

# PEOPLE'S PLAN

FOR ECONOMIC DEVELOPMENT OF INDIA

*BEING THE REPORT OF THE POST-WAR  
RECONSTRUCTION COMMITTEE OF  
THE INDIAN FEDERATION OF LABOUR.*

*Released for public discussion*

*by*

**M. N. ROY**

GENERAL SECRETARY

INDIAN FEDERATION OF LABOUR.

# PEOPLE'S PLAN

## FOR ECONOMIC DEVELOPMENT OF INDIA

*By*

B. N. BANERJEE,  
G. D. PARIKH,  
V. M. TARKUNDE,

MEMBERS OF

THE POST-WAR RECONSTRUCTION COMMITTEE  
OF THE INDIAN FEDERATION OF LABOUR.

1944

Printed by M. N. Kulkarni, at the Karnatak  
Printing Press, Chira Bazar, Bombay No. 2  
and published by A. K. Mukerjee, Secretary,  
Indian Federation of Labour, 30, Faiz Bazar,  
Delhi.

## CONTENTS

	PAGE
FOREWORD .. .. .	i
CONVENER'S LETTER .. .. .	iii
THE REPORT :	
I. INTRODUCTORY .. .. .	1
II. FUNDAMENTAL CONSIDERATIONS OF PLANNED ECONOMY FOR INDIA .. .. .	4
III. THE PLAN OF ECONOMIC DEVELOPMENT .. .. .	11
IV. CIRCULATION OF COMMODITIES .. .. .	36
V. REQUIREMENTS OF THE PEOPLE .. .. .	38
VI. OPERATION AND FINANCING OF THE PLAN .. .. .	42
VII. CONCLUDING OBSERVATIONS .. .. .	53

## FOREWORD

Last year I was requested by the Government of India to prepare a paper on labour and post-war reconstruction, which was to be submitted to the Pacific Relations Conference. In that paper, the general line of economic development of our country from the point of view of labour was indicated. Although the paper was called 'Labour and Post-war Reconstruction', it was pointed out in the paper that labour was not treated as industrial workers only, but as the entire mass of people engaged in productive occupations. Since then, the Indian Federation of Labour has been discussing the question of preparing a plan of economic development in detail. Finally, in December 1943, on the occasion of its annual Conference at Bombay, a committee was set up to draft the plan on the basis of what had already been covered.

The fundamental problem of Indian economic life is the problem of poverty. It cannot be solved on the basis of the capitalist mode of production. The guiding principle of the plan prepared by the Post-war Reconstruction Committee of the Indian Federation of Labour is, therefore, production for use as distinct from production for exchange. Increased production and equitable distribution are the cure for the evil of poverty. Increased productivity of labour and employment of a large volume of labour in more productive occupations are the conditions for the creation of additional wealth.

Under capitalism, production is limited by the purchasing power of the people. Only as much goods are produced as can be sold profitably. The maximum amount of goods that can be sold is limited by the poverty of the bulk of the Indian people. Therefore, under capitalism the creation of wealth is bound to be restricted and the capitalist mode of production will preclude equitable distribution even of the limited wealth created. The problem of poverty will not be solved.

Under capitalism, the rise in the standard of living of the people will be restricted by the purchasing power that capitalism can distribute. The distribution of purchasing power takes place through the medium of wages and the purchase of raw materials; that is to say, ultimately it is conditional upon the total volume of production. But, given the poverty of the bulk of the Indian people, production for exchange cannot be expanded beyond a certain limit without creating the crisis of over-production.

That is a vicious circle. The plan indicates the only way out. Production is to be planned, not with the object of increasing the purchasing power of the people, but with that of supplying their requirements. The object is not to create effective demand, which for reasons given above is bound to be restricted, but to estimate human demand and to equate production with it. In order to satisfy the most elementary requirements of the people—food, clothing, shelter, health and education—the productive capacity of the country must be increased many-fold. The existing industries will have to be expanded and new industries established.

Where will the required capital come from? Private capital will not be available for production for use. The plan, therefore, aims at financing itself. Wealth is created by labour. Therefore, a substantial increase in national income can be expected to take place in that sector of the national economy where the largest volume of labour is performed. In our country, that sector is agriculture. Rationalisation and modernisation of agriculture, therefore, are placed in the forefront of the plan. That will of course require development of irrigation, communications (railways and roads) and certain branches of basic industries (electrification, chemicals, engineering etc.). With a total capital expenditure of Rs. 1,600 crores in the first three years of the plan, it is estimated that agricultural production will increase to an extent as will leave a substantial surplus for the financing of the subsequent stages of the plan. Rationalisation of agriculture includes nationalisation of land and liquidation of indebtedness, so as to relieve the peasantry and leave it in possession of a large part of its surplus produce.

The capital for the initial investment will be found out of the sterling balances, income resulting from the nationalisation of land, estate duty, inheritance tax and mobilisation through Government borrowings of the accumulated wealth which at present remains out of the process of production. *It is estimated that, at the end of ten years, agricultural production will increase by 400% or more, and industrial production by 600%. The standard of living of the masses will rise by 300%, exclusive of the services such as health, education and housing which will be provided for them.*

The plan has been submitted to the Indian Federation of Labour by the Post-war Reconstruction Committee. It will soon be discussed and endorsed by it. Meanwhile, having regard for the fact that the idea of planning is being discussed with great interest, I think it will be useful if a plan from a different point of view is submitted to the public, hoping that it may contribute to the public discussion.

M. N. Roy

From,

V. M. TARKUNDE, BAR-AT-LAW,

*Convener,*

THE POST-WAR RECONSTRUCTION COMMITTEE,  
INDIAN FEDERATION OF LABOUR.

To,

THE GENERAL SECRETARY,

INDIAN FEDERATION OF LABOUR.

DEAR COMRADE,

I have great pleasure in submitting to you the report of the Post-war Reconstruction Committee of the Federation. The committee was appointed at the annual conference of the Federation held in Bombay on the 27th, 28th and 29th of December 1943, under the following resolution :

“ Indian labour has under the leadership of the Indian Federation of Labour contributed materially to the successful prosecution of the war and the destruction of Fascism. Having done that, and while continuing to do so during the remaining period of the war, Indian Labour must now turn its attention to the problems that will face it immediately on the termination of the war.

“ The major problem that will face it will be the problem of employment, made more intricate by the demobilisation of lacs of soldiers and sailors, and the displacement of millions of workers engaged in war works and war industries. The scarcity of employment will depress the living standards of those who will be fortunate enough to secure or to retain employment and will thus intensify the problem of want, disease and misery for the overwhelming majority of the Indian people. It is on the basis of gainful employment that the problem of social security can be solved and the advantages of a higher standard of living and a better cultural life can be secured to the workers and the other exploited masses.

“ Evergrowing and ever more profitable employment cannot be secured for workers within the framework of a society where

production takes place for profit. The apprehension of falling profits is already persuading the employers to raise the bogey of post-war slump, and on that excuse to cut down production. It is on this basis that the vested interests are preparing their plans for post-war reconstruction. Such plans run counter to the interests of labour and they will also arrest the progress of the entire society. Labour must oppose all those plans and must prepare its own plan for post-war reconstruction and endeavour to secure for it the backing of the overwhelming majority of the Indian people. This Conference appoints a committee of Prof. B. N. Banerjee, Prof. G. D. Parikh, and V. M. Tarkunde, Bar-at-law, (Convener), to prepare such a plan and authorises the Executive Committee to take all necessary steps for its popularisation and implementation.

“The implementation of the plan cannot take place unless labour has an effective voice in the Government of the country. This Conference, therefore, urges upon the Indian labour the necessity of striving for the attainment of political power and re-affirms its resolve to help all such activities as would lead in that direction.

“This Conference deplures the fact that labour has no representation in the various committees set up by the Government of India and Provincial Governments except in U.P. for considering the problems of post-war reconstruction, and emphatically demands adequate representation for labour on all such committees.”

The plan for economic development, outlined in our report, has been prepared on the basis of the spirit of the above resolution.

I have to thank all those who helped the Committee in the preparation of this report. They are too many to be individually mentioned, though the Committee would very much desire to do so, and the help of each of them has been to us of great value and significance for the preparation of our report.

March, 10, 1944  
Delhi.

Yours fraternally

V. M. TARKUNDE,

*Convener, POST-WAR RECONSTRUCTION COMMITTEE*



## INTRODUCTORY

1. The idea of economic planning has come to stay in the economic practice as well as thought of the inter-war period. The general failure of the capitalist economy throughout the world, the recurrent stoppage of the wheels of production under it, the appearance of the economic crisis as the constant feature of capitalism, the phenomenal rise in unemployment in the capitalist countries of the world, and the magnificent achievements of the planned economy of the Soviet Union are some of the factors which have contributed to the popularity of this idea of planning. The repercussions of this change which economic practice and thought were slowly undergoing all over the world were bound to be felt in India also. They have produced here a strong desire for a planned economy in the post-war period. It is, however, necessary to point out that the enthusiasm for economic planning and its advocacy from different quarters are not a result of these repercussions alone. There is a further reason. They are a product of the realisation on the part of both, those who strive to preserve the *status quo*, as well as those who work to bring about certain essential and desirable changes in it, that their objects cannot be attained in the absence of a planned economy. It should thus be clear that there is nothing sound in the idea of economic planning *as such*. Planning in itself does not ensure the economic progress and well-being of the community. To ensure these, it is necessary to go into its purpose, spirit and character.

2. This would be quite clear from the experience of the two countries in which production was planned in the inter-war period. The Soviet Union and Nazi Germany are the cases in point. The Soviet planning, which was based on the socialisation of the means of production, and which restored production to its original purpose of satisfying the human demand of the community from that of making profits, attained a large measure of success in raising the standard of living of the Russian people. Its achievements in this respect were only qualified by the considerations of ensuring the defence of the Soviet Union from hostile attacks at the hands of those who saw, in the success of the Soviet experiment, a threat to their economic privileges and power. But in spite of its being influenced by this all-important consideration of defence, the Soviet experiment did lead to an improvement in the standard of

living of the Russian people to an extent as would have been unthinkable within the framework of the capitalist economy. It is true that, but for this need of defence, the improvement would have been much greater. But such improvement as did actually take place, even under the necessity of diverting a large volume of resources, human and material, to the purpose of defence, was sufficiently conspicuous to startle the entire capitalist world.

3. This must be distinguished from the economic planning under the Nazi regime in Germany. The German planning did not touch either the private ownership of the means of production or profits as the motive of production. The economic recovery of Nazi Germany, therefore, took place on the basis of a planned expansion of the producers' goods industries, and especially of armaments. The failure of capitalism to ensure a continual increase in the total volume of consumption by the community, and thus to ensure a continual expansion of the consumers' goods industries, leading thereby to a rise in the standard of living of the people, was responsible for giving this direction to economic development in the Nazi planning. The result of this planning was a ruthless regimentation of the entire German nation and the destruction of all freedom of the German people, not only economic but also political, social and cultural. The crisis inherent in the economy, based on the profit motive, could not be solved even then. On the other hand, it dragged Germany into the present war which is an outcome of planned capitalism i.e. Fascism.

4. The considerations mentioned above will have to be taken into account when we think of planning the economic life of India. It is sheer economic blindness, if not a deliberate mischief, to talk of both the Soviet and the German planning as if they belonged to the same category. The spirit and nature of the Soviet planning cannot be grasped by the jargons of the "deductive" economists. It is idle to believe that the achievements of the Soviet Union can be understood, copied or improved upon by us without bothering about any of the fundamental questions which the Soviet Union raised and boldly answered. Such a plea or claim is definitely a result of confused thinking, if not meant to confuse others.

5. This need not lead us to the conclusion that in planning our economy in the post-war period, we shall have to do nothing more than to imitate the Russian experiment or to pass through the same experience as the Soviet Union did. History does not permit such repetitions. The experience of the Soviet Union will not be repeated elsewhere in the same manner. Its value consists in its being a guide in understanding the real nature and purpose of a planned economy, if such an economy were to lead to the result of

bridging the everwidening gap between production and consumption. Once this is understood, we shall be able to possess the proper outlook with which to approach this problem of planning. But the real nature of our problem will have to be discovered only on the basis of a detailed analysis and examination of the economic reality of our country. Such an analysis and examination alone can lead us to a correct and comprehensive grasp of our economic problem and thus suggest the ways of solving it successfully. The object of this solution must be to open up the prospect of an increasingly gainful employment for our people and thus to bring about an improvement in their standard of living.

6. The idea of raising the standard of living of the people has also by now become quite current and fashionable like the idea of economic planning. It must, therefore, be realised that mere statement of such an aim for a planned economy does not take us very far, granting that it does not take us astray. The aim must be shown as being linked up with and following from the particular proposals that might be made. There is no necessary connection between improvement in the standard of living of the people and a planned economy ; nor is there any between it and an increase in the national income. An increase in national income, it is true, is essential for any improvement in the standard of living of the people. But it is possible to imagine a manyfold increase in the national income with a considerable deterioration in the living conditions of the people. The important thing, therefore, is not for a planned economy to start with saying that it will lead to an improvement in the standard of living of the people, but to show actually how it will achieve that very laudable result. The fact is that it may or may not do so ; and it will depend upon the kind of planned economy it is.

## II

### FUNDAMENTAL CONSIDERATIONS OF PLANNED ECONOMY FOR INDIA

7. The central problem of Indian Economy is the problem of poverty. In the ultimate analysis, it is the result of the extremely low productivity of Indian labour. A major portion of this labour is performed on land with the help of primitive implements and methods. The result of this is that it is mostly under-employed. Some of it is even altogether wasted. The solution of the problem of poverty, therefore, lies in an increase in the productivity of labour. This can be achieved through the mechanisation of production, both agricultural as well as industrial.

8. It is contended that the problem of poverty of the Indian people can be solved by the development of large-scale industries in the country, and that it is in this respect that our potentialities still remain to a great extent unexploited. The view, however, is superficial and expresses only a half-truth. Like all other half-truths, it is also dangerous. "The industrialisation of a country holds some dangers for other countries, if the production of manufactured goods industries is undertaken mainly for foreign and not for home consumption, or if the bulk of the population does not benefit from the increase in the national income associated with industrialisation. The lack of an increase in the purchasing power of the population will result in the attempt to export the produce of the newly created industries and in the decrease of imports of consumers' goods (relatively to raw materials)."<sup>1</sup> It is an indisputable fact that the main difficulty in the way of development of large-scale industries in India has been the all-too-meagre purchasing power in the hands of a large majority of the people. That alone constituted an explanation of the phenomenon of over-production in a country so full of want as India. Any attempt to increase the purchasing power of the people will have largely to concentrate on agriculture, which affords the main channel of employment to a majority of the people. Agriculture, thus, should form the foundation of any attempt to plan the economic life of

---

1. "Industrialisation of Agricultural Countries" by H. Frankel, *The Economic Journal*, June-September, 1943, p. 196.

the country. A plan which overlooks this fundamental consideration, or does not put an adequate emphasis on the development of agricultural production in the country with the object of improving the living conditions of the cultivator, will inevitably lead to the consolidation of a fascist economy. A plan for raising the standard of living of the people will have, on the other hand, to concentrate, in the initial stages at least, on agriculture and thereby on the supreme necessity of expanding the internal market.

9. The expansion of the internal market will enable the industries to grow. It will lead to a growingly large volume of labour being diverted from agriculture, thus relieving the pressure on soil. It will lead to an increasing creation of new wealth in the country and thus open up the perspective of a rising standard of living for the people. But the process will be extremely slow, and may be periodically altogether checked, if production were to be for profit. The continually recurring experience of the working of capitalist economy, both in India as well as abroad, affords a more than sufficient justification for this view. Of late, this experience of the wheels of production coming to a standstill, because of the operations of the profit motive, has become almost a permanent feature of capitalist economy. The desire for quickening the pace of industrialisation, therefore, can only be fulfilled on the basis of a change in the motive of production. The object of industrialisation will have to be more productive employment of labour and natural resources for increasing the national income. Economic development along the lines and with the purpose indicated above is not possible on the basis of unrestricted private ownership.

10. It is a matter of common knowledge that even the most minimum essential requirements of a large number of our people are not satisfied at present. That being the case, a large volume of consumers' goods can be absorbed in the country if they are sold at prices within the reach of the people. It will be necessary to expand the present industries to a great extent, and start many new ones in order to provide for these essential requirements. And the process of industrialisation can soon be quickened and developed so as to equate production with *human* demand. It is improbable that private capital will be coming forward for a long term investment of this kind. Not only the yield on such investment will be almost nominal, but on occasions it may even be entirely absent. That being the realistic appreciation of the situation, industrialisation including the mechanisation of agriculture will have to be financed by the state. Industries, built or expanded with the help of public funds, will naturally have to be under the control of the state. Production for well-being cannot

be planned on the basis of private enterprise guided by the profit motive.

11. It will also be necessary to control industries in which private capital has been already invested. The free and uncontrolled operations of the profit motive may lead to the stupid result of killing the goose that lays the golden eggs. Private capital can be entitled to a fixed maximum revenue of 3% which should be guaranteed by the Government. Since the industries will be called upon to sell their output at prices fixed by the Government, if any industry fails to bear this charge of 3%, the payment should be made by the Government by an inclusion of it in its regular budget. We are of the opinion that it should be possible for private capital to see its way to the acceptance of the above suggestion. It not only involves freedom from the vagaries and fluctuations of the market, but will also save it from the periodic booms and depressions. If the tempo of industrial development in the country is to be quickened, we see no possible alternative to the one of "rationed" capitalism.

12. To talk of state control in the absence of control over the state is meaningless. If the state control, referred to above, is to be properly and effectively exercised with the object of attaining the aims outlined so far, the future state in India will have to be a genuine democratic state. To be so, the state will have to be founded by a constitution having the following for its Fundamental Principles :

- (1) The supreme sovereignty belongs to the people, to be exercised through the direct control of the executive as well as the legislative functions of the State by the elected representatives of the people.
- (2) The Federal Democratic State of India is to be composed of a number of autonomous republics built on the basis of cultural and linguistic homogeneity as far as possible.
- (3) All component parts of the Federation are to have a uniformly democratic constitution.
- (4) The land as well as the underground riches are the collective property of the nation.
- (5) Promotion of the productivity of labour through the introduction of modern mechanical means of production is the responsibility of the state.
- (6) Heavy industries and banks are subject to state control.
- (7) Cultivators are entitled to hold land without any disability, subject to the payment of a unitary land

tax. Small agricultural producers are to be free from all other taxation except local rates.

- (8) Promotion by the state of large scale co-operative agriculture through the supply of modern machinery and cheap credit.
- (9) An irreducible standard of living for all labouring in fields, factories, mines, transport, offices and schools, to be guaranteed by a minimum scale of wages.
- (10) Employment or relief is a right of citizenship.
- (11) Nobody shall labour for more than six hours a day, for more than six days a week, and every worker shall be entitled to one month's leave with full pay every year, and women workers to three months' maternity leave.
- (12) Free and compulsory secular education for all children upto the age of sixteen.
- (13) Promotion of public health and sanitation is a charge of the state.
- (14) Freedom of Press, Speech and Association to be constitutionally guaranteed to all but the enemies of the people.
- (15) Fullest freedom of religion and worship.
- (16) Identical rights and responsibilities of citizenship for men and women.
- (17) Protection for the rights of minorities through proportional representation on public bodies.
- (18) Complete cultural autonomy.

13. The object of the planned economy must be to provide for the satisfaction of the immediate and the basic needs of the Indian people within a period of ten years. These are in respect of food, clothing, shelter, health and education. In order to satisfy these needs, it will be necessary to expand the present production of wealth in the country. To achieve this expansion of production, with the object of ensuring to everybody in the country adequate nutritive food, sufficient clothing, a decent shelter, and freedom from disease and ignorance, should be the purpose of the planned economy.

14. It must however be emphasised in this connection that increase in the production of wealth does not by itself ensure the satisfaction of the immediate and basic needs of the people. The question of distribution of the new wealth produced assumes in this respect a great significance. The problem of distribution can

neither be divorced from that of production nor from that of the kind of social structure and productive relationships that will be retained in the planned economy. An economy, which will retain the present out-moded system of land tenures or usury or will permit in an unrestricted manner the operations of private ownership and profit motive, will never be successful in solving the problem of distribution in a satisfactory manner. On the other hand, an economy which will not be able to solve the problem of distribution in a satisfactory manner will have to tackle the problem of production itself within the framework of its own limitations. It cannot visualise a continual expansion of the consumers' goods industry, for example, for it does not permit a continual expansion of the total volume of consumption by the community. A careful perusal of some of these basic considerations will show that expansion of production, if it is to take place with the object of raising the standard of living of the people, cannot and therefore must not be brought about on the basis of the *status quo*. Certain essential and necessary changes in that *status quo* are an indispensable precondition for planning the economic life of the country.

15. There is a further reason why the changes emphasised above are necessary. It is essential for the economic progress of the country that the surplus produced in the economy should be available for the purpose of being reinvested into it so as to raise its general technical and productive level. The production of such a surplus is a natural result of human productive activity. The lines along which the future economic progress can be visualised by us necessitate that that surplus should be available to the Peoples' State for the purpose of reinvestment, thus helping to quicken the pace of economic progress of the country. The surplus to-day is being diverted into a few private pockets and the limitations of the profit economy prevent its reinvestment. The richness of the few has thus become a direct cause of the poverty of the many and this poverty operates as a rigid barrier in the way of economic progress and prosperity. It is, therefore, an essential condition of economic progress of the country that the private channels to which the surplus is being diverted to-day must be rigidly controlled, so as to make it increasingly available to the State for the purpose of reinvestment, and that the motive of production should be changed so that it will continually be reinvested into the economy with the object of making available to the people an increasingly gainful employment and thus an ever-rising standard of living. Any attempt to plan the economic life of the country will have to take account of this consideration, if it is to be undertaken with the purpose of raising the standard of living of the people. The ideal of quickening the economic progress of the country can be realised only if the large portion of wealth, which today goes out of the process of production because of its being



privately appropriated by a few individuals in the country, can be harnessed for the purpose of being reinvested into the economy by the People's State.

16. The importance of agriculture in a plan of post-war economic development has already been emphasised. It has been made clear that the basis of our planned economy will have to be agriculture, and in the initial stages of the plan, we will have to concentrate on it. Given the present structure of our agrarian economy, any attempt to increase the productivity of the soil cannot be successful, and if successful, will only lead to the benefit of the rent-receivers and the moneylenders, leaving the tiller of the soil as poor as at present. The cultivator of the soil has been caught to-day between the gigantic pincers of the twin forces of landlordism and usury. These have deprived him both of the incentive as well as the means of increasing the productivity of the soil. To provide him with that incentive and the means should be the task of the state, and that can be done only if the planned economy of the country is based on the liquidation of rackrenting and usury, without involving any undue hardships to the parties concerned. The entire land as well as the underground riches will have to be nationalised, thus leaving no intermediary between the cultivator of the soil and the state. Similarly the entire rural indebtedness will have to be liquidated, thus freeing the peasant from the clutches of usurious capital. These two are the essential initial preparatory tasks for the planned economy, and they will lead to an initial increase in the purchasing power of the cultivator. The state will have to undertake them, if the economic life of the country is to be planned with the object of raising the standard of living of the people.

17. We have mentioned above the supreme necessity of nationalising the underground riches in the country. In the absence of even tolerably adequate and reliable statistical material, it has been found extremely difficult to indicate any rough estimates for that purpose. But nationalisation of the underground riches of the country must be the *sine qua non* of the post-war policy of the state in this respect. Suitable methods will have to be found out for implementing that policy.

18. In order that the plan may be successfully implemented and may attain its objects, it will also be necessary for the state to exercise an effective control over the banking and other financial institutions in the country. It will further have to exercise a monopolistic position in respect of foreign trade as well as all financial transactions with foreign countries. These controls would be indispensable in view of the fact that their absence will endanger or menace the carrying out of the plan itself. It will also

be necessary that the circulation of commodities between the rural and the urban areas takes place through co-operatives, and till the time this is completely achieved, the turnover of goods through private or the so-called normal channels of trade will have to be rigidly controlled and the operations of the profit motive in this respect will have to be checked. The experience of artificial shortages and heartless profiteering that we have had during the period of the war must provide us with a lesson in this respect and that lesson will have to be borne in mind in the post-war period.

19. The plan outlined in the following pages refers to British India only. But we are of the opinion that a planned economy for India will have to embrace the entire country and the Indian states will also have to join this endeavour for promoting the well-being of the people. It can be possible, in that case, to revise the estimates we have roughly made and a plan for the entire country can be outlined. For the present, absence of any adequate statistical material with regard to the Indian states has prevented us from outlining a plan for the entire country. But we must make it clear that it is not at all intended by this omission on our part that British India can carry out a plan of its economic development in the manner outlined in the following pages, leaving the so-called Indian India to itself.

20. The estimates made in the following pages are at best of the nature of rough approximations. The inadequacy as well as the inaccuracy of the statistical material available at present is proverbially well-known. We feel it necessary to mention this consideration for the simple reason that quantitative expressions carry with them associations of precision and exactitude. The price level on the basis of which the estimates have been prepared is the quinquennial average of the years 1934-39. Another point we would like to clarify in this connection is with regard to the industrial potential of the country. It is true that this is almost unknown today. Therefore, one of the important things to do, during the period of ten years covered by the plan, will be to take extensive geological surveys of the country and to discover the resources that can and have to be exploited. But such knowledge as we actually possess for the time being does vindicate the planning of an initial swing of economic development of the country and it is on this ground that the estimates and the calculations in the plan have been made.

### III

#### THE PLAN FOR ECONOMIC DEVELOPMENT

21. Agriculture constitutes the principal industry in the country and nearly 70% of our population depends for its subsistence on land. Whatever the development of industries that we can visualise within a period of ten years, agriculture will still continue to provide employment to a major portion of our population. That being the case, it is essential that labour employed in it must be made far more productive than what it is at present. That will not only lay a stable foundation for the economy, but will also lead to the accumulation of an enough investable surplus, the investment of which can raise its general technical and productive level.

22. The food situation during the period of the war has given sufficient cause for anxiety. It is now known and accepted almost by all, excepting perhaps the interested ones, that the scarcity in the country has been mostly artificial in character, brought about by the blocking up of the normal channels of trade through the operations of the profit motive. Still it is true that there exists a certain amount of deficiency in the total production of food stuffs in the country from the point of view of feeding adequately the present population. The situation must assume a serious character if we take into account the normal increase in population at the rate of about 5 millions per year. It is well-nigh impossible to estimate what the present food crisis has cost to the country. It has almost sapped the energy, vigour and vitality of an entire people. The provision of an adequate nutritive diet to the entire people, undernourished for centuries together, must therefore be the first concern of the planning authority. That will also enable the country to have a stable and efficient labour supply. It will be necessary to change the average Indian diet so as to include in it more nutritive food stuffs, and the planning authority will have to pay attention to the production of these. The targets to be aimed at in respect of the production of foodstuffs will have to be such as will leave an exportable surplus, after adequately feeding the population of the country. The same consideration will apply, with greater force, in the case of the

non-food crops. Agricultural production will have to be increased many-fold in order to attain the objectives set forth in the plan.

23. It may be usefully recalled in this connection that the development of agriculture in the Soviet Union was also due to similar considerations. It could thereby find, in the initial stages of planning, a sum of about one and a half billion roubles in foreign currency, for the purpose of purchasing equipment for executing the programme of industrial development. The increased productivity of agriculture in the Soviet Union was expected to contribute to the process of industrial development by making available an investable surplus to the state. The same should be the criterion for the planned economy for India. It is applicable to India with all the greater force, for the population of the Soviet Union was much less than that of ours and yet agricultural production was expanded manyfold.

24. Abolition of the antiquated land tenure system in the country as well as the liquidation of usury are the essential pre-conditions for increasing the productivity of agriculture in a manner calculated to benefit the cultivator. It is not at all necessary that the feudal rights should be confiscated. But it is essential that the state should acquire them on the basis of payment of such compensation as will not involve any undue hardships to the parties concerned, nor increase unnecessarily the burden on posterity. Land should be nationalised so that no intermediary will be left between the cultivator and the state. With this object in view, the recommendations of the Land Revenue Commission of Bengal (1938), presided over by Sir Francis Floud, should be generalised.

25. A majority of the members of the Floud Commission expressed the view that "no other solution than state acquisition will be adequate to remedy the defects of the present land system . . . . No solution that can be proposed is free from difficulties and dangers but we are agreed that the present system ought not to remain unaltered." And again, "there is a clear majority on the Commission who are convinced that in order to improve the economic conditions of the cultivators, the Permanent system and the zamindari system should be replaced by a raiyatwari system under which the Government would be brought into direct relations with the actual cultivators by the acquisition of all the superior interests in agricultural land."<sup>2</sup>

26. While pointing out the advantages of state acquisition, the Commission observe, "As sole landlord, the Government would be in direct relation with the actual cultivators and would be in a very much stronger position than any private landlord to

---

2. Report of the Land Revenue Commission, Bengal, 1938, vol. I, para 94.

initiate schemes for the consolidation of holdings, the restoration of economic holdings, the provision of grazing land and the preventions of transfers of land to non-agriculturists. Government management, although it might not be universally popular, will certainly be more efficient and more in the interests of the agricultural population than zamindari management. Even if rents were enhanced under Government management, the increment, instead of going into the pockets of private individuals, would be returned in the shape of improved social services.”<sup>3</sup>

27. The Commission therefore came to the conclusion that, “whatever may have been the justification for the Permanent Settlement in 1793, it is no longer suited to the conditions of the present time. . A majority of the Commission have also come to the conclusion that the zamindari system has developed so many defects that it has ceased to serve any national interest. No half measure will satisfactorily remedy its defects. Provided that a practicable scheme can be devised to acquire the interests of all classes of rent-receivers on reasonable terms, the policy should be to aim at bringing the actual cultivators into the position of tenants holding directly under Government.”<sup>4</sup>

28. The Commission plead for “the elimination of all grades of tenure”<sup>5</sup> and are agreed that “any compensation to be paid must be calculated at a flat rate for all interests.”<sup>6</sup> It is suggested by some of the members of the Commission that some of the provisions of the Land Acquisition Manual should not be applied in this case, for it was “drafted with the intention of acquiring small areas of private property for Government or Local Bodies or commercial companies.” As against this, there are others who plead for the application of the provisions of the Land Acquisition Act. “The Commission are however agreed that different rates of compensation for different classes of estates and tenures might be justified, but it would lead to endless difficulties and complications.”

29. The Commission could not reach an agreement as to the rate of compensation to be paid. At one extreme was expressed the view that the rate should be such as would enable the landlords to enjoy their present income, at another that no compensation need be paid at all. The actual rates suggested ranged from 5 to 20 times the net profits. “The rate which receives more support than any other is 10 times the net profit.”<sup>7</sup> It may be mentioned

---

3. *Ibid*, para 95.

4. *Ibid*, para 96.

5. *Ibid*, para 98.

6. *Ibid*, para 100.

7. *Ibid*, para 101.

here that the Commission were considering the problem in so far as it related to the province of Bengal alone. In extending its recommendations so as to embrace the entire country, it will be necessary to reduce the rate to some extent.

30. Considering the two methods of paying the compensation viz. in cash or in bonds, the Commission recommend the former to the latter. But this would not be a practicable proposition if the recommendations of the Commission are sought to be generalised in their application. Besides, the difficulties which the Commission point out in the case of payment through bonds are of an administrative character and are not very serious.<sup>8</sup>

31. We think it is essential to generalise in their application the recommendations of the Flood Commission, if the planned economy were to concentrate, in the initial period at least, on increasing the productivity of agriculture in a manner as will benefit the cultivator. It is already made clear why it must do so. The cost of state acquisition may be roughly estimated as follows :

32. Out of the total area of British India, according to survey, of about 575 million acres, about 188 million acres is under permanently settled zamindari tenure, while another 197 million acres is under the temporarily settled zamindari tenures. The total would be about 385 million acres. According to the Flood Commission, the level of rent paid by the Occupancy ryats in Bengal is about Rs. 3-5 an acre. On the other hand the average rent for all classes of tenants in U.P. is Rs. 6 an acre (para 203). The figures for Bengal and U. P. represent the minimum and the maximum levels respectively for the entire country. Of course it is extremely difficult and somewhat hazardous to calculate, on the basis of such meagre data, the income of the rent-receivers in the country. But taking into account the area under the Occupancy tenure in Bengal and the total area under the zamindari tenure in U. P., we think the average level of rent for the whole country may be taken as Rs. 5 an acre. Of the 385 million acres of land under the zamindari tenure, about 5% may be left out as land, the income from which is devoted to religious, charitable or similar other public purposes and the acquisition of which, in our opinion, ought to be compensated differently. The remaining area would be about 365 million acres. Assuming Rs. 5 per acre as the average gross income of the rent-receivers, the total income would be about 1825 million rupees. Out of this should be deducted 365 million rupees as the collection charges, cost of management etc., the deduction being 20% of the gross income. The figure recommended by the Flood Commission is 18%. The remaining

---

8. *Ibid*, para 102.

amount of 1460 millions would represent the net income of the rent-receivers which has to be compensated. The compensation to be granted should be 7 times the net income, which will amount to Rs. 1022 crores.

33. We think it essential that the process of state acquisition should also be applied to land, the income from which is devoted to religious, charitable, educational or similar purposes of public nature. The estates of this kind should be acquired in the manner recommended by the Floud Commission, so that the income available from them for these public purposes would not be reduced. We estimate such land to be not more than about 5% both under the zamindari as well as in the ryatwari tenures. This would work out to about 20 million acres in the zamindari areas and about 10 million acres in the ryatwari ones. The total gross rental from these 30 million acres would be about Rs. 150 millions of which 30 millions might be deducted as the collection charges. The net income to be compensated would thus be Rs. 120 millions. The compensation in this case should be  $33 \frac{1}{3}$  times the net income. This will come to about Rs. 400 crores.

34. The ownership of land by the non-cultivators is not, however, a peculiar feature of the zamindari tracts. For a long time, in the ryatwari areas, a silent process of transfer of land from the cultivators to the non-cultivating sections of the community has been at work. Any proposal for nationalisation of land will have to take into account land in the ryatwari areas which has passed from the ownership of the cultivator to that of the non-cultivator. The land that has changed hands in this manner may be estimated at about 40%. The total area under the ryatwari tenure is about 190 million acres. Assuming 76 million acres to be the land that has changed hands in this manner, the total gross rental from this land may be estimated at about 380 million rupees. The cost of management in this case would be about 76 millions, thus leaving the net income of 304 millions of rupees to be compensated. The total compensation calculated at 7 times the net income would come to about Rs. 213 crores.

35. It will also be necessary to acquire the private rights in respect of the underground riches as well as the fisheries in the zamindari areas. Similarly the arrears in rent will also have to be paid off, after due inquiries, calculations being made on a fair basis. It is extremely difficult to arrive at a reasonable estimate in this respect. But we think that a sum of about 100 crores will suffice for all these purposes.

36. Thus the total cost to the State of nationalisation of land works out to about Rs. 1735 crores in the following manner :

	(In crores of Rs.)
Compensation to rent-receivers in the zamindari tenure ..	1022
Compensation for land the income of which is devoted to public purposes .. .. .	400
Compensation to non-cultivating owners in ryatwari tenure ..	213
Acquisition of rights re : underground riches and fisheries, and arrears in rent .. .. .	100
Total	1735.

37. The other problem that will have to be tackled, along with this problem of the outmoded land tenure system, will be the problem of rural indebtedness. The total rural indebtedness was estimated by the Central Banking Inquiry Committee in the year 1929 at about 900 crores of rupees. Subsequent estimates have, however, put the figure at a much higher level. The estimate according to the report of the Agricultural Credit Department of the Reserve Bank of India in the year 1937 is about 1800 crores of rupees. It is not possible that this might have reduced to any significant extent since the year 1937, nor can the so-called agricultural boom at present be said to have produced very substantial reductions. The moneylender in the country dominates more in that strata of the agricultural population which is relatively worse off. The boom can hardly be said to have benefited that strata. On the other hand, the debt represents accumulations of decades. The debt legislation in the various provinces has not, admittedly, been able to touch even the fringe of the problem. We feel it necessary, therefore, that the debt should be compulsorily scaled down and then taken over by the State. Experiments made in this direction in the province of Madras, for example, serve as a useful pointer. Under the working of the Madras Agriculturists' Relief Act of 1938, debts were scaled down by about 47% and the provisions of the Act can, by no logic, be characterised as drastic. In the Punjab, under the operations of the Debt Conciliation Boards, debts amounting to 40 lacs were settled for about 14 lacs. It should, therefore, be possible and must be considered as necessary to scale down the present debts to about 25%, before they are taken over by the State. Assuming the present indebtedness to amount to about Rs. 1,000 crores, the debt to be taken over by the state will come to about Rs. 250 crores.

38. The compensation to be paid to the rent-receivers as well as to the usurers will thus amount to Rs. 1985 crores. This should be paid in the form of self-liquidating bonds issued by the State. These should be for a period of 40 years at the rate of interest of 3%, and should be compulsorily retained by the State in its possession. The annual payments to be made by the State for these bonds will come to about Rs. 60 crores.

39. On the carrying out of these initial measures will depend the success of the planned economy for raising the productivity of



agriculture in the interests of the cultivators. Unless the *status quo* is changed in this manner, there can be no hope of improving the standard of living of the vast bulk of our peasantry, and therefore, no hope of building up an industrial structure in the country on sound, stable and secure foundations. We are aware of the difficulties in the way of carrying out the above measures, but we are unable to see any alternative to them whatsoever. No measure, as the Floud Commission rightly pointed out, can be free from all difficulties, and this holds good in the case of a country like India with much greater force, for we are thinking of the deliberate construction of the social structure here for the first time in our entire history.

40. Increase in the production of our agriculture can be brought about both by extending the area under cultivation as well as by the intensification of cultivation of the area which is already being cultivated. The former can be attained by bringing new land under the plough, while the attainment of the latter will demand the extension of irrigation, the provision of manures and of improved seeds, increase in the scale of cultivation from the tiny fragments of present to huge collectives, various schemes of soil conservation, and the association of modern machinery with the process of agricultural production. Opportunities are open to us at present to adopt both these courses.

41. It will be possible to extend the process of cultivation to vast tracts of land in the country. The report of the Food Grains Policy Committee observes, "A glance at the agricultural statistics of India shows the existence of very large areas of land described as 'cultivable waste other than fallow.' From this it would, however, be a mistake to jump to the conclusion that with such large areas lying uncultivated, it should not be difficult to produce the food required simply by extending cultivation to them. There are practical difficulties in bringing quickly such culturable but uncultivated areas into cultivation; otherwise the pressure of population and the land hunger of people would have brought them under plough long ago. Some of them are located in unhealthy tracts, others lack irrigation facilities, some again are situated in tracts where labour is not easily available and others again are such as would not yield economic return under normal conditions. The work involved in bringing the major portion of these lands under the plough is of a long range nature, and is more suitable for consideration and action on the basis of a post-war reconstruction plan. There are, however, areas not inconsiderable, which lend themselves to immediate production and they should be harnessed to the food production drive."<sup>9</sup> In a paper read before the Crops

9. Report of the Food Grains Policy Committee, chapter 3, para 15, page 25.

and Soils Wing of the Imperial Council of Agricultural Research at Baroda, Dr. Maclagan Gorrie of the Indian Forest Service estimated the area that can be immediately reclaimed at 170 million fresh acres, out of which 140 million acres fall within British India. It has been emphasised that "collective action under the control and assistance of Government was the only way to ensure success." And again, "even the worst areas of deeply gullied uplands can be brought under the plough by the use of mechanical tractors, road graders, bull-dozers, heavy subsoil ploughs and even, where necessary, by the use of explosives." The net area sown in British India is about 210 million acres. During the period of the ten years' plan, this should be extended to about 100 million acres of new land. This would amount to bringing under the plough new land of about 50% of the present net sown area. The expenditure needed for this purpose has been calculated at the rate of Rs. 60 per acre on an average. That would demand a sum of Rs. 600 crores.

42. The total area irrigated at present is about 50 million acres, of which Government canals account for nearly 28 million acres. The capital outlay on these projects is about Rs. 153 crores. During the ten years of the plan the irrigation projects should be extended by about 400%. Extension of irrigation would be essential in order to derive the full benefits of the use of artificial fertilisers. In extending the irrigation works, account will have to be taken of the requirements and possibilities of the various regions and sufficient emphasis will have to be placed on works of what is known as the protective type. Similarly the different schemes will have to be carefully planned out from the point of view of the development of Hydel projects as well as the extension of inland navigation, all of which will be matters for expert opinion to decide. The total capital expenditure on this score would be about Rs. 600 crores. The maintenance charges will be about Rs. 15 crores.

43. The association of modern machinery with the process of agricultural production should be facilitated through the starting of state farms all over the country. There should be a farm for about 8 to 10 thousand acres of cultivated area and it should be equipped with modern mechanical means of cultivation, which it would be in a position to lend out to the peasantry in the neighbouring area. The farms should further be provided with an adequately equipped research institute for investigating the various problems of scientific cultivation and advising the peasantry about them. They should also have a veterinary branch for the purpose of experimenting in improvement in the quality of the livestock. Manned with an able and efficient staff of intelligent and enthusiastic rural workers and experts, and adequately equipped with mecha-

nical implements, these farms would function as centres for raising the educational and cultural level of the peasantry and helping and guiding it in times of difficulties. They would also be instrumental in hastening the process of collectivisation and training up a cadre of efficient and scientific rural workers from among the cultivators. The number of such farms to be started will be about 25,000. The capital expenditure for each of these farms has been estimated about Rs. 1,50,000, while the working expenses will be about Rs. 50,000. The total capital expenditure for the 25,000 state farms would thus be Rs. 375 crores, while the working expenditure will be Rs. 125 crores.

44. It would also be necessary, in order to increase the productivity of agriculture, to carry out various schemes of soil conservation. These would include anti-erosion measures, afforestation schemes and so on. The development of the forest resources of the country may also be conveniently included here. "Out of the total area of 1,25,000 sq. miles of state forests, nearly 54,000 sq. miles, i.e., about 43% are either inaccessible or profitless." Attempts must be made to develop these forest resources, for they can be a source of a large amount of wealth for the country which has as yet remained unexploited. Raw materials for a large number of industries can easily be obtained through this development. A sum of about Rs. 300 crores should be devoted for this purpose. The recurring expenditure will be about Rs. 15 crores.

45. An amount of Rs. 200 crores should be devoted during the period of the ten years' plan for the development of the various food industries in the rural areas. This is demanded in the light of the spirit of the plan itself, for it aims not merely at feeding the population but at feeding it well. A large number of such industries can be developed providing more nutritive food stuffs to the population, and the capital requirements in their case would not be very large. Hence the estimate has been put at about 200 crores of rupees.

46. The provision of adequate manures, improved seeds etc. to the cultivator would also be essential for increasing the productivity of agriculture. The requirements of the rice land in this respect have been estimated at about one million tons of ammonium sulphate. Other artificial fertilisers will also have to be provided to the cultivator and the expenditure in this respect will have to be incurred from time to time during the period of the plan. We think it necessary to provide for a sum of about Rs. 720 crores for all these purposes for the entire period of ten years covered by the plan. The requirements in respect of manures of the present sown area have been estimated at about 180 crores of rupees. But during the ten years of the plan, it will be necessary to allot from

year to year a part of this expenditure and therefore we have calculated the total expenditure on this score at the level of Rs. 720 crores.

47. The total expenditure for the period of ten years' plan on account of agriculture will be as follows :

(In crores of Rupees.)		
	Capital expenditure	Recurring expenditure.
Reclamation of land .. ..	600	—
Irrigation .. ..	600	15
State Farms .. ..	375	125
Soil conservation and development of forests .. ..	300	15
Rural industries .. ..	200	—
Manures, Seeds, etc. .. ..	720	—
Total	2795	155
		Grand Total 2950 crores.

48. The success of this plan for increasing the productivity of agriculture can be materially assisted through the promotion of collectivisation of agriculture in the place of the present cultivation of tiny uneconomic holdings. The individualistic small-scale cultivation of today cannot provide a sound basis for the development of industries in the country. The process of collectivisation, however, should be voluntary and the peasant should be helped and encouraged to participate in it as a result of his own knowledge and appreciation of the benefits of such participation. It will be possible for the state to promote collectivisation under the plan through stages. The first stage will be in the case of the new land to be brought under the plough, which can be done only as a result of a 'collective attack.' The next stage will be the state farms which will serve as examples for the peasantry of the benefits of collective cultivation. And the third stage will pertain to the land cultivated today as small unremunerative strips, with the cultivation of which modern machinery under such conditions cannot be associated. One of the ways of promoting the collectivisation of agriculture may be the extension of special facilities to the collectives in respect of the implements, manures etc. which are sought to be provided under the plan. It will also be necessary to diversify our present agricultural production, to introduce new crops, to initiate better systems of rotation of crops as well as to effect adjustments of the area under the different crops. All these are matters of details regarding which the planning authority will have to take decisions, guided by expert opinion and the prevalent conditions.

49. Rationalisation and reorganisation of our agriculture in the manner described above can alone provide a proper basis for the development of industries in the country. With an increase

in the output of our agriculture such as will not only satisfy the needs of the population but will leave a surplus to be reinvested into the economy, we can look forward to the growth of the different industries in a way that will ensure an improving standard of living to the millions in the country. Reform and reorganisation of our agriculture will guarantee a wide distribution of the increased income and will thus lead to an expansion of the internal market so as to enable it to absorb an increasing volume of consumers' goods. The development of the consumers' goods industries must therefore be the immediate objective of the plan. The reform of the outmoded land tenure system as well as the abolition of usury will leave at the very outset of the plan an additional purchasing power to the tune of about 300 crores of rupees in the hands of the rural population. Even if a part of this is collected by the State for the purpose of being invested into the economy, there will still be an initial increase in demand which can keep the existing industries in the country going. The increase contemplated in the output of agriculture in the plan will further expand the internal market to such an extent as will not only necessitate a many-fold expansion and development of the industries in the country but may, on occasions, necessitate the import of consumers goods to some extent.

50. This is the only proper course for a planned economy for India to adopt. Given the fact that a large volume of the essential demand of the community today remains unsatisfied, the first object of the planned economy must be to satisfy it. It may be pointed out here that this development is along different lines from that which took place in the USSR, but it must not be forgotten that the tempo of industrialisation in the Soviet Union was determined by the supreme necessity of making the Soviet, as early as possible, capable of self-defence in the eventuality of foreign aggression. That may not, and we hope in all probability will not, be the case with post-war India at least for a long time to come. Under such conditions, a mere repetition of the process as it developed in the USSR is neither warranted nor justified. We stand today in a position to benefit ourselves from the achievements of the Soviet Union. With the defeat of the Axis powers in the present war, the world of say 1950 will be entirely different from the world of 1920. And in the world of 1950 it should be possible to attain the industrial development of the country without subjecting our people to the sacrifices and privations which an unduly rapid tempo of development must bring in its train.

51. In advancing the above arguments, we do not at all plead for a neglect of the basic industries. The question is simply one of the tempo of development, one of the different degrees of emphasis to be placed on one or the other of the two broad cate-

gories into which industrial development is generally divided. In fact an adequate development of the consumers' goods industries, or the increase contemplated in the agricultural production of the country, is inconceivable without a substantial development of the basic industries also. The desire for the development of the basic industries is no doubt sound. It is true that in the absence of these industries, the foundations of a proper industrial development in the country must remain weak. With the rationalisation and reorganisation of agriculture, the precondition for such an industrial development would be created. But it is indeed a little pathetic, and may even prove to be considerably harmful, to start, with half-filled bellies and half-clad bodies, thinking in terms of automobiles and aeroplanes.

52. The industries on the development of which there should be laid a relatively greater emphasis by the planning authority should be the consumers' goods industries. An adequate development of these industries will be necessitated by virtue of the increase that is sought to be brought about in the productivity of agriculture and thereby in the income of the cultivator. It is not possible to indicate in details the targets to be fixed in respect of these industries, nor need we provide in any exhaustive manner a list of the various industries that will have to be developed. But it may be mentioned that we have to make up a great leeway in this respect. The per capita consumption of cloth in the country today is about 15 yards and even then the entire demand is not met by the textile industry that we possess. The per capita consumption of sugar is not even a quarter of an ounce per day while the per capita consumption of shoes is .09 pairs per year. The following is a list of the industries, more or less of an illustrative nature, which will belong to this category :

- Textiles-cotton, wool, silk
- Leather goods
- Sugar
- Paper
- Drugs and Chemicals
- Tobacco
- Oil industry
- Furniture
- Glass etc. etc.

The total capital to be invested in all these industries, both fixed and working, would be Rs. 3,000 crores.

53. The development of the consumers' goods industries, to an extent contemplated by us, cannot be brought about without a substantial increase and development of the basic industries in the country. But in developing these industries, an adequate emphasis will have to be placed on the requirements of the plan. The indus-

tries that will have to be given a precedence during the ten years' plan will be :

Hydro-electric power  
Mining and metallurgy  
Iron and steel—with special emphasis on  
agricultural implements  
Heavy chemicals—fertilisers and pharma-  
ceutical products  
Machinery and machine tools  
Cement  
Railway engines, wagons etc. etc.

The list is only of an illustrative and indicative character. The total capital, both fixed and working, to be utilised for the development of these industries during the ten years' plan would be Rs. 2,600 crores.

54. It may be pointed out in this connection that there is abundant scope for the development of the above mentioned industries in the country. It is well known, for example, that our power resources have hardly been exploited to the extent of about 2%. The total Hydel resources estimated for the country are about 2,700 million H.P. On the other hand, "The per capita consumption of electricity in the country comes to about 7 units per year as against 120 in Mexico, 600 in England, or 2,000 in Canada."<sup>10</sup> The scope for the development of mineral resources as well as coal is also considerable. Similarly all the raw materials needed for the production of artificial fertilisers, like ammonium sulphate for example, are available in the country. The only requirements in this respect would be those of suitable machinery.

55. The total amount of capital to be utilised for the purpose of the development of industries in the country would thus be Rs. 5,600 crores. This would be distributed as follows :

				(In crores of Rs.)
Consumers' goods industry	..	..	..	3000
Basic industry	..	..	..	2600
Total				5600.

10. The following from a speech of Dr. S. K. Mitra, Secretary of the Indian Science Congress Association, at the Calcutta Rotary Club on July, 13, 1943, is noteworthy in this connection.

"The total output of work per capita in Great Britain per year is roughly equivalent to that which may be done by 1800 units of electric energy (Kilowatt-Hour). Of this work, only five per cent is done by man and animal power and the rest by natural power—gas, electricity, steam and water power. Now, each unit of electric energy represents roughly the work of two men per day. We may, therefore, say that every inhabitant of Great Britain has, as it were, 7 to 8 mechanical slaves working for him.

"Now take the case of India. Compared with Great Britain's figure of 1800 units, India's is only 120 units, and of this 70% is done by man and animal power and only 30% by natural power. India has only one mechanical slave per every six persons instead of 7 or 8 per each person."

56. All the new industries to be started during the period of the plan will be financed by the State. We have already made it clear why it will be necessary to do so. Industries financed from the public funds will naturally be owned and controlled by the State. This will also have to be accompanied with rigid control over the industries in which private capital has been already invested. It is not at all intended to suggest the expropriation of private interests in the industries ; but it is absolutely essential to control rigidly the operations of the profit motive. It will be necessary to sell the products produced at prices which will put them within the reach of the consumers. These prices would be fixed by the State. The circulation of commodities will have to be taken away from the influence of the laws of supply and demand, the vicious effects of which we have amply experienced during the period of the war. Under such conditions, control over the privately owned sector of industry will be all the more necessary in order to ensure continuity of production and the sale of the product at prices fixed by the State. The revenue permitted to private capital in these industries should be fixed up at 3%. Where the industry concerned cannot bear this charge, the State should guarantee the payment by including the charge in the regular budgetary allotments.

57. Another question to which we think it necessary to refer in this connection is the question of the small-scale and the cottage industries. These will present a problem which will have to be very delicately and carefully handled by the planning authority. The improvements in the standard of living of the people are, in the last analysis, dependent on the productivity of labour being increased. Increase in the productivity of labour depends upon the extent to which more and more perfected and developed machinery is associated with labour in the process of production. That being the case, any considerable use of the cottage industries cannot be reconciled with the spirit of the plan which is to open up for the people a prospect of continually improving standards of living. On the other hand, in certain branches of production, there would be limits to the extent to which machinisation of the process of production can be carried out. With an enormous labour power at our disposal as we have today, it may be urged that the extension of mechanisation of production may spell disaster for a good part of the labour power, which may have to be left unemployed. This consideration, however, is mistaken for it is based on looking at the problem from only one angle. Extension of the process of mechanisation of production, instead of being accompanied with unemployment, may as well be accompanied with greater amount of leisure for all and thus may constitute the real foundation for the cultural development of the people. And this solution of the problem is alone consistent with the spirit of the



kind of planned economy which we are proposing. The problem of the extent to which the medium-sized, small-scale or cottage industries are to be utilised by the planning authority in the industrial development which is visualised will, we think, have to be tackled in the light of the above considerations.

58. A vast amount of labour will be released from agriculture as the process of collectivisation develops. It will be necessary to provide for its absorption into the economy. A part of it will no doubt be absorbed in the 'new land' the reclamation of which is aimed at in the plan, as well as in irrigation works. Then there is the development of the health and education and housing services, to which we shall presently turn, which will provide for a good part of the labour thus released. The expansion of industries to the tune of 600% or more, as well as the extension of communications, will provide for another important section. It is possible that a part of it may still remain to be absorbed, in which case it may be necessary for the planning authority to leave out a sector of industries for the operations of private enterprise. These industries will naturally pertain to that sphere which cannot be reached by the financial hand of the State. Private enterprise may be left to operate in this sector, subject to control by the State, not in respect of profits, but in respect of the terms on which labour is to be employed. It is needless to point out that these industries will be mostly small scale or medium sized industries. To define precisely the limits of this sphere will naturally be the task of the planning authority, and it is not possible for us to indicate it at this stage.

59. The development of agriculture and industries visualised in the plan will naturally lead to an enormous increase in the circulation of goods between the town and the country-side. Adequate development in the means of communications will, therefore, be indispensable for the purpose of coping with this increase. This development, further, will have to be an all-sided development. It will be necessary to increase the present route mileage of the railways, to extend the roads, to improve the ports, to increase the tonnage of shipping, to expand the facilities for inland navigation, as well as to extend the existing postal, telegraphic and telephonic services. All this will be demanded by the very process of development visualised in the plan.

60. The present route mileage of Railways in British India is about 34,000 miles, with a capital charge of about Rs. 795 crores. During the period of the ten years' plan, this should be extended by about 24,000 miles, i.e. nearly 70%, and the capital expenditure for this has been estimated at about Rs. 595 crores. The maintenance charges would be about Rs. 11 crores.

61. The target in respect of road development should be 160%. The present total route mileage of roads in British India is about 280,000 miles, of which unmetalled roads account for 220,000 miles. The increase sought under the plan should be of 450,000 miles of new roads. This would involve a capital expenditure of about Rs. 450 crores. All new roads will have to be metalled roads, and the existing mileage of unmetalled roads of about 220,000 miles would also have to be metalled. For the latter purpose, we calculate the expenditure at about Rs. 100 crores. Thus the total expenditure in this respect would be Rs. 550 crores. The maintenance charges are estimated at about Rs. 53 crores.

62. The existing tonnage of shipping is known to be thoroughly inadequate. It is estimated at about 270,000 tons. During the ten years period of the plan, it should be increased by 600,000 tons. It is extremely difficult to calculate the capital expenditure for the purpose, for it will depend to a great extent on the nature and size of the vessels, as well as the purpose they are expected to serve. We think, however, that a sum of about Rs. 125 crores will suffice for the purpose. The maintenance charges will be about Rs. 6 crores. The ships thus built or bought will be naturally owned by the State and will serve as a cheap means of transport for goods and passengers along the vast coastal lines of the country.

63. The increase in the tonnage of shipping can be properly made use of, and the traffic of men and materials along the coastal lines of the country can thereby be properly facilitated, only on the basis of an adequate development of ports. The principal ports in the country at present amount to about a dozen or so. An increase in the prosperity of the rural areas, and the production of a large amount of wealth there, must naturally increase the demand for traffic facilities and it would therefore be essential to develop a large number of additional ports which can facilitate such traffic. During the period of ten years of the plan, a sum of about Rs. 50 crores would, therefore, be allotted to the purpose. The maintenance charges in this respect would be nearly Rs. 5 crores.

64. Along with the development of ports, the planning authority will also have to pay attention to the task of developing facilities of inland navigation. It will be possible to link up this development with the different irrigation projects to a certain extent. It is extremely difficult to estimate the expenditure involved in this respect. We suggest that an amount of Rs. 50 crores should be devoted to this purpose. It will be seen that this can afford an adequate alternative to the railway transport and will also be cheaper. The maintenance charges in this case may be put down as about Rs. 5 crores.

65. An amount of Rs. 50 crores should further be spent on the development of the postal, telegraphic and telephonic services. This will mean an increase of these services by 200% or so. This extension would be indispensable in the light of the development that is planned for.

66. The total expenditure on account of transport and communications during the period of the ten years' plan will be as follows :

		(In crores of Rs.)	
		Capital expenditure.	Maintenance charges.
Railways	.. .. .	595	11
Roads (new construction)	.. .. .	450	53
Metalling the present unmetalled roads	.. .. .	100	—
Shipping	.. .. .	125	6
Ports	.. .. .	50	5
Inland navigation	.. .. .	50	5
Posts, telegraphs etc.	.. .. .	50	—
Total		1420	80
		Grand Total	1500 crores.

67. The considerations mentioned in respect of the private capital invested in industries should also be regarded as being applicable to the private capital invested in the communications, such as, for example, shipping or telephonic services. It will be guaranteed 3% revenue by the State, while on the other hand services will have to be provided at rates fixed by the State. These services in which private capital has been invested will, therefore, precisely for the same reasons as in the case of industries, be controlled by the State.

68. To ensure to the millions in the country freedom from disease must be one of the main objectives of the planning authority. In order to achieve this objective, it would be necessary to construct all over the country a net-work of dispensaries in the rural areas, hospitals in all the big towns and cities, hospitals and sanitariums for special diseases, maternity and child welfare centres, etc. The provision of adequate water supply as well as improvement in the conditions of sanitation of the villages and towns will be an important part of the measures that will have to be taken for the purpose of ensuring a satisfactory level of public health.

69. There are nearly 500,000 villages in British India, and the total population in the rural areas is about 261 millions. The average population on that basis per village works out at 522. Assuming the number of these localities to remain the same during the period of the plan, with an increase in the population to about 300 millions the average would come to about 600. The object

of the plan should be to provide 1,000 to 1,200 of population in the rural areas with a dispensary. This dispensary should be more or less of the nature of a miniature hospital, with a provision of ten beds, four of which should be maternity beds, the remaining being for general purposes. The costs of construction of such a dispensary are estimated at about Rs. 2,000, while the initial equipment would cost an equal amount. The recurring expenditure for each of these dispensaries would be about Rs. 5,500. Thus the total capital expenditure for the village dispensaries would be Rs. 100 crores, while the recurring expenditure would come to about Rs. 137.5 crores.

70. For the urban areas may be constructed 5000 hospitals, each of which is to be furnished with 80 beds, of which 30 beds are to be for maternity. Assuming the population of the urban areas to increase to about 50 millions by the time the plan is carried out, this will amount to a hospital per 10,000 people. It may also be mentioned here that these hospitals would be able to cover the neighbouring rural areas easily for the purposes of such medical assistance as cannot be provided by the village dispensaries. The cost of construction for each of these hospitals is estimated at Rs. 30,000, while the initial equipment to be provided will cost another 30,000. The recurring expenditure for each of these hospitals is estimated at Rs. 50,000. Thus the total capital expenditure for the construction and equipment of these hospitals would come to about Rs. 30 crores while the recurring expenditure would be Rs. 25 crores.

71. An adequate amount of medical assistance to the people will demand, in addition to the above provisions, larger hospitals where up-to-date medical assistance can be made available to them. We suggest, therefore, the construction of 150 big hospitals in the cities. These should be evenly spread all over the country as far as possible, the guiding consideration being not the population of the city in which the hospital might be located, but the area and the population each would be able to serve by being located at a particular place. Each of these hospitals would cost about Rs. 4,00,000 for its construction, while the initial equipment would cost about Rs. 60,000. The recurring expenditure has been estimated at about Rs. 9,24,000. The total capital expenditure for the construction and equipment of these hospitals would thus come to Rs. 15 crores while the recurring expenditure will be Rs. 14.8 crores.

72. Each of the village dispensaries is to be provided with a maternity and child welfare centre, the cost of which have been calculated by us in the recurring expenditure. It would also be necessary to have these centres attached, in the urban areas, to the hospitals that would be constructed there. The total number of

these centres in the urban areas will thus be 5,000. We have estimated an expenditure of Rs. 4,000 per centre, the total expenditure in this respect being Rs. 2 crores. It may be pointed out in this respect that all this would be of the nature of current expenditure.

73. Provision must also be made for hospitals for the treatment of special diseases. Sanatoriums for tuberculosis, cancer hospitals, infectious diseases hospitals, children's hospitals, leper asylums and similar other institutions would be provided for in this category. The number of these institutions, to be started during the period of the ten years' plan, would be at least 5,400. On an average, the capital expenditure for each one of these hospitals would be about Rs. 1,60,000 inclusive of the equipment, while the current expenditure has been estimated on an average at about Rs. 90,000. The total capital expenditure needed for all these hospitals would come to Rs. 86.4 crores while the current expenditure would be Rs. 48.6 crores.

74. The provision of adequate water supply to the villages as well as the improvement of their sanitary conditions must be a part of any programme calculated to secure freedom from disease for the people. We suggest an expenditure of Rs. 250 crores in this respect for the rural areas. We may however point out that this figure is not based on any detailed estimate of the requirements of the rural areas, but is suggested on the basis of an average expenditure of about Rs. 5,000 per village. Calculations from village to village are impossible on the basis of the available data. But we think a sum of the magnitude of Rs. 5,000 may be found sufficient for the most essential requirements in this respect. For the provision of an adequate supply of drinking water, it may be necessary in certain villages to sink altogether new wells, in others the existing ones may have to be repaired, and so on. An amount of Rs. 50 crores should be spent in the urban areas for this purpose during the period of the plan.

75. Thus the total expenditure for the purpose of provision of proposed amenities of health to the people during the period of the plan would be as follows :

		(In crores of Rs.)	
		Capital expenditure.	Current expenditure.
Village dispensaries	.. ..	100	137.5
Hospitals in urban areas	.. ..	30	25
City hospitals	.. ..	15	14.8
Maternity and child welfare centres	.. ..	—	2
Special hospitals	.. ..	86.4	48.6
Rural water supply and sanitation	.. ..	250	—
Urban water supply and sanitation	.. ..	50	—
		531.4	227.9
Total	.. ..		760 crores

76. We must however mention that the proposals made in respect of public health may probably be found still wanting in the light of what many of us may feel ought to be done. We have no desire of claiming that they present any adequate picture. They are suggested in the light of what has been regarded as being within the realm of possibilities during the period of ten years, as well as what happens to be the indispensable minimum that ought to be achieved by the People's State in this respect. Another guiding consideration has been that no income has been expected in our calculations from these services which will be rendered free to the people. *We wish to emphasize that, under our plan, all the services in respect of health, education and housing are to be rendered free to the population concerned.*

77. An improvement in the educational and the cultural level of the people will constitute the foundation of the People's State. To wipe out the present ignorance, to enable every Indian—man or woman—to see what the world holds, to awaken him to his great heritage, and thus to enable him to play his proper role in the mighty creative tasks that lie ahead—all these objectives can be achieved only on the basis of proper and adequate education being provided to him. A school for every thousand or so of the population, a middle school per every four primary schools, and a high school per every four or five middle schools, must be the minimum educational machinery to be created in the rural areas during the period of the ten years' plan. Similar institutions must also be provided for the urban areas in the country.

78. The total number of primary schools to be started in the rural areas is about 260,000. Each of these schools is estimated to cost for its construction about Rs. 2,000 while the equipment needed for such a school is estimated at Rs. 1,500. The current expenditure is calculated at about Rs. 6,180. Nearly 70% of this expenditure would cover the wage bill of the primary teachers. The long-felt and so-often-emphasised need of improving the conditions of school teachers has been taken into account while making these calculations. In a similar manner, the consideration that the efficiency with which the teacher would be able to do his task would depend upon the number of children he is expected to look after, has also been taken into account. A primary teacher would have ordinarily to mind about 25 to 30 pupils, though precise estimates in this respect are very difficult to make. The total capital expenditure for the primary schools in the rural areas would be about Rs. 91 crores, while the working charges for these schools would be about Rs. 160 crores.

79. The total number of middle schools to be started in the rural areas is estimated at 60,000. This would mean a school

for about 4,500 of the rural population. The building for each of these schools is estimated to cost Rs. 4,000 ; while the expenditure for the initial equipment would be Rs. 3,000. The working expenditure for each one of these schools manned with an adequate number of teachers is estimated at Rs. 15,550. The total capital expenditure for these schools would thus come to Rs. 42 crores, while the working expenditure would be Rs. 93·3 crores.

80. There should further be constructed about 15,000 high schools in the rural areas. Each of these high schools would serve 15,000 to 20,000 of the rural population. The expenditure for the building of each of these high schools is estimated at Rs. 15,000 while the initial equipment in their case would cost about Rs. 25,000. The working expenditure for each of these high schools is estimated at about Rs. 36,300. The total capital expenditure for these high schools would thus come to Rs. 60 crores, while the working expenditure would be Rs. 54·5 crores.

81. Corresponding to the educational machinery thus sought to be built up in the rural areas, there would be needed an adequate machinery in the urban areas also. In the urban areas the number of primary schools to be started is estimated at 40,000. The expenditure for the building of each of these schools is estimated at Rs. 3,000, while the initial equipment is estimated to cost about Rs. 2,250. The working expenditure for each of these schools would come to about Rs. 9,270. The total capital expenditure for all these schools in the urban areas is thus estimated at Rs. 21 crores, while the working expenditure would be about Rs. 37 crores.

82. The number of middle schools in the urban areas is estimated at 10,000. This would mean a middle school per four primary schools on an average, or per 4,000 people. The building of each of these middle schools is estimated to cost about Rs. 6,000 while the initial equipment would be of the value of Rs. 4,500. The working expenditure for each of these middle schools would be about Rs. 22,000. Thus the total capital expenditure for the middle schools in the urban areas would be Rs. 10·5 crores, while the working expenditure would be Rs. 22 crores.

83. The number of high schools to be started in the urban areas is estimated at 4,000. The estimate would imply a high school for about 10,000 of the population. Towards the end of the plan, the figure of high schools would be about 12,000 or so. The building of each of these high schools is estimated to cost an amount of Rs. 30,000 while an equal amount would be needed for the initial equipment. The working expenditure for such a high school is estimated at Rs. 50,000. The total capital expenditure for these high schools is thus estimated at Rs. 24 crores, while the working expenditure would come to Rs. 20 crores.

84. A comprehensive educational machinery will, in addition to the above mentioned institutions, demand a development of institutes for technical education as well as the growth of higher education. For the purposes of technical and university education, we think that a sum of Rs. 40 crores should be allotted. We may, however, point out that we propose to make a separate allotment for the huge army of technicians that will be needed for the purpose of execution of the plan.

85. A successful implementing of the plan will require a large number of technicians of all kinds, engineers, agricultural experts, mechanics, doctors, teachers, administrators and so on. It is not possible to estimate precisely the expenditure needed for the purpose. It may be further pointed out that, in the initial period of the plan, it may be necessary for us to import technicians from abroad, as the Soviet Union had to do for some time. Again, a large number of people would be trained through work during the period of the operation of the plan. The advance made by us during the period of the war itself might also be of material use to us in this respect. Taking into account all these factors, we suggest an expenditure of Rs. 150 crores for this purpose. It is not claimed that the allotment would be quite adequate. But it is definite that this will enable the planned economy to overcome the bottleneck in this respect, if at all one were to arise. The problem of training up the necessary number of technicians is not at all baffling or incapable of solution. In fact, the achievements of the Soviet Union under more difficult circumstances ought to show that, given a proper type of planned economy, this problem can be solved by us during a period of a few years.

86. We would like to mention in this connection another important consideration. As progress will be made in creating the above mentioned machinery, it will be possible for the People's State to make education compulsory at least up to and inclusive of the stage of the middle schools. The process of elimination may start only from the high school stage. Compulsory primary and middle school education must be the essential feature of the educational machinery organised by the People's State.

87. Hitherto, in our estimates of the expenditure involved in securing for the people freedom from ignorance, we have not taken account of adult education. We suggest the dealing of this problem in a different manner. Even after the above machinery that we suggest has been evolved, it will be obvious that a large number of children will be leaving the school at the age of fourteen or so. A child at such a tender age can hardly be expected to have attained the necessary amount of intellectual equipment essential for making him a healthy, intelligent and constructive



citizen of a democratic state. We think, therefore, that it is necessary not only to wipe out the illiteracy of the present adults, but also to make provision for some machinery for the cultural development of the people, some sort of continual adult education in a sense, as a permanent feature of the future Indian Democracy.

88. Guided by the above consideration, we suggest that in every village should be established a cultural centre, a small village club, equipped with a radio, a clock, a small library, and some material for sports. It should act as the centre of education, culture and recreation for the village population. The liquidation of adult illiteracy should also be the task of these centres. The cost of building for such a centre is estimated at Rs. 1,000, while another 1,500 may be required for the provision of the initial equipment. The working expenditure for these centres would be about Rs. 1,500 per centre. The total capital expenditure for these centres would be Rs. 125 crores, while the working expenditure would come to about Rs. 75 crores, assuming the number of such centres to be started in the rural areas as being 5,00,000.

89. In the urban areas, we estimate the number of such centres to be about 25,000. The cost of building each of these centres in the urban areas is estimated at Rs. 2,000, while the initial equipment would cost about Rs. 1,800. The working expenses are estimated at Rs. 2,200. The total capital expenditure for these centres in the urban areas would thus come to about Rs. 9.5 crores while the working expenditure would come to about Rs. 5.5 crores.

90. The total expenditure for securing the freedom from ignorance for the people would thus be as follows :

		(In crores of Rs.)	
		Capital expenditure	Current expenditure.
Rural Primary Schools	.. ..	91	160
Rural Middle Schools	.. ..	42	93
Rural High Schools	.. ..	60	54.5
Urban Primary Schools	.. ..	21	37
Urban Middle Schools	.. ..	10.5	22
Urban High Schools	.. ..	24	20
University and Technical Education	.. ..	40	—
Training of technicians	.. ..	150	—
Rural Cultural Centres	.. ..	125	75
Urban Cultural Centres	.. ..	9.5	5.5
		<hr/>	<hr/>
		573	467
		Grand total	Rs. 1040 crores

91. Another problem that will demand an adequate attention of the planning authority during the period of the ten years' plan will be the problem of provision of decent shelters to the people. The conditions of housing in the country at present are distressful. Not only are human beings herded together like

animals in what may be styled as the apologies for shelters, but on frequent occasions, they are found to be sharing the same shelter with animals, with enormous detriment to their health and comforts. The problem indeed is so vast and acute that it will be almost impossible to look forward to an adequate solution of it, in the manner in which many of us may rightly desire, during the period of ten years. This is so in view of the fact that the solution will essentially depend upon the amount of surplus that will accumulate in the economy and that the planning authority finds it possible to divert for this purpose. The calculations made by us in this respect, therefore, indicate only the absolute minimum that must be done by the planning authority during the period of the ten years' plan.

92. The total number of houses in the entire country has been estimated at 76 millions, of which 10 millions are in the cities, while 66 millions are in the rural areas. While most of the houses in the rural areas are hardly habitable, conditions of acute distress exist in many of the cities. We therefore suggest that the entire population in the rural areas should be provided with shelter during the period of ten years. The per capita requirement of 100 sq. ft. of built area may be taken as the indispensable and absolute minimum, and the expenditure for this in the rural areas is estimated at Rs. 100 per head. Assuming that the provision is to be made for 300 million people in the rural areas, the total capital expenditure for this would be Rs. 3,000 crores. It will be possible to deduct from this the value of the existing facilities in this respect, on which score we suggest a deduction of 10%. Thus the total capital expenditure for rural housing during the period of the plan will be Rs. 2,700 crores.

93. In the urban areas, provision should immediately be made for the working classes and the lower middle classes. We have estimated on this score the total new provisions to be made as being for about 40% of the urban population. Assuming the urban population by the end of the plan to be about 50 millions, the new provisions to be made will be for 20 millions of people. The cost of providing a built area of 100 sq. ft. in the urban areas has been estimated at Rs. 200. This will bring the expenditure to be incurred in the urban areas to Rs. 400 crores. The maintenance charges would be about Rs. 50 crores.

94. Thus the total cost of housing during the period of the plan will be as follows :

		(In crores of Rs.)	
		Capital expenditure	Current charges.
Rural Housing	.. ..	2700	—
Urban Housing	.. ..	400	50
		<hr/>	<hr/>
	Total	3100	50
		Grand total	3150

95. In the course of our calculations, we have shown the current expenditure separately in order to indicate the total cost the State will have to bear for keeping up the attainments in the plan when the plan is completed. Since current expenditure for a year on the different items has been added in our estimates, the burden will not be immediately felt by the State in this respect. It may be further pointed out that we do not propose to touch the sources of revenue of the State after the initial period of about three years is over. The plan, as we shall show when we turn to its financial aspect, is expected to be self-financing towards the end of the third year. That being the case, it will be possible for the State to meet the needs in this respect as a result of the increasing revenue it will be able to get on the background of the increased productivity under the plan.

96. The entire plan is thus for a period of ten years, involving an expenditure of Rs. 15,000 crores. The expenditure is distributed as follows :

					(In crores of Rs.)
Agriculture	..	....	..	..	2950
Industry	..	..	..	..	5600
Communications	..	..	..	..	1500
Health	..	..	..	..	760
Education	..	..	..	..	1040
Housing	..	..	..	..	3150
<b>Total</b>					<b>15,000</b>

## IV

### CIRCULATION OF COMMODITIES

97. The success of a plan, like the one which we are suggesting, would naturally and obviously depend upon the extent to which it actually brings about an improvement in the conditions of life of the millions in the country. To ensure the attainment of that object, we will not only have to increase the production of food stuffs as well as the other consumers' goods in the country, but will also have to see that these are made available in adequate quantities to the people at prices fixed by the State. In fixing up these prices, the State will naturally be primarily guided by the purchasing capacity of the people. This must be so in a community where the motive of production is changed from profit to use. But these considerations themselves imply that we cannot afford to leave the profit motive uncontrolled in respect of the circulation of commodities, once we have started to control and replace it in respect of their production. If the circulation of commodities is left over to the 'normal' channels of trade, which are known to behave in the most abnormal and anti-social manner, there would always exist the possibility of artificial scarcities, as have characterised the war period. These may even be motivated with the object of creating popular discontent, besides that of profiteering, and may be aimed at torpedoing the plan itself. It is, therefore, supremely important and necessary that the circulation of commodities between the town and the village should not be left to the private trade channels, but should be organised through the alternate channels of distribution, viz. Producers' and Consumers' Co-operatives.

98. The collective farms on the one hand can function as the wholesale co-operatives in the rural areas, while the state owned and controlled industrial plants can do so in the urban areas. Under these, should be organised a net-work of co-operatives all over the country, which will take up the work of distribution of commodities. These agencies will naturally be under the direct control of the consumers, and will be provided with commodities at prices fixed by the State at the source, and will have to sell them at prices fixed for them. The result will be the removal of

the difficulties arising from the operations of the profit motive in respect of the distribution of commodities and from the incalculable influence of the laws of supply and demand. It will be impossible to end the anarchy in production without ending the anarchy in the circulation of commodities also. It will be, therefore, necessary for the planning authority to organise during the period of the plan a country-wide network of alternate channels of distribution.

99. We are aware of the difficulties in the way of implementing this suggestion, though many of them are no doubt imaginary and are likely to arise in the absence of a sufficiently energetic action on the part of the planning authority. On the other hand, the problems such as that of absorbing, for example, the retail traders, who will be left with no place in the economy owing to the development of alternate channels of distribution, can easily be tackled under the plan. The co-operatives will themselves need a personnel, and these traders can easily be absorbed into the new machinery that will thus be created for the purpose of distribution. The active and vigilant watch of the consumers themselves will be able to safeguard their interests. While the retention of the so-called 'normal' channels of trade is bound to lead to a dislocation of the entire planned economy, the development of the alternate channels of distribution can ensure its success.

100. Pending the creation of such a country-wide machinery, which in our opinion need not take much time once the plan begins to be executed, the present channels of trade may be allowed to function, subject to rigid control of the People's State in order to ensure on their part behaviour in conformity with the spirit of the plan. A maximum revenue of 3% would also be permitted in this case, the basis of computation being the turn-over. In the case of retail traders, the margin may have to be somewhat higher.

## V

### REQUIREMENTS OF THE PEOPLE

101. It is estimated that, under the plan, agricultural output will increase by 400% and industrial production by 600%. We have already made it clear that the object of the planned economy must be to satisfy the essential and basic requirements of our people within the period of the next ten years. It is probable that this formulation might be misunderstood. We have therefore to make it clear that it is not intended as the objective of the plan to attain a standard which, once attained, need not bother the planning authority any longer. In fact the objective of a plan like this, paradoxically enough, can never be completely attained. It is to create for our people a possibility of an ever-rising standard of living, on the basis of an ever more gainful employment. While keeping this objective constantly before us, we have suggested a plan which can, during the period of the next ten years, not only fulfil the condition of satisfying the essential requirements of the community, but provide it with a much higher than the minimum physiological standard of living. On the face of it, this may appear as a modest aim, but it will be found to be a significant achievement if we remember the terrible leeway we have to make up in this respect. It may further be pointed out that there is nothing in the plan which prevents its being fulfilled in a shorter period than that of ten years, which has been postulated for it. In that case, the progress will naturally be much greater than that we have visualised.

102. The progress of the plan will depend upon the extent to which a surplus accumulates in the hands of the planning authority for the purpose of being reinvested into the economy, so as to raise its general technical and productive level. The planned economy cannot promise a millennium from today to tomorrow. The task of feeding and clothing a population, semi-starved and semi-naked for centuries together, is a gigantic task. To abolish ill-health from a death-ridden country would be equally gigantic, and the same would hold good about the wiping out of ignorance accumulated for centuries. The progress of the planning authority in achieving successfully these objectives will depend upon the extent to which the planning authority is able to keep up the progress of economic development at an accelerating speed. This

will depend upon the extent to which it succeeds in getting an investable surplus from the economy for the purpose of reinvestment into it. The level on which, however, the start will be made will be extremely low. That being the case, naturally some time must elapse before we are able to witness any significant achievements in improving the conditions of the people. While making this clear, we would like to point out that every year of the plan must find the people better than during the preceding one. In deciding and collecting the investable surplus from year to year, the planning authority must be guided by this consideration.

103. The enumeration of the requirements of the community must to some extent appear arbitrary to many. Food, clothing, shelter, health and education do not furnish a complete picture of these requirements. They can be said to represent only the absolutely indispensable minimum. We have already made it clear that the provision of this minimum does not cover completely the objective of the plan. As a matter of fact, they can be said to be the basis from which the planned economy ought to start. But since we are lagging far too behind in this respect, the satisfaction of these requirements has been placed as the immediate objective of the plan.

104. The estimate of the requirements of the community which follows should therefore be taken only as indicative of the most minimum that must be achieved immediately and made available to the people by the planning authority. What will in fact be provided, as we shall soon show, will be considerably more than that, if the plan is implemented.

105. The most minimum requirements of the people in respect of food may be estimated as follows, on the basis of Dr. Aykroid's calculations of a well-balanced diet,<sup>11</sup> taking 2,600 calories as the average daily requirement of an adult.

Rice	..	..	..	..	10 ozs.	Non-leafy vegetables	..	..	6 ozs.
Millet	..	..	..	..	5 ozs.	Green leafy vegetables	..	..	4 ozs.
Milk	..	..	..	..	8 ozs.	Fats and oils	..	..	2 ozs.
Pulses	..	..	..	..	3 ozs.	Fruits	..	..	2 ozs.

The total requirements of the population of British India on this basis, assuming it to be by the end of the plan about 350 millions, will be :

Cereals	..	55 million tons.	Non-leafy vegetables	23 million tons.
Milk	..	1285 million gallons.	Green leafy vegetables	15 million tons.
Pulses	..	11 million tons.	Fats and oils	.. 8 million tons.
		Fruits	..	.. 8 million tons.

It is extremely difficult, on the basis of the extremely meagre data

11. The nutritive value of Indian Foods and the planning of satisfactory diets, Health Bulletin, 21, 1941, p. 15.

available, to calculate the extra output needed for the purpose of satisfying these requirements. If we add the population of the Indian states in these estimates, the figures will have to be higher by about 25% or more. It will be clear from the plan that we do provide for the satisfaction of these needs in an adequate manner. In fact, the provisions for food will have to be more than what is indicated by these calculations on the basis of Dr. Aykroid's formula, for the latter may be regarded as deficient in certain important respects such as meat or dairy products etc.

106. Besides food, clothing is another requirement in respect of which proper provision for every one will have to be immediately made under the plan. Confining ourselves to cotton textiles alone, we may take in this case the minimum per capita requirement as 50 yards of cloth. On this basis the total requirements for a population of 350 millions would be 17,500 million yards of cloth. The total productive capacity of the textile industry in the country has been estimated at about 4,500 million yards. If we add the requirements of the population in the Indian States, the quantity of cloth needed will be increased by about 25% or more. This can give us some idea of the expansion of a single industry, viz. cotton textiles, that we will have to bring about under the plan. Since the plan puts its main emphasis on the consumers' goods industries, we may point out that it will be possible under it to provide for the satisfaction of this need also.

107. The requirements in respect of shelter, health, and education have been provided for in the plan itself. The spirit of the plan, and the objectives of the planning authority as set forth, will provide a guarantee that they will be satisfied.

108. It is only planning along these lines that can ensure a rise in the standard of living of the people, an objective so dear to many hearts in the country today. Any other type of planned economy may lead to an increase in the national income or per capita income ; but these calculations are fictitious from the point of view of improvement in the standard of living of the people. That may not improve at all as a result of the national income being increased or the per capita income being raised. "A figure of national income in no way throws light upon 'the economic conditions of the various classes of the people.' Its compilation is very largely an academic exercise which should continue to be left to the statisticians, economists and other non-officials."<sup>12</sup> We do not, therefore, propose to go into the detailed but not-every-useful calculations of national income for the period covered by the plan.

---

12. Report of the Indian Economic Inquiry Committee—vol. I, notes of dissent by Prof. A. R. Burnett-Hurst, p. 96.



109. The national income is today 'national' only in the sense of being 'produced by the nation.' This will not be so under the plan. A bulk of it will not go to enrich a few private pockets as it does today, leaving the people as poor as they are at present. On the other hand, a good part of it will take the form of a huge wage-fund distributed to the community, and the remaining will go to the planning authority for the purpose of being reinvested into the economy. The payment of 3% revenue to private capital or the compensation given to the landlords as well as the erstwhile usurers may be regarded as a part of this wage-fund.

110. The problem of ensuring the defence of the People's State has not been mentioned by us so far, nor do any calculations on that score figure in our plan. It is hoped that the victory of the democratic forces in the present world struggle will eliminate or at any rate considerably reduce the possibilities of aggression in the future. But in case it is found necessary to divert a part of our human and material resources for the purpose of ensuring the defence of the People's State, the nature of the plan itself will make it amply clear that the planning authority will be in a position to do so.

## VI

### OPERATION AND FINANCING OF THE PLAN

111. A plan involving a capital expenditure of Rs. 15,000 crores within a period of ten years may appear to be considerably difficult, if not utopian, to those who can think of finance only along the orthodox lines. A planned economy in which a bulk of the national income is diverted into private pockets, must naturally find the problem of investment on such a scale a colossal task. It would, however, present no insuperable difficulty in the case of a planned economy in which such a private appropriation of the national income is effectively controlled. The problem of finance becomes considerably simplified, for the reason that the planning authority in this case is in a position to divert the surplus accumulating in the economy for the purpose of reinvestment into it. Thus the problem of finance, which is usually a bugbear of all planners, need not present any difficulties worth the name, in the case of the kind of plan we are suggesting.

112. The initial preparatory period for the plan would be, we think, of about two years or so. This would be needed, among other things, for the purpose of carrying out the essential preparatory measures which have been suggested as preconditions for the improvement in the productivity of agriculture. Once these preconditions are fulfilled, as well as the other technical and similar preparation is made, the plan can begin to be executed.

113. We visualise an initial capital expenditure for a period of three years of the plan as Rs. 1,600 crores. With this investment into the economy in the first three years of the plan, the plan can be expected to finance itself. We would show at a later stage the various ways in which the initial finance can be raised and invested into the economy. At this stage we may assume, for the purpose of explanation of the process of what we term as self-financing, that the initial finance has been available to the State for investment.

114. For the period of the ten years covered by the plan, we propose in a broad manner, the following schedule of investments :

(In crores of rupees.)

Year	Agriculture	Basic industry	Consumers' Goods Industry	Communications	Health	Education	Housing	Total
I	200	100	-	-	-	-	-	300
II	350	100	100	-	20	30	-	600
III	450	100	100	-	20	30	-	700
IV	500	100	150	50	30	37	-	867
V	450	150	250	100	40	90	274	1,354
VI	450	300	400	200	50	100	288	1,788
VII	250	350	450	300	80	150	480	2,060
VIII	100	400	500	300	120	180	848	2,448
IX	100	500	500	300	200	200	726	2,526
X	100	500	550	250	200	223	534	2,357
Total	2,950	2,600	3,000	1,500	760	1,040	3,150	15,000.

115. Before we turn to the explanation of the above schedule, it is necessary to add to the above, another schedule indicating the details of investments in agriculture, which are as follows :

(In crores of rupees.)

Year . . . .	I	II	III	IV	V	VI	VII	VIII	IX	X
Reclamation of land	100	200	200	100	-	-	-	-	-	-
Irrigation ..	100	100	100	150	150	-	-	-	-	-
State farms ..	-	-	50	100	150	200	-	-	-	-
Soil conservation etc.	-	-	-	50	100	100	50	-	-	-
Rural industries	-	-	-	-	-	50	100	50	-	-
Manures etc. etc.	-	50	100	100	50	100	100	50	100	100
Total ..	200	350	450	500	450	450	250	100	100	100

116. Taking the two schedules together, it will be found that the initial expenditure has been concentrated on those items, wherein it is expected to bring in immediate returns. The expenditure on account of communications, for example, begins only in the fourth year of the plan, while that on housing in the fifth year. On the other hand, nearly 66% of the expenditure on agriculture has been concentrated during the period of the first five years of the plan as against about 20% of that on industries. It would be possible on this basis to call the first five years' period of the plan as the period of agricultural development, while that of the last five years as the period of industrial development. The growth of industries as well as the provision of the services such as those of health, education and housing will depend upon the extent to which a surplus is created in the economy, and the creation of that surplus will

## VI

### OPERATION AND FINANCING OF THE PLAN

111. A plan involving a capital expenditure of Rs. 15,000 crores within a period of ten years may appear to be considerably difficult, if not utopian, to those who can think of finance only along the orthodox lines. A planned economy in which a bulk of the national income is diverted into private pockets, must naturally find the problem of investment on such a scale a colossal task. It would, however, present no insuperable difficulty in the case of a planned economy in which such a private appropriation of the national income is effectively controlled. The problem of finance becomes considerably simplified, for the reason that the planning authority in this case is in a position to divert the surplus accumulating in the economy for the purpose of reinvestment into it. Thus the problem of finance, which is usually a bugbear of all planners, need not present any difficulties worth the name, in the case of the kind of plan we are suggesting.

112. The initial preparatory period for the plan would be, we think, of about two years or so. This would be needed, among other things, for the purpose of carrying out the essential preparatory measures which have been suggested as preconditions for the improvement in the productivity of agriculture. Once these preconditions are fulfilled, as well as the other technical and similar preparation is made, the plan can begin to be executed.

113. We visualise an initial capital expenditure for a period of three years of the plan as Rs. 1,600 crores. With this investment into the economy in the first three years of the plan, the plan can be expected to finance itself. We would show at a later stage the various ways in which the initial finance can be raised and invested into the economy. At this stage we may assume, for the purpose of explanation of the process of what we term as self-financing, that the initial finance has been available to the State for investment.

114. For the period of the ten years covered by the plan, we propose in a broad manner, the following schedule of investments :

naturally be the task of the principal industry in the country viz. agriculture. It is this consideration that delays the expenditure on all these items a little in the course of the schedules.

117. Looking at the schedules from a different angle, it will be seen that in the beginning a considerable portion of labour would be diverted to the purpose of reclaiming the cultivable land as well as for the irrigation schemes. This would tend to increase as we go to the second or the third year. A good part of this labour will be absorbed on the land itself that will be reclaimed in this manner. On the other hand, just as the irrigation projects come to an end, the housing schemes will begin to operate to absorb the labour freed from them. Another consideration to be taken into account in this connection is that any extensive use of manures will necessitate considerable expansion of irrigation. Similarly the development of rural or food industries will depend to some extent upon the growth of electrification, the projects of which would be linked up to some extent with the extension of the irrigation schemes. By the time the housing projects show a slackening tendency, the industrial development would be able to gather momentum. Accompanying it will be the development of communications to absorb a large amount of labour in them. These are some of the guiding considerations that we have taken into account while suggesting the above schedules. We may, however, add that the schedules are naturally only of an illustrative significance.

118. We may now turn to the estimates of incomes which will accrue as a result of the investments that have been suggested. In calculating these incomes, we are assuming that in agriculture, for all investments excepting that on the reclamation of land, the new income that will come as a result of investment of 1 rupee by way of capital will be 1.2 rupees. The income in the case of 'new land' sought to be brought under the plough can be estimated at 2 rupees per rupee invested. In fact, it should be possible to expect a higher income than this, for a part of this land is lying uncultivated simply because there is no labour locally available. In other cases, it requires some irrigation facilities, while in certain other cases, the cultivation is not found to be economic as a result of the existing primitive methods of cultivation. We think, therefore, that the estimate of income that we are assuming in this case is quite moderate and is justified. In the case of industries, the assumption is of new income of Rs. 5 per every Rs. 12 of capital invested.

119. Proceeding on the above basis, the following would represent the new incomes from agriculture and industries that can be expected during the period of the plan ;

Year	(In crores of rupees.)		
	Agriculture	Basic Industry	Consumption Goods Industry.
I	-	-	-
II	-	42	-
III	900	84	42
IV	1,600	126	84
V	2,280	168	147
VI	2,820	231	252
VII	3,360	354	416
VIII	3,660	500	604
IX	3,780	666	812
X	3,900	875	1,020
Total	22,300	3,046	3,377

Grand total—Rs. 28,723 crores.

It is out of this new income which will be created, in addition to the present one, that the finance for the plan is to be obtained.

120. We may now turn to show how that can be done. For this analysis, we may start with the agricultural income in the beginning. The value of the agricultural produce, including that of live-stock products as well as fishing, hunting and forest products for British India, has been estimated as Rs. 900 crores. If we take into account the fact that about 300 crores worth of income is diverted from this to the pockets of the landlords and the money-lenders, about 600 crores remains in the hands of the rural population. In fact, this is not a complete picture of rural incomes and we are aware of it. A part of the income is still further diverted to the middlemen, for example, which the above calculations do not take into account. Assuming Rs. 600 crores to be available for consumption to the rural population, we get a per capita income of about Rs. 23 for the rural areas. The measures that we have suggested viz. nationalisation of land as well as the abolition of usury, will leave initially the additional amount of Rs. 300 crores to the rural population. This figure of Rs. 300 crores we have taken on the basis of the estimates given in the earlier parts of the report, about Rs. 200 crores being the rent and Rs. 100 crores being the interest on a debt of Rs. 1,000 crores, taking it at the minimum rate of interest i.e. 10%, at which such debts are advanced. The burden of interest must actually be considerably higher.

121. Out of the Rs. 300 crores that will be left in addition to their present income in the hands of the rural population, as a result of the reform of the land tenure system and the abolition of usury, Rs. 150 crores should be mobilised by the State in the pre-first year of the plan. This can be regarded as the income from the nationalised land. During the period of ten years of the plan, the amount should further be collected every year, according to a

sliding scale, reducing every year the amount by Rs. 10 crores, until the figure of Rs. 60 crores is reached during the 9th year of the plan. This is all that the peasantry should be expected to pay to get out of the clutches of landlordism as well as usury. The tenth year of the plan will thus find the peasant free from these bonds. Out of this amount, the payment of Rs. 60 crores per year to the rent-receivers as well as to the usurers can be made, and the rest can be utilised for the purpose of being reinvested into the economy. The income from nationalised land would thus work out in the following manner :

						(In crores of rupees)
Pre-first year of the plan	..	..	..	..	..	150
I	..	..	..	..	..	140
II	..	..	..	..	..	130
III	..	..	..	..	..	120
IV	..	..	..	..	..	110
V	..	..	..	..	..	100
VI	..	..	..	..	..	90
VII	..	..	..	..	..	80
VIII	..	..	..	..	..	70
IX	..	..	..	..	..	60
Total Rs.						1,050

Even after the income from nationalised land is collected in this manner, the income available for the rural population would increase by about Rs. 150 crores at least. This will mean a total rural income of 750 crores of rupees at the beginning of the plan itself, which gives, on this basis alone, a per capita income of 29 rupees. Thus an improvement in the per capita income by about 6 rupees is brought about at the outset under the plan, even before it begins to be executed.

122. For the calculations of rural per capita income during the period of the plan itself, we may now turn to the following table :

Year	Agri. income	(In crores of rupees.)			Income for consumption.	Rural per capita income Rs.
		Income from nationalised land.	Payment to rentiers etc.	Investable surplus.		
I	900	140	60	80	760	29
II	900	130	60	70	770	30
III	1,800	120	60	787	953	35
IV	2,500	110	60	1,242	1,198	43
V	3,180	100	60	1,678	1,442	51
VI	3,720	90	60	1,818	1,842	65
VII	4,260	80	60	1,955	2,245	77
VIII	4,560	70	60	1,776	2,724	94
IX	4,680	60	60	1,410	3,210	107
X	4,800	—	60	1,100	3,640	121
Total	31,300	900	600	11,916	18,784	—

The total agricultural income during the period of the plan thus comes to 31,300 crores of rupees. Out of this, income left over for the consumption of the community is Rs. 18,784 crores i.e.

about 60%. Income reinvested into the economy is Rs. 11,916 crores of which the income left for reinvestment for the eleventh year is Rs. 1,100 crores. The net reinvestment during the period of the plan therefore amounts to 10,816 crores of rupees i.e. about 35% of the total agricultural income during the period of the plan. This will not appear as too high a proportion if it is remembered that from this, services to the tune of about Rs. 4,000 crores are sought to be provided for the rural areas alone during the period of ten years. The rural per capita income will have increased from Rs. 23 to Rs. 121 by the end of the plan.

123. We may now turn to the income from industries which can be obtained for financing the plan during the period of ten years. The present net output of the industries for this purpose is estimated at about Rs. 300 crores, while the capital invested in the industries is about Rs. 600 crores or so. With the kind of control that we visualise in the plan on private capital in respect of the income that is diverted to it today, the charge of private capital invested in the industries will come to about Rs. 20 crores. We think, in addition to this charge, it should be possible to obtain from this source about Rs. 50 crores as income for the purpose of being reinvested into the economy. If, during the first year of the plan, Rs. 70 crores in all are diverted in this manner, and the rest of the income is left over for consumption, the urban per capita income works out to Rs. 57 per year during the first year of the plan. For the subsequent period of the plan, the following table will make the position clear :

(In crores of rupees)

Year	Industrial Basic Ind.	Income Cosum. goods	Total new income	Total indus. income	Charge of private capital	Investable surplus	Income for consum.	Urban per capita income Rs.
I	-	-	-	300	20	50	230	57
II	42	-	42	342	20	50	272	68
III	84	42	126	426	20	80	326	81
IV	126	84	210	510	20	112	378	94
V	168	147	315	615	20	110	485	106
VI	231	252	483	783	20	242	521	116
VII	354	416	770	1,070	20	493	557	124
VIII	500	604	1,104	1,404	20	750	634	140
IX	666	812	1,478	1,778	20	947	811	162
X	875	1,020	1,895	2,195	20	1,315	860	172
<b>Total</b>	<b>3,046</b>	<b>3,377</b>	<b>6,423</b>	<b>9,423</b>	<b>200</b>	<b>4,149</b>	<b>5,074</b>	<b>—</b>

The total income from industries during the period of the plan would be Rs. 9,423 crores, of which Rs. 5,074 crores have been left for consumption, i.e. about 54%. On the other hand, the financial contribution of our industries for the building up of our economy would be to the tune of Rs. 4,149 crores, i.e. about 49%.



Out of this, Rs. 1,315 crores is the amount allotted for the purpose of reinvestment during the eleventh year of the plan, and therefore the net investment from our industries for the purpose of developing the economy comes to Rs. 2,834 crores i.e. about 30% of the total income from industries. It may be pointed out here that the discrepancy between the contribution of agriculture and that of industries is bound to be there in the beginning, since the initial contribution to be made for the development of the economy comes to a great extent from our agriculture. It will however be seen that, with the growth of industries that will be brought about in this manner, it will be possible for us to have gradually a greater contribution from industries as against agriculture. This is already seen in the tenth year of the plan, in which agriculture is expected to contribute for further development of the economy only 1,100 crores of rupees as against the contribution of industries to the tune of 1,315 crores of rupees.

124. It is necessary to point out in this connection that the calculations of the per capita income that we have given in the last columns of both agricultural and industrial incomes during the period of the plan, are arrived at after taking into account the increase in population during the period. On the other hand, it will also be clear that they have been made, not in the manner in which the calculations of this nature are usually made on the basis of the so-called 'national income,' but on the basis of the income available for consumption only during the period.

125. The question may arise in this connection as to how is the State to obtain the investable surplus that has been shown in these tables. In the case of the industries, the question will not be of a serious nature. Since the industries will be mostly owned and controlled by the State, it should be possible for the State to divert that part of the income from industries which it thinks necessary for the purpose of reinvestment. The technical device for doing so may be a turnover tax as in the case of the USSR, levied on industries financed by the inclusion of the investment in the State budget. The proceeds of this tax will represent the totality of the net income from the respective industries accruing to the state. The State budget will thus be ultimately balanced.

126. In obtaining the investable surplus from agriculture, the position will be somewhat more complicated. But on a closer view, it will appear that the difficulty will not be very serious in the case of the two sectors of agriculture viz. the 'new land' which is to be brought under cultivation as a result of a collective attack under the control and with the assistance of the State, and the State farms. For the rest of the land, the position will get more and more simplified as the movement for collectivisation develops. In

the meanwhile suitable tax measures, particularly a land tax, should be able to bring a good part of this surplus. The need for borrowing is not altogether precluded, and may arise on occasions, in which case a state which is bringing about every year an improvement in the living conditions of the agriculturist will have the strongest appeal and will, therefore, be in the most favourable position to borrow.

127. The essence of this method of financing the economic development of the country which we are suggesting, consists in the fact that the income which passes to the landlords, usurers or private capital is sought to be rigidly controlled under it. That alone creates the possibility of the investable surplus accumulating in the hands of the state, to a constantly rising extent. And we have already made it clear that the speed of economic development is dependent on the extent to which such an investable surplus is available to the planning authority.

128. On the other hand, it will be clear that this accumulation of investable surplus in the hands of the planning authority is accompanied with a continual improvement in the standard of living of the people. The figures regarding the per capita income in the tables will show this, and it may further be pointed out that since the plan commences with the necessary and essential changes in the socio-economic framework, the income left over for consumption will be widely distributed under it. The contrasts of riches and poverty will not be seen on the scale on which they are seen today ; and the standard of living of the entire community would improve. All these achievements are possible for a planned economy like this, simply because it prevents the rich of today from becoming richer tomorrow at the cost of the poor.

129. It will be clear from the statistical position that we have sought to explain so far, that the income to be invested into the economy from the fourth year of the plan onwards will be obtained from the economy itself. It will be possible to have this investable surplus because of the investments during the first three years of the plan, which are almost concentrated on those items of expenditure which will bring in an immediate income. The initial finance needed for the plan for the period of the first three years will be Rs. 1,600 crores. We shall now turn to the question of how this can be obtained by the People's State. Out of this amount of Rs. 1,600 crores, Rs. 240 crores will come up to the second year of the plan from the income from nationalised land. This will be the net income from this source for the purpose of reinvestment. The total collection would be of Rs. 420 crores out of which Rs. 180 crores will go to the rent-receivers and the usurers as the interest on the bonds issued to them by the State. We have

further visualised a sum of Rs. 100 crores to come into the hands of the planning authority from the industries in which private capital has been invested, once they are controlled, during the first two years of the plan. Thus the total available will be Rs. 340 crores. Our requirements of initial finance will thus be reduced to Rs. 1,260 crores.

130. The sterling balances to the credit of India today amount to about Rs. 1,000 crores. It is possible that, owing to the war in the Pacific, the amount may further increase. It will not be possible for us to get the entire amount immediately after the war is over, no matter how much we may desire to have it. The sterling balances on the other hand are of the nature of an inter-Governmental loan. They belong to the people of India in the last analysis, and should be available for the purpose of economic development of the country which will lead to an increasing well-being for the people. The initial preparatory period of the plan is of two years or so. And then for three years in the beginning, the plan will have to be financed from what we already have instead of, as in the later stages of it, from what we will be able to produce. For this period of five years, therefore, we expect a sum of Rs. 450 crores to be realised from the sterling balances for the purpose of this development. Thus in all we have a sum of Rs. 790 crores out of the requirements of initial finance of Rs. 1,600 crores. The remaining amount of Rs. 810 crores will have to be collected by the State and then the need for the initial finance will be satisfied.

131. Can the collection of the sum of Rs. 810 crores be regarded as being beyond the possibilities of practical financial considerations? We do not think any reasonable student of the Indian economic reality will make that contention. It represents about 45% of the national income. But let it be remembered that the collection is spread over a period of about four to five years. If it is spread over a period of four years, it actually amounts to a collection of 11% of the national income for the purpose of reinvestment into the economy. If it is spread over a period of five years, the percentage comes to only 9% or thereabout.

132. Let us now look at the problem from a slightly different angle. The national income of British India has been estimated at about Rs. 1,800 crores. The inequalities existing at present are responsible for putting about 30% or more of this income into the pockets of about one per cent of the people. Surely, this amount of Rs. 600 crores is not reinvested into the economy every year. The reason for it is the limitations set by the profit economy, which have been mentioned by us in the earlier part of the report, on such a reinvestment. What happens then to this

amount ? It is obvious that a good part of it is not available for investment into the economy of the country at any rate, but often takes up the character of wealth which is out of the process of production. Why can it not be harnessed for the purpose of developing and quickening the economic progress of the community which will rid our people of poverty and starvation, sufferings and disease, ignorance and backwardness, which have characterised their lives for centuries together ?

133. We have indicated so far that the amount needed for the initial finance for the plan can be obtained. The concrete measures that will be suitable for this purpose will naturally have to be devised by the state. It will be, however, clear that the amount that is needed is quite within the realm of possibilities. The estimates of even the so-called hoarded wealth in the country exceed the amount, granting that they are not underestimates. We would however like to suggest that the amount needed for the initial finance of the plan should be obtained through measures of taxation, the burden of which will fall on those shoulders in the community which are strong enough to bear it. Some of the taxes for this purpose are an estate duty, graded in a sufficiently steep manner, and an inheritance tax or death duties. In the absence of adequate statistical material, we cannot go into the detailed estimates from these sources or suggest them in a more concrete form. But we think the income from these sources will suffice for the purpose of implementing the plan in the initial period of three years. In case it is not found to be so, it may also be necessary to resort to compulsory borrowings, wherever such a possibility exists. The inflated reserves of the industries will provide with another source. Finally, the credits accumulated by our industrialists abroad can also be found suitable for the purpose.

134. Finally, we may touch the point concerning the external finance that will be needed for the execution of the plan. This would obviously be obtained through the export of the surplus of agricultural produce. With a sufficiently diversified agricultural production, it will be possible for us to find a custom for these products, particularly in the post-war years. It may also be pointed out in this case, that just as we make greater and greater progress during the later stages of the plan in respect of industrialisation, it will be possible to absorb an increasing quantity of the increased agricultural output inside the country itself. Another source for obtaining the external finance needed for the plan will be the export of the minerals which are also sought to be developed under the plan.

135. Thus the total finance of Rs. 15,000 crores needed for

the purpose of the execution of the plan will be obtained as follows :

		(In crores of rupees)
Sterling balances	.. .. .	450
Initial Finance—estate duty, inheritance tax, death duties etc. etc.	..	810
Income from nationalised land in the pre-first year of the plan	..	90
Income from agriculture for reinvestment during the period of the plan	.. .. .	10,816
Income from industries for reinvestment during the period of the plan	.. .. .	2,834
		<hr/>
	Total	15,000

## VII

### CONCLUDING OBSERVATIONS

136. Before concluding this report and presenting a plan for the economic development of the country which we were asked to prepare according to the resolution of appointment of our Committee, a plan which would represent adequately the point of view of Indian labour, we think it necessary to go briefly into some of the suggestions which are generally made from various quarters for the future economic development of India. One such suggestion, which is very popular in different quarters, is concerning the necessity for India to obtain what is called a "balanced economy." The suggestion is made on the assumption that the present economy of India is unbalanced, and therefore those who make it immediately jump to the conclusion that all that needs to be done is to bring about an industrial development of the country which will ensure for it a proper balance between industry and agriculture. We must emphasize in this connection that this view is entirely superficial and erroneous. Indian economy today in fact is a backward economy. What we need therefore is not a mere development of industries in the country which will ensure a proper balance between agriculture and industries, but a well-planned and well-coordinated progress of both these aspects of our economic life so as to attain economic progress and prosperity and thus ensure for the millions of India a solution of their problem of poverty. It is precisely this kind of development that we have suggested in our plan. It will be the gravest of misfortunes for our people to think that there is little or nothing that needs be done with regard to our agriculture, which is already, so to say, developed, and that all that we have to do is to give a push to the growth of industries in the country, so that the economy will be a balanced economy. In fact normal development of industries is inconceivable, as we have made abundantly clear in the earlier part of our report, on the basis of the primitive, backward agriculture that we have in the country today. A really unbalanced economy will ensue from the development along the lines suggested by those who often advance this stock argument of "balanced economy."

137. Let us now look at the problem from a different angle. It is a well-known fact that nearly 70% of our population depends

for its subsistence on land. It is also equally well-known that, whatever the industrial development that we may visualise and carry out in the immediate future, a major portion of our population will still depend on land. The improvement of the standard of living of these people is dependent upon the productivity of their labour. That cannot happen unless the development of our agriculture is taken up by the planning authority as its important and primary concern. It is primary because of the simple reason that a majority of the people depend for their subsistence on agriculture. All idea of improving the standard of living of the people must be of the nature of an idle pastime, on occasions quite harmful in its implications, if it does not take account of this simple fact of supreme importance. We cannot improve the standard of living of the people by showing disregard for that of a majority of them.<sup>o</sup>

138. It is sometimes urged that the development of agriculture is merely in continuation of the economic policy that we have been following so far, under a foreign Government, when we were not masters of our own fate. The argument, however, does not cut much ice. Any serious student of the economic life of our country will know that such a development did not take place at all for all these days. On the contrary, it can be contended that agriculture, on balance, has been deteriorating during the past few decades or so. It is for the first time that we shall be having an opportunity of reconstructing our principal national industry viz. agriculture, and the future of the country must be dark indeed if we shirk in that task.

139. Another important aspect of our economic life which we think we should touch at this stage of our report is the problem of numbers. It is indeed a stupendous task to plan the economic life of a fifth of the human race. But the problem becomes still more baffling when we remember the 5 millions or so of extra mouths to feed, that appear on the scene every year. Nothing important in this respect can be done during the period of the plan. It is, however, hoped that the improvements in the standards of living of the people that will be brought about under it and the growth of the secular outlook on life which will naturally accompany such improvements, will operate ultimately as an effective check on this growth. The new avenues for cultural development that are bound to be opened up will be a further contributory factor in this respect.

140. The plan outlined by us is primarily a plan of economic development. It is, therefore, outside the scope of its provisions to discuss the problem of an all-round social security for the people. The basis for the provision of such security will, however, be laid as a result of the increased production of wealth under the plan. The

provision of such security ultimately depends upon the extent to which a surplus can be produced in the economy. It will be possible to introduce schemes of unemployment insurance, old age pensions etc., during the period of the plan when considerable surplus of this nature will be produced. The desire to have all these schemes is entirely sound, and when the basis for their introduction is created, the planning authority will have to move immediately in the direction of introducing them. From the beginning the plan itself will open up increasing avenues of employment for the labour in the country and thus of improving their living conditions.

141. The plan clearly indicates improvements in the standards of living of the people from year to year of its operation. Calculated only on the basis of the income available for consumption from our agriculture, the rural per capita income, as we have already shown, will rise from Rs. 29 per year during the first year of the plan to Rs. 121 per year during the last or the tenth year. The rise for the urban population for the corresponding stages will be from Rs. 57 to Rs. 172 per year. This implies a net improvement by over 300% for the rural population, and by 200% for the urban. We start from a much lower level in respect of the former than the latter. Yet the gap between the rural and urban incomes which is found today will be filled to a great extent during the period of the plan. Looking at the figures from a different angle, it will be seen that the average per capita income from these two sources works out to Rs. 33 per year during the first year of the plan. The average for the tenth year calculated in a similar manner comes to about Rs. 128 per year. *This means that the common man of India will live four times better as a result of the execution of the plan.* The planning authority, we may further add, will have to pay greater attention to those backward strata of our population, such as the scheduled castes for example, who have had practically no experience of 'hope' in their lives for centuries together. If indeed we need a planned economy with the object of achieving the aim of improving the living conditions of the millions in the country rather than for enriching a few private pockets, it will have to be along the lines that have formed the basis of the plan that has been suggested here.

142. Such an improvement in the living conditions of the people, along with a vastly improved and developed network of social services in respect of health, housing and education, can serve as the foundation for the cultural development of the people. When the primary human needs of the people are thus adequately satisfied, when security and leisure are made available to all, when the present is freed from sufferings and the future from uncertainties, there can take place a tremendous cultural progress of the people who have hitherto been almost in the backwaters of civilisa-



tion. A whole people would be roused to the mighty creative tasks that lie ahead, will discover a purpose in life, and will take gigantic strides forward along the path of social and cultural progress to catch up with the world and take up their rightful position in the family of nations. The plan thus opens up the possibility of unlimited economic and cultural progress and this will be attained in the future at an accelerating pace.

143. India will not be able to plan her economic life in isolation. A plan of economic development for India will, therefore, have to be such as will fit in in the probable world context after the war. It is extremely difficult to hazard any opinion in this respect at this stage. But we may only point out that a plan of this type, leading to improvements in the standard of living of one-fifth of the human race, will indeed be one of the greatest stabilising factors in the world economy of the post-war period.

144. We are unanimous regarding the contents of the report and the suggestions it contains for the future economic development of the country.

March, 10, 1944.

B. N. BANERJEE.  
G. D. PARIKH.  
V. M. TARKUNDE (*Convener.*)