes and employment. On the contrary, plan allocations have been, to date, primarily governed by the requirement of

industrialisation and still more so by the planned growth rates of heavy industry.

It is, indeed, our finding that outlays on agricultural development need perhaps to have been only 15 to 20 per cent higher than they have been. Given a more reasonable distribution of outlays within the industrial sector, this need not have damaged the over-all growth rate of the industrial sector either. However, it would have meant a psychological shift of fundamental importance.

We must learn to look upon agriculture primarily not as a sector supplying food to industrial workers and raw materials to industries, but more fundamentally as a generator of income and employment opportunities. Our failure to do so upto now represents a fundamental error in development strategy.

1.2 The second basic area in which development strategy has failed to be in conformity with the objective nature of the Indian economy has been the inadequate attention paid to considerations of employment and manpower. Even given a very high rate of growth in the industrial sector, it is unlikely that this would account for more than 30 per cent of total output and about 20 per cent of employment, even by A.D. 2000. Thus, the bulk of growth in both income and employment opportunities would have to occur OUTSIDE the industrial sector no matter how fast it grows. It follows, therefore, that industrialisation cannot be regarded as the primary instrument of development, which must take place basically in agriculture

and (secondarily) in the services sector as far as absolute increments in both income and employment are concerned.

In other words, the primary stress in development planning must relate to growth of income and employment opportunities in the agricultural and services sectors of the economy. Industrial growth has to be planned primarily as a source of supply of capital goods, inputs and industrial consumers' goods demands of these two sectors.

Of course, this will still require a rapid growth rate for the industrial sector, purely through inter-sector balance considerations. However, it would occasion substantial changes in the internal structural composition of the industrial sector. The weightage of both consumption goods and agro-inputs/agro-capital sectors would rise considerably and the relative weight of industrial-inputs/industrial-capital sectors would diminish. In other words, the industrial sector's investment pattern would reflect a policy of feeding the non-industrial sectors rather than feeding itself.

Indian planners would have to realise that the bulk of absolute increases in income and employment in the visible future would be occurring outside the industrial sector, primarily in agriculture and secondarily in the services sector. Under such circumstances the industrial sector's growth pattern needs to be dominated by the need to feed these two sectors. The pattern so far utilised in which industrialisation is an end-in-itself and the structure of capital and intermediate goods production is determined by

the growth-requirement of the industrial sector is a case of the tail wagging the dog. It follows directly from looking upon industrialisation as a 'target' to the practical exclusion of income and employment opportunities.

1.3 We have had already occasion to refer to the neglect of the target of population limitation in chapter one. After assuming that adequate priority has been already given to population control, there remains another important dimension along which population growth needs to be brought into the development planning picture. This concerns the question of the provision of basic consumption needs (both of essential commodities and essential services) to this growing population. Primarily, these needs would reflect requirements of food, cloth, shelter, water supply, sanitation, education, medical care and transportation.

Of course, basic needs minimum levels are unlikely to be attained in the immediate future. Nor will they be attained simultaneously at some specific future date. Rather, the attempt must be to attain the minimum level of basic needs of each type at the earliest date that the economy can be expected to do so. On present showing* assuming a population of 846 million by A.D.2000 according to the Registrar General's low-projections., it seems likely that targets for food, cloth, education and medical care can be (with best efforts) met in another 15 to 20 years whereas it would be unreasonable to expect shelter, water supply, sanitation and transport needs to be met before 25 to 30 years.

Evidently, given an assumed pattern of dates for meeting basic needs minimum targets and the size of population at those dates, a certain set of physical growth targets are INDEPENDENTLY SET and these become relatively rigid inputs to the planning process.

Indian planners so far have been very chary of incorporating such considerations into development planning. For one thing this would come into immediate and drastic conflict with the pattern of developmental priorities they have become accustomed to. This was demonstrated dramatically when there appeared considerable political pressure(in the Fifth Plan period) that the Fifth Plan should involve a certain set of minimum commitments in terms of such targets. Given the resources constraints and the posited growth rate, the planners found that any attempt to introduce such targets would have LOWERED the growth rates of a number of heavy-industry sectors below what the planners regarded as irreducible minima.

The truly fantastic thing about these irreducible minima was that they had been set independently on the basis of (alleged) long-term considerations and had nothing to do with the criterion of inter-sectoral balances. In other words, these heavy-industry sectors represented to the planners ends-in-themselves and not requirements emanating from the assumed growth rate and pattern of final consumption demands. Rather, it was the pattern of final consumption demand, INCLUDING THAT FOR ESSENTIAL COMMODITIES, which was

to be adjusted to the requirement of an adequately high rate of growth of the sacrosand heavy industry sectors.

Since we do not look upon either industrialisation or capital goods production as ends in themselves, we believe that development priorities should include specific commitments to reach 'basic minimum' targets by specified dates. We realise, of course, that the introduction of such physical target attainment may not always be easy to harmonise even with the agriculture wage goods- services strategy for particular the shalter-water supply-sanitation group of needs, involving heavy investment requirements, may give some trouble. Yet, the mere fact that we treat industrialisation and capital goods production as TOOLS rather than as ENDS, offer us much more chance of harmonising the needs of growth and employment with that of basic minimum needs provision.

1.4 A final area where there has been error in development priorities has been concerned with the requirement of price stability. Now, it is perfectly clear that a rigid adherence to an absolutely stable value for the rupee is neither particularly important nor particularly intelligent. However, rapid inflation is undoubtedly counterproductive from the point of view both of growth and social justice. Thus, we must not plan in such a manner that serious price rises become IMPLICIT in the planning allocations themselves. By and large, this means two things: (a) adequate attention to securing increases in supplies of essential commodities sufficient to meet the increased money-demand for such goods without

inflationary price-rises and (b) adequate stress on the process of resource-mobilisation and resource-spending by the Government.

What we have said before concerning our development priorities assures that requirement (a) - adequate supply of wage goods- would be taken care of. The requirement (b) naturally gives more trouble.

We must note that the estimation of the resource-mobilisation needs have to be studied at two levels. First, there is the question of the aggregate mobilisation of development resources. This equals the sum of private sector investments plus public sector investments plus non-investment development expenses by the government. Secondly, there is the question of the mobilisation of development resources by the government itself which equals government revenues minus non-development expenses of the government, with an allowance (if any) for deficit finance.

We believe that the criteria for non-inflationary development finance, at the two levels of analysis, are the following:

1. total development investments (aggregate developmental outlays minus non-investment development spending of the government) must not exceed private sector savings plus public sector savings plus net foreign investment;
2. development outlays of the government must not exceed government revenues minus non-development expenses.

Clearly, then, the resource- availability position can be improved through measures which

1. raise the proportion of public sector savings

- to public sector product,
2. raise the proportion of private sector savings to private sector product,
 3. raise the weightage within the economy of that sector which has the higher propensity to save (public sector),
 4. raise government revenues as proportion of national income, and
 5. reduce the ratio of non-development expenditure of the government to government revenues.

The problem of development finance involves limiting aggregate investment and development outlays of the government within the limits specified, after having done everything that may be reasonably expected to improve the resources- availability situation.

Section 2. The New Priorities in Development

The discussion above implies a new set of revised developmental priorities which have been incorporated in the people's Plan. These will be summarised below for ready reference.

First, we believe that in order to secure an adequate expansion in income as well as employment opportunities, it will be necessary to fully explore growth possibilities in agriculture (primarily) and in the services sector (secondarily).

Secondly, the growth rates for industrial output in general and of capital goods in particular should not be treated as independent ends and should be derived primarily from intersectoral balance requirements.

Thirdly, provision should be made for an adequate control of population expansion primarily in the interest of an earlier target date for meeting basic needs minima.

Fourthly, basic minimum needs targets in physical terms should be incorporated in the planning process and progress towards each minimum needs level must be specified for each planning period.

Fifthly, both aggregate investment and government developmental outlays must be kept within limits set by resource availability.

Given a commitment to the above priorities it should be possible to secure much more satisfactory results in the coming 15 years than we have done in the past.

Basic Strategy of the People's Plan

Effective mass participation in economic growth: this is the central objective of the People's Plan. Unless this fundamental aim is seriously and consistently pursued, there is no prospect for significant improvement in mass welfare standards.

The unequivocal experience of anti-poverty programmes in both rich and poor countries- attests to the truth of this proposition. Neither the provision of social welfare benefits to poor households, nor the establishment, at public cost, of community utility services in poor neighbourhoods or settlements, has a perceptible long-term impact on the welfare of the recipients, unless accompanied by growing

productive involvement in expanding sectors of economic activity.

Consequently, so long as the productive involvement of the Indian 'People' in expanding sectors of economic activity remains at its present low level, standards of mass welfare cannot possibly improve. Neither an acceleration of the rate of growth, nor the strengthening of 'redistributive measures' nor finally the expansion of social welfare activities of the State, will make a significant difference.

The above is not meant to deprecate the usefulness of efforts currently being made to provide social welfare benefits and to develop 'minimum essential community services' for the poor. Rather, the intention is to emphasise the transcendent importance of productive involvement of the people as an instrument for raising mass welfare standards.

By 'productive involvement' of the people we mean their becoming engaged in worthwhile economic activity' (either as wage workers or as self-employed) in sectors where economic opportunity is expanding as a result of economic growth. The qualification about the necessity of the productive involvement occurring in expanding sectors is important. Employment in depressed sectors, or sectors being gradually weakened by economic development is in itself a highly intractible economic problem. If mass welfare standards are to be raised in the long run, it is in prosperous and growing sectors of the economy that their employment must be found.

However, in order that opportunities for employment/self-employment being created by the process of economic growth may be effectively utilised by the 'people' of a poor country, they need to be of an appropriate type. This means in effect that (a) the jobs should be suitable for unskilled/semi-skilled workers and should require only 'minimal' retraining and that (b) the self-employment opportunities must be viable at low levels of techno entrepreneurial sophistication and to require only moderate amounts of investible capital.

The problem with modern economic growth in a less developed nation is precisely that (most of) the new economic opportunities being created are of a very different type. Typically they require effective acculturation to a mechanical-capitalist civilisation, emphasis technical skill and managerial sophistication and usually involve fairly heavy investments of capital.

This mismatch of the type of opportunities being created and the type of opportunities which can be effectively utilised by the 'people' accounts for two features of the growth process in a less-developed nation: (a) the under-utilisation of economic opportunities and the consequent low 'spread effect' of investments and (b) the confining of the major benefits of economic growth to the small section of the population who alone are in a position to exploit the new opportunities.

Planning of an intensive and comprehensive type, operating at several hierarchical levels is necessary in order

to offer a reasonable chance of correcting this basic mismatch. The central purpose of such planning is to secure a faster rate of expansion of economic opportunities that the 'people' can utilise and to do this in a manner which does not prejudice or sabotage the long-term capacity of the economy to grow and modernise.

STRATEGY FOR MASS INVOLVEMENT IN ECONOMIC PROGRESS

The idea that planning should aim at creating economic opportunities which the people is in a position to utilise is, of course, not new. Beginning from the early 'Gandhian' critiques of Indian economic planning through P.C.Mahalanobis's suggestions in the Draft 2nd Five Year Plan, to the more recent discussions initiated by Bardhan, Minhas, Dandekar and Mathur, the same theme has appeared in many guises in discussions on Indian economic planning.

Official policy-makers have sought to implement the idea involved through a host of special programmes for the benefit of the economically less-endowed. There have been programmes for aid to small and marginal farmers, promotion of cottage and village industries, reservation of output sectors for small and household industry units, provision of nationalised bank credit for small intrepeneurs and artisans seeking self-employment and various other schemes of an indirect nature such as the promotion of service and marketing cooperatives, community development and technical extension, adult education and vocational guidance, etc.etc.

Yet, the total effect of such policies have been relatively negligible, even allowing for the relatively meagre outlay on such initiatives in general. Neither official planners, nor their critics have been able to come up with workable suggestions as to how such efforts can be provided with adequate economic leverage.

It is worthwhile realising that the needed leverage can come from only one source: the expenditure of public money. It is idle to expect that private spenders and investors can be persuaded, or even gently coerced through fiscal policy and administrative controls, to either shift their purchases to the small-scale sector (demand-stimulation) or to increase the labour-capital ratio of their planned investment (technological change stimulating labour demand) in a sufficiently big way to make a noticeable difference to the character of the growth process. Private consumption and investment patterns have a tendency to be extremely stubborn in such matters. A decisive role, providing massive leverage of the sort needed, has to be played by public expenditure.

When we speak of public expenditure providing the necessary leverage, we do not mean a mere raising of outlays on the type of 'projects seeking to provide more economic opportunities to the underprivileged'. There are obvious limits to the extent that such outlays can be raised without throwing the plan as a whole out of gear and exposing the economy to serious threats of inflation. While raising outlays on small industry, small farming and small service sector (together called the 'small scale sector' in what follows)

upto feasible limits, we shall not remain satisfied with this. When we refer to the 'leverage' to be exerted through public spending we mean to achieve something altogether more substantial.

The basic leverage mechanism that we wish to activate is (a) to make the Government the major buyer whose expanding demand will provide the growth-impetus to the small scale sector (b) to restructure Government spending in order to provide for both a massive expansion of labour-intensive public works and for a rise in the proportion of semi-skilled/unskilled work force in Government programmes, particularly of the 'welfare type and (c) to intensify the forward and backward input-output linkages between the Public Sector and the small scale sector.

Subsidiary strengthening of the process may be achieved by a suitable combination of following measures:

(d) Requiring each public sector unit so to regulate its input purchase and output-disposal policies as to secure the maximum feasible stimulation of related small scale sector activities.

(e) Strengthening and expanding the system of State trading and marketing to handle both the input and output marketing of small scale sector activities.

(f) Relating the flow of nationalised bank credit to the areas where small scale sector production is being stimulated by State purchase and trading.

(g) Orienting vocational training, technical expert advice and management education programmes also to serve the same set of activities..

(h) Intensifying public-aided research and development of technologies viable for small scale enterprises, once again concentrating on the sectors to which the leverage is being applied.

(i) Initiating and supporting the development of cooperatives, associations of small scale producers and other forms of voluntary organisation to achieve both the involvement of mass-level initiative and the creation of valid channels of feedback information concerning the small scale sector activities.

As would be immediately evident, the application of 'leverage' of the sort described is intended to initiate and promote a certain specific type of structural change in the economy.

As a primary impact of the larger production in the People's Sector and the large-scale labour-intensive public works, there will be both a rapid rise in mass income and also a faster growth rate of lower economic group incomes. This will create a rapid increase in demand for popular consumption necessities, as well as increased demand for inputs utilised by the Small Scale Sector. A large part of these demand increases will give rise to second-round 'spin off' expansion in both the small scale sector's and Public Sector's activities. A part will also go to stimulate growth in large scale private sector activities.

In terms of the structural shift of resources within the economy, the operation will be associated with (a) the

shift of resources away from large scale private industry competing with the small scale sector and into that sector itself;

(b) the shift of demand away from high-cost consumption goods towards the production of low-cost necessities of mass consumption;

(c) an over-all shift towards spatically well-dispersed production and away from sharp regional and local concentrations;

(d) the retooling of capital goods sector to provide the capital goods required by the basic consumption goods industries;

(e) a shift in economic activity weightage from larger urban agglomerates to numerous newly emergent urban/semi-urban growth foci ;

(f) a rapid growth of the intreststructural sector, within which the increasing share will be absorbed by State and Small Scale Sector (co-operative) activities; and

(g) finally, the gradual emergence of a new kind of economic system in which the Small Scale Sector and Public Sectors work in intensive collaboration and the disappearance of the present economic order in which the growth of Public Sector activity supports mainly the large-scale private Sector.

The allocations of People's Plan II will be guided throughout by the considerations of (a) maximising the primary leverage process and (b) following up and providing additional support for the types of structural shift in the ECONOMY that have been envisaged. Certain implications of such

follow-up and support need to be briefly mentioned at this stage.

First, a considerable allocation will have to be made to the provision of social welfare services to poor households particularly in those forms which enable them to attain minimum standards of health, information, attitude and work habit. It will also be necessary to lower the fertility rates of these households in order to lower their dependency burdens and to promote their long run economic projects. Thus, heavy emphasis is called for on programmes relating to (primary and adult) education, health nutrition and family planning.

Secondly, the growth of semi-urban central places would require adequate investment in housing and urban development, water supply and sanitation, power and transport and communications.

Thirdly, in order that the basic consumption and agro-input needs are met, the agricultural sector will have to grow adequately. Since we propose to emphasise the growth of the productivity of the People's Sector units (small farms) particular attention will have to be paid on mixed farming, raising of crop intensity, protection of the agrarian land-water system. Utilisation of bio-energy and bio-manure, forest protection and development, etc. The allocation sectors in this strategic complex would be: agriculture and allied activities, irrigation and flood control, transport and communications, power and science and technology. The forestry development target can be further promoted through

allocations on hill and tribal area development.

Fourthly, to ensure that producer's good's needs of the growing economy are adequately met, a sufficiency of allocation will have to be made for the growth of large scale industry, mainly in the Public Sector. The allocation sectors involved here would be industry and minerals, power and transport and communication.

Finally rapid increase will have to be allowed for in sectors contributing directly to the growth of People's Sector manufactures. The strategic complex includes the sectors: village and small scale industry, science and technology, power and transport and communications.

CHAPTER-III

POPULATION AND BASIC NEEDS

To anticipate future rates of demographic expansion is one of the most difficult exercises since it depends on such a large number of economic, sociological and psychological imponderables. For non-experts the only possible way through the tangle of conflicting population estimates is essentially that of finding the area of 'greatest correspondence of borned opinion' and the highest degree of prima facie reasonableness of base-assumptions.

We observe that in A.D.1971, the population of India stood at about 548 million. From this it is expected to grow by A.D. 2001 to a surprisingly wide range of figures. The highest for A.D. 2001 is 1035 millions (Dr Jaipal Ambanavar's High Estimate) and the lowest is the Registrar General of Censuses Low 1 Estimate of 830 millions. The range of estimates which cluster closest together and show the closest correspondence of base-assumptions, however, are represented by (a) Jaipal Ambanavar's Low Estimate of 926 million, (b) Herman Lahn's Estimate of 914 million, (c) The Registrar General's Medium.1 Estimate of 924 millions and (d) the Fremont Felix estimate of 922 millions.*1

Interestingly, the Registrar General's Office itself favours rather the Medium 2. estimate of 945 million by A.D. 2001 and has recommended this as the basis of official calculations. Upto the present, the estimates of Medium 1. and

*1 F.R.Mehta second India-Economy, Macmillions, Delhi.

Medium 2. match so closely that there is little possibility of an empirical judgement between them. Indeed, except beyond 1986, the two estimates do not differ by more than 5 millions, a differential size difficult to be sure of in any Inter-Census year. Even upto the end of the People's Plan period 1991-92, the difference between the two estimates is of the order of 8.7 million in absolute terms or 2.15 per cent only. Thus, only minor differences are made if we take the officially-recommended Medium 2 estimates as the basis of our calculations upto the end of the People's Plan period.

Our decision, therefore, is to use the Medium 2. assumption estimate as the basis for calculating what will happen if the effectiveness of population policy remains at its present level. Our estimate of the TARGET of population policy is set by the Registrar General's Low 2. estimate. This is so because of we assume that fertility and mortality are brought into LONG-TERM Zero-growth relationship, by 1986, the final population figure of 852 million is in fairly close correspondence with the Registrar General's Low estimate 2. of 846 million. The necessary population figure for this POPULATION EQUILIBRIUM BY 1986 growth path is 656 million for 1981, or only slightly below Medium 1 estimates. Thus, given a really strong emphasis on population policy from A.D.1977 (first year of the People's Plan) it should not be difficult

to shift from the Medium 1 growth path to the Low 2 growth path and reach a population figure of about 850 million by A.D.2000.

TABLE: ANTICIPATED AND TARGETTED POPULATION
FROM A.D. 1971 TO A.D. 2001

Year	Medium 1.	Target	Low 2.
1971	547.00	--	547.00
1976	605.60	---	600.30
1981	663.30	656.30	648.70
1986	724.50	709.62	699.70
1991	786.20	761.71	751.30
1996	853.80	804.48	799.80
2001	924.30	850.20	846.40

By the end of the People's Plan the population figure would be either 786.20 (no change) or 761.71 (target level). A population of about 765.00 million by A.D.1991, giving a 1992-93 average of 780 million seems a reasonable estimate for carrying out per capita progress excercises for A.D. 1992-93 On a similar method, the population base figures for 1977-78 are 621.84 million, for 1982-83 they are 669.57 million, for 1987-88 they are 725.23 million and for 1992-93, they are 780 million respectively. The quinquennial growth factors are 1.0768 for the first quinquennium, 1.0831 for the second quinquennium and 1.0755 for the third quinquennium respectively.

Section 2. Basic Need Minima by A.D. 2000-1.

The basic needs minimum figures for physical

quantities of outputs or services can be derived in two ways. One method, is to use per capita needs figures based on average minimum consumption needs of human beings and to multiply this by the population figure. This method, though popular, is certainly unsound since it represents or implicit assumption of perfectly equal distribution of output. Much the better method is to proceed as follows.

First, let us assume that by A.D. 2000-1, the Indian Economy will reach a per capita income level at which, assuming a 6 per cent quinquennial improvement in the share of income going to the lowest 40% of population, no one will remain below the national poverty line. Given the resultant figure for income increases one can use the known income elasticities of demand to derive figures of output of goods and services corresponding to supply-demand equilibrium for that year. These figures are much better estimators of the volumes of output actually needed to guarantee the supply of minimum-needs to the population.

Proceeding in this manner we find that in A.D. 2000-1, India will have to reach a per capita income of about Rs.2850/- in constant 74-75 prices in order to reach a state of no-poverty. This corresponds to a national income figure of Rs.202250.00 crores, with a population of 850 million, as per Medium 1 estimates, the needed figure will be Rs.262200.00 crores. As shown later, we find that the planned national income figure for A.D. 1992-93 is Rs.155762.25 crores and the corresponding per capita income figure is Rs.1996.95 crores. if the population is 924 Million,

Continuing upto A.D. 2000-1 at the same pace of growth an aggregate national income of Rs.234208.78 crores and a per capita income level of Rs.2755.39 is reached. This is reasonably near the required figure of Rs.2850/- so that the target of no-poverty by A.D. 2000-1 does not look too impossible. If, however, the population figure is 924 million, per capita income by A.D. 2000 will rise only to only Rs.2289.43, so that the no-poverty aim by A.D. 2000 will become impossible of attainment, even with growth acceleration beyond 1992-93.

It does not look too unreasonable to project for a no-poverty per capita income level by A.D. 2001, provided population can be held within 850 million by that year. We present below our estimates for aggregate needed production of a number of important commodities by A.D. 2001, on the basis of source data from the National Commission on Agriculture.

Sector	Unit	1971 Output	Needed Output 2000-1
Foodgrains	mn tonnes	94.31	170.09
Sugar	-do-	4.03	10.44
Gur	-do-	7.44	13.78
Vegetable Oil	-do-	1.82	4.13
Vanaspati	-do-	0.59	1.75
Tea	mn.kgs.	213.00	509.36
Coffee	mn kgs.	37.91	104.65
Tobacco	-do-	255.00	483.74
Cotton Cloth	mn. metres	5832.40	22990.69
Milk	ooo tones	21.71	59.98
Eggs	mns	60.40	19667.24
Meat	'ooo tonnes	0.69	2.13
Fish	'ooo tonnes	1.61	4.57

Source, National Commission on Agriculture
Report, Part III.

Production figures for a number of critical industrial goods are similarly derived, from original estimates by F.R.Mehta- on income-elasticity basis- on the same no-poverty per capita income estimate of Rs.2850/- for A.D. 2000-1. with appropriate modifications for pupulation, the figures are as below.

Sector	Unit	1973-74 Output	A.D.2000-1 Output
Iron Ore	Mn tonnes	37	218
Coal	-do-	79	962
Petroleum	-do-	7.7	35
Paper and Board	'000 tonnes	830	7055
Newsprint	'000 tonnes	43	11389
Petroleum Products	Mn. tonnes	21.5	176.3
Cement	-do-	16.0	164.60
Plastics	'000 tonnes	128	6800
Nitrogen Fertiliser	'000 tonnes	1162	77350
Phosphate Fertiliser	'000 tonnes	350	54584
Drugs and Pharmaceuticals	Rs. crores	300	4105
Electricity	Mn. Kwt.	72000	1233459

(Source: F.R.Mehta-op.cit,
adequately modified for new
population estimates).

Estimates are also possible to derive in physical terms for a number of critical services, by applying a number of norms to population figures.

Service	Actual	Need	Norm
<u>Health</u>	1972-73	2000-1	
Doctors	130530	242857	1:3500 persons
Dentists	8400	28333	1:30000 -do-
Nurses	82330	170,000	1:5000 -do-
ANMS	54000	170,000	1:5000 -do-
Sanitary Inspectors.	30060	85,000	1:10000 -do-
<u>Education</u>	1973-74		
Primary Schools	404780	850,000	1:1000 -do-
Secondary Schools	91990	170,000	1:5000 -do-
<u>Sanitation</u>			
Safe Drinking Water Supply (mn. litres)	25,400	340,000 mn.litres	40 litres a day per person.
<u>Housing</u>			
Standard Habitable Units('000's)	61624	170000	1 unit per 5 persons.

Sources: Draft Fifth Five Year Plan:
 F.R.Mehta, second India Series-
 Economy. Macmillan, New Delhi
 Annual Report of Health and Family
 Plans 1972-73. Para 301. HUDCO,
 Housing Programmes, 1974-75.

CHAPTER- IV

RESOURCES FOR DEVELOPMENT

People's Plan II will cover the 15-year period from 1977-78 to 1992-93. What would be a reasonable estimate of the quantum of resources which may be mobilised in this period for development outlays? To find an UNAMBIGUOUS answer to such a question is difficult for two reasons. First, the pace and pattern of economic growth during the period itself determine the size of the economic base from which resources can be mobilised. Secondly, the degree to which resources will actually get mobilised will also depend on whether or not we can secure significant improvements in the efficiency of resource-mobilisation mechanisms. Remembering, then, that ANY estimate of resource mobilisation depends on assumptions made about these two areas, let us get on with the job of estimating the resources available for People's Plan II.

Section 1. Domestic Savings and Investments.

Considering the problem of resources, first, at the macroeconomic level, we note that the ratio of DOMESTIC SAVINGS to national product will depend primarily on three factors: the rate of saving of the private sector from its own income, the rate of savings from public sector income and the ratio between the incomes of the two sectors. In 1977-78, the first year of the 15-year planning period we visualise, national income (GDP) will be in the environment of Rs.65,000

crores at 1974-75 prices. Out of this, about 16 per cent (Rs.10,400 crores) will be in the public sector and the rest (Rs.54,600 crores) will be in the private sector. In 1973-74 the last year for which detailed data are available, the private sector propensity to save was about 19.01 per cent (gross private savings divided by gross private sector product) and the public sector propensity to save was about 23.70 per cent (gross public sector savings divided by gross public sector product). The gross domestic savings level for the national economy equalled about 17.20 per cent. Assuming that sectoral savings ratio do not significantly change upto 1977-78, the gross domestic savings ratio will equal about 18.08 per cent in 1977-78.

If we take about 18.00 per cent as the gross domestic savings ratio at the beginning of the People's Plan, we can assume that in the initial 5 years or so, it should not be difficult to sustain an investment level of roughly 18 per cent of national income 'on average'. Given a proper allocation of this investment, it should not be too difficult to secure a growth rate of about 5.5 per cent, with an incremental capital-output ratio of around 3.3:1, which is only slightly below the 3.5:1 ratio assumed by our planners for the Sixty Plan period projections.

On this basis, the aggregate quanta of domestic savings will be Rs.11700.00 crores in 77-78, Rs.12343.50 crores in 78-79, Rs.13022.39 crores in 79-80, Rs.13738.62 crores in 80-81 and Rs.14540.66 crores in 81-82, with a five-year total of

Rs.65345.17 crores. In practice, we will expect actual savings to be somewhat lower in the earlier years and somewhat above the trend in later years. By and large, however, an investment outlay of Rs.65345.17 crores or thereabouts does not seem inpossibly high.

In 1982-83 we shall expect the ratio of private to public sector income to have shifted to around 80:20. Assuming a 5 per cent uptrend in private saving propensities and a 10 per cent uptrend in public sector savings propensities, this will give a savings propensity for the national economy of around 19-48 per cent. With such a savings ratio, a growth rate of no more than 5.81 per cent will be feasible, even if the capital-output ratio can be held at around 3.35:1. Some measures of FORCING the rate of savings upwards to yield at least a growth rate of 6.5 per cent should be contemplated.

The "target" investment ratio for this 5-year period will have to be around 21.78 per cent. This will leave a 'gap' of 2.30 between the likely savings ratio and the desired investment ratio. By and large, such a gap can be made up only through three processes: (a) the inflow of foreign investments (b) legal-administrative measures for 'compulsory savings' and (c) deficit finance. For an 'acceleration phase' it is permissible to have recourse to such forcing techniques but these cannot be maintained as permanent parts of the resources-mobilisation pattern without jeopardising the development process. Thus, it will be useful to consider whether the pace attained during the 'acceleration phase', or

slightly below can continue post-acceleration-phase without requiring the continuance of special measures.

Supposing a 6.5 per cent annual growth rate was secured during the acceleration phase, national GDP would have risen from Rs.84955 crores to Rs.116396.84 crores by 1987-88. Over the 10-year period, then, the average annual rate of growth would have been around 5.98 per cent, or, roughly 6 per cent. Is a 6 per cent growth rate feasible for the 1987-88 to 1992-93 phase without involving recourse to "special measures"?

We can assume that by 1987-88, the ratio of public sector's contribution to GDP would be around 22.5 per cent. Allowing a 5 per cent rise in private savings propensities and a 10 per cent rise in public saving propensities over the quinquennium 82-83 to 87-88, we have a national savings propensity of 20.96 per cent. With a capital-output ratio of 3.4:1, this would allow an average annual growth rate of 6.16 per cent. Thus, after the "acceleration phase" we can safely allow for a phase of relaxation and return to full stability, even without recourse to forced-saving measures.

Let us now examine the resource-mobilisation pattern over 1982-83 to 1992-93. First comes the acceleration phase with investment and growth rates being 21.78 per cent and 6.5 per cent respectively, but the non-forced domestic savings rate being only 19.48 per cent. The required investment components are Rs.18503.20 crores, Rs.19705.91 crores, Rs.20986.79 crores, Rs.22350.93 crores and Rs.23803.74 crores respectively, a total of Rs.105350.57 crores. Unforced

domestic savings over the same period will be Rs.16549.23 crores, Rs.17624.93 crores, Rs.18770.55 crores, Rs.19990.64 crores and Rs.21290.03 crores, - a total of Rs.94225.38 crores. The "gap" thus being Rs.11125.19 crores or about 10.56 per cent of the quantum of savings required. About 40 per cent of the gap can probably be covered by 'compulsory saving' devices, a further 35 per cent to 40 per cent by "foreign aid" and about 25 to 20 per cent by "monetary expansion".

For the 'stabilisation' quinquennium we posit a growth rate of 6 per cent and a savings propensity of 20.96 per cent. This allows the following quanta of domestic savings: Rs.24396.78 crores, Rs.25860.59 crores, Rs.27412.23 crores, Rs.29056.96 crores and Rs.30800.38 crores, successively- the five year total being Rs.137526.94 crores.

From the next chapter we observe that with average annual growth rates of 5.5, 6.5 and 6.0 per cent over the three phases actual investment requirements are of the order of Rs.65149.03 crores, Rs.105081.99 crores and Rs.133791.74 crores respectively. Readjusting, accordingly, we come to the following pattern of savings- investment balances:

- a) for the First plan, mobilised savings of Rs.65345.17 crores exceed required savings of Rs.65149.03 crores, so that the allocations are evidently feasible;
- b) for the Second Plan, normally mobilised savings fall below investment requirements of Rs.105081.99 crores, by Rs.10856.61 crores (10.33 per cent)

the gap is made up by Rs.4342.64 crores of compulsory savings Rs.3799.81 crores of foreign aid and Rs.2714.26 crores of deficit finance;

c) for the Third Plan, mobilised savings at Rs.137562.94 crores comfortably exceed requirements of Rs.133791.74 crores.

Section 2. Foreign Exchange.

We start off in 1977-78 with an imports-to-GDP ratio of about 8.55 per cent and an exports-to-GDP ratio of about 6.32 per cent. This gives a commodities trade gap of 2.23 per cent of GDP, a figure of around Rs.1450 crores. Although this gap was presently being adequately balanced by increased net capital inflows and net repatriations of income from abroad, it is likely that the gap may tend to widen seriously once growth rates begin to accelerate.

Our examination of export prospects do not held out much hope of export increases faster than 5.0 per cent in the first 5 years, 5.5 per cent in the second 5 years and 6.5 per cent in the last 5 years of the People's Plan. With a stable imports- GDP relationship, this will create the following situation.

Year	1977-78	1982-83	1987-88	1992-93
Ratio of Imports to GDP	8.55	8.55	8.55	8.55
Ratio of Exports to GDP	6.32	6.17	5.88	6.02
Gap to GDP	2.23	2.38	2.67	2.53
Absolute Gap in Rs. crores.	1449.50	2021.93	3107.80	3940.78

Instead, we would like to see that the Gap was cut down to a size that could continue to be easily covered by net foreign exchange inflows on the capital account. Assuming that we take Rs.1500 crores as the maximum allowable import-export gap, the allowable imports turn out to be Rs.6741.92 crores (82-83), Rs.8344.13 crores (87-88) and Rs.10876.89 crores (92-93). Thus, for reasonable foreign trade equilibrium, the imports-GDP ratio must drop successively to 7.94, 7.17 and 6.98 per cent in 82-83, 87-88 and 92-93 respectively.

Interestingly enough the long-term task of dropping the imports-GDP ratio to 6.98 per cent by 1992-93 is not difficult. It is far more difficult to achieve the dropping of the ratio to 7.94 by 82-83. We believe not even if the long-range target is attained, the value of the ratio will be nearer 8.00 and 7.27 in 82-83 and 87-88 respectively than the required values. This means that the 'GAP' rises from Rs.1450 crores in 77-78 to Rs.1554.68 crores in 82-83, to Rs.1617.92 crores in 87-88 and would only drop to Rs.1495.32 crores by 92-93.

Consequently, it seems inevitable that some pressure on foreign exchange resources will be inevitable between 82-83 to 87-88. This also accords with the coincidence of a net deficit of domestic savings with respect to investments. However, by the end of the "stabilisation" period, the crisis in foreign exchange would be firmly under control.

Thus, we see that the resource position does not

rule out the type of development envisaged. Although we begin modestly, with a 5.5 per cent growth rate and well within resources limits, our effort to accelerate in the next phase to a 6.5 per cent growth rate immediately leads to resource strain. However, the risk is deliberately taken and the tension duly relieved through a relaxation phase at 6.0 per cent growth rate. This process of start-accelerate-stabilise allows us to achieve an over-all 6.00 per cent growth rate without seriously straining resources.

We shall return to the question of resources after the chapter on growth-patterns and outlays. At that point we will be in a better position to appreciate the problem of developmental finance-not in the sense treated here, but in the sense of achieving the intended sharing of resources between the private and the governmental components of the economy.

GROWTH PATTERN AND OUTLAYS

The People's Plan II covers the 15-year period starting 1977-78, its targets being set for 1992-93. The whole period is subdivided into: the Transition Plan (1977-78 to 1981-82), the Acceleration Plan (1982-83 to 1986-87) and the Stabilisation Plan (1987-88 to 1991-92). We have assumed a broad pattern of growth of 5.5 per cent a year in national income for the Transition Plan, 6.5 per cent a year for the Acceleration Plan and 6.0 per cent a year for the Stabilisation Plan.

Section 1. Aggregate Income

This means that aggregate national income (GDP at constant 74-75 prices) is expected to rise from Rs.65000 crores in 1977-78 to Rs.84955 crores in 1982-83 to Rs.116396.84 crores in 1987-88 and finally to Rs.155762.25 crores in 1992-93. Over the Transitional Plan, income rises by Rs.19955 crores; over the Acceleration Plan by Rs.31411.84 crores and over the Stabilisation Plan by Rs.39275.41 crores.

Section 2. Sectoral Growth; Agriculture

Over the Transition Plan 45 per cent of the growth is expected to occur in agriculture. Thus, the increment in agricultural income would be Rs.8799.75 crores, from Rs.31525.00 crores to Rs.40324.75 crores. This will require an average annual growth marginally above 5.0 per cent per annum. Over the Acceleration Plan agriculture will account for 42.50 per cent of growth. This will involve a rise of Rs.13362.78 crores

to Rs.53687.53 crores. The average annual growth rate would be just below 6.0 per cent. Over the Stabilisation Plan, agriculture will account for 40 per cent of growth. This will mean a rise of Rs.15710.16 crores to Rs.69397.69 crores in 1992-93. The average annual growth rate will be just below 5.3 per cent. The share of agricultural output in total output will be 48.50 per cent in 77-78, 47.47 per cent in 82-83, 46.12 per cent in 87-88 and 44.58 per cent in 92-93.

Within agriculture, the share of foodgrains production will drop from 41.24 per cent to 38.24 per cent. This yields an increase of Rs.2419.28 crores from Rs.13000.00 crores to Rs.15420.18 crores, with an average annual increase rate of marginally below 3.5 per cent. Over the Acceleration Plan, the share of foodgrains will drop to 33.24 per cent. Thus, the level of foodgrains output value will expand to Rs.17845.73 crores, an average annual rate of growth slightly below 3.0 per cent. Finally the ratio of foodgrains output to agriculture will drop to 28 per cent, so that foodgrains output value will rise to Rs.19431.35 crores. This gives an annual average growth rate of about 1.7 per cent or slightly above.

On the other hand the value of animal husbandry and fishing will rise by an annual average rate of 6.0 per cent over the Transitional Plan, 7.5 per cent over the Acceleration Plan and 8.0 per cent over the Stabilisation Plan. Thus from Rs.3900 crores in 77-78 it will rise successively to Rs.5097.3 crores in 82-83 to Rs.7317.68 crores in 87-88 and to Rs.10751.87 crores in 92-93.

Thus, the rest of agricultural output will rise from Rs.14625 crores in 77-78 to Rs.19807.27 crores in 82-83, to Rs.28524.12 crores in 87-88 and to Rs.39214.47 crores. The average annual growth rate will be just above 6.2 per cent during the Transition Plan, slightly above 7.5 per cent in the Acceleration Plan and, marginally below 6.6 per cent for the Stabilisation Plan.

Section 3. Sectoral Growth, Industry

Industry will account for 25 per cent of growth in the Transitions Plan, 27.5 per cent in the Acceleration Plan and 30 per cent in the Stabilisation Plan. This means that industrial output will rise by Rs.4988.75 during the Transition Plan, at an average annual rate of above 7.5 per cent reaching Rs.16363.75 crores in 1982-83. In the Acceleration Plan the increase will be to Rs.25010.26 crores, an average annual rate of above 8.8 per cent. During the Stabilisation Plan industrial output will increase to Rs.36792.88 crores at an average annual growth rate of slightly below 8.0 per cent.

Consumers' goods production will grow at 6.5 per cent a year during the Transition Plan, at 8.0 per cent a year during the Acceleration Plan and at 7.0 per cent a year during the Stabilisation Plan. This will allow Consumers' goods output to grow from Rs.4550 crores in 77-78 to successively Rs.6233.96 crores in 82-83, to Rs.9159.55 crores in 87-88 and to Rs.12847.18 crores in 1992-93.

Capital goods production will rise at 8.0 per cent a year over the Transition Plan, at 9.5 per cent a year over the Acceleration Plan and at 8.0 per cent a year over the Stabilisation Plan. This will lead to a rise in capital goods production from Rs.2502.50 crores in 77-78 successively to Rs.3696.92 crores in 82-83, to Rs.5788.21 crores in 87-88 and finally to Rs.8504.62 crores in 92-93.

Intermediate goods production will rise in value from Rs.4322.50 crores in 77-78 successively to Rs.6452.87 crores in 82-83., Rs.10062.50 crores in 87-88 and Rs.15441.08 crores in 92-93. The corresponding five-year average annual growth rates would be approximately 8.4 per cent, 9.3 per cent and 9.0 per cent per year.

Section 4. Sectoral Growth; Services.

The services sector will absorb 30 per cent of the growth increment of the Transition Plan. This will mean a rise from Rs.22100 crores to Rs.28266.5 crores (at an average annual rate of around 5.0 per cent). During the Acceleration Plan, this will rise to Rs.37699.05 crores (at an average annual rate of around 5.5 per cent). During the stabilisation Plan services sector output will reach Rs.49591.68 crores (at an average annual rate of 5.6 per cent approximately).

Within the services sector, electricity output will grow by 8.0, 9.5 and 8.0 per cent in the three successive plans reaching values successively of Rs.1146.05 crores, Rs.1804.11 crores and Rs.2650.78 crores by end-People's Plan II, starting

from a 1977-78 base of Rs.780 crores.

Transport Sector output will rise by 7.5, 9.0 and 7.5 per cent in successively Plans. Thus starting from a base of Rs.2242.50 crores in 1977-78 it will successively reach values of Rs.3219.33 crores, Rs.4953.26 crores and Rs.7110.90 crores in five year intervals.

Construction will grow by 6.5 per cent in the Transition Plan, by 7.0 per cent in the Acceleration Plan and by 7.0 per cent in the Stabilisation Plan. This will allow it to reach output value levels of Rs.3740.37, Rs.5246.24 and Rs.7358.38 crores starting from a base of Rs.2730 crores in 1977-78.

Residual services will grow to Rs.20160.75 crores, Rs.25695.44 crores and Rs.32451.02 crores starting from a base-line of Rs.16347.50 crores. The average annual growth rates would be around 4.3 per cent, 5.0 per cent and 4.8 per cent approximately.

Section 5. Structural Change, Agriculture.

Over the 15-year period, the following structural shifts will take place over the agricultural sector of the economy. Foodgrains output share will fall from 20 per cent (77-78) to 12.48 per cent (92-93), its average sectoral growth rate being about 2.7 per cent per annum. Animal husbandry and fishing output's share will rise from 6.00 per cent (77-78) to 6.79 per cent (92-93), the average annual growth rate being just below 7.0 per cent. Residual agriculture,

including non-food field crops and plantations output, will rise from 22.5 per cent to 25.19 per cent, with an average annual growth rate of around 6.8 per cent. Agriculture's share as a whole will fall from 48.50 per cent to 44.58 per cent. Its average annual growth rate will amount to around 5.4 per cent for the 15-year period.

The relevant structural changes reflect the impact of very rapid development in animal husbandry and a only slightly less rapid development in plantation and non-food field crops. Food production, although the slowest-growing is kept comfortably ahead of population growth. As we shall see in the section under programmes for agriculture, these structural shifts are exactly those being regarded currently desirable and feasible by Indian experts in agronomy.

Section 6. Structural Change, Industry.

Industrial output's share in GDP will rise from 17.50 per cent in 1977-78 to 23.63 per cent affording scope for an average annual growth rate of above 8.1 per cent over the 15 year period. Consumers' goods production will grow by slightly below 7.2 per cent on average, increasing its share from 7.00 per cent in 1977-78 to 8.25 per cent. Capital goods output will grow by around 8.5 per cent, increasing its share from 3.85 per cent to 5.46 per cent. Intermediate goods will grow by above 8.8 per cent per year and its share in GDP will go up from 6.65 per cent to 9.91 per cent.

Once again the structural change pattern is in line, as we shall see in the section on Industry sector programmes, with the objective requirements and opportunities for industrial development in this country. By and large we observe here a concern for rapid increase in consumption goods output coupled with an adequate care to cover capital goods and intermediate goods needs for the economy as a whole.

It is interesting to observe that the share of the capital and intermediate goods sectors rise even without any EXPLICIT PRIORITY placed on their development. This indicates that the requirements of intersectoral balance impose upon the economic system a CERTAIN DEGREE of relative emphasis on producer's goods sectors. Where we have differed is obvious when we see that the growth in the consumption goods sector none-the-less proceeds FASTER than the economy as a whole, whereas if we take the fifth Plan estimates, the Planning Commission makes it LAG BEHIND aggregate economic growth.

Section 7. Structural Change, Services.

Services Sector out declines as a share of national income, from 34 per cent (77-78) to 32.49 per cent. However, this marginal decline still leaves adequate scope for an average annual growth rate of around 6.1 per cent.

The major infrastructural services get adequate emphasis with construction increasing its share in the national product from 4.2 per cent to 4.72 per cent, electricity production increases its share from 1.20 to 1.70 per cent, transport

increases its share from 3.45 per cent to 4.56 per cent. Residual services grow at 4.7 per cent on average, their share dropping from 25.15 per cent to 20.83 per cent over the 15-year period.

Section 7. Outlays for Agriculture.

The foodgrains production sector has an over-all increase of Rs.6431.35 crores over the 15-year period. Of this the first five years accounts for Rs.2420.18 crores, the second five years for Rs.2425.55 crores and the last five years for Rs.1585.62 crores. The output-capital ratio in this sector was 3.13 per cent over 1960-61 to 1973-74. We shall assume this to be 1:3.15, 1:3.20 and 1:3.25 in the three Plan periods, reflecting a gradual increase in the capital-intensity of food production. For the foodgrains sector, then, investment outlays would amount to Rs.7623.57 crores, Rs.7761.76 crores and Rs.5153.27 crores respectively over the three Plans, yielding a total of Rs.20538.60 crores over the entire People's Plan.

The animal husbandry and fisheries sector, with planned increments of Rs.1197.30 crores, Rs.2220.38 crores and Rs.3254.19 crores respectively over the three Plan periods, had an output-capital ratio of 1:2.38 during 1960-61 to 1973-74. Allowing this ratio to stand respectively at 1:2.50, 1:2.60 and 1:2.75 respectively in the three Plans- the rise being due mainly to modern inputs- the outlay requirements work out to Rs.2993.25 crores, Rs.5772.98 crores and Rs.8949.02 crores respectively. The total People's Plan outlay is Rs.17715.25 crores.

The "rest of agriculture" accounts for growth of Rs.5182.27 crores, Rs.8716.85 crores and Rs.10690.35 crores respectively. Output-capital ratio for 1960-61 to 1973-74 was 1:3.5 in this area. We shall assume that the relevant output capital ratio will be 1:3.5, 1:3.55 and 1:3.6 for the three Plan Periods. The required outlays are Rs.18137.26 crores respectively. Aggregate People's Plan outlays are Rs.87568.03 crores.

Section 8. Outlays on Industry.

Consumers' goods production increases in the three Plan periods by Rs.1683.96 crores, Rs.2925.59 crores and Rs.3687.63 crores respectively. The output-capital ratio for consumers' goods is in the environment, at present, of 1:3.6 1:3.5 and 1:3.45 respectively, its falling capital-output ratio reflecting the deliberate promotion of lighter and smaller-scale techniques. The respective outlay requirements are Rs.6062.26 crores, Rs.10239.57 crores and 12722.32 crores respectively. The total People's Plan outlay is Rs.29024.15 crores respectively.

The increments of Intermediate goods output in the three successive Plans are Rs.2130.37 crores, Rs.3609.63 crores and Rs.5378.58 crores respectively. The known output-capital ratio for this sector is 1:4.42. We believe that this can be held around 1:4.4 for the three Plans. Thus, required outlays are Rs.9373.63 crores, Rs.15882.37 crores and Rs.23665.75 crores respectively. The People's Plan total outlay is Rs.48921.75 crores.

Capital goods production is planned to increase by 1174.42 crores, Rs.2111.29 crores and Rs.2716.41 crores respectively. With the output capital ratio being assumed held stable at its present level of 1:4.6, the Plan outlays on this account are Rs. 5402.33 crores, Rs.9711.93 crores and Rs.12495.49 crores respectively. Total allocations for the People's Plan period equals Rs.27609.75 crores.

Section 9. Outlays on Services.

Electricity output increases by Rs.366.05 crores, Rs.658.06 crores and Rs.846.67 crores respectively. With an output-capital ratio held at its current level of 1:5.2, the required outlays amount to Rs.1903.46 crores, Rs.3421.91 crores and Rs.4402.68 crores. The People's Plan total is Rs.9728.05 crores.

Transport sector output grows from a base of Rs.2242.5 crores by Rs.976.83 crores, Rs.1733.93 crores and Rs.2157.64 crores. At an output-capital ratio of 1:3.5 for the first, 1:3.6 for the second and 1:3.7 for the third plan period- the rise reflecting the inevitable mechanisation of transport- the outlays are Rs.3418.91 crores, Rs.6242.15 crores and Rs.7983.27 respectively. The People's Plan total is Rs.17644.33 crores.

Construction sector output grows by Rs.1010.37 crores, Rs.1505.87 crores and Rs.2112.14 crores respectively in the three Plans. Assuming the sectoral output-capital ratio of 1:5.6 being held constant, required outlays are Rs.5658.07 crores, Rs.8432.87 crores and Rs.11827.98 crores respectively.

The People's Plan total is Rs.25918.92 crores.

Capital output ratios are very low in the residual services sector, these being more dependent on the levels of non-investment development allocations. Allowing an output-capital ratio of 1:1.2, as previously observed, the needed outlays are Rs.4575.60 crores, Rs.6641.63 crores and Rs.8106.70 crores respectively.

Section 10 Total Plan Outlays

For the Transitional Plan the Sectoral outlays total Rs.65149.03 crores, which is expected to secure an income increment of Rs.19955.00 crores. This implies an aggregative output-capital ratio of 30.63 per cent and an average investment-income ratio of 17.96 per cent.

THE TRANSITION PLAN (1977-78 TO 1982-83) Rs. CRORES 74-75.

Sector	Output 77-78	Output 82-83	Outlays.
Food	13000.00	15420.18	7623.57
Animal Husbandry	3900.00	5097.30	2993.25
Rest Agriculture	14625.00	19807.27	18137.95
AGRICULTURE	31525.00	40324.75	28754.77
Consumer Goods.	4550.00	6233.96	6062.26
Intermediates	4322.50	6452.87	9373.63
Capital Goods	2502.50	3676.92	5402.33
INDUSTRY	11375.00	16363.75	20838.22
Electricity	780.00	1146.05	1903.46
Transport	2242.50	3219.33	3418.91
Construction	2730.00	3740.37	5658.07
Other Services	16347.50	20160.75	4575.60
SERVICES	22100.00	28266.50	15556.04
GRAND TOTAL	65000.00	84955.00	65149.03

CAPITAL-OUTPUT RATIO 3.26:1

GROWTH RATE (ANNUAL AVERAGE) 5.5 per cent

INVESTMENT RATE (AVERAGE) 17.96 per cent.

For the Acceleration Plan, the Sectoral outlays total to Rs.105081.99 crores, from which the expected income increment is Rs.31441.84 crores, thus yielding an average capital- output ratio of 3.34:1. Thus, allowing for the annual average growth rate of 6.5 per cent, the required

investment-to income ratio is 21.71 per cent.

THE ACCELERATION PLAN (1982-83 TO 1987-88) Rs. CRORES 74-75.

Sector	Output 82-83	Output 87-88	Outlays
Food	15420.18	17845.73	7761.76
Animal Husbandry	5097.30	7317.68	5772.98
Rest Agriculture	19807.27	28524.12	30944.82
AGRICULTURE	40324.75	53687.53	44479.56
C-Goods	6233.96	9159.55	10239.57
Intermediates	6452.87	10062.50	15882.37
K-goods	3676.92	5738.21	9711.93
INDUSTRY	16363.75	25010.26	35833.87
Electricity	1146.05	1804.11	3421.91
Transport	3219.33	4953.26	6242.15
Construction	3740.37	5246.24	8432.87
Other Services	20160.75	25695.44	6641.63
SERVICES	28266.50	37699.05	24738.56
GRAND TOTAL	84955.00	116396.84	105081.99

CAPITAL OUTPUT RATIO 3.34:1

AVERAGE GROWTH RATE 6.5 per cent.

INVESTMENT RATE (AVERAGE) 21.71 per cent.

The outlays of the Stabilisation Plan total to Rs.133791.74 crores, which is to produce an income increment of Rs.39275.41 crores. Thus, the incremental capital-output ratio comes to 3.41:1. Given the 6.0 per cent annual growth

rate, the needed average ratio of investment to income is 20.46 per cent.

THE STABILISATION PLAN (1987-88 TO 1992-93) at 74-75 Rs. Crores.

Sector	Output 87-88	Output 92-93	Outlays.
Food	17845.73	19431.35	5153.27
Animal Husbandry	7317.68	10751.87	8949.02
Rest Agriculture	23524.12	39241.47	38485.26
AGRICULTURE	53687.53	69397.69	52587.55
Consumption Goods.	9159.55	12847.18	12722.32
Intermediates	10062.50	15441.08	23665.75
Capital Goods	5788.21	8504.62	12495.49
INDUSTRY	25010.26	36792.88	48883.56
Electricity	1804.11	2650.78	4402.68
Transport	4953.26	7110.90	7983.27
Construction	5246.24	7358.98	11827.98
Other Services.	25695.44	32451.02	8106.70
SERVICES	37699.05	49571.68	32320.63
GRAND TOTAL	116396.84	155762.25	133791.74

CAPITAL OUTPUT RATIO 3.41:1

ANNUAL GROWTH RATE 6.0 per cent.

INVESTMENT RATE (AVERAGE) 20.46 per cent.

For the People's Plan II period as a whole, we have the following patterns of growth and outlays as shown on the

following two tables. In the first table we show the pattern of output increases which also gives the acceleration-deceleration rates (5-year annual averages) for each sector. The second table shows the pattern of outlays and also the proportions of sectoral outlays to the total.

GROWTH PATTERN IN PEOPLE'S PLAN II

	1977-78	1982-83	1987-88	1992-93
GDP	65000.00(5.5)	84955.00(6.5)	116396.84(6.0)	155762.25
Sectors.				
Food	13000.00(3.5)	15420.18(3.0)	17845.73(1.7)	19431.35
Animal H.	3900.00(6.0)	5097.30(7.5)	7317.68(8.0)	10751.87
Rest Agr.	14625.00(6.2)	19807.27(7.5)	28524.12(6.6)	39214.47
AGR.	31525.00(5.0)	40324.75(6.0)	53687.53(5.3)	69397.69
C-Goods	4550.00(6.5)	6233.96(8.0)	9159.55(7.0)	12847.18
I-Goods.	4322.50(8.4)	6462.87(9.3)	10062.50(9.0)	15441.08
K-goods.	2502.50(8.0)	3676.92(9.5)	5788.21(8.0)	8504.62
INDUSTRY	11375.00(7.5)	16363.75(8.8)	25010.26(8.0)	36792.88
Electricity	780.00(8.0)	1146.05(9.5)	1804.11(8.0)	2650.78
Transport	2242.50(7.5)	3219.33(9.0)	4953.26(7.5)	7110.98
Construction	2730.00(6.5)	3740.37(7.0)	5246.24(7.0)	7358.38
Other Services.	16947.50(4.3)	20160.75(5.0)	25695.44(4.8)	32451.02
SERVICES	22100.00(5.0)	28266.50(5.5)	37699.05(5.6)	49571.68

OUTLAYS PATTERN IN PEOPLE'S PLAN II

	TRANSITION PLAN	ACCELERATION PLAN	STABILISATION PLAN
Food	7623.57(11.70)	7761.76.(7.39)	5153.27(3.85)
Animal Husbandry	2993.25(4.59)	5772.98(5.49)	8949.02(6.69)
Rest Agriculture	18137.95(27.84)	30994.82(29.50)	38485.26(28.77)
A GRICULTURE	28754.77(44.14)	44479.56(42.33)	52587.55(39.31)
C-Goods	6062.26(9.25)	10239.57(9.74)	12722.32(9.51)
I-Goods.	9373.63(14.39)	15822.37(15.06)	23665.75(17.69)
K-goods.	5402.33(8.29)	9711.93(9.24)	12495.49(9.34)
INDUSTRY	20838.22(31.90)	35833.87(34.10)	48883.56(36.54)
Electricity	1909.46(2.92)	3421.91(3.26)	4402.68(3.29)
Transport	3418.91(5.25)	6242.15(5.94)	7983.27(5.97)
Construction	5658.07(8.68)	8432.87(8.03)	11827.98(8.84)
Other Services.	4575.60(7.02)	6641.63(6.32)	8106.70(6.06)
SERVICES	15556.04(23.83)	24738.56(23.54)	32320.63(24.16)
TOTAL	65149.03(100.00)	105081.99(100.00)	133791.74(100.00)

Section 11. A comparison of the Plans

We are now in a position to appreciate the pattern of development aimed at and the developmental logic behind this pattern. The People's Plan II period- with its over-all theme of anti-poverty and basic-needs provision strategy- is packaged into three parts, each having its own sub-theme.

The MAIN EMPHASIS of the TRANSITION PLAN is to correct the imbalances resulting from previous planning and to put the economy in a position for accelerated growth. As a result, its stress is on food-production and the wage goods industries. Agriculture as a whole also receives its highest emphasis in this Plan, absorbing 44.14 per cent of the outlays. Relatively speaking, industrial development gets the least emphasis in this Plan, absorbing 31.99 per cent of outlays. Services sector development is emphasised, with the percentage of outlay (23.88) being the second highest of the three Plans. In keeping with the necessity of early emphasis on population control and social services development, the social services sector secures relatively the highest percentage of outlays (7.02) in the three Plans. Since this Plan is mainly preparatory in spirit, the growth rate aimed at is modest (5.5 per cent) and well within resources limits.

The ACCELERATION PLAN shifts the emphasis to accelerated growth, still with primary emphasis on the growth of wage-goods production, which gets the largest proportion of outlay (29.74 per cent) among the three Plans. In agriculture the share of animal husbandry and non-food crops rises, whereas the relative outlay on food production declines rapidly. As a by-product of faster growth the outlay shares of intermediate goods and capital goods sectors go up, as well as the share the infrastructural services of electricity and transport. The relative emphasis on construction falls marginally but its actual growth rate in this period is higher than in the previous plan. The aggregate rate of growth is high (6.5 per

cent) and the ground conceded by slower growth in the First Plan period is rapidly made up.

In the STABILISATION PLAN period, the economy slows down slightly and concentrates on the maintenance of a long-run stable rate of growth of 6 per cent. In pursuit of long-run balance conditions, the growth rates of intermediate and capital goods sectors gets relatively highest emphasis in terms of proportions to total outlays. Outlays are also relatively the highest for infrastructural services- electricity transport and construction. Progress also begins in earnest in reaching need-based minima in housing, sanitation and water supply.

Section 12. Public Outlays and Resources.

Investment outlays in the Public Sector amount in aggregate to Rs.38509.90, Rs.62722.69 and Rs.80299.21 crores out of Rs.65149.03 crores, Rs.105031.99 crores and Rs.133791.74 crores respectively. Inclusive of non-investment development outlays the public outlay figures amount to Rs.51988.49 crores, Rs.84675.63 crores and Rs.108403.93 crores respectively. Thus, public outlays rise by 62.87% as between the first and the second plans and by 28.02% between the second and the third plan.

The total outlays are allocated to programmatic sectors on the basis of principles made clear in the chapter on developmental programmes. Below we spell out the broad patterns of outlays in a table which indicates the relative emphasis placed on each programmatic sector.

	PLAN I	PLAN II	PLAN III	Draft Vth PLAN
AGRICULTURE and Allied Programmes:	7798.29(15.00)	10584.45(12-50)	10840.39(10.00)	(13.45)
IRRIGATION and Flood Control	4419.02(8.50)	6674.05(8.00)	7046.26(6.50)	(7.20)
POWER and network development.	8838.04(17.00)	14818.24(17.50)	19512.71(18.00)	(16.62)
MANUFACTURES and Mining.	10397.70(20.00)	18628.64(22.00)	27100.96(25.00)	(24.42)
TRANSPORT and communications:	10137.76(19.50)	17358.50(20.50)	24390.88(22.50)	(19.10)
SOCIAL and community services:	10397.70(20.00)	15667.99(18.50)	19512.71(18.00)	(19.59)
TOTAL OUTLAYS:	51988.49	84675.63	108403.93	

Clearly we have here a planning process beginning with a stress on agricultural development, which is gradually displaced by a stress on industrial development. Emphasis is maintained throughout on infrastructural development, the stress itself rising in each plan. The social services sector, although a falling share of total outlays nonetheless gets sufficient resources.

Turning to the financing of public outlays, we distinguish revenue sources between taxation, surpluses from public enterprises, domestic borrowings, foreign aid and deficit finance. Since we are committed to financial stability, deficit financing is not used except in the 'acceleration Plan' phase. Foreign aid is expected to be reduced gradually reaching a very small proportion of public outlays by the stabilisation phase. The major stress falls, therefore, on the surpluses of public enterprises and also on taxation.

Let us note that, in the transition Plan, the rate of taxation does not have to be raised beyond presently-visualised (end 5th Plan) rates. The acceleration of tax revenues in the second phase depends mainly on bringing the agricultural sector under more effective taxation.

FINANCING OF
THE PEOPLE'S PLAN OUTLAYS
IN PUBLIC SECTOR

Rupees Crores	TRANSITION PLAN	ACCELERATION PLAN	STABILISATION PLAN	VTH PLAN
Taxation and Similar Revenue sources.	23186.87(44.60)	39272.56(46.38)	50949.85 (47.00)	(42.08)
Surpluses from Public Enterprises.	5578.36(10.73)	10965.49(12.95)	18428.67 (17.00)	(7.81)
Domestic Borrowings	16792.28(32.30)	28789.71(35.00)	36512.37 (33.68)	(31.82)
Foreign Aid	6430.98(12.37)	2933.68(3.46)	2513.04 (2.32)	(14.84)
Deficit Finance	0.00	2714.26(3.21)	0.00	(3.45)
	51988.49	84675.63	108403.93	39303.00

Figures within brackets indicate percentages to total public sector outlays. The plan involves a sharp increase in public sector surpluses, a gradual increase in the share of tax finance, a rise followed by a drop in domestic borrowings, no recourse to deficit finance, except in the middle plan and a dropping percentage of foreign aid.

The real problem is, of course, whether surpluses from public enterprises can be raised to an adequate extent. We believe that it should not be difficult to reach a net reinvestment ratio of 12.98 per cent by 82.83, 15.00 per cent by 87-88 and 16.00 per cent by the end of the People's Plan. This is all that would be required to mobilise the posited surpluses. The question of public sector efficiency will be further examined in the Chapter on Implementation and Management.

RESULTS AND PRECONDITIONS

We shall now proceed to evaluate the results to be expected from People's Plan II worked out above. The performance will have to be evaluated both on the general criteria of economic progress and the specific criteria of performance in the basis needs sectors.

Income

Aggregate GDP will rise from Rs.65000 crores in 77-78 to Rs.155762.25 crores by end-Plan. Per capital income will rise from Rs.1054.28 to Rs.1996.95 by end-Plan, a rise of 91.04 per cent over 15 years. Population in the same period rises by 158.82 million from 621.48 millions to 780.00 millions, a per cent rise of 25.56 per cent. The rise in aggregate GDP is 116.60 per cent.

Sectorwise, the weightage of public sector rises from 16 per cent to 25 per cent, allowing for a rise in public sector output from Rs.10400 crores to Rs.38940.56 crores, a rise of nearly 274.43 per cent. Private sector output rises from Rs.54600 crores to Rs.116821.69 crores, a rise of 113.96 per cent. The share of the small scale units sector, within the private sector rises to 30 per cent from 16 per cent; thus its output rises from Rs.8736.00 crores to Rs.35046.51 crores, a per cent rise of 301.17 per cent. The large private sector's output rises from Rs.45864.00 crores to Rs.81775.18 crores. This is a rise of 78.30 per cent. Thus, the economy becomes (a) more public-sector oriented and (b) within the private sector, more small-unit-

oriented. This is in basic accord with the principles of democratic socialism.

Employment.

In 1977-78, the total working force is 186.44 millions. By the end of the planning period, a further 63.53 millions of new job seekers are added to the picture. If we also seek to relieve the backlog of unemployment/underemployment, we need to create another 20.00 million jobs to take care of the base-year unemployed/underemployed. This estimate of 'initial backlog' is arrived at by applying the 1971-72 ratio of underemployment unemployment to the 1977-78 labour force figure.

Altogether, we believe that it will be possible to create about 78 million new jobs, involving a 41.84 per cent increase in number of workers. This means that 'average' per worker productivity will grow by 35 per cent over the 15-year period. This seems to be roughly somewhat above the 30 per cent increase noted between 1960-61 and 1974-75.

Sectorwise, employment will expand by 35.10 million in Agriculture, 27.30 million in services and 15.60 million in industry. In terms of outlay per job this means Rs.26598.99 per new job in services sector, Rs.533146.12 per new job in industry and Rs.31828.94 per new job in agriculture. Observed ratios are at Rs.24324.33 in services and Rs.28554.28 in agriculture are in close neighbourhood of our assumptions, with

a slight upward adjustment for a better degree of capitalisation per worker. We plan, however, to reduce the per worker outlay requirement from Rs.60223.38 to Rs.533146.12 in industry. This means that small-scale industrial units, with lower capital-worker ratios will have to account for a large proportion of the planned employment increase. Without reliable per worker investment outlay figures for small industry, it is difficult to be sure whether the required reduction can in fact be brought about. Our impression is that if the ratio of small-units output to total output can be raised from around 18 per cent in the final year, the required change can be secured. This will mean an improvement of small industry output from Rs.2047.5 crores to Rs.9198.22 crores or a growth of 349.24 per cent over the 15-year period. The assumptions about per worker outlay in agriculture and services also implies that there will not be any distinct trend towards mechanisation in agriculture and services sectors and that the most highly labour-intensive techniques viable will be chosen for these sectors.

In other words, the basis of an employment policy with which we hope to cut our backlog of unemployment/underemployment by a net 10 million or so over the next 15-year boils down to (a) heavy stress on labour-intensive small unit cultivation in agriculture, coupled with the introduction of mixed farming and multiple-cropping; (b) using labour-intensive methods in the services sector and holding back the tendency towards "unproductive modernisation" in the services sector; and (c) placing the maximum feasible stress on the growth at base year to around 25 per cent

of small units within the industrial sector. These are all policies which are obvious in terms of commonsense, but it is encouraging that this pattern also accords -not too badly- with the basic needs and wage-goods-oriented growth we have been aiming at.

In terms of labour force distribution, the Plan brings about the following structural shift, shown in labour form below.

SECTOR	Agriculture	Industry	Services	
Mlms.	136.17	19.88	30.39	} Base-year } 77-78
%	72.5	11.2	17.3	
Mlms.	35.10	15.60	27.30	} Increments }
%	45.0	20.0	35.0	
Mlms	181.27	45.48	57.69	} Final year } 92-93
%	63.75	15.99	20.26	

Thus, a distinct over-all Kuznets shift is evident towards a more industry-service oriented pattern of employment, although the absolute employment increases are largest in agriculture and services sectors. This, once again demonstrates the validity of our basic belief that an adequate growth and employment plan- if it is intersectorally rational- takes care of the need for relative industrialisation.

Urbanisation

With the relative rise in the proportion of industrial employment to total employment, a degree of urbanisation is implicit in our development process. However,

we shall assume that about 25 per cent of the increased industrial output can be in the form of dispersed industrialisation in non-urban areas. Assuming that 60 per cent of the increase in services sector employment is similarly dispensed, the number of jobs created in the Rural sector comes to 54.6 million in the rural sector and only 23.4 million in the urban sector. Nonetheless, even this leads to a relative shift of urban-rural employment percentages with rural jobs growing from 147.29 millions to 201.89 millions and urban jobs growing from 39.15 million to 62.55 million. Thus, we have a shift from roughly 21 per cent urbanisation of the workforce to about 23.65 per cent over the Planning period.

Thus, urbanisation would proceed, but with the larger part of new employment opportunities occurring in the rural area, the counterproductive trend towards PUSH URBANISATION (through low rural employment opportunities) will be halted with only PULL-URBANISATION exercising its effect.

Actually, the greatest relative increase in population is expected, under our strategy, in the semi-urbanised rural growth centres which will basically be the focal points of dispersed agro-industrialisation. If one divides the national population into truly urban, semi-urban and rural populations, we expect 30 per cent of the population increment to be absorbed by truly urban places, 25 per cent by the semi-urban places and about 45 per cent by the rural places of residence. This gives the following pattern of shift in residential locations.

1977-78	Urban	Seni-Urban	Rural
Mlns	116.86	31.07	478.55
%	18.0	5.0	77.0
1992-93	164.50	70.77	544.73
%	21.09	9.07	69.84

Thus, including semi-urban places, the urbanisation ratio will rise from 23.0 to 30.16 per cent, whereas not-including semi-urban places, the ratio will rise from 18.0 to 21.09 per cent.

Basic Needs

We can now look at the basic needs fulfilment picture. In terms of non-durable consumption goods, the picture is very encouraging. We present below in tabular form the situation with respect to major consumption goods. We compare the 1992-93 output planned with (a) the per capita need-based minimum and (b) the income-elasticity-based demand picture for that year. This shows (a) whether and how much progress has been made in terms of basic needs fulfilment at the technical level and (b) whether the economic system will be comfortably or uncomfortably placed in terms of the supply-demand position of the relevant good .

SECTOR	1992-93 Output	Need based Output	Demand Level Estimate.
Foodgrains (mn. tonnes)	173.70	156.82	172.02
Sugar (mn. tonnes)	12.568	5.580	11.025
Vegetable Fats and Oils. ('000 tonnes)	24948	18998	23708
Milk ('000 tonnes)	59878	46732	60799*
Meat and Fish ('000 tonnes)	9321	10343	15664*
Cotton Cloth ('000000 metres)	24685	21097	19907*
Tea (mn. Kgs.)	484.22	467.41	485.
Coffee (mn. Kgs.)	99.22	96.03	100.64
Tobacco (mn. kgs.)	445.00	443.90	445.

Basically, then, non-durable consumption goods basic needs would be overfulfilled in per capita terms and very close to income-elasticity-based demand estimates.

As far as the need-based minima in the social services sector is concerned, the picture is also fairly encouraging, as long as we merely consider the educational, medical services and transport sectors. The picture is otherwise with respect to supply of safe drinking water and sanitation. The following dates in tabular form gives the situation in 1992-93.

* will be short relative to demand

*Y will be oversupplied with respect to demand.

to housing and also with respect

SERVICE	1992-93 Level	Norm Level	Desired Norm
Doctors*	312925	222857	1:3500 persons
Nurses	160000	156000	1:5000 persons
ANMS*	160000	156000	1:5000 persons
Sanitary Inspectors.	80000	78000	1:10000 persons
Hospital Beds.	417225	390000	1:2000 persons
Enrolment in Primary Education (mlns)	187.8	175.23	Coverage of 80% illiterate adults 100% child enrolment
Enrolment in Vocational Training.	99.28	99.45	50% of males in lower 4 quartiles.
Housing (habitable unit)	140428	156000	Habitable unit per family of 5
Water supply (litres per capita)	12.8	40.00	40 litres per capita per day of safe drinking water.
Transport(1) (buses per '000 persons)	0.58	1.00	1 bus per thousand persons
Transport (2) (trucks per '000 persons)	1.49	2.00	2 trucks per thousand persons
Electricity (% of habitation locations)	80.8	100.0	100% electrification of habotations' locations.
* Registered practitioners including hakimes and vaidis			
** Including midwives.			
Including adult literacy programmes			
Urban and Semi-urban Places only.			

We see, then, that by 1992-93 we can reach better than minimum levels in primary education, medical services, vocational training and such 'Human intensive' social services. However, we can succeed in only cutting the housing shortage by half, we can reach less than 1/3rd of drinking water supply needs, about 70 per cent of road haulage requirements and about 58 per cent of public road passenger services demand. Thus, heavier social infrastructure will be still below the basic needs norm levels.

Paucity of data and conflict of expert opinion has prevented the working out of normal with respect to energy consumption per head. It is also probable that 'basic needs' in these areas cannot be met by 1992-93 within the outlay/growth levels assumed. If industrial energy demand, as estimated, is to be met, there is only a 15 per cent surplus for electricity reached, virtually doubling present per capita domestic use levels. This will probably be far behind actual demands and policies involving alternative energy sources in rural areas will have to absorb at least 30 per cent of rural area energy demands. We believe that the bio-gas revolution, if adequately pushed, may bridge the gap but this requires further study and evaluation.

Elasticity and input-output based estimates of a number of critical input goods are presented on the next page with corresponding production levels for 1992-93. The estimates show that there will emerge shortages in Drugs and Pharmaceuticals, Cement and Phosphoric fertilisers if growth rates follow that of the "intermediate" sector. These sectors will have to grow 'on average' 2 to 3 per cent faster than the rest of the intermediate-goods sectors.

INTERMEDIATE GOODS	1992-93 Output	Likely Demand
Cement (mn.tonnes)	120.02	139.53
Drugs(Rs. crores)	2869.01	3479.88
Phosphates('000 tonnes)	37900.02	46401
Iron and Steel(mn.tonnes)	91.00	92.25
Coal (mn.tonnes)	810.00	815.83
Petroleum (mn.tonnes)	22.00	29.74

Clearly, it would be useful if fuel (oil) requirements could be cut by around 20% or so. The possibility depends on the application both of alternative energy sources and fuel management techniques.

Three Issues.

The results which have been described above represent an immense achievement in terms of improvements the basic living standards of the people. These results have been possible of attainment only by deliberately restricting

the growth of certain demands. Specifically, it has been assumed that PER CAPITA, the supply of high-priced consumer durables (TV, airconditioners, Cars, fridges, etc.) will not be allowed to rise beyond 120 per cent of present per capita levels. Secondly, in AGGREGATE terms it has been assumed that Defence expenditure will retain a constant proportion to governmental revenues, that administrative expenditure will be brought down from its present level of about 10.00 per cent of national product to 8.58 per cent by end-Plan and that the surplus-generating capacity of public enterprises can be raised to about 16.00 per cent by the end of the People's Plan period. Thirdly, it has been assumed that the share of per capita product of the lowest 4 quartiles of the population can be raised by 10 per cent each quinquennium, bringing this up from around 15 per cent at base line to around 19.97 per cent by the end of the People's Plan. Since the share of the middle 4 quartiles is expected to rise from around 35 per cent to 40 per cent of income, the share of the top 2 quartiles must drop from around 50 per cent to 40 per cent of incomes. Thus, the implementational feasibility of the People's Plan will depend on (a) the possibility of restricting consumer durables demand in face of rapidly rising per capita incomes, (b) reversing known rising trends in Defence and Administrative expenses and also making progress in turning public enterprises into more efficient earners of surplus, and (c) finally, on developing measures adequate to bring about the posited shift in interpersonal distribution of incomes. These issues will

be faced in the chapters on Programmes and Implementation.

Poverty

The per capita income, rising from Rs.1054.28 to Rs.1996.95 and the shift in the distribution of income from 15 per cent to 20 per cent in the share going to the lowest quartile implies a rise in the average income of members of the lowest 4 quartiles from Rs.391.97 to Rs.998.47 by end-Plan. This should suffice for TOTAL ELIMINATION OF POVERTY (the poverty line at current prices standing at around Rs.698.00 per capita income) if the share of gains within the poverty class itself was equal. Unfortunately, the situation is such that, by and large, the bulk of the gains would tend to be absorbed by the upper 50 per cent of the poor, leaving a hard core 20 per cent of poverty untouched.

Thus, special measures would be necessary to help the bottom 20 per cent, (a) through public works programmes and (b) through direct consumption and investment resources transfers, so that adequate support is provided to those families which remain below the poverty line in 1992-93.

The broad target of the People's Plan in terms of reduction in poverty is that from 40 PER CENT, the proportion of absolutely poor to the population would be brought down to 20 PER CENT.

Through the implementation of the People's Plan, then, we shall be aiming at the following targets:

- i) Rise in aggregate national income (GDP) from Rs.65,000 crores to Rs.155762.25 crores, a roughly 6 per cent per annum increase over 15 years.
- ii) Rise in per capita national income from Rs.1054.28 to Rs.1996.95
- iii) Elimination of poverty to the extent of a drop from 40 to 20 per cent in the ratio of the absolutely poor to total population.
- iv) Reduction in unemployment/underemployment to the extent of cutting the backlog of unemployment/underemployment from 25 million to about 10 million.
- v) Provision of basic needs norms or better in non-durable consumption, education and health services by 1992-93.
- vi) Distinct progress towards improvements in attainment of housing, sanitation and water supply norms.

These results are predicated on implementation measures sufficient for

- vii) Holding back rises in per capita consumption of high-cost durables, domestic energy and similar items.
- viii) Holding back Defence and Administrative expenses to the requisite extent.
- ix) Effecting a redistribution of income sufficient to bring the share of the lowest 4 quartiles up to 20 per cent and that of the middle

4 quartiles to 40 per cent of incomes.

ix) Holding back population to a figure of 780 millions in 1992-93.

CHAPTER -VII

PROGRAMMATICS OF PEOPLE'S PLAN II.

In what has gone before we have briefly discussed (A) the STRATEGIC CONCEPTIONS on which the People's Plan is based and (B) the broad quantitative dimensions of the process of ECONOMIC GROWTH AND STRUCTURAL CHANGE which we hope to activate through the process of the People Plan. The time has now come to discuss, in more concrete terms, the programmatic content of the Plan. The stress here is on the identification of the action programmes we wish to implement and on the processes of change we wish thereby to stimulate.

For ease of exposition we shall be distinguishing between 5 types of geonomic areas to which the plan will apply: (1) forests, deserts and other areas of sparse habitation; (2) village not performing central functions; (3) central villages and semi-urbanised rural growth centres, (4) intermediate towns and (5) major urban places. Evidently the types of developmental action in each type of geonomic area will be distinctly different and will contain development processes of different component-compositions.

In the first type of geonomic area the significant development targets will include afforestation and forest development; river basin and other large scale schemes for water utilisation, erosion and flood control, control of spread of desert and 'badlands' (e.g. Chambol ravines) etc; transport development for better exploitation of forest and

mineral reserves; welfare of forest and tribal peoples etc.

In the second type of area the main stress in development would be on the emergence of a sound agro-ecology and land/water use. Significant stress will be placed on soil protection; development of inland water bodies; minor irrigation; development of mixed farming practices, extensive use of bio-fertiliser and bio-energy; development of orchards and fuel wood plantations; safe drinking water supply; etc. By and large only 'minimum' level community facilities and social overhead services would be provided at such locations, however. For most facilities the local population would be dependent on the near-by central village or semi-urban growth centres. Transport development will have to provide for all-weather access to such central locations at least for pedestrian, bi-cycle and light goods vehicle traffic. The development pattern does not contemplate much growth of either small industry or trade/service activities in these non-central locations, these being concentrated at the central villages/semi-urban growth centres.

In the third type of location the primary developmental job is to provide adequate marketing and services facilities for populations living in the first two types of geonomic spaces. Further, these places are expected to function as foci for intensive development of small industry and trade/service occupations and to accommodate a rapidly rising and prosperous population. Fairly intensive investment would therefore have to be made on the development of

housing, sanitation and other community facilities at such centres with all-weather motorable roads to the nearest intermediate town and adequate supply of electrical power would be an important part of such investments. In addition such centres will have to be equipped as effective primary-level centres for education, health, family-planning, agronomic extension and other State services. These will also serve as locations for the base units of buying and selling of the State trading and marketing activities.

In the fourth type of geonomic location the primary developmental thrust would aim at the development of viable intermediate urban places providing second order central villages linked to it. Technical education, pre-university college education, hospital services, medium and large scale industry (based mainly on local input surpluses), development banking and consultancy services, etc. will provide the major basis for the economic activity of such towns. They will also serve as the major input collection and output-disposal exchanges between major industrial agglomerations and rural places and thus constitute the focal points linking the large-scale and small-scale trade and distribution systems in the country. It is anticipated that these geonomic spaces will be on the way towards emergence as MODERN URBAN CENTRES with a full complement of urban service facilities by the end of the People's Plan period. Transport development linking these centres with major urban agglomerations by both multi-channel high-ways and railroad systems would also require emphasis.

locations. Transport development, connecting services to the rural growth centres and central

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Sharp population increases are expected at these locations during the People's Plan period.

Finally, the fifth type of geonomic spaces- the major urban centres, would function as the centres of very large scale and complex industrial activities, as well as the focal points of high-order, technical manpower generation in the country. In addition they will serve as the highest-order centres of education, (universities/top technical education), health (research hospitals and specialised training institutes), trade and transport (major ports, railheads and airports) and administration (National and State capitals, Zonal Centres of Development Administration). Considerable development of more modern forms of small scale and ancillary industrial activity is expected within and in the immediate environs of the major urban places.

Heavy investment in improving the quality of urban environments, rapid transit systems for intracity traffic, housing development and provision of urban community utilities will have to be provided in order that the major urban centres may not deteriorate as units of human habitation. However, we expect that both due to the better development of type three and type four urban places, as well as deliberate policies restricting migration into major towns, we shall be able to control the influx of rootless and poorly acculturated rural populations into these centres and thus lower the pressure of the single most deleterious influence on urban environments.

The picture of development we are drawing up may become quantitatively clearer by looking at the present and anticipated population distribution between the five types of geonomic spaces. In 1970-71, according to census estimates, the distribution of population between the five types of geonomic spaces was as follows: (1) sparsely inhabited areas (0.52 crores) (2) non-central villages and hamlets (38.72 crores), (3) central villages and semi-urban centres (3.62 crores), (4) intermediate towns (6.10 crores), (5) major urban places (4.86 crores)- out of a total of 54.82 crores,. In 1992-93 we expect the following distribution: (1) sparsely inhabited areas (0.98 crores) (2) non-central villages and hamlets (53.49 crores), (3) central villages and semi-urban growth centres (20.00 crores), (4) intermediatetowns (9.68 crores) and (5) major urban places (6.77 crores)- out of a total population of 78 Crores.

This indicates that TRUE URBAN POPULATION would rise from about 12.96 crores to 16.75 crores, the semi-urbanised population from 3.62 to 7.08 crores and the TRUE RURAL POPULATION would rise from 39.29 crores to 59.47 crores. This represents a formidable degree of urbanisation in the broad sense of the term although the bulk of it is contained in the semi-urbanised central places and does not go to overload the facilities of the major towns.

This pattern of population distribution also matches the growth pattern of the economy posited in Section 2 of this document. The major growth sectors- small industry and trade/service units, State provided social overhead services

and development administration - all represent items involving intensive utilisation of middle and lower level focal points represented by geonomic spaces of types 3 and 4. The relatively slow-growing sectors of activity- agriculture and large scale industry- typically concentrate on the geonomic spaces of types 2 and 5 respectively in both of which the population growth rate is expected to be slow.

Bearing the above general vision in mind we can now proceed to the consideration of action-programmes in each type of geonomic space. Basically, these action-programmes will involve three types of initiatives: (a) the training and support of members of poor households in each type of geonomic space to participate effectively in the growth processes planned to occur in the relevant areas, (b) the provision of guidance, technical ideas, input and credit/marketing facilities designed to allow effective participation as self-employed in these processes of growth, (c) the provision of infrastructure capable of sustaining these planned growth processes and also to provide minimum conditions for human existence in the geonomic space-type under consideration. Apart from these three basic types of activity, there is naturally a component of direct investment action by the State. The entire operations-set, however, needs to be closely integrated with posited growth process occurring in that area.

This point needs some emphasis because it has been neglected to a very great extent in Indian Planning and Plan implementation so far. Mostly, the provision of social

overhead services (education, health and family planning, nutrition, etc.) follows a set pattern which takes little account of the geonomic variations and variations in patterns of planned growth. Basically, the patterns follow the assumptions of an UNIFORM needs and opportunities pattern which is drastically out-of-line with the varying geonomic space profiles of opportunities and needs. The People's Plan must inaugurate a new era in this particular dimension.

Further, it has also to be understood that while development has to be- for maximum synergistic effect- designed as a 'package', the components of the package must be capable of vary flexible variation even within geonomic areas of broadly the same type. For example, the geonomic space-type (non-central rural habitations) will display radical character change from a dense humid paddy- cultivation area like to Godavari delta of Andhra to the drier central highlands of the same state. Once again, not adequate provision has been made in Indian Planning to these variations and their impact on the form in which development services need to be provided.

Let us consider the action programmes in geonomic spaces of the first type. Here the most important base characteristics to be remembered are: (1) the extremely dispersed habitation patterns and serious problems of accessibility, (2) the presence of a large tribal element in the population and (3) the importance of large-scale works of ecology- protection and enrichment and the necessity of involving the local people in the provident and effective utilisation of local resources.

Coming to the set of programmes constituted by family planning, nutrition, health and education, the main determining characteristic is the problem of dealing with hyper-distributed population scatters. Most 'villages' in such areas are too small and too inaccessible to function as viable centres for this group of community services. The appropriate structure is to locate a number of SERVICE POINTS, mostly on the major roads being developed (see 3.4.2) in such areas and to cover these service points by well-equipped teams on a rotational basis. Radiating outward from these service points one requires a local cadre of paramedical, para-educational and para-agronomic personnel. This offers a fruitful field for the application of ideas such as the employment of a 'bare-foot doctors', 'traditional agronomists' etc.

The programmes should also seek to achieve integration with the norms and rhythms of tribal cultures prevailing in these areas. While a certain degree of detribalisation is the inevitable component of outside influence-exposures, the aim should be to retain and preserve the integrity of the tribal community-organisation pattern and to use tribal solidarity mechanisms as an important developmental asset.

Adult and primary education, in particular, should stress the manner in which the tribal community-action patterns could be extended and made appropriate to the utilisation of the opportunities generated by the large-scale works of transport development, afforestation, soil and water

protection, etc. which will inevitably constitute the main components of development expenditure in these areas. The labour co-operative, in particular, is an institution highly appropriate in such contexts and requires intensive promotion. One of the major ideas in People's sector development in these areas should be break the monopolistic dominance of CONTRACTORS and to replace him by directly state-managed works dealing with organised labour co-operatives of the local people.

In the development of community facilities in such areas the supply of safe drinking water deserves great emphasis. By and large one observes that the problem of access to water is not endemic only in desert and hill areas, but also in otherwise water-rich areas of the rain-forest type. On a felt-need basis, this represents one of the most important types of development work in such areas.

Housing development is difficult to undertake in the case of dispersed hamlets. However, the growth centres of such areas, usually villages lying on the main roads, need intensive development. These 'growth centres' also serve as points where the scattered populations of these areas can be concentrated and provided with modern educational and health facilities and opportunities for industrial and service employments.

Transport and power development is the main infrastructural challenge in these areas. By and large ample opportunities for hydel power general and the setting up of water mills exist EXCEPT IN DESERT AREAS where, however,

solar and windpower opportunities are usually excellent. Transport usually takes the form of major roads running from railheads to the major 'collection points' of forest product or mining industries. This pattern will probably persist since population is too thinly scattered to permit the development of lateral subarterials to any but a limited extent. However, the number and length of motorable roads can be effectively extended, with important development gains for such areas.

Works of forest development/forest exploitation, desert control and dry area farming development, mining and industrial development based on the intensive exploitation of local resources represents the main developmental activities in the economic sphere. However, under the people's plan certain critical differences will be introduced in the pattern of such developments: The major policy initiatives in this area would be: (a) intensification of small scale industry development based on local products; (2) the restructuring of trade patterns through the development of local people's co-operatives and the gradual elimination of the outside money-lender/trader; (3) the gradual elimination of the forest contractor by direct execution of such works through PWD/Forest Department management (of course, in cooperation with the labour co-operative movement earlier referred to); (4) the setting up of forest and hill area development institutes and special agencies for the development of desert areas in order to develop appropriate forestry, agronomic and industrial technologies for the development of such areas and (5) making special provisions

for training/reservation of posts for tribal people in the administrative apparatus of such areas.

Coming next to the densely-settled rural areas of non-central village type, the major area- characteristics to be borne in mind are(1) the high man/land ratios and the associated phenomenon of land-hunger which is responsible for much of the ecological deterioration of such areas (2) the already-advanced decay the village crafts and home industries and the associated collapse of inter-village marketing, (3) the relatively rigid large-farmer-dominated community structures and (4) the generally poor nexus to central villages/growth centres and consequent isolation both from marketing/trade channels as well as access to social service facilities.

The set of programmes related to education, health and family planning, nutrition etc.- when appropriately modified according to the area characteristics -leads to a very different pattern from that of the sparsely-settled regions we have been considering. Once the problem of all-weather access to central village/growth centre is solved, the non-central villages would need to have very little of either educational or health/family planning facilities to be located in village. What each village would need is nobilisation centres (visited by teams from the nearby central village/growth centre), manned by part-time adult education, community organisation and medical social workers recruited from residents of the village itself. The major activity of these para-professionals (one man/one woman per village) would be to

mobilise and enable the residents of the village to utilise the service facilities made available at the central village/growth centre. This mobilisation centre can be effectively combined with the village adult education/primary school unit and developed into a centre of community concourse and interaction for the village as a whole.

The major form of community facility development in non-central villages would be constituted by drinking water supply, improvement of sanitation arrangements and minimum housing standards. All this, however, will be done primarily with the help of (appropriately modified) traditional technologies, community resources and low investment of outside resources. The size of these communities by and large DO NOT PERMIT the idea of introduction of modern community facilities. Investments on the modernisation of community facilities in the rural area will be CONCENTRATED on the adequate development of the central village/growth centre units. The only large component of PUBLIC INVESTMENT in community utilities would be provided by (a) the maintenance of an all-weather connection (suitable for pedestrian, bicycle and light goods vehicle traffic) from the community centre building to the central village and (b) the extension of powerlines for the running of minor irrigation plant and machinery.

The main business of community works would be to employ the surplus labour of the community in public works for the enrichment of the agro-ecology of the village community. This will involve programmes such as contour bunding, swamp

clearance and the development of inland water bodies, training and bunding of watercourses and plains streams, etc.

These will be financed on the basis of a 80:20 cost sharing between the PWD/Irrigation authorities and the local communities involved. The organisation of surplus labour of poor households of the village into labour cooperatives to executive these programmes, as well as developmental works at central village/growth centres would be an important component of developmental action in this field.

Small farmer prosperity would be encouraged through the promotion of mixed farming, minor irrigation, provision of superior inputs, agronomic advice and credit, all provided in a single package through the central/village growth centre institutional complex. The key element of the complex would be the rural crop loan bank, the local inputs cooperative and the local centres for State purchase of food and agricultural commodities. Group credit in various forms would need to be developed to its fullest extent.

Larger farmers will also be serviced through the same institutional channels but at commercial rates of interest and on commercial banking principles.

Extensive development of bio-manure and bio-fertiliser would be encouraged in these agricultural spaces. This programme would be linked up, on the one hand, with the development of animal husbandry on the one hand and with the improvement of village sanitation and on the other with the development of fuelwood plantations of common village land.

These programmes will make an important contribution-in association with programmes under 3.5.3- to the building of a sound rural ecology.

It will be noted that the non-central villages are being visualised as specialised AGRONOMIC UNITS. The trade/services/handicrafts activities at present scattered over these settlements are expected to be concentrated and moved into the central village/growth centres where a combination of credit, training and marketing/product development services may be arranged so as to put them on a viable footing.

Gradually, we also visualise the surplus agricultural population as being encouraged to migrate into the central village/growth centres and there absorbed into the growing small industry/service sector occupations.

Next in the hierarchy of geonomic spaces is the central village/growth centre. As already evident, the major economic business of these areas is (1) to serve as the services centres of the surrounding spaces of type one and type two, (2) to function as the centre for the purchase of agricultural products and the distribution of agro-inputs, (3) to enable to intensive development of small industries and crafts on the basis of input-supplies and marketing opportunities generated at such centres and (4) to serve as the point through which the modern technological/scientific civilisation may effectively percolate to geonomic spaces of type one/type two.

Each such centre will have to provide middle and

secondary educational facilities as well as vocational training for not only its own population but also the population of the surrounding non-central villages. Similarly the health centre and maternity care/family planning centre of the location will be serving this larger clientele base. At this hierarchical level we should be able to provide services at a level comparable to that of a standard 'district' of a modern township. Further, as the planned movement of poor artisan and craft households from the surrounding rural places into these growth centres is carried out a fairly large adult education, vocational guidance and training programme will have to be carried out.

Basically we visualise the combination of the vocational school and adult education institution with a programme of intensive training in small industries and craft employments. The output of these institutions should be provided with institutionalised credit, either on an individualised or group basis by the local rural bank. We also visualise the linking up of this process with the expansion of service cooperatives and State trading units on the one hand and with the development of rural industrial estates cum housing developments on the fringes of such central settlements.

Intensive development of urban-type housing, modern sanitation arrangements and recreational facilities will have to take place at these growth centres. Investments in rentable accommodation and transit hotel/restaurant facilities

will also be necessary and can be developed through banking support of private entrepreneurs.

Transport development in the form of all-weather motorable roads and (where appropriate) railroad links to the intermediate towns serving a group of rural growth centres must receive priority. Similarly, really effective development of power and energy fuel supplies will be central to the development effort in such areas.

The formation and development of effective municipal organisations in such areas would also be an important element of the action programme. Of course, in the initial stages, municipal works will have to be financed through public grants. But, soon thereafter, it should be possible for such municipalities to finance their works/maintenance programmes on a matching grants principle.

By and large we do not expect the penetration of large scale industry to these centres and expect them to be confined to growth centres of the next higher order, the intermediate towns. Small industry both of the traditional craft and modern types will be emphasised. In addition agro-processing industries, as well as the minor agro-tools and agro-machinery production/repair industries will gravitate to this point. Intensive development of housing construction, furniture and accessory industries will also inevitably accompany the growth process, in view of the heavy emphasis on modern housing and community facilities.

A rich mix of productive activities will thus emerge and be further enriched by an equally intensive development of trade and marketing facilities.

Next in the hierarchy are the intermediate towns serving a large number of rural growth centres: about 30 being the normal number of centres served by the typical intermediate town with a population between 50,000 to 100,000. Some intermediate towns, with specific local resource bases for large industry development (e.g. mining towns, forest area railheads etc.) may have larger populations between 1,50,000 to 3,00,000.

The major economic business of these intermediate towns would be constituted by (1) providing centralised higher-order educational and health facilities, (2) functioning as the major 'exchange' points between the rural and urban product trades, (3) providing centres of urban culture and modern living from which modernising impulses may spread to the rural growth centres and (4) to serve as centres for the development and spread of appropriate technology to the surrounding rural growth centres and services areas.

In addition, these centres will also accommodate large industrial units whenever these are appropriate to the local marketing-resources profile. This development will also be encouraged by the deliberate dispersal of public sector industries to such units and also the intensive development of central units of dairy and animal husbandry development in the surrounding areas.

Among the indispensable elements of higher order educational facilities in such towns would be the zonal/regional degree college of science and technology, the zonal/regional degree college of agronomy and ecology and the zonal/regional institute for the training of development banking, co-operative and extension workers. Each intermediate town will also have a fully equipped modern hospital and provision for medical training, with emphasis on the training of para-medical and medical social work personnel. The educational system of the intermediate town would also include an institute for training in commerce and entrepreneurship, as well as a higher education unit specialising in law and administration.

Of course, the intermediate town community would have its own lower-order programmes of adult education/primary education, secondary education/craft and vocational training and family planning/maternity care and nutrition. However, these will function in forms appropriate to town populations and in close co-ordination with the higher order services institutions.

Standard town-planning norms of the modern type will guide community facility development in intermediate towns. Particular emphasis, however, will need to be placed on (a) maintenance of COMPACT URBAN FORM, (b) the proper location of residential, central commercial and administrative district and industrial zone facilities and (c) adequate development of low income housing and the prevention of the emergence

of extensive urban slums.

Transport linkages to major urban centres by multi-channel highways, railroad links and (where appropriate) air routes will have to receive adequate attention. Intra-urban transport will probably not be a severe problem in the planning period under question although maintenance of roads and urban public transport development will have to be emphasised.

Industrial development in such intermediate towns will mainly take three forms; (a) centralised production of inputs needed by the small industries in associated growth centres, (b) large scale industries involving the processing of regional input surpluses, (c) ancillary development connected with industries of type (a) and (b) and (d) the towns own component of small industries and services unit producing for the intermediate town market.

In addition, wherever appropriate, the intermediate towns will develop large industries which may be allocated to it on the basis of national plan location decisions of major public sector plants. This will be encouraged, however, in general only for the larger intermediate towns.

In addition also a full complement of urban services and trade activities including commercial offices, hotels and tourist facilities, recreational and cultural units, etc. will emerge and will have to be stimulated in order to provide a rich and varied activity base for these intermediate towns.

Finally, of the top of the hierarchy we have the 100 or so major towns servicing on average 10 intermediate towns. These major urban agglomerates will contain the bulk of large industrial units; the university level institutions for training in science and technology, law and administration, management medicine and the liberal arts; and the linkage facilities by land, air and sea linking the national economic regions with one another as well as with the international economy.

The development patterns of these major urban places would follow more or less the current ideals of urban development and major city planning, with the following important differences introduced in the people's plan. First, the movement of rural population into these towns would be restricted (a) naturally through the development of work and settlement opportunities in rural growth centres and intermediate towns and (b) the deliberate restriction of immigration into major towns by a system of internal migration certificates and quota-restrictions; Secondly, the development of intra-urban rapid transit systems, lower income housing and slums-improvement (the three town planning activities of the greatest relevance to the poorer town-dwellers) will receive higher priority. Thirdly, small industry development of a modern type will be given much greater emphasis as well as the development of co-operative and state marketing of essential products.

By and large, however, the least change will occur in the development policy-mix in the larger urban centres and the sharpest shifts in the policy-mixes applied to sparsely-populated areas, rural growth centres and intermediate towns. These represent, to date, the weakest areas in Indian economic development and consequently also the areas where policy mix changes need to be the sharpest.