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

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

By
N. V. SOVANI

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FOREWORD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18th December 1950,
Gokhale Institute of
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Poona 4.

D. R. GADGIL

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

SCOPE

The problem of economic and social development in India has to be discussed with reference to the post-war period and more particularly with reference to the period after 15th August, 1947 when India attained full independence. Developments up to March, 1950 have generally been covered in the following; occasionally even later developments have been referred to. During this period the problem of development was tackled by the Central and Provincial Governments in India by drawing up and implementing plans of development in the economic and social sphere. It is this effort in all its aspects that has to be assessed and appraised. In the light of that discussion the lines of future developments and possibilities of international co-operation are considered.

I. FORMATION OF GOVERNMENT POLICY

The Government of India began to consider plans of post-war reconstruction as early as 1941. In June, 1941 a Committee under the Chairmanship of the Commerce Member was set up for this purpose. Later its place was taken by the Reconstruction Committee of the Council composed of Executive Councillors with the Viceroy as its Chairman. It was equipped with a separate secretariat and was helped by a number of expert committees of representatives from provincial and state governments and non-official organizations. On 1st June, 1944 a separate Planning and Development Department was created with Sir A. Dalal as the Member-in-Charge. The Provincial and State Governments were requested to set up their own planning organizations and to draw up their own 5-year plans. The departments of the Central Government were

also requested to draw up five-year plans covering development subjects within their field. All these plans were to be co-ordinated later by the staff of experts recruited by the Planning and Development Department. Non-official plans of economic development such as the Bombay Plan, the Peoples' Plan, etc. were put forth at about this time. *The Second Report on Reconstruction Planning* issued by the Government of India in 1944 laid down general principles in regard to objectives, methods, priorities and finance providing the general lines for the drawing up of provincial and state plans. It was also suggested to the provinces and states that in view of the limitations imposed by finance and the scarcity of trained personnel, it might be advisable, in addition to attempting general progress throughout a province, to select certain compact areas for concentrated development such as would quickly yield visible and reasonable results. "It was also urged that special priority should be given to schemes for the training of personnel at home and abroad, and for resettlement of ex-servicemen." ¹

The Planning and Development Department also established panels of officials and non-officials for planning the development of individual industries or groups of industries in consultation with Provincial and State governments. In all 31 panels were appointed and their recommendations were to cover possibilities of development, location, organization, government regulation and control. On 23rd April, 1945 the Department issued a resolution which announced the Industrial Policy of Government. The following were its main features.

Reasons: Though industry was a provincial subject the policy of protection of industries adopted by the Centre had considerably helped industrial development in the

1. *Economic Development in Selected Countries, Plans, Programmes and Agencies*, United Nations, 1947, p. 154.

past. Secondly in the interest of co-ordinated development of industries the following industries should be taken under Central control:— (1) Iron and Steel (2) Manufacture of Prime Movers. (3) Automobiles, Tractors and Transport Vehicles. (4) Aircraft. (5) Shipbuilding and Marine Engineering. (6) Electrical Machinery. (7) Heavy Machinery, such as Textile, Sugar, Paper, Mining, Cement and Chemicals. (8) Machine Tools. (9) Heavy Chemicals and fine chemicals, chemical dyes, fertilizers and Pharmaceutical Drugs. (10) Electro-Chemical Industry. (11) Cotton and Woolen Textiles. (12) Cement. (13) Power Alcohol. (14) Sugar. (15) Motor and Aviation Fuel. (16) Rubber manufacture. (17) Non-ferrous metals Industry. (18) Electric Power. (19) Coal and (20) Radio Engineering.

Objectives of industrial developments, were three-fold: (1) To increase the national wealth by the maximum exploitation of the country's resources; (2) To make the country better prepared for defence; (3) To provide a high and stable level of employment.

“It is axiomatic in Government's policy that the additional wealth created by industrial development should be distributed in a manner that may be regarded as socially equitable. Powers must be taken and consciously used to secure this purpose.”

Government would encourage and promote the rapid industrialization of the country to the fullest extent possible. While they attached high priority to basic and producers' goods industries they considered that in the interest of balanced growth due place must be given to consumption goods industries.

An appropriate tariff policy was under active consideration.

EXTENT OF STATE ENTERPRISE

At the time ordnance factories, public utilities and railways were very largely state-owned and state-operated and this would continue to be so. Bulk generation of electrical power also should be as far as possible a state concern.

Basic industries of national importance might be nationalised provided adequate private capital was not forthcoming and where development was regarded as essential in the national interest. These included aircraft, automobiles and tractors, chemicals and dyes, iron and steel, prime movers, transport vehicles, electrical machinery, machine tools, electro-chemical and non-ferrous metal industries.

“It is contemplated also that government may take over certain industries in which the tax element is much more predominating than the profit element” such as salt manufacture in the past. The case of coal was to be considered and dealt with separately.

All the other industries would be left to private enterprise under varying degrees of control ranging from control to ensure fair conditions for labour in consumers goods industries operating under free competition to stricter control on semi-monopolistic industries or industries controlling scarce raw materials.

(1) Certain industries of national importance such as ship building, locomotive and boiler manufacture would be run by the State as well as by private capitalists.

(2) In special cases the possibility of the management of State enterprises by private agency for limited periods might have to be explored.

(3) Some State enterprises would be managed through Public Corporations.

GOVERNMENT ASSISTANCE TO INDUSTRY.

Government would develop transport facilities, power, scientific and industrial research and technical education.

Government would give loans to industries or subscribe a share of the capital to industries whose development was essential. Industries taking such help would be subject to greater Government control, with Government's representatives on the Boards of Management. In suitable cases, Government might provide capital equipment.

"In special cases, industrial enterprise will be encouraged by guaranteeing a minimum dividend on capital or undertaking to meet revenue losses for a fixed number of years, subject to the condition that Government would have a voice in the management and that a ceiling will be fixed to the return on capital. When this procedure is followed, profits in subsequent years over and above the ceiling will be appropriated towards returning the funds paid by the Government and after this has been done, such excess profits as continue to accrue will be divided by the Government and the Company in agreed proportions."

Government would give financial assistance to private research organizations. Government would give preference to products of Indian Industry in their purchases, subject to price and quality considerations. The setting up of an Industrial Investment Corporation was under active consideration.

"Government will undertake to examine from time to time the tax system with a view to ensuring that while securing the ends of social justice and national budgetary interests, the taxation does not tend to act adversely on development."

Government would help in procuring capital goods

from abroad and would make available the advice of experts in certain branches.

LICENSING OF INDUSTRY.

Government proposed to take powers to license industrial undertakings. This was necessary firstly, to avoid concentration of industries undesirable for economic and other reasons and secondly, to avoid the development of schemes of quick profit only to the neglect of others. It would be necessary to fix targets and to allocate them on regional basis and to see that these targets were achieved.

OTHER CONTROLS.

“In a planned economy it is impossible to do without controls. Government consider that such controls should be the very minimum required.” Apart from licensing, controls should be undertaken to achieve the following objectives.

- (1) To secure balanced investment in industry, agriculture and social services.
- (2) To secure for industrial workers, a fair wage, decent conditions of work and living and a reasonable security of tenure.
- (3) To prevent excessive profits to private capital.
- (4) To ensure the quality of industrial products.
- (5) To ensure that the unhealthy concentration of assets in the hands of a few persons or of special community would be avoided.
- (6) To require necessary technical training of personnel and to extend the benefit of such training to minorities and backward communities.

The end of the war in September, 1945 witnessed a quickening of political developments in the country and early in 1946 the Advisor regimes in the provinces were re-

placed by elected ministeries. The provincial plans drawn up previously were in most instances revised by the new incumbents of office.

By 1945 the various Central Departments had produced various reports by Committees and experts and had also drawn up their own plans. The Agricultural Department had drawn up plans for increasing agricultural production. Two reports were prepared in that connexion, (i) Khareghat Report on Agricultural Development, (ii) Dr. Burns's Report on Technological Possibilities of Agricultural Development in India. For dealing with some other problems of agriculture the following reports had been prepared:— (i) Agricultural Credit (Gadgil Committee), (ii) Co-operation (Saraiyya Committee) and (iii) Stabilization of Agricultural prices (Krishnamachari Committee). Reports on Irrigation Projects had also been prepared. Of the 31 industrial panels appointed 22 had drafted their reports by the end of 1946. The Railways had prepared a plan of reorganization and expansion. So also plans for the construction of roads, etc. had been drawn up. In the field of labour a plan for the sickness insurance of industrial workers (Adarkar Report) had been drawn up. The Labour Investigation Committee had collected valuable data regarding labour conditions in several industries. The Bhole Committee had surveyed the whole field of public health and had made recommendation of a comprehensive character.

The Planning and Development Department was abolished early in 1946 after the resignation of Sir Ardesir Dalal. The Central Government was reorganized in September, 1946 and Pandit Nehru became the Prime Minister. On 26th October, the Advisory Planning Board was set up under the chairmanship of Mr. K. C. Neogy to review the planning that had been done and in the light of it to make recommendations for co-ordination and improvements and in respect of objectives, priorities and machinery of plan-

ning. The Board submitted their report towards the end of 1946. This report remains the only comprehensive document regarding economic planning in India to date.

The Report of the Advisory Planning Board provides a review of the planning done or contemplated in various spheres by the end of 1946. The outline of planning that emerges from it can be described, in the broad, under objectives, targets and methods of attaining these.

In regard to objectives the report observed: "The general objectives of planning have already been outlined in paragraph IV of Part I of the Government of India's Second Report on Reconstruction Planning. Broadly speaking, the objectives are to raise the general standard of living of the people as a whole and to ensure useful employment for all. The attainment of these objectives requires that the resources of the country should be developed to the maximum extent possible and that the wealth produced should be distributed in an equitable manner. It also requires a certain degree of 'regionalisation', i.e. a dispersal of industrial and other economic activity, so that, so far as physical conditions permit, each distinct region of the country may develop a balanced economy. Such development would *ipso facto* make the country better prepared for defence, and this may be regarded as a subsidiary objective of planning.² But the Board refused to fix any targets. "It must be frankly recognized that we do not at present possess in India either sufficient knowledge and statistical information or sufficiently extensive control over economic activity to be either able to frame or execute plans whose combined and cumulative effect will be to increase per capita income by a pre-determined amount."³ "But even as it is, we can and should set ourselves specific targets for individual industries for certain branches of agri-

2. *Report of the Advisory Planning Board*, 1946, p. 2.

3. *Ibid.* p. 4.

culture and for the development of shipping and of rail-road and other forms of communication.”

As there has to be a simultaneous advance in all fields there would be no exclusive preference for anyone. But all types of development required a greater or less degree of increase in the supply of trained personnel and for the present this might be regarded as Priority No. 1.

As regards industries obviously priorities could not be fixed upon the criterion of the availability of various types of machinery from abroad. But in so far as the different industries would compete with one another for raw material and building materials, ect. “We suggest that first preference should be given” to Defence Industries and to industries relating to the prime necessities such as food, clothing and housing, to coal and to transport. Irrigation, as the handmaid of agriculture, and hydro-electric power, iron and steel, and chemicals, which subserve all industries as well as agriculture, would also have to be given equal preference. The manufacture of machinery of all descriptions should find the next place, industries producing consumer goods, other than essential food and clothing, coming last on the list.⁴

The Board did not go into the methods of implementing the aims, objectives or targets. They recommended the setting up of a Planning Commission at the Centre helped by a Consultative Body, the establishment of a Central Statistical Office, a permanent Tariff Board and a Priorities Board, etc.

Political developments from the beginning of 1947 were inevitably moving in the direction of the partition of the country. This was accomplished on 15th August, 1947

4. Report of the Advisory Planning Board, 1946, p. 14.

and the two parts of India became fully autonomous dominions in the British Commonwealth from that date.

The partition involved the division of resources, capital equipment and population. Planning had to be considered *de novo* in the new circumstances. The immediate consequences of partition like the refugee movements, instability, etc. created the most unpropitious atmosphere for economic planning. It was not wholly abandoned but was only pursued piecemeal by the provinces, states and departments of the Central Government. No co-ordinated plan was evolved.

II. DEVELOPMENT PROGRAMME OF THE CENTRAL GOVERNMENT

The development programmes of the Central and Provincial governments have to be separately treated. Till the adoption of the new constitution of the Indian Republic (January, 1950) the division of powers between the Central and the Provincial Governments was according to the provisions of the Government of India Act 1935. It is not necessary to go into details in this respect except to note that defence and defence works, railways, maritime shipping and ports, aircraft and air navigation, foreign commerce, currency, coinage, posts and telegraphs, etc. were mostly Central subjects. Agriculture, education, co-operation, roads, water supply and irrigation, industries, public health and medicine, etc. were subjects in the Provincial list. The concurrent list included such subjects as factories, labour welfare, trade unions, electricity, inland waterways, etc. In respect of the division of taxes and expenditure, broadly speaking, the provinces were allotted inelastic sources of revenue and nation building departments demanding ever increasing expenditures. During the war the Government of India, under the Defence of India Act, assumed very wide powers but operated them

mostly by delegation of authority to the Provincial Governments. With the expiry of the Defence of India Act on 30th September, 1946 some of these powers were allowed to revert to provinces and some were retained by the Centre by special ordinance.

The new Constitution follows closely the division of powers laid down by the Act of 1935 as between the Centre and the provinces, but wherever there is a deviation it is almost invariably in the direction of strengthening the Centre. New entries in the Central list include industries necessary for defence or prosecution of war, inter-state trade and commerce, development of inter-state waterways, provision for dealing with grave emergencies in any part of the Union, etc. For a period of five years after the commencement of the Constitution, trade and commerce and the production, supply and distribution of certain essential commodities as also the relief and rehabilitation of displaced persons are to be on the same footing as concurrent list subjects.

The division of revenues in the new Constitution remains unchanged.

For almost the whole of the period covered by this paper the new Constitution was not in operation and the Government functioned as per old arrangements. Economic planning at the Centre in most of the subjects in the Provincial list was of the nature of laying down general policies, co-ordination and research. In these subjects the detailed plans and their execution, except in Centrally Administered Areas, was the responsibility of the Provincial Governments. The main instrument through which the Centre influenced the general and specific policies, plans and their execution in the provinces was that of financial grants and loans. The latter were, as will be shown below, the main sources of finance of the provincial governments during the post-war period for financing their development

programmes. In respect of centrally administered subjects the responsibility of the Central Government is complete as regards policies, plans and their execution. Accordingly in the following the general policies and plans drawn up by the Centre have been discussed. The reported actual achievements for Central subjects have been recorded in this section, the remaining being relegated to the discussion of provincial development programme that follows." ⁵

FOOD AND AGRICULTURE

In this sphere the main effort is concentrated on food; only lately more attention is also being paid to cotton and jute production.

The Gregory Committee (1943) estimated the food deficit in India at about 1 million tons a year by examining the trend of net imports of food grains into India before the war. Every year the growth of population necessitates an increase of 600,000 tons in food grain supplies, according to the calculations of the Famine Commission. ⁶ The partition of the country resulted in the secession of the surplus food areas of Sind, Punjab and East Bengal to Pakistan and deprived India of about 750,000 to 800,000 tons of food grains that used to be imported from these areas. On the other hand, as a result of the Grow More Food Campaign, according to the Ministry of Agriculture, about 10 to 12 million acres of land was brought under food crops increasing food production by about 2.5 million tons.

5. Everywhere in this paper the statistical information recorded in regard to estimates, plans, achievements, etc. is that supplied by Government Reports, Newspapers, etc. and the source of the information has been indicated in most places. The author does not vouchsafe the accuracy of the figures or estimates.

6. *Final Report of the Famine Inquiry Commission*, 1945, p. 53.

Taking all such facts into consideration, the Ministry of Food has estimated that to achieve food self-sufficiency at present levels of nutrition (or malnutrition!), at the end of 1951 a deficit of 4.5 million tons will have to be made good by increasing food production.

According to a memorandum of the Food Ministry the food problem in India has three aspects. "We have first to meet the present deficits immediately; secondly, we have to face a deficit which increases year by year because population is going up; and thirdly over a fairly long period, we have to provide not only for increases in population, but for better nutritional standard." ⁷

A five year plan was drawn up by the Ministry in 1947 for increasing food production by 4 million tons at a total cost of Rs. 2,710 millions. The main features of the plan were "reclamation of six million acres of cultivable land; survey of 4,565 deep tube wells to irrigate three million acres of land; supply of chemical fertilizers and increase of fish supply." ⁸ This plan was being worked from 1947 onwards.

For the reclamation and mechanical cultivation of weed infested land a Central Tractor Organization was formed. It was operating 11 units of 150 tractors in 1948-49. ⁹ Out of the loan of \$ 10 million granted by the International Bank of Reconstruction and Development 375 tractors were to be purchased. Of these 180 were expected to be in India by the end of February, 1950 and the rest between August and October. ¹⁰

"It was reported that 64,753 acres of waste land were reclaimed by the Central Tractor Organization during the

7. *Indian Information*, March 1, 1949, p. 211.

8. *The Second Year*, Ministry of Information and Broadcasting, 15th August, 1949, p. 14.

9. *Ibid*, p. 15-18.

10. *Indian Trade Bulletin*, February, 1950, p. 57.

year ending May, 1949 as against 32,306 acres in the previous year. The target set by the Organization for the year ending May, 1950 is 110,000 acres. ¹¹

For the construction of tube wells the Central Ground Water Organization maintains a Central Drilling School to train drillers and drill engineers. By 15th November, 1949, 67 drillers and 21 drilling engineers had completed their course.

A Fertilizer Pool has been established by the Government of India from which imported and locally produced fertilizers are distributed to the Provinces.

The Government of India estimated that the 4,223 towns in the Indian Union can yield annually compost manure to the extent of 10 million tons. By using this manure it was estimated there can be an increase of 1,500,000 to 2,000,000 tons in the production of food grains.

“During 1948, 486,020 tons of compost manure were prepared from urban refuse in 566 centres, and 1,258,986 tons from village refuse at 27,950 centres. The additional yield of food grains on this account is estimated at 30,455 tons.”

“A total quantity of 1,70,000 tons of compost from town and village refuse, prepared by the Provinces through grants made by the Centre, was distributed to cultivators during the last year (1948-49). The estimated production for this year is 290,000 tons. Against the demand of 293,671 tons the Central Government imported from abroad and distributed 150,400 tons of ammonium sulphate. This year about 75,000 tons are expected to be produced locally.”¹²

11. *The Hindu*, 4 August, 1949.

12. *Second Year*, p. 16-17.

These are the short and medium term plans for increasing food production, the latter consisting mainly of the reclamation of waste land. The long term programme involves large irrigation schemes, which include also flood control and the development of power facilities.

In connection with the long-term plans, according to information collected by the Central Water Power, Irrigation and Navigation Commission at the end of 1948, there were 160 irrigation projects at that time under execution, investigation or contemplation, many of them purely irrigation or hydro-electric projects. Of these 46 were under execution, 53 in an advanced stage of investigation and the rest in the stage of initial investigation. When fully developed these projects were expected to make an addition of 25 million acres to the irrigated area, to increase food grain production by 5 to 6 million tons and electrical energy by 10 million k.w., the combined total revenue expected from the two being Rs. 1,350 million.

Of the 46 projects under actual execution at the end of 1948, 17 were expected to cost less than Rs. 10 millions each, 16 between Rs. 10 and 50 millions each, 4 between 50 and 100 millions each and 9, including Damodar Valley Scheme, Hirakud, Bhakra, Nangal, etc. between 100 and Rs. 1,000 millions each. The smaller projects were expected to be completed within one or two years while the others were expected to require 7 or more years. Food production was expected to start coming in from 1950-51. From 173,000 tons during that year it was expected to increase to 1,380,000 tons by 1955-56. On completion the total increase in food production would amount to 3 million tons and electrical energy production would increase by 1.85 million kilowatts.¹³

When the Prime Minister declared in March, 1949 the

13. *Indian Farming*, September, 1949.

achievement of food self sufficiency by the end of 1951-52 as the aim of official policy the plan of increasing food production was revised for adjusting it to the new goal. A Commissioner for Food Production was appointed in July, 1949. The following was the revised plan of the Government of India to increase food production by 4,400,000 tons by the end of 1951 to attain self sufficiency. Of this, 3,610,000 tons were to be secured through intensive cultivation, 300,000 tons from reclamation of weed infested land by tractors, 260,000 tons through tube-well irrigation and 230,000 tons by the diversion of the acreage under sugarcane to food grains. ¹⁴ Information regarding the results achieved under this plan so far as is not available.

Because of the partition of the country the raw cotton supplies grown in India were cut by about one third and the production of long and medium staple varieties was cut as much as 60 per cent. With the worsening of trade relations with Pakistan, the Government of India decided to increase cotton production in the country to meet the internal requirement as far as possible. The Indian Central Cotton Committee evolved a five year plan in 1948-49 to increase the present production of cotton by 400,000 bales of medium staple varieties. ¹⁵ Plans for producing an additional 500,000 bales of medium and long staple varieties during 1950-51 by expansion of area, increased manuring, etc. have been formulated. ¹⁶

Similarly for maximising jute production the Indian Central Jute Committee had drawn up a 3 year scheme which was started in 1948-49. It has been pressed more vigorously since the worsening of trade relations with Pakistan. The Committee has estimated that 320,000 acres can

14. *Food Bulletin*, Ministry of Food, 15th August, 1949.

15. *Second Year*, p. 18.

16. *Annual Report of the Ministry of Agriculture*, 1949-50. p. 10.

be brought under jute cultivation by double cropping so as not to affect food production. India's annual requirements of jute amount to 7 million bales while it produced in 1949-50, 2.6 million bales. Plans have been drawn up for attaining a production of 5 million bales.¹⁷ It was reported that during 1948 additional jute production amounted to 550,000 bales. It was further reported that during 1949 about 300,000 additional acres of land were put under jute cultivation in new areas in Madras, Travancore and U.P. resulting in an additional production of 750,000 bales.¹⁸

INDUSTRY

The Government Resolution on Industrial Policy released on 7th April, 1948 contained the following announcements: . In the present state of the nation's economy the emphasis should be on the expansion of production both agricultural and industrial and the problem of state participation in industry must be judged in that context. There was no doubt that the State must play a progressively active role, but under the present conditions, the mechanism and the resources of the State might not permit it to function forthwith in industry as widely as may be desirable. Government "feel that the State could contribute more quickly to the increase of national wealth by expanding its present activities wherever it is already operating and by concentrating on new units of production in other fields, rather than on acquiring and running existing units. Meanwhile, private enterprise, properly directed and regulated, has a valuable role to play."

"On these considerations Government have decided

17. *Annual Report of the Ministry of Agriculture, 1949-50*, p. 9.

18. *Times of India*, 15 August 1949.

that the manufacture of arms and ammunition, the production and control of atomic energy and the ownership and management of railway transport should be the exclusive monopoly of the Central Government." Government would always have power to take over any industry vital for defence. "In the case of the following industries the State will be exclusively responsible for the establishment of new undertakings," except when otherwise provided for: (1) Coal (2) Iron and Steel (3) Aircraft Manufacture (4) Ship-building (5) Manufacture of telephones and telegraph and Wireless Apparatus, excluding Radio Receiving Sets (6) Mineral Oils.

"While the inherent right of the Government to acquire any existing industry in national interest will remain, Government have decided to let existing undertakings in these fields develop for a period of ten years," with all facilities for efficient working and reasonable expansion. At the end of ten years "the whole matter will be reviewed and a decision taken in the light of circumstances, obtaining at that time." If nationalization was decided upon fair and equitable compensation would be awarded. State enterprises would as a rule be managed through the medium of Public Corporations.

Generation and distribution of Electricity would be regulated according to the provisions of the recently passed Electricity Supply Bill.

"The rest of the industrial field will normally be left open to private enterprise individual as well as co-operative." State would also progressively participate in it. The Central Government had already embarked on enterprise like the multi-purpose development of river valleys of great magnitude. The State would not hesitate to intervene whenever unsatisfactory conditions were found.

The planning and regulation by the Central Government of the following additional industries was necessary in the national interest :— (1) Salt (2) Automobiles and tractors (3) Prime Movers (4) Electrical Engineering (5) Other Heavy Machinery (6) Machine Tools (7) Heavy Chemicals, Fertilizers and Pharmaceuticals and Drugs (8) Electro-Chemical Industries (9) Non-Ferrous Metals (10) Rubber Manufactures (11) Power and Industrial Alcohol (12) Cotton and Woollen textiles (13) Cement (14) Sugar (15) Paper and Newsprint (16) Air and Sea Transport (17) Minerals (18) Industries related to Defence.

Cottage and small scale industries would be encouraged and “one of the main objectives will be to give a distinctly co-operative bias to this field of industry.”

To secure maximum increase in production it was necessary to ensure industrial peace. Government accepted the recommendation of the Industrial Conference that “the system of remuneration to capital as well as to labour must be so devised that both will share the product of their common effort” avoiding excessive profits, and providing fair wages to labour and fair return on capital employed. Government consider that labour’s share of profits should be on a sliding scale normally varying with production.” Machinery would be set up to advise on fair wages, fair remuneration for capital and conditions of labour.

The participation of foreign capital and enterprise was welcome, but would be carefully regulated with a view to ensure that the major interest in ownership and effective control will be in Indian hands, though exceptions, in the national interest, would be allowed. “In all cases, however, training of suitable Indian personnel for eventually replacing foreign experts will be insisted upon.”

Government would assist private and co-operative enterprise by removing transport difficulties and by facilitating import of essential raw materials. "Tariff policy of the Government will be designed to prevent unfair foreign competition and to promote the utilization of India's resources without imposing unjustifiable burdens on the consumer. The system of taxation will be reviewed and readjusted where necessary to encourage savings and productive investment and to prevent undue concentration of wealth in a small section of the population."¹⁹

STATEMENT ON THE PARTICIPATION OF FOREIGN CAPITAL

The Prime Minister stated in the Indian Parliament on 6th April, 1949 that the policy in this regard had already been announced in broad terms in Government's statement on Industrial Policy. Further elucidation, on some aspects was necessary. Firstly, that both foreign and Indian undertakings would be subject to the general requirements of Government's Industrial Policy. Secondly, foreign enterprises would be allowed to earn profits, subject only to regulations common to all. Reasonable facilities for remittance of profits would be given consistent with the foreign exchange position. Thirdly, if and when foreign enterprises were compulsorily acquired, fair and equitable compensation would be paid and reasonable facilities for remittance of proceeds would be provided.²⁰

According to a statement reported to have been made by Dr. Mathai in the Indian Parliament foreign capital invested in India during 1948 and up to September, 1949 was about Rs. 60 million. Capital investment from U.S.A. during the financial year 1949-50 was Rs. 566,500.²¹

19. *Indian Information*, 15th May, 1948.

20. *Indian Information*, 1st May, 1949, p. 428.

21. *Times of India*, 15th March, 1950.

The International Bank for Development and Reconstruction has so far advanced three loans to the Government of India. A loan of \$34 millions was given for rehabilitation of the railways. Another loan of \$10 millions was given for land reclamation projects. The third loan of \$ 18.5 millions was given for the Bokaro Thermal Electricity Project.

INDUSTRIAL PANELS.

In all 31 panels had been appointed to deal with industries or groups of industries. The reports of the panels considered the then state of production and demand in the industry concerned, indicated the future trend of demand and in that light indicated the desirable targets of production. They then went on to indicate the location of new plants and the type of Government help necessary and the extent to which Government control should be exercised. Fourteen panels had submitted their reports by the end of 1947 and Government Orders were reported to have been passed on them. ²²

Government accepted either the whole or a part of the recommendations of these panels. In the case of Artificial Silk and Rayon, for instance, the Government decided that it was not necessary to lay down any targets of production or to indicate or restrict the location of new units as recommended by the panel. ²³

It was later reported that "Thirteen out of the twenty-four Industrial Development Committees consisting of technical and expert Government representatives of industrial and trade interests which replaced the former industrial panels, reviewed the difficulties and impediments

22. Agenda and Notes, Conference on Industrial Development in India, December 1947, p. 10.

23. *Report of the Advisory Planning Board*, 1946, p. 123.

in the way of developing industry, both private and state-owned, according to all-India patterns prescribed for each industry and explored the methods of overcoming them." 24 No further information is available in this regard.

STATE PROJECTS.

In accordance with the industrial policy announced by the Government in April, 1948 the positive responsibility of the Government related to those fields of industry where development was reserved exclusively for the State although the existing undertakings in them were left to be developed under private enterprise. In pursuance of this policy Government has taken steps for the establishment of certain important industries either directly or under its auspices in consultation with foreign and other experts.

Dr. Mathai is reported to have given the latest details of the development projects for which the Government of India had entered into negotiations with foreign concerns. These included dry cable factory, machine tools factory, heavy chemical plant manufacturing project, steel project, synthetic petroleum project, radar and radio equipment, penicillin factory, fertilizer project, proto-type cum machine tool factory, telephone industries, light weight coaching stock factory and locomotive manufacturing project.

The negotiations were not for participation of foreign capital in all cases. They fell into three categories, namely (a) Participation of foreign capital; (b) payment of royalty for use of patent rights and "know how" and (c) payment of charges for acting as consultants for planning, construction and initial operation. 25

24. *Times of India*, 21 October, 1948.

25. *Times of India*, 15 March, 1950.

COTTAGE INDUSTRIES.

Following the recommendations of the Industries Conference in December 1947 the Cottage Industries Board was set up in 1948 consisting of Central and Provincial Government representatives and also representatives of institutions like All India Spinners' Association. The Board was (i) to advise and assist Government in the organization and development of cottage and small scale industries; (ii) to examine and advise how the cottage and the small-scale industries can be co-ordinated with large scale industries; (iii) to examine the scheme of the Provincial and State Governments for the promotion of cottage and small-scale industries and to assist in co-ordinating them; and (iv) to advise Government on the marketing of the products of the cottage and small scale industries in India and abroad. The Board met at Cuttack in December, 1948 and made the following recommendations which were being considered or implemented by Government. " (1) Establishment of a Central Cottage Industries Emporium at Delhi. (2) Assistance to the export of Cottage Industry Products. (3) Starting of a Journal as a vehicle of technical and commercial information. (4) Central Institute for training and research. (5) Organization of Cottage Industries on a co-operative basis. Expert Committees for considering (4) and (5) will be soon set up."²⁶

It was intended to set up committees of the Board for special industries. A committee was appointed for handloom. In April, 1949 a Central Cottage Industries Emporium was opened in Delhi. It has been decided to establish a Central Institute of Cottage Industries at Harduganj for training instructors and for research in the utilisation of raw materials.²⁷

26. *Annual Report of the Ministry of Industry and Supply 1948-49.*

27. *Annual Report of the Ministry of Industry and Supply, 1949-50.*

FINANCE.

“The Industrial Finance Corporation was constituted with effect from the 1st July, 1948 for the purpose of providing medium and long term loans to industrial concerns in India. The authorised capital was Rs. 100 million of which half has been issued so far, the subscription of the Central Government and the Reserve Bank amounting to Rs. 10 million each. The balance has been subscribed by Insurance Companies, Investment Trusts, Banks and other financial institutions. The Corporation is managed by a board of 12 Directors of whom the Managing Director and three Directors are nominated by the Government and two by the Central Board of the Reserve Bank, while the remaining six represent the other share holders. Only public limited companies and co-operative societies are eligible for loans from the Corporation and the total amount sanctioned by it amounted to Rs. 18.4 million. The industries assisted are machinery manufacturing, electrical engineering, ceramics, iron and steel foundries, glass works, electrical supply undertakings and chemical works.” 28

EXPORT POLICY.

A specific export policy adjusted to internal needs, etc. was never chalked out. The Report of the Export Promotion Committee makes the following revealing observations about the export policy of the Government of India in the post-war period. “It is a fundamental fallacy to think that when one country exports to another, it is doing it a favour. It is in fact quite often doing itself a service. Our export policy has suffered to a great extent from this fallacy. We have time after time restricted the export of articles not because we could not possibly do without them, nor because the trade in them was not

28. *Annual Report of the Ministry of Finance, 1948-49.*

valuable to us but for other reasons. Again, sometimes, when we have agreed to allow exports we have hedged them round with such conditions regarding licensing, prices, duties, etc. as to make fulfilment extremely difficult. There is again a special frame of mind unfortunately not absent in Government Circles, which considers refusal to trade or putting hindrance in the way of exports a good method of showing political displeasure. It is good to be at peace with all the world. It is better to have cordial relations with every member of the comity of nations. But to refuse to trade in the absence of cordial relations is to show signs of immaturity.”²⁹

IMPORT POLICY.

Import policy has been equally unplanned. As the Commerce Minister himself stated: “It is possible to argue that our import policy is apt to go to extremes. In 1946 we had a liberal import policy including even the dollar areas. In 1947, we tightened it up and went to the other extreme, so much so that we could not utilise our available sterling releases. In 1948 we went back to liberal imports from soft currency countries to an extent which far transgressed the limits of sterling releases and we are now again pursuing a restrictive policy, the results of which cannot be foreseen. Such changes are quite inevitable and in keeping with the general economic fluctuations throughout the world. Our policy must be governed strictly by the balance of payments position as revealed by experience from time to time. As circumstances often change rapidly, I cannot promise that no change will be made in the policy in future.”³⁰

29. *Report of the Export Promotion Committee, 1949, p. 12.*

30. K. C. Neogy, Address to the Import Advisory Council on 2 June 1949, *Indian Trade Bulletin*, January, 1950.

DEVALUATION.

Due to various factors such as declining exports, increasing imports, capital payments, etc. India's balance of payments was heavily adverse during the last three years. But devaluation of currency was not restored to for correcting this adverse balance. The decision of the U.K. to devalue sterling forced the hands of the Government of India and the Rupee was devalued by 30.5 per cent in relation to the Dollar on 19th September, 1949. The old parity with the sterling was, however, maintained. Pakistan did not devalue her rupee and maintained the old dollar parity. This complicated and worsened trade and financial relations between India and Pakistan.

TRANSPORT

RAILWAYS.

A 5-year development plan, costing Rs. 2,300 million had been drawn up for the railways before the end of the war. New lines, most of which were expected to be unremunerative, accounted for Rs. 500 million. Electric traction schemes were estimated to cost Rs. 80 million. Rs. 500 million were to be spent on rolling stock including the improvement of third class passenger coaches. The balance of Rs. 1,220 millions was to be devoted to improvement or replacement of office buildings, staff quarters and amenities, workshop, stations, the signalling system, track and bridges, fencing, etc. Over Rs. 700 millions of this was classed as "Replacement Works". For improving amenities for passengers Rs. 50 million were provided.

The Advisory Planning Board recommended that the railway projects aimed at increasing the availability of coal should be given the highest possible priority. They further remarked: Railway Plans "dwarf all other

construction programme in the call which they make on the physical resources of the country. Their requirements of steel, we understand, amount to no less than 50 per cent of the current production, their demands for timber are enormous and for cement and other commodities very considerable. We consider that in view of the shortage of these materials, the plans of the railways, other than those affecting the supply of coal, must be very carefully screened and may have to be slowed down to some extent."³¹

The partition of the country and the resulting problems complicated the situation in 1947. The Minister for Transport stated in his speech replying to the debate on the Railway Budget 1948-49: "As a result of the very careful examination of the whole position, in regard to development, we have come to the conclusion that for the immediate future at any rate our objective should be to consolidate our position. Capital expenditure we are thinking of in the immediate future is expenditure which has that kind of consolidation as its objective."³²

Due to the lack of replacements during the war the position of the railways in regard to locomotives and rolling stock had become very difficult. On 31st March, 1949 there were 1291 over-age locomotives, both broad-gauge and metre-gauge. Wagon requirements were put at 10,000 in terms of 4 wheelers. Orders were placed abroad for locomotives and during the period between the partition and 31st January, 1950, 447 broad-gauge and 51 metre-gauge locomotives had been received and brought into use. Another 209 broad-gauge, 156 metre-gauge and 20 narrow-gauge locomotives were expected to be delivered during 1949-50.³³ The International Bank of Reconstruction and Development gave in 1949 a loan of \$ 34

31. *Report of the Advisory Planning Board*, 1946, p. 20.

32. *Indian Information*, 15 March, 1948, p. 304.

33. *Railway Budget (Speech)*, 1950-51.

millions for the rehabilitation of the railway system. This was being utilised for financing purchase of 418 locomotives, 26 boilers and certain spare parts. These were expected to be delivered before 31st March, 1951.³⁴ As a result of the new additions the deficiency of wagons had been reduced to the order of 4,000 wagons by March, 1950.

For the manufacture of locomotives the Government was building up a factory at Chittaranjan in Bengal. "A technical aid agreement has been concluded with the Locomotive Manufacturing Company of Great Britain through the British Locomotives Manufacturers Association. Under this agreement, the Company will make available advice, technicians and skilled supervisory staff for service at Chittaranjan and will also provide facilities for the training of the required number of Indian technicians in the factories of member firms of the Company. The targets of production at Chittaranjan, which have been agreed on, will be 3 locomotives in the year 1950, 33 in 1951, 45 in 1952, 66 in 1953 and 90 in 1954; the subsequent annual production will be of the order of 120 locomotives per year. The output targets could have been stepped up at the cost of the attainment of self-sufficiency in the manufacture of the parts and components which are assembled in a locomotive. At the end of five years we would be turning out locomotives entirely of Indian manufacture, except for such proprietary fittings as Indian industry is unable to supply."³⁵

ROADS.

"Roads is a provincial subject in which the Centre cannot exercise any authority or control except by agreement with the Provinces or by attaching special conditions to subventions which may be made by the Centre to the

34. Railway Budget (Speech), 1950-51.

35. Ibid.

Provinces for expenditure on a Provincial subject.”³⁶In the new constitution National Highways are in the Union List and the Union Parliament has exclusive powers to make laws in that regard. “The executive power of the Union will also extend to the giving of directions as to the construction and maintenance of means of communications declared in the direction to be of national or military importance.”³⁷

The report on Post-war Road Development in India prepared at Nagpur in 1943 forms the basis of long-term planning of road development in India, but that report is not accepted as a blue print by the Government for working purposes. The following targets were fixed by that Report.

National Highways	22,000 miles.
National Tracks	3,000 miles.
Provincial Highways	65,000 miles.
District Roads—Major	60,000 miles.
District Roads—Others	100,000 miles.
Village Roads	150,000 miles.

SEA TRANSPORT.

The Ports (Technical) Committee reporting in May, 1946 emphasised the need for a major port between Bombay and Karachi. Soon after partition the West Coast Major Port Development Committee was set up to carry out an investigation. The Committee recommended the development of Kandla as a major port.³⁸ This work had been taken in hand and Rs. 10 million had been allocated for the project during 1950-51.³⁹

36. *Annual Report of the Ministry of Transport, 1948-49.*

37. *Ibid.*

38. *Ibid.*

39. *Annual Report of the Ministry of Transport, 1949-50.*

"It was originally proposed that 3 Government sponsored Shipping Corporations, on a State-Cum-Private ownership basis be set up, with an authorised capital of Rs. 100 million each. Because of financial stringency it is proposed to set up only one such Corporation for the present which would operate shipping services in the India-Far East, India-Australia and India-Middle East Trades." ⁴⁰ The Scindia Steam Navigation Company will be, it is reported, the Managing Agents of this Corporation.

LABOUR

"The Government policy in relation to industrial labour is clear cut, being based on ideas developed over a series of years by a wing of the Congress Party. Its basic concepts are a belief in compulsory arbitration of industrial disputes, in the efficacy of profit sharing, in the fixation of minimum wages and the possibility of an automatic adjustment of wages in changing conditions of prices and employment. A few provinces made a beginning with legislation in some of these respects more than a decade ago; during the last two years the concepts have been increasingly incorporated in all-India legislation and policy." ⁴¹ The Minimum Wages Act (1948), the Industrial Disputes Act (1947) were passed by the Central Legislature.

The Government of India appointed on the 7th April, 1948 a Committee to consider and evolve a scheme of profit sharing. The Committee submitted its report in September, 1948. The report pointed out that as a practical proposition it was not possible to devise a system in which labour's share of profits could be determined on a sliding

40. *Annual Report of the Ministry of Commerce, 1949-50,*

41. D. R. Gadgil, "Economic Prospect for India," *Pacific Affairs*, June, 1949.

scale varying with production. But in the following six industries, Cotton Textile, Jute, Steel (main producers) Cement, the manufacture of Tyres and the manufacture of Cigarettes, an experiment in profit sharing may be tried in the first instance for a period of five years. The main reason for recommending this experiment was that it would promote industrial peace.

There are innumerable difficulties in the way of determining labours' share in surplus profits. As a consequence it can only be determined in an arbitrary way. Once, however, it is done, its distribution among individual workers should be in proportion to their total earnings in any given previous period. Profit sharing should normally be unit-wise but in certain selected cases an industry-cum-locality basis may be tried.

Surplus profits would be those over and above the fair return on capital. "A fair return on capital employed in the established industries (recommended above) should be that minimum return which will encourage further investment. We consider, taking all factors into account that six per cent on paid-up capital plus all reserves held for the purpose of the business would be a fair rate under present circumstances." ⁴² The workers' share should be 50 per cent in the surplus profits of the undertakings.

SOCIAL INSURANCE

The Adarkar scheme of sickness insurance for industrial workers as modified by the I.L.O. experts was considered by the Government of India and on its basis the Employee's State Insurance Act, 1948, was passed. The act confers on workers in perennial factories a scheme of social security consisting of sickness, maternity and employment injury benefits. The scheme was to be adminis-

42. *Labour Year Book*, 1947-48, p. 123.

tered by the Employees' State Insurance Corporation which has been established. Both the employees and the employers are required to make contributions to the Insurance Fund and the principal employer is made responsible for making the payment of the contribution both on his behalf as well as on behalf of his employees. He is authorised to deduct the latter from their Wages. The Corporation was inaugurated on October 6th, 1948. A Medical Benefit Council was constituted. The Council has appointed a Sub-Committee to report on the standard of medical benefits to be provided and the draft agreement to be made between the Corporation and the Provincial Government. "In view of the administrative difficulties involved in launching a country-wide scheme of state insurance the Government have decided that the Corporation should experiment first with a pilot scheme covering the centrally administered areas of Delhi and Ajmer-Merwara." 43

III. PROVINCIAL DEVELOPMENT PROGRAMME

As noted previously the Provinces prepared plans on the lines indicated by the Government of India, but not all did adopt the idea of concentrated area development. The Advisory Planning Board commented as follows on the various provincial plans: "The plans vary in merit. Some are fairly carefully integrated wholes; others are little more than collections of departmental schemes hastily thrown together. The plan put forward by the North-west Frontier Province was so greatly in excess of the resources of the Province that complete revision has been necessary."44 The plans were considered by the Government of India in July, 1946 and certain suggestions for modification were made. Some schemes included in the plans began to be worked upon during 1946-47.

43. *Labour Year Book*, 1947-48, p. 65.

44. *Report of the Advisory Planning Board*, 1946, p. 68.

It is not possible to give here any detailed idea about these various plans, partly because of the lack of adequate data and partly because of the considerations of space. The best way to deal with the plans as a whole was to consider them in the light of expenditure incurred and budgeted on the various aspects of development embodied in them. This has been attempted below. Available information about the concrete achievements is presented at appropriate places.

The provincial plans drawn up in undivided India were estimated to cost Rs. 7,764.5 million. The plans were based on the assurance of ample financial help to the tune of Rs. 1,000 million every year from the Centre during the five years after the termination of hostilities. Tables 1 and 2 compiled by the Advisory Planning Board give the details regarding the Provincial and Central plans and the way they were expected to be financed.

The expectations regarding the help available from the Centre failed to materialise and the plans had to be revised. The total expenditure on revenue and capital accounts of the provincial development programme now in operation has amounted to a little more than Rs. 2,500 million, from 1946-47 to 1949-50. Of this Rs. 160 million were spent in 1946-47, Rs. 270 million in 1947-48, Rs. 790 million in 1948-49 and Rs. 1,290 million in 1949-50. The distribution of this expenditure among the various development heads is contained in Table 3 which also gives details regarding each of the provinces.

Expenditure on Civil Works—Buildings and Roads—forms the largest single item of expenditure accounting for nearly a quarter of the total provincial development expenditure. Of the Rs. 560 million spent under this head approximately Rs. 300 million have been spent on buildings and the rest on road development. In United Provinces

(U.P.) Civil Works accounted for 55 per cent of its total development expenditure and more than 45 per cent of the expenditure in all the provinces taken together. Of the total of Rs. 260 million spent on road development Rs. 130 million were spent by U.P. alone. In this connection, Shri Sampurnananda, Finance Minister of U.P. said in his budget speech (1950-51), "Government drew up a programme in 1946 for developing the means of communications in the State. The first phase of the programme provided for the taking over and the reconstruction of about 2,800 miles of District Board Roads and for the construction of 1,641 miles of new metalled roads, 513 miles of cement concrete track and a number of bridges and culverts. We have so far constructed about 1,000 miles of new metalled roads, 4,500 miles of new unmetalled roads, earthwork and construction for 130 miles of cement concrete track has been completed. 1,814 miles of existing metalled roads have been reconstructed." 45

Another notable fact is that the expenditures incurred on road construction were not related to the needs of each province. The average mileage per 100 sq. miles of provincial area is very low in Assam, the Central Provinces (C.P.), Orissa, the East Punjab and Bihar as compared to other provinces and in them the least has been spent on road development while other provinces relatively well developed in this respect have spent proportionately larger amounts on that account.

Irrigation accounted for 16 per cent of the total development expenditure. The expenditure was inflated because Orissa, West Bengal and Bihar had debited to irrigation their entire contributions to multi-purpose projects, like the Damodar Valley. In East Punjab the expenditure on Bhakra and Nangal Projects has been broken up between irrigation and electricity. "High proportion of

45. Budget 1950-51, U.P.

expenditure on irrigation in the case of Bihar, Orissa and West Bengal is the incidental result of their being beneficiaries of the Centrally sponsored multi-purpose projects; the higher proportion in the case of the East Punjab is due to the accident of a heavy pre-partition commitment having fallen to its lot." ⁴⁶ Expenditure on irrigation in Madras is 21 per cent of the total provincial expenditure on that head. Bihar also spent Rs. 30 million besides its contribution of Rs. 26 million to Damodar Valley Corporation. Expenditure on this item was also considerable in U.P.

The following are some of the concrete results reported to have been achieved in this regard. In C.P. total additional area brought under irrigation since 1946 came to over 100,000 acres. ⁴⁷ In U.P. "The Sarda Canal system is being extended by 1,062 miles. 400 miles of new channels have been dug under this scheme in the current year. The Lalitpur Dam, which is expected to irrigate 30,000 acres of land annually, has been completed. The Nagwa dam in Mirzapur district, which will irrigate 15,000 acres, is nearly complete. It is hoped that the Saprar Dam and canal will be completed during the budget year." ⁴⁸ Area irrigated by State canals and State tube wells had been increased by more than 500,000 acres. ⁴⁹ In East Punjab by running additional water and raising the banks of canals *kharif* irrigated area was increased by 350,000 acres in 1949 over 1948. ⁵⁰

Electricity development takes the third place in provincial development expenditure, but if the expenditure on multi-purpose projects be divided adequately between electricity and irrigation it would occupy the second place.

46. *Provincial Development Programmes*, Cabinet Secretariat, 1949. p. 179.

47. Budget 1950-51, C.P.

48. Budget 1950-51, U.P.

49. *Ibid.*

50. Budget 1950-51, East Punjab.

As to the results achieved some information about U.P. and C.P. only was available. In U.P. the installed electrical capacity was 1½ million K.W. in 1948-49. Plans had been drawn up to increase it by 1 million K.W. in about 10 years. By the end of 1950, 2600 K.W. were expected to be added to the already existing capacity.⁵¹ In C.P. six thermal projects, designed to produce some 80,000 K.W. of power were under actual construction.⁵² In regard to the expenditure as a whole the Report on the Provincial Development Programme observes: "The heavy cost of generation of electricity can only be justified if there is a planned provision for its utilisation. This aspect of the matter has, in most cases, not received its due consideration. In a number of cases the additional power to be generated through these projects would be readily utilised in the near future; but in a large number of cases utilisation of power has not been planned for and even the need for making such a provision is not fully appreciated."³

The Agricultural and "Grow More Food" items accounted for 14 per cent of the total expenditure. The share would be slightly higher if the expenditure of about Rs. 300 million of West Bengal, which regarded it as outside development expenditure, was included. More than one-third of the total expenditure was incurred in Madras, a little less than a quarter in Bombay and more than one-tenth in U.P. Bombay and Madras were deficit areas and this expenditure might be justified. Orissa, C.P. and Assam, in which perhaps there was greatest scope for extension of cultivation and reclamation of land have together incurred only 15 per cent of the total expenditure.

As to results, in U.P. since 1945-46, 70,000 acres of land had been reclaimed by the Agricultural Department.

51. Budget 1950-51, U.P.

52. *Provincial Development Programme*, 1949, p. 75.

53. *Ibid*, p. 169.

They had sunk about 6,500 masonry wells and 140 tube wells. Since 1945-46, 7,000 masonry wells had been improved by boring etc. The Department had distributed 5,300 Persian Wheels.⁵⁴ In C.P. up to the end of 1949, 10,000 new wells had been constructed and 5,000 old wells rehabilitated. 800 new tanks had been constructed and 1,000 old ones had been repaired. Field embankments of 75,000 acres had been constructed and those of 94,000 acres had been improved and repaired. As a result of the Cultivation of Fallow Land Act 400,000 acres had been brought under cultivation.⁵⁵ In the Indian Union as a whole 25,920 wells were constructed in 1947-48 and 33,553 in 1948-49, the former figure including also the number of old wells repaired.⁵⁶

Education claimed about 8 per cent of the total expenditure. Expenditure in U.P. as shown in the table was an underestimate because development expenditure was also mixed with the normal routine expenditure on education. These two categories cannot be separated. Expenditure on this item is very uneven relatively to the educational needs of the various provinces. Most of the expenditure on education has been incurred on the development of elementary education. Introduction of basic education is the accepted policy of all Provincial Governments. In a number of cases provision has been made for training of teachers; and in one or two cases real progress has been made in the development of basic education. In regard to elementary education in spite of the expenditure, "actual progress has been negligible so far as concrete results are concerned."⁵⁷

In U.P. in respect of primary education the aim was

54. Budget 1950-51, U.P.

55. Budget 1950-51, C.P.

56. *Agricultural Situation in India*, March 1950, Ministry of Agriculture.

57. *Provincial Development Programme*, 1949, p. 3.

to establish 22,000 schools in 5 years. By the end of 1948-49, 6,740 schools were opened and 4,400 schools were expected to be opened during 1949-50.⁵⁸ In Assam more than two-thirds of the expenditure on education was on University Education. Apart from a small provision for the preparation of basic text books, there was hardly any development of primary education. In the Frontier Agency Areas a separate programme entirely financed by the Centre had been adopted. Up to the end of 1948-49, 49 primary schools, 9 secondary schools and 3 special schools had been opened as compared to 6-7 schools in the region when the plan was started. In the next three years, 115 primary schools and 10 secondary schools were to be opened.⁵⁹ In C.P. no primary schools were established during the first 3 years of the programme. During the next two years, 300 schools will be opened each year and 500 and 600 schools would be opened in the third year and the fourth year.⁶⁰ In Orissa 300 primary schools had been opened in partially excluded areas. Most of the expenditure on elementary education has been absorbed by revision in the scales of salaries of teachers and improvement of buildings and equipment of existing schools.⁶¹

Medical and Public Health Schemes have absorbed more than Rs. 150 million. Bombay, Madras and West Bengal claim 60 per cent of it, that of the last alone being 33 per cent. Generally the expenditure was very uneven relatively to the needs of the different provinces. "In the sphere of public health again schemes have been formulated and some of them are imaginative and in accord with the needs of the country. But apart from improving buildings, staff and equipment of hospitals and taking over of a few hospitals, which are being inefficiently run by local bodies, hardly any impression has been made on our

58. *Provincial Development Programme, 1949, p. 134.*

59. *Ibid, p. 27.*

60. *Ibid, p. 69.*

61. *Ibid, p. 19-20.*

dismal public health situation. There is evidence that the Provincial Governments are thinking in terms of the needs of the countryside and are definitely interested in extending medical facilities in rural areas. The results of these intentions, however, have been meagre and there does not seem to be any prospect in the immediate future of any real progress being achieved.”⁶²

On industries more than Rs. 80 million had been spent. More than 77 per cent of this was accounted for by C.P., Madras, U.P. and Orissa where it was mainly investment of appreciable amounts in large industrial undertakings. In C.P. the Provincial Government has decided to establish an aluminium factory and the development of two coal mines as state-undertakings. There were also plans for development of cement and metal industries. A Board of Industries has been established for the management of state concerns. The Government had also contributed capital for the establishment of a paper mill and an aluminium factory, but the future of these undertakings was reported to be doubtful.⁶³ The U.P. Government proposed to start as public undertakings, a cement factory, a factory for rayon yarn, a factory for “kraft” paper, 3 distilleries for manufacturing power alcohol, etc.⁶⁴

Co-operation and development of co-operative institutions cannot be judged by the amounts spent on them alone. Rs. 20 million had been spent on them, 50 per cent of it in Bombay alone, 25 per cent in U.P. and more than 16 per cent in C.P.

Forests could claim only 1.1 per cent of the total expenditure on development. Most of it had been utilized for

62. *Provincial Development Programme*, 1949, p. 3.

63. *Ibid*, p. 74.

64. *Ibid*, pp. 140-141.

Methods of financing Provincial Development Plans,
during 1946-47—1949-50. 65

(In Million Rupees)

	<i>Revenue Account</i>		<i>Capital Account</i>		<i>Total</i>	
	<i>Rs.</i>	<i>%</i>	<i>Rs.</i>	<i>%</i>	<i>Rs.</i>	<i>%</i>
Central Grants	643	(51.1)	—	—	642.8	(25.7)
Central Loans	—	—	758	(61)	758.0	(30.3)
Provincial Loans	—	—	84.2	(6)	84.2	(3.4)
Net Revenue Surplus	535	(42.5)	—	—	535.5	(21.4)
Withdrawal from Balances	80	(6.4)	398.9	(32)	478.9	(19.2)
Total	1258	(100.0)	1241.1	(100)	2500.4	(100.0)

conservation, rather than their development. ⁶⁶

The total cost of the Provincial Development Programme both on revenue and capital accounts came to about Rs. 2,500 million during 1946-47—1949-50. It has been financed as shown in the statement on page 40.

The total expenditure has been almost equally divided between the revenue and the capital accounts. If the expenditure on capital account is considered as investment on long-term projects not likely to bear fruit in the near future, half the expenditure on provincial development has been generating money income not matched by an increase in production. It is not certain whether the expenditures on revenue account have been on schemes fructifying within a short time. In so far as they have not done so, they are almost similar in their effects as the capital expenditure.

Only one-fifth of the total expenditure has been financed out of revenue surpluses and an insignificant part from provincial loans. The rest has been mainly financed from Central grants and loans and secondly by drawing upon the Post-war Reconstruction Funds built up by the Provinces during the war.

An examination of the methods of financing the loans and grants made to the Provinces by the Central Government is attempted below. The drawing on the Post-war Reconstruction Funds of the Provinces has also meant in the main the liquidation of the Government of India securities in which they were mainly invested. This has meant an indirect burden on the Government of India's finances in so far as the Reserve Bank has had to lend considerable support to the securities market in order to maintain the prices of Government securities in the face of this liquidation.

The figures in Table 4 broadly indicate the magnitude of the finances required and provided by the Government of India during 1946-47—1949-50 for development schemes Central and Provincial. The total expenditure of about Rs. 3,750 million has been incurred on development by the Government of India during the last four years. Most of the above expenditure is shown in the Capital Budget of the Government. The practice of drawing up separate Revenue and Capital Budgets was introduced in 1946-47. In explaining the significance of this step the Explanatory Memorandum on the Budget 1946-47 stated: "This is an attempt to recast the form of the budget so as to show separately the Revenue, Capital and Ways and Means transactions. There is no change in the information given; the change is only in the presentation of figures." From this it should be clear that the total deficit or surplus of the Government was represented by the sum of deficits or surpluses in both the budgets and not by the deficit or surplus in the Revenue Budget only. Yet the Finance Ministers, not grasping fully the nature of the new Capital Budget, convinced themselves that the budgets were balanced when the Revenue Budget was balanced though there might be huge deficits in the Capital Budget. The figures in Table 5 regarding total receipts and disbursements of the Government of India, the deficits therein and the way they have been financed will make the position clear.

Allowing for external receipts and disbursements, etc. the inflationary gap in India finances during 1946-48 amounted to about Rs. 930 million. This was financed partly by currency expansion and partly by liquidating the cash balances of the Government of India built up during the war, increasing inflationary pressure in the country to a substantial extent. To put it otherwise, a large part of the finance for development was found by inflationary methods. Incidentally the proportion of defence expenditure to the total varying between 18 and 29 per cent shows how vitally

it cut into the available finances for development.

An inflation had already developed in India before the war ended. Large-scale deficit financing described above added further to the inflationary pressures. The policy of decontrol adopted at the end of 1947 aggravated the situation by releasing the whole of the suppressed inflationary pressures. The situation should have been tackled by balancing the budget to put a stop to further inflation and by re-imposing and strengthening controls on prices and distribution for the undoing of the already developed inflation. The Government of India tried to do this in a half-hearted manner which was rather in the nature of tinkering with the problem. They based themselves on the theory that the only effective remedy against inflation was an increase in production. The Finance Minister presenting the budget for 1950-51 is reported to have observed as follows: "I know that there is a considerable body of academic opinion in the country which holds a different view but I am perfectly clear in my own mind that the effect of the present level of taxation is not deflationary but positively inflationary, because if you take the line that the solution for the problem of inflation is production, then a very high level of taxation which reduces the margin of savings available for investment is really a potentially inflationary force."⁶⁷ The passage reveals in very clear terms Government's appraisal of the inflationary situation and the remedies they propose to adopt. The policy of lowering taxes on higher personal incomes and business profits to stimulate production has been consistently followed since the first budget of the Indian Union to the latest performance in that respect. A counterpart of this has been the higher levels of indirect taxation.

It has been repeatedly pointed out that the policy of

67. *Times of India*, 1 March, 1950.

fighting inflation by a sizeable increase in production in the short period is a fallacy. Anything between 50 to 100 per cent increase over the present levels of production would be immediately necessary to make any impression on the six-times increased currency in circulation. This was not within the range of possibility if increase in production achievable in infinitely more richly endowed countries than India, like the U.S.A. were taken into account.⁶⁸ But this kind of criticism has probably gone unheeded as being "academic." The results are too plain for everybody to see. The index of wholesale prices has gone up from 244 at the end of war to 394 in April, 1950.

IV. FAILURE OF PLANNING

The *Report on the Provincial Development Programme* concludes with the following words: "Analysis of the development expenditure indicates very clearly its uncoordinated character. From the point of view of each province and of the country, the distribution of expenditure does not show any intelligent pattern or rational assessment of needs and possibilities. Decisions with regard to development plans having been taken on an *ad hoc* basis, it is not at all surprising that the available resources during the last four years have not been utilised to the best advantage. It would not be now possible to recast the whole development programme without taking into account the existing commitments, and distribution of expenditure. The need for rational allocation of expenditure of the available resources, however, is clear from this analysis and only confirms the conclusion that in a country like India, unplanned expenditure cannot but be wasteful and involve partial dis-

68. Cf. N. V. Sovani, *Postwar Inflation in India—A Survey*, (Publication No. 21, Gokhale Institute of Politics and Economics, 1949, pp. 65-70).

sipation of our limited resources.”⁶⁹

Very much the same thing can be said about the development plans of the Departments of the Central Government. They have been equally uncoordinated, *ad hoc* and without a pattern. This has also been admitted. Addressing the Conference on planning of the Chief Ministers of Provinces and Congress Representatives the Prime Minister of India is reported to have said: “I am afraid that in spite of a great deal of talk about planning, we have not done much in the past. We have tried to make good in many directions but there has not been that amount of co-ordination even within the Governments and between State Governments and the Central Government. I am frank to confess that in the Central Government there has not been a careful attempt to see the over-all picture.”⁷⁰

The reasons of this admitted failure are worth looking into. Lack of constitutional powers over the separately functioning provinces and lack of adequate statistics have been adduced as possible reasons.⁷¹ But they only partially and inadequately account for it. Weighing all evidence on the point, this failure has to be attributed, firstly, to hazy and naive notions of planning entertained by the persons at the helm of affairs and, secondly, to their inability to face squarely the problems of planning. An amazing degree of ignorance and romanticism characterised their ideas about economic planning. The majority of the politicians, who are at the helm of affairs today, began to take interest in economic planning as a weapon of propaganda against the *laissez faire* policy of the British Government. Combined with this was the

69. *Provincial Development Programme*, 1949, p. 189.

70. *Times of India*, 26 April, 1950.

71. Prime Minister Foreword to the *Provincial Development Programme*, 1949.

romantic notion that all the economic ills of India were solely due to the British rule and that they would disappear of themselves when the British quitted. Any realistic idea about India's natural and man-made resources and the limitations imposed by these was completely absent. They were hardly aware of the poverty of India's resources in relation to her numbers. Operating on this romantic background, planning was merely thought of as paper schemes which were realised when so much money was spent. Settling of concrete objectives, sectional targets, the various stages in their attainment, the means to be adopted for attaining them, etc. were honoured in breath but not in action. What planning involved escaped them completely.

It is necessary to delve deeper in this matter and to lay bare by concrete illustration, the ignorance displayed in planning in general and particular spheres. But before this is attempted it is necessary to sketch briefly the prominent features of the Indian economy to provide the background to the analysis that follows.

Economic planning in India must begin by framing the problem fundamentally in terms of resources and numbers. Much of the economic planning and the development plans that have been drawn up so far have started from unreal ideas about both these. In relation to our population our resources are not ample or even adequate. Moreover they are not virgin resources but those that have been exploited and worked for many centuries. This is more particularly true of land. An even greater difficulty in connection with any large scale economic development plans (both agricultural and industrial) would be the shortage of capital. Because the mass of the people are poor there is very little margin for savings and consequently capital formation is meagre. The population pressure on resources is already considerable and all indications show that population is likely to continue to grow at more or less the same pace in

the coming decades. This will aggravate the problem still more.

In this complex of circumstances the planner in India must realise that no spectacular things can be expected from the development plans if they are to be realistic. This should be clearly laid down so that people at large should not entertain unrealistic expectations and suffer afterwards a sense of frustration when they are not realised. Secondly, no economic planning is likely to succeed unless it also simultaneously operates on the population situation. Planning population is a much more difficult problem but nevertheless it will have to be undertaken along with economic planning.⁷²

Planning in India will have to take into account certain characteristics of the structure of Indian economic society. All the features of agriculture in backward economies like over-crowding, very low yields, indebtedness of the peasantry, meagre capital equipment, sub-division and fragmentation of peasant holdings, etc. are, it is well known, present in India. Some other basic facts should be noted. The scope for the extension of cultivation is extremely limited. The land classified as cultivable waste has not shrunk appreciably during the last 40 years even with the growing pressure of numbers indicating that "much of the land thus classified includes areas physically capable of being employed for crops only when our need is so extreme that considerations of costs of utilization are relatively secondary."⁷³

Even the most optimistic estimates of the land that can be reclaimed out of the 69 million acres of uncultivated

72. Cf. N. V. Sovani, "Population Planning in India", *Indian Journal of Economics*, January, 1947.

73. Sir G. Clarke, Presidential Address to the Agricultural Section, Indian Science Congress, 1939.

land in the Indian Union by means of tractors, etc. does not amount to more than about 5 per cent of the total cultivated area at present. Indian soils in most parts of India have stabilized at a comparatively low level of fertility and improved varieties of crops with higher uptake of soil nutrients may depress this level further unless sufficient manure is put back into the soil again.⁷⁴ As a result of partition one third of the total irrigated area in undivided India went to Pakistan; but only 22 per cent of the net sown area in India was included in Pakistan. As a result the proportion of cultivated area in the Indian Union dependent upon the uncertainties of the monsoon has increased significantly. The irrigation projects now under construction or contemplation would irrigate land already cultivated and only a small amount of virgin land. Two further facts to be noted in this connection are (1) irrigation does not benefit all crops; it does benefit wheat but as to rice it only extends the area under it rather than increasing the per acre yields. (2) Irrigation trenches on the temporary fertility of the soil and exhausts it unless properly manured. Therefore irrigation cannot be carried beyond the limits which the available supply of manure fixes.⁷⁵

Food production and food prices hold a crucial position in the Indian economic structure. The bulk of the rural population is engaged in food production and the level of food prices is an important determinant of the level of rural incomes. The bulk of the demand on the internal market for manufactured goods, etc. flows from the rural areas so that if food prices are depressed the demand for those commodities is also depressed. Industrial prosperity is thus vitally and inextricably linked with rural prosperity. In fact the development of industries cannot be pushed ahead

74. Burns, *Technological Possibilities of Agricultural Development in India*, 1944, p. 121.

75. D. Ghosh, *Pressure of Population and Economic Efficiency in India*, 1946, p. 78.

without increasing agricultural production both for supplying the increased quantities of raw materials required by the new industries as also to ensure a higher demand for the products of new industries by raising rural incomes. Like all backward agricultural economies a fall in the prices of agricultural products in India does not reduce production. There is a tendency in the opposite direction, the peasant trying to increase his production in an effort to compensate for the fall in prices.

In the industrial and the business field also some basic facts should be noted. "Trade and finance in India have always been confined to a narrow range of communities and large-scale industry has, for the most part, fallen under the control of a small section of financiers. It is safe to say that there is in India perhaps a greater concentration of economic power relating to industry, banking and insurance than in most countries of Europe and America. The Indian situation appears to have close similarity to that reported for China and Japan. An open field for private enterprise in India thus means essentially a field for the activities of certain groups of financiers and industrialists; private enterprise in India is also, in many other ways, far from being free enterprise."

"Many modern industries in the country have become established behind protective tariff walls. The iron and steel and the sugar industries owe their development entirely to protection granted for long periods. Old established industries like cotton manufactures have had to seek, and have obtained, protection against Japanese competition. The list of industries which today enjoy protection is large, and most other industries expect to obtain it, if in the near future they should be adversely affected by foreign competition. Further, the number of units in most Indian industries is small and, because of the concentration of economic power and the integration of financial control,

industrialists have found it easy to act in concert. Even before the war, fixing of prices and division of markets were common in many industries, and today these practices are well-nigh universal." 76

The Indian business and industrial community is opposed to all controls on the prices of manufactured goods. But it desires that the prices and distribution of mill stores, raw materials and building materials required by them should be controlled. They also like protection being given to consumer industries but are opposed to its extension to ancillary industries like say the making of bobbins, etc. because that increases their costs and cuts into their profits; these communities had also developed tax evasion into a fine art, even when the tax levels were quite moderate before the war. During the war they excelled themselves and beat their own previous record. Efforts of the Government of India to bring the offenders to book have not produced any significant results and time and again Ministers of the Government of India have appealed to the offenders to compound their cases. Because of these facts, there is a large body of opinion in the country in favour of gradual nationalisation or socialisation of important mechanical industries, and the leaders of the present Government at one time, (and as late as January, 1948) insisted on the urgency of such socialization.⁷⁷ It is on this background that a plan of industrial developments need to be drawn up.

Experience during the war has shown conclusively that economic controls of many varieties and of varying degrees of comprehensiveness can be successfully worked in India. The food controls in force in Madras and Bombay have been perhaps the most comprehensive and

76. D. R. Gadgil, "Economic Prospect for India," *Pacific Affairs*, June, 1949.

77. *Ibid.*

detailed in the whole world, including even the U. S. S. R. A properly integrated system of controls steadfastly applied is quite a feasible proposition in India.

Planning is defined as the discovery of means to attain certain ends within a specific environment. Both the ends and the means are conditioned by the environment, natural and man-made. The first step in planning is to determine objectives which do not conflict with one another. The *Report of the Advisory Planning Board* remarked that the main objective of economic planning in India was the raising of the standard of living of the people, etc. the subsidiary objective being to make the country strong for defence. They remarked that the second will be attained *ipso facto* when the first is achieved.⁷⁸ But this is not true. The traditional anti-thesis between defence and opulence or guns and butter is very real and not mutually reconcilable. A definite choice has to be made between the two and if both are to be simultaneously pursued, the limitations imposed by one on the other should be clearly recognized.

To make a country strong for defence it would be necessary to develop heavy industries and to make a deliberate attempt at attaining self-sufficiency in certain lines. The first will mean a diversion of resources from existing channels into new ones, not necessarily more productive or beneficial from the economic point of view. Both these conflict with the increase in the standard of living. In developing industries, the Advisory Planning Board recommended high priority to industries vital for defence than to industries producing consumer goods. This is bound to retard a rise in the standard of living.

It is also necessary to determine the period over which these objectives can or should be attained and the various

78. D. R. Gadgil, "Economic Prospect for India," *Pacific Affairs*, June, 1949.

stages in that process of attainment will have to be chalked out. This involves the time-structure of the plan and is of crucial importance. A plan of development does not aim at a temporary increase in national income but at a permanent increase. As such it has to provide for increased production as well as increased productive capacity to sustain it. An increase in productive capacity requires diversion of resources from consumption to investment so that the supplies of consumer's goods are cut into and this is reflected in a reduced or a stable level of the standard of living in the country.

There are two ways of tackling this problem. One is to place the emphasis, in the initial period of the plan, on the development of productive capacity, consequently holding constant or even reducing the existing standard of living, and to depend on the increased productive capacity, in the later phases of the plan, to yield so much increased production all round as to increase substantially the general standard of living. This was broadly the method adopted in the U.S.S.R. The objective of increasing the standard of living is attained by this method only in the later phases. The second way is to allow for a rise in the standard of living from the beginning and to build up more slowly the productive capacity. This method would be suitable to a country where there is crushing poverty and where the Government is not strong or ruthless enough to follow the first method.

Objectives thus determined are generally qualitative statements and the next step in planning is to translate them into concrete terms, i.e. into quantities. This involves a thorough survey of available resources the possibilities of manipulating them and in the light of these to fix concrete targets in different lines. If, for instance, the objective is a general increase in the standard of living, this will have to be translated into so much increased consumption of food, cloth, etc. per head, and to estimate the total in-

crease required in the supplies of these or *vice versa*. But this is not enough. The general targets of increase in production of cloth and food will have to be broken up into the specific targets for various kinds of cloth and different kinds of foodgrains.

Each stage in the process of attaining sectional and other targets moreover, must grow out of the previous one and lay the foundation for the next. Elasticity of adjustment between those various stages has to be deliberately provided for in drawing up the plan.

Generally the means to attain economic objectives are increased production and equitable distribution. The former can be attained by several ways, such as a fuller use of resources, fuller employment, larger capital ratio, better technique, increased efficiency, etc. One or more of these might be used in the attainment of different specific targets as determined largely by the availability and nature of resources, etc. in each specific instance. Whatever the the means adopted they have to be mutually complementary rather than conflicting. If for the instance, the objective is to increase food production by bringing more of the cultivated area under food crops deliberate steps will have to be taken to bring it about. It really involves crop planning. If this is to be attained by price incentives to the individual farmers, then the price of food crops relatively to the other crops grown will have to be so fixed and maintained as to provide that incentive. This involves the control of a structure of prices of almost all agricultural commodities, as also the determination and maintenance of a relative structure of industrial prices. If this is not done, and the different crops are allowed to vary or some are allowed to vary and others not, the necessary incentive to switch over from other crops to food crops may not exist. This was what happened in India to a certain extent at least when the partially controlled oilseeds prices in 1946-47 rose and went out of parity with cereal prices. The

Commodity Prices Board commenting on this urged that this might result in a diversion of acreage from cereals to oilseeds, though the extent of such diversion could not be forecast. ⁷⁹The fact that such diversion took place can be generally established by comparing the acreages under cereals and oilseeds in 1946-47 and 1947-48. The acreage under oilseeds increased but that under cereals declined generally.

The other way of increasing acreage under food crops would be that contemplated by the Bombay Growth of Food Crops Act, 1943 under which every farmer had to devote a prescribed proportion of the area cultivated to food crops. A mere legislative enactment of this type will not do. It will have to be administered strictly and to be reinforced by such incentives (or money inducements as in the Central Provinces) as noted above, which will actually make the implementation of the act not an unprofitable proposition.

Or take the example of planning new industries or expanding old ones in India. In most cases at present and in the near future the machinery necessary has to be imported from abroad. It is necessary therefore to chalk out an import policy best suited to the general end. In India import policy during the last 2-3 years has been changed, as noted earlier, every few months purely on the exigencies of the situation though no ceilings were put on capital goods import. Again, in planning new industrial units it is necessary to see that industrial energy necessary, either electrical or thermal, is available in adequate quantities. The Industrial Panels in India never considered this. The Resources Budget drawn up towards the end of 1946 showed that both coal and steel production in the country was expected to be embarrassingly short during the next 3-4 years

79. *Reports of the Commodity Prices Board*, Publication No. 20
Gokhale Institute of Politics and Economics, 1948, p. 103-4.

in view of the development schemes and potential demand.⁸⁰

Apart from this the planning of industries must take into consideration the available raw materials in the country and how their increased use will affect other sectors. The Commodity Prices Board, for instance, commented as follows on the plan envisaged by the Sub-Committee on the expansion of the Vanaspati Industry. "Moreover, the case for the control of Vanaspati based on the need for restricting the expansion of the industry is itself strong. Certain calculations made by us above show how, at the present time, the total supply of groundnut kernel and oil for domestic consumption is not considerably above the supply available in pre-war years. The calculations were not made on a per capita basis and ignored the effect of the rise in population during the last decade. On a per capita basis the present effective supply for domestic consumption might just about equal pre-war levels. It is learned that following a report of a Sub-Committee, the Government has placed before itself a target of expansion of the industry to a capacity more than double its present capacity, at which stage its consumption of groundnut may be roughly about three times its actual consumption today. If acreage and production under groundnut remain more or less at present figures (and in a short period like five years, no large increases in them can be expected) then the contemplated expansion of the industry will have serious consequences on domestic consumption of groundnut kernel and oil. For, if the industry only doubles its present consumption, this will cut down by half the present domestic supply which will vanish entirely if the consumption of the industry is trebled. It is obvious that this eventuality cannot be faced lightly."⁸¹

80. *Report of the Advisory Planning Board, 1948, p. 189.*

81. *Reports of the Commodity Prices Board, pp. 115-16.*

Planning of industries necessarily involves the control of the prices of industrial products, maintenance of their quality and control of production. In the absence of these the benefits of expanding industry will be largely netted by a microscopic minority of industrialists in the country and the Government will find itself helpless to control the malpractices of this minority. This has been too well demonstrated in India by the operation of textile controls and the recent sugar muddle. Government efforts at controlling the prices of textiles were defeated by the millowners because there was no control on the varieties, etc. to be produced by producing finer goods or bad quality goods which would not be wanted by the common consumers. Detailed control over production is absolutely essential. In the case of the recent sugar muddle the case is still more pitiable. The only way it appears by which Government can bring down sugar prices today is by holding out a threat that cheap sugar from abroad will be imported. This is far from either price control or a well planned out import programme.

An industrial policy stating how and what industries should be controlled is an integral part of industrial planning. The performance of the Government of India in this regard is also disappointing. 82

Ultimately all ways of increasing production resolve themselves into increasing investment of capital in desirable channels or enterprises. This involves several problems. Firstly it is necessary to find out the avenues in the economy where more capital, than is normally available, is necessary. A general survey of resources and the drawing up of objectives and targets would generally indicate these. The second problem is to plan for capital formation, over and above the normal. This can be provided by cutting

down consumption to the needed extent if it is solely to be provided internally. (If foreign capital is available that will obviate to that extent the cutting down of consumption but its servicing and ultimate repayment will have to be planned. Foreign capital with strings attached will create other problems. Apart from this foreign borrowing may become necessary for importing machinery from a country whose currency is in short supply. This is vitally connected with export and import and the foreign exchange policies.)

But this alone is not sufficient. Further steps have to be taken to see that the capital formed goes into the desirable channels by imposing such controls as those on capital issues, etc. Otherwise capital might flow into channels which offer the highest and the quickest profits. This also emphasizes the need for dividends and profits control for the purpose. The provision of extra-normal capital formation by imposing sacrifices on the people has its great limitations in countries where because of the appalling poverty of the people the margin for cutting down consumption is infinitely small or almost non-existent. Again, if population is growing and production not keeping pace with it, consumption constantly cuts into the available margin, however little, of saving and capital formation. It was estimated by the Famine Commission that every year food consumption in India goes up by 600,000 tons because of population growth. In areas where there is already overpopulation and a tendency towards sustained rapid growth planning cannot neglect population control. The need for population planning as an integral part of economic planning cannot be overstressed. The Government of India is hardly even aware of the very critical population situation in the country.

In such circumstances for economic political and social stability it is necessary to distribute the sacrifice, that has

to be made for increasing capital formation equitably over all the sections of the population. If more capital is provided by inflationary means, i.e. currency or credit expansion and no steps are taken to check the resulting developments, by price control, progressive taxation, controlled distribution, stabilization of wages and employment, the sacrifice is imposed in the most unjust manner. The problem of inflationary pressure is inherent in a planned economy and has to be tackled by imposing stringent and integrated controls on production, distribution and prices, for holding the price and the cost of living lines. The record of the Government of India in this regard is the most blameworthy. They had inherited several economic controls from the war period and these could have served them well for planning purposes with some integration and extension. Instead of doing this, they started to dismantle them one by one and ultimately landed themselves into complete decontrol. The major part of the development expenditure was financed by inflationary means and only inadequate steps were taken to control the inflationary developments. Their policy of inducing industrialists to expand production by reducing direct taxes was vicious both from the planning as well as from the point of view of social justice.

A plan hangs together, its various parts strengthening and reinforcing one another. If the various sections of the plan are not correlated or integrated as in India and pull, as a consequence, in opposite directions, the failure of the whole cannot be better provided for in any other way.

The above is a brief appraisal of the economic planning in India in general terms. A more detailed analysis has to be made to bring out its full significance. But before this is done it will be useful to record the main developments in the economic sphere in post-war India and the basic tendencies affecting them.

V. MAJOR POST-WAR ECONOMIC TRENDS

The Interim Government headed by Pandit Nehru that came into office in 1946 was a composite one, and the two parties in it were in opposite camps politically and economically. The Congress party helped very considerably financially by traders and industrialists and with some of its leaders on close and intimate relations with these classes was in favour of private enterprise and giving Indian capitalists full opportunities. The Muslim League Party, perhaps as a reaction, had a bias against Indian capitalists (a majority of whom happened to be Hindus) and tended towards a programme of socialisation and high taxation of business and industry. This conflict was very well illustrated by the appointment, functioning and abolition of the Commodity Prices Board which was set up in February, 1947 by the Finance Minister, Mr. Liaquat Ali Khan. It had been specially charged to bring and keep in line the prices of various commodities. The programme of action visualised by this Board through the various reports it submitted, was a middle of the line programme which refused to allow the capitalists to reap undue profits but did not necessarily lead in the direction of the extinction of private enterprise or even any large step in the socialisation of industry. The work of the Board, however, got support only from the Muslim League members and the Departments controlled by them. The Congress party felt it necessary to nullify the work of the Board and succeeded in reducing it to impotence.

The partition of the country in August, 1947 meant the elimination of the Muslim League members from the Central Government. The Cabinet now became much more homogeneous and was completely Congress controlled. The new Government acted true to its character and the movement towards decontrol gathered immediate momentum. The first step in this direction had been taken by Mr. C.

Rajagopalachari, when he was in charge of the Department of Industries and Supplies at the Oilseeds Conference in September, 1946 by indicating his own bias in favour of general decontrol and by thus preventing the formulation of the basic plan for oilseeds for 1946-47 during the season. The ultimate abolition of control on oilseeds in March, 1947 was almost a foregone conclusion after this.

The Commodity Prices Board was abolished in September, 1947 when both its members resigned as a protest against the way in which the recommendations of the Board were treated by the Government. The Foodgrains Policy Committee, appointed in August, 1947 recommended decontrol of foodgrains and the definite objective of liquidating Government commitments regarding the rationed population as early as possible. Acting immediately on these the Government of India decontrolled sugar from 1st December, 1947 and foodgrains from 1st January, 1948. Decontrol of textiles followed a month after. The distress and discontent generated by the results of decontrol compelled Government to recontrol food and textiles in August 1948.

We can now proceed to an examination of what the Government of India did to increase agricultural and industrial production. In the field of agricultural planning the attention had been concentrated on foodgrain production during the war and since. Since the partition attention has been also directed to increasing cotton and jute production. For appraisal of the planning effort of the Government in these fields it is necessary to deal with each of them separately in a somewhat detailed manner.

How did the Government of India after 15th August, 1947 tackle the food problem? They began to operate on the food situation by basing themselves on the then widely popular theory that there was no food shortage in the country. We have already recorded that food was decontrolled

from 1st January, 1948 and that after the failure of that experiment the Government of India re-imposed food controls in August, 1948. Shortly after this the Prime Minister announced that Government will not import foodgrains from abroad after 1951 except in grave calamity. The plan adopted for achieving self-sufficiency in food in accordance with this declaration has been described earlier. The plans for maximising cotton and jute production have also been detailed.

This policy of increasing the production of foodgrains, cotton and jute simultaneously during the short period is, in the Indian context, self-contradictory and conflicting. In India the area under cultivation is not capable of being expanded to any significant extent. Even the most optimistic calculation places the area that can be brought under the plough during the next few years at 9 million acres, which is less than 5 per cent of the present cultivated area. For all practical purposes, therefore, the cultivated area in India is rather rigidly fixed. Increase of production in agriculture has to be mainly brought about by intensive cultivation which requires water and manure. Any increase in production by manoeuvring the total cultivated area as between different crops is not additive because an increase in one crop is possible only by a reduction in the other. Thus an increase in cotton acreage by 4.5 million acres and in jute acreage by say one million acres means that the acreage under food and/or other crops is reduced to that extent. The likely result therefore will be that while the production of cotton and jute will increase that of foodgrains and/or other crops will be reduced.

Moreover, when Government is interested in increasing the production of food, cotton and jute, the question of incentives and prices presents itself in an acute and complicated form. If acreage is to be transferred from other crops to food, cotton and jute their prices in relation to the other crops must be maintained at a level which will induce

the peasant to switch on to these crops. That would mean controlling the oilseeds prices, the next largest group of crops, and to maintain them at a relatively lower level. Government has shown great reluctance to extend control to the distribution and prices of oilseeds though from time to time they have talked about it. Apart from this the price relations between food crops, cotton and jute are of crucial importance. In Bengal, for instance, jute and rice are substitute crops and their acreages respond to fluctuations in their respective prices. If rice prices are higher than those of jute and offer better prospects, the peasants will be reluctant to sow jute and *vice versa*. The prices of foodgrains and cotton also offer the same dilemma; for foodgrains prices are controlled and though cotton prices are also controlled, this can be effectively got round by buying and selling *kapas* or seed cotton for controlling which the Government had assumed powers but had declared that "it was not their intention for the time being to control *Kapas*."⁸³ The problem will differ from area to area and region to region and a structure of food, cotton and jute prices, which will be equally satisfactory to all of them, cannot be evolved. Moreover, if the Government does not succeed in holding this structural design of prices from year to year and if the relative levels of these prices vary, a chaotic situation will arise in which shortages might arise in any of the three lines. The new food plan, for instance, visualised the transfer of several hundred thousand acres from sugarcane to food crops. That does not only reduce the sugar output next year but immediately on the announcement of such a plan speculators get busy and push up prices of sugar. This was what was reported to have actually happened in 1949.

Even apart from all these complexities and uncertainties of which the Government seems to be scarcely conscious, all these plans involve an uneconomic use of re-

⁸³. *Indian Trade Bulletin*, February 1950, p. 103.

sources. The doctrine of comparative costs still offers some useful guidance in this respect. For achieving food self-sufficiency and increasing the production of cotton and jute, resources from other uses have to be diverted to them. But before such a diversion is attempted the costs involved must be clearly understood.

The problem can be put in simple terms. Because of the shortages in food, cotton and jute India has to import these from abroad and this cuts into her vital foreign exchange resources. But this does not mean that we should try to reduce or stop imports of all the three. It becomes mainly a question of which of them India can import most cheaply. If India can produce most economically any one or two of these only, to divert resources to the third is uneconomic. The problem is to determine which of these three commodities can India import more cheaply than the other. It is quite likely that it would be found that it is much cheaper to import food than cotton. In that case the best allocation of resources would demand the concentration of effort on growing cotton rather than food.

This might be countered by the familiar argument that food self-sufficiency is necessary from the defence point of view and must, therefore, be achieved at any cost. As regards jute, it is necessary to grow as much of it as possible at home because we cannot import it from Pakistan on the best terms. In regard to food self-sufficiency it is necessary to distinguish between making plans for the eventuality of war and making plans on a continuous war-footing. The latter, it need not be stressed, is completely uneconomical and involves tremendous waste. To treat the food plan on a war-basis involves all that and therefore raises the question: is it wise? That we must be ready for the eventuality of war cannot be gainsaid, and plans should be drawn up and kept ready for achieving food self-sufficiency in such an eventuality. Waste of resources involved in this will be justified by the supreme

need of defence, but to plan for such a waste or uneconomic use of resources normally as if there is a war on, when there is none, is an unwise thing to do, particularly for such a poor country as India. It is wise to keep ready the lamps for use in the night but certainly unwise to burn them during the day as if there is darkness.

In the case of jute, it should be realised that raw jute production in India cannot be pushed, if at all, to the extent of satisfying the entire needs of the Indian Jute Industry without very great costs. Pakistan with the natural advantage that it enjoys for jute production will always be able to undersell India in foreign markets of raw jute and, eventually, of jute manufactures, when the industry develops there.

Meanwhile the declaration that there will be no food imports after 1951 except in a grave calamity is fraught with dangerous possible consequences. Two dangers are inherent in the declaration. Firstly the announcement that there would be no imports of foodgrains from overseas after 1951 means that the Government will lose the instrument that it at present possess of influencing the internal foodgrain prices. A threat of cheap imports from abroad, even though in the offing is a deterrent to traders and speculators in the country from going too far in the game of raising prices by hoarding and speculation. Once, however, the Government is bound hand and foot by its own declaration of not importing foodgrains the traders and speculators have the whole field of foodgrain prices completely to themselves. Experience during recent years shows clearly that the ability and willingness of the Government of India to curb and check these elements in the country are extremely limited. Secondly, the Government having stopped foodgrain imports will easily slide back into the complacent belief that the food shortage has been mastered. It will be difficult to shake them from this belief without a repetition of the 1948 situation with immensely increased suffering and

misery all round.

Let us now examine how the Government of India tried to increase industrial production in the short period. Alarmed by the declining trend of industrial production during 1946-47 the Government of India called a conference on Industrial Development in India towards the end of 1947. The Conference appointed a Committee to examine this problem among others. The report of this Committee which was adopted by the Conference in the form of a resolution attributed the inability of the industry to produce up to its installed capacity and to expand as planned to (1) inadequate transport facilities; (2) unsatisfactory relations between management and labour; (3) shortage of raw materials and defects in their procurement and distribution; (4) difficulty in obtaining capital goods and construction materials to instal them; (5) supply and exchange limitations on the imports of the full requirements of industry; and (6) paucity of technical personnel.⁸⁴ Of these the first three obviously related to the failure to utilize the installed capacity and the other three to the failure to expand as planned.

We are here concerned with the first three. Of these in regard to transport the Conference recommended an increase in the movement of coal by four million tons per year over the then existing capacity by the utilization of available wagons and by an increase in wagon availability and other railway facilities, reduction of less essential movement to meet fully the needs of essential movement, rationalization of line, power and wagon capacity and a fuller utilization of other means of transport. For the (3) they recommended help to increase production and imports, the latter by cutting down unessential imports; a

84. Notes and Agenda, Conference on Industrial Development, December, 1947.

planned utilization and distribution of available supplies of raw materials in critical short supply in consultation with representatives of industry and Governments, Central and Provincial. For dealing with (2) an industrial truce of three years between capital and labour was arranged.

On the recommendations of the Conference an Advisory Industrial Council was appointed. The 25 sub-committees of this Council were to fix targets for increased production for different industries during the year.

What steps did the Government take to enable the industries to achieve the targets? The main developments in the industrial policy of the Government since December, 1947 may be reviewed for this purpose. They began by decontrolling cotton textiles in January, 1948. Food and sugar had been decontrolled earlier. In the budget, the first budget after independence, in March 1948, the Government proposed to give relief in taxation to industries, and reduced some direct taxes and provided some other reliefs. In April, 1948, the new industrial policy of the Government of India was announced—which was an assurance to private enterprise that its interest would be well protected by the Government.

Having assured private enterprise thus and having turned their back on controls and nationalization the only way in which the Government of India could hope to achieve the targets fixed for individual industries was by offering inducements to industrialists to increase their production. These consisted mainly of allowing prices to rise freely and reducing taxes on higher personal incomes and business profits. The policy of giving tax relief has since been followed consistently and there has been a rise in the level of indirect taxes. The Government was thus going contrary to its announcement of preventing the concentration of wealth by following a tax policy calculated to give relief to richer sections of the population and increas-

ing the burden on the poorer sections.

It should be noted in this connection that the main reasons for below-capacity production of industries as given by the Conference on Industrial Development were mainly technical difficulties, such as difficulties of transport, shortage of raw materials, etc. These could not be remedied by giving inducements to industrialists and until they were solved or eased no inducements could make for increased production. Government policy was very often at cross purposes in this connection also. For example, the bottleneck in railway transport, which was mainly due to the shortage of wagons and locomotives, was to be dealt with by using the available capacity in a rational manner and thus increasing the turn-round of wagons. This plan was very materially contradicted and adversely affected by the policy of decontrol of foodgrains adopted in December 1947. As the Railway Minister observed in his budget speech in 1949: "Now this operational improvement has been to some extent offset by the disorganisation of traffic which has been caused by the policy of decontrol. What has happened is this. Take the question of foodgrains. Before we introduced the policy of decontrol, all the more essential movements were sponsored by Government and all movements sponsored by Government were given top priority—they were all grouped in class I. When Government decided to reduce their commitments and it became necessary therefore to make it possible for private movements to move more freely, we raised all movements of foodgrains on private or trade account from class 4 to class 2. The result of that is that in class 2, in the second grade of priority, today, there is so large a number of indents for wagons that the Railways are unable to cope with all the demands made on them. There are two problems that arise. When you allow unregulated movements on private account, you find there is a large number of what we call cross movements. I have come across a number of cases recently where goods are despatched by traders to a parti-

cular destination and immediately the goods are rebooked and sent on to another destination which is much nearer the original point of consignment—which means that there is great wastage of transport. Similarly, when you allow trade in an unregulated manner to move foodgrains then sometimes you find that foodgrains are sent across to stations which are much too long from the station of consignment; it might be possible, for example, for that particular centre to be supplied with foodgrains from nearer points. These cross movements and these uneconomic movements are putting very great strain upon the Railways. Since in the higher grades of priority you have now a large variety of commodities included, it looks to me, if we want to maintain the economic stability of the country, it will be necessary for us to take into consideration a programming of movement of essential commodities.”⁸⁵

The results of allowing prices of industrial products to rise were almost uniformly bad. On decontrol the prices of cotton textiles increased very rapidly and the situation became so tense that the Government had to reimpose controls on prices and distribution on 31st July, 1948.

The story of sugar, more appropriately called the sugar muddle, illustrates all the characteristics and shortcomings of Government planning in independent India. Sugar was decontrolled in December, 1947. The controlled price of sugar was Rs. 20-14-0 per maund (80 lbs.). On decontrol this wholesale price increased to Rs. 35-7-0 per maund and was maintained at that level by the Indian Sugar Syndicate, a Government sponsored body of sugar mills in U.P. and Bihar. The old stock of sugar with the Syndicate amounting to 80,000 tons was released at the new price. The difference between the old and the new price of the stock was shared between the Government and the industry, the former taking Rs. 9-3-0 and the latter

85. *Indian Information*, 15th March, 1948, pp. 298-99.

Rs. 5-6-0 per maund (or according to the Sugar Syndicate after deducting income tax and special bonus to labour the industry got Rs. 1-14-0 per maund on the old stock). On the eve of decontrol the U. P. and the Bihar Governments increased the price of cane from Rs. 1-4-0 per maund to Rs. 2-0-0 per maund. The area under sugarcane in 1946-47 was 3,528,000 acres. The output of sugar in the Indian Union in 1947-48 (November-October) was 1,073,000 tons as compared to 903,000 tons in the previous season. The Indian Sugar Industry was a protected industry and the protection was to have expired on 31st March 1947. On the recommendations of the Tariff Board, it was extended by one year. In March, 1948 and 1949 it was further extended by one year respectively pending an inquiry.

What happened after decontrol can be best described in the words of the spokesman of the Indian Sugar Syndicate used while answering a statement issued by the Sugar Merchants Association, Bombay on the 2nd August, 1948. "The statement (of the Sugar Merchants) also charges the Syndicate with exporting sugar to Pakistan at a price lower than that for India, and as such, at the cost of the Indian consumer. After decontrol, on the Syndicate had devolved the responsibility of keeping sugar prices at a fair level. This it did by fair distribution and increased production. But the loss of 250,000 tons of consumption in Pakistan had also to be borne by it. Increased consumption in this country has offset this loss of the Pakistan market considerably, yet 150,000 tons of this year's production in expected to be carried over to the next season. The U. P. and Bihar factories have therefore to secure the Pakistan markets even if they have to incur a loss."⁸⁶ The statement is plain enough and makes it quite clear that the Sugar Syndicate preferred dumping in foreign markets

86. *Times of India*, 18 August 1948.

to selling sugar at cheaper prices in India. Similar policies were also pursued in the following year.

In December, 1948 the price of sugar was reduced by the Government of India from Rs. 35-7-0 to Rs. 28-8-0 per maund and the price of sugarcane in U.P. and Bihar was lowered to Rs. 1-10-0 per maund by the respective Governments for the 1948-49 season. The acreage under sugarcane in 1948-49 had declined by about 10 per cent over the last season to 3,645,000 acres.⁸⁷ The total sugar output during 1948-49 (November-October) was 998,000 tons. The new price of sugar fixed at Rs. 28-8-0 per maund included an amount of Rs. 4-1-3 which was to go to the State by way of provincial cess and Central excise duty, etc. and Rs. 1-0-0 to the Sugar Industry for pooling the balance of production of the previous season with that of the current season.⁸⁸

"When the price was fixed at Rs. 28-8-0 per maund the sugar interests had promised Government that if necessary, they would maintain this price by opening their own retail shops. After about half a year had passed, it appeared that there was a strong likelihood of a surplus and those concerned began to press Government to arrange export of at least 50,000 tons. Indian prices were out of parity with those abroad and in order to enable export, it was proposed that the Central Government should give up the excise duty of Rs. 2-12-0 per maund and the provincial government its sugar cess of Rs. 1-14-0 a maund. The sugar factories would suffer a reduction of Rs. 2 a maund

87. "The decline of acreage has mainly occurred in U.P. due to the high prices of food grains and irregular supply of canal water, in East Punjab due to the situation following partition, in Madras and Hyderabad, due to the fall in the prices of gur at the time of planting and in Bombay and Saurashtra due to the scarcity of rains," *Agricultural Situation in India*, April, 1949,

88. *Ibid.*

in the price and would also use the fifty lakhs (Rs. 5,000,000) they had collected by levying a four anna contribution per maund on sugar exported from U. P. and Bihar. With these arrangements it was hoped that the price would be favourable for exports and negotiations opened. Immediately ex-factory prices began to rise. Large quantities were consigned from the factories to the consuming centres and an artificial scarcity created. When the question of abiding by the undertaking given to sell at Rs. 28-8-0 was raised by the Government, the answer was that the body which had given the undertaking regretted that it had no powers to enforce maximum prices. All it could do under its regulations was to fix minimum prices. By hoarding activities in the course of two months an exportable surplus of 50,000 tons had been converted into a shortage necessitating regulatory action of a drastic nature."

In June, 1949 the prices of sugar began to rise and in July a rise of about 14 per cent at Kanpur and 13 per cent at Bombay was registered. Prices continued to advance and in the middle of August, they reached the peak at Rs. 38-8-0 per maund at Bombay and Rs. 36 per maund at Kanpur. This was attributed by the Sugar Syndicate to greater consumption and low stocks resulting in some hoarding and speculation. The sugar merchants attributed the rise in prices to the policy pursued by the Sugar Syndicate in cutting down despatches drastically during June and July.⁸⁹ The Tariff Board which investigated the matter among others at the request of the Government of India came to the conclusion that the main contributory factors to the crisis were (a) large and rapid quotas released by the Syndicate and (b) excessive wagon supply. In their opinion the policy of the Syndicate had been so regulated as to bring about scarcity of sugar supplies. The

89. *Report of the Export Promotion Committee, 1949*, p. 48.

90. *Agricultural Situation in India, June, July, August, 1949*.

Board recommended an investigation regarding the excessive wagon supply and also into the allegation that sugar intended for consumption in India was in fact moved into Eastern and Western Pakistan on an appreciable scale in 1949, which possibly contributed to the scarcity. ⁹¹

How hazy and incorrect ideas about planning entertained by the persons at the helm of affairs made for the failure of plans has been discussed so far. Besides this, the other important factor responsible for the failure of planning was the basic and growing reluctance of Governments to do what planning demanded or required. The Government of India showed a growing unwillingness and inability to face squarely the problems of planning on a realistic basis. A series of steps taken by the Government of India during the last two or three years go to show that the influence of capitalist elements in the country on Government policy was constantly on the increase and there was a steady movement away from real planning and control. Some of the main developments were the following:—

(1) The Industrial Policy announced by the Government in April, 1948 was a step back from the earlier policy announced by Sir A. Dalal in 1945. The new policy postponed nationalisation of industries by ten years when the case was to be reconsidered. The field of state-owned and state-operated industries was also considerably cut down and the remaining field was entirely left to private enterprise. As contrasted with the earlier policy, the new one did not contain specific assurance regarding distributive controls. The mild type of control that was to be exercised, under the new policy, on industries is embodied in the Industries (Development and Regulation) Bill presented to the Indian Parliament. The Select Committee's

91. Report of the Indian Tariff Board on the continuance of Protection to the Sugar Industry, Volume I, 1950, pp. 97-120,

Report on it presented on the 10th February, 1950 has further watered it down. They are reported to have recommended among other things as follows:

“The Power of the Union Government to issue directions to regulate production and prices should be exercised only when it is necessary in the public interest after a proper enquiry of the Industries’ Board. Consequently the industries specified in the present schedule should be split up into two groups and in respect of the industries specified in part II of the schedule, namely, automobiles, cement, heavy chemicals, locomotives and rolling stock, machine tools, electrical generation machinery, paper and newsprint, pharmaceuticals, tea, woollen textiles and *vanaspati*, the provisions relating to investigation and direct control by the Union Government should not normally be applied.”

The Committee proposed to restrict the power of the Union Government to take over direct control of industrial undertakings only to cases where mismanagement had been proved and that too only after obtaining the approval of the Industries’ Board to the action to be taken.⁹²

(2) The statement on industrial policy also contained the following self-contradictory statement: “The system of taxation will be reviewed and readjusted where necessary to encourage saving and productive investment and to prevent undue concentration of wealth in a small section of the population.” If concentration of wealth is to be avoided the tax policy must be equalitarian and taxes must fall heavily on richer sections of the community. But the trend of official policy since has been to reduce direct taxes and if necessary to increase indirect ones, thus relieving the burden on the rich and increasing it on the poorer sec-

92. *The Hindu*, 11 February, 1950.

tions. This could only make for greater inequality in the country.

(3) The right of private property and the right to receive adequate compensation for property taken over by the State has been very effectively preserved in the new constitution. The provisions in this regard go even further than similar provisions in the U. S. Constitution. Other provisions under fundamental rights almost render any effective and comprehensive economic planning very difficult if not impossible under the new constitution. The freedom to enter, practise, etc. any occupation or profession guaranteed by the constitution would most probably make the close regulation of economic activity in the new republic difficult.⁹³

(4) Government has completely failed in controlling prices. Price controls have been imposed haphazardly and administered slovenly. The experience of textile controls and the sugar muddle shows the extent to which the Government is helpless against trading and industrial elements when they hold the whole community to ransom. The only check that Government can think of seems to be a threat of importing cheaper supplies from abroad. The policy of decontrol was adopted largely at the instance of the commercial elements in the country.

The industrialists, it should be remembered, are not against all types of controls. They are very much for such controls as will keep away competition from abroad. They, therefore, would like to have protection to industries being given freely and liberally, but without conditions regarding products or quality being imposed. They would like the prices controlled and maintained when they begin to fall.

93. D. R. Gadgil, *Some Observations on the Draft Constitution*, 1948, pp. 28-41.

(5) The inability of Government to take a firm stand against these elements is also evidenced by the way they have handled the problem of tax evasion. The cases of tax evasion are mostly those of industrialists, traders and speculators. The work of the Income Tax Investigation Commission has not gone on smoothly. The Prime Minister made an appeal in Parliament that those whose cases were being investigated should compound them quickly and that no blame would attach to them.

(6) The abolition of Zamindari is, in a somewhat Marxian sense, also a reflection of this influence. The hostility of industrial and commercial elements towards feudal ones is historical. The recent measures show that the landlords have no political voice. The other swift measure of reforms carried out since the attainment of independence is the integration and/or merger of Indian States in the Union territory. Almost the mainstay of feudal elements has thus been abolished and the former Indian State rulers have become mere pensioners of the Union Government.

The developments recorded above clearly indicate the growing influence of capitalistic elements and classes in India on the Government of India and through them on economic policy. They have a natural bias against economic planning involving controls except some negative types of government action such as protective duties, etc. calculated to maximise profits. These influences had been increasingly affecting the national movement during the inter-war period. The developments recorded above merely indicate their full flowering out after independence which removed external and some internal checks on them. These influences are as it were built-in in the structure of the present political leadership and its bias towards these elements has become almost second nature with it. As a result the leadership is largely unconscious of it and is often amazed and pained when accused of such a bias.

And here lies the real danger in the Indian situation. The influences working against real planning might, because of their historical development and entrenched position, prove more enduring. Incorrect and naive ideas about planning can be removed by a concerted attempt, by appointing experts in the field and by following their advice. With a reasonable amount of determination, this can be done and one cause of the failure of recent planning may be removed. The recent appointment of the Planning Commission may be expected to work to this end. But the second cause of this failure is more intractable, the more so because the present leadership is largely unaware of it. The Planning Commission will hardly be able to make much headway against it. The latest developments in this regard tend generally to underline these forebodings. Even after the disastrous failure of decontrol two years back, the movement towards decontrol is again gathering strength. The following resolution reported to have been passed on the 26th April, 1950 at the conference on planning of Chief Ministers of States and Provincial Congress Chiefs shows the way the wind is blowing.

“Controls are a legacy of the war and were in operation when the national Government came into power. On account of the inevitable strains imposed by controls the question whether they should continue or not has attracted considerable attention, roused acute controversy and widespread feeling.

“Some two years ago the Government decided to lift controls from food and cloth, but their expectations were not realised and controls had to be reimposed. In view of the developments that have taken place since, such as devaluation, as well as lack of social consciousness against anti-social elements and inability of Governmental machinery to enforce the controls effectively and strictly, a review of the entire position is called for.”

"It is necessary to examine this question dispassionately in its true setting and correct perspective so that controls which are considered to be unnecessary may be lifted at the earliest suitable opportunity consistently with the interests of the community and the demands of a planned economy. In regard to certain articles at any rate there would appear to be *prima facie* case for removing controls from salt, paper, coal and cement." ⁹⁴

Following quickly on this the Maitra Committee appointed by the Government of India to enquire into storing, quality, etc. of rationed foodgrains and to suggest ways of improving these has recently presented its report which exceeding the Committee's terms of reference has, it is reported, recommended among other things gradual decontrol of foodgrains in view of the self-sufficiency in food that is to be attained next year. These and other recent developments clearly show that decontrol is in offing and may be expected in the near future. The National Planning Commission can hardly be expected to stem this rising tide. In this context how effectively the Planning Commission will function is anybody's guess.

The growing influence of financial interests on the political leadership before and after independence with its bias towards *laissez faire* and the maintenance of the *status quo* wherein they have attained an undreamt of strong position has retarded the growth of the interests of the intelligentsia and professional classes, of the peasants and the labourers. For all these depend on state patronage or active state intervention. The speculator and the trader does not desire more from the state than that it shall not look too closely into his dealings. Even the industrial capitalists desire help chiefly of the passive sort.

This has naturally created conflict between the two

94. *Times of India*, 27 April, 1950.

camps and it extends to all fields political economic and social. "This is not to say that any large body of agriculturists, wage earners or the salariat in India is today fully conscious of the implications of the trend of recent events or that if it were so conscious it could or would organize itself with any immediate effect. At the same time it is equally true that there is in the country much vague, unformulated discontent concerned chiefly with economic conditions. Special pressures internal or external may bring it to a head."⁹⁵

It is in this context that the discussion of international co-operation has to be cast for yielding significant and fruitful results, for international pressures are being and will continue to be exerted on this internal balance of forces and tilt it in either direction.

VI. THE INFLUENCE OF INTERNATIONAL FACTORS.

In the international sphere a polarisation of nations has taken place and the world is today divided into two camps one led by the U.S.A. and the other by the U.S.S.R. It is a conflict for world power between two nations and two ideologies. The radical differences between the two ideologies is regarding the manner of the economic, political and social organization of society. The Americans believe in *laissez faire*, private property, private enterprise and parliamentary democracy and want to preserve these institutions in and outside the U.S.A. On the otherhand, the U.S.S.R. believes in organizing society on communistic lines with large-scale regimentation and planning and does not believe in parliamentary democracy of the Western European or American type.

95. D. R. Gadgil, "Economic Prospect for India," *Pacific Affairs*, June, 1949.

These two ideologies have adherents in most of the countries of the world and according to the political strength of each the country is either in the American or the Russian camp. The American way of spreading their ideology and social philosophy is by way of giving substantial aid for economic development and to a less extent by offering military equipment and to a still less extent direct military help. The Russians depend to a very great extent on propaganda and on building up and financing the development of communist parties which owe allegiance to them in various countries.

In backward and poor areas of the world like China, Africa, South-east Asia, etc., the scales are heavily weighed against the Americans because the ideal of the communistic society, with its slogans of land to the peasant, nationalisation of industries, etc. appeals very strongly to the peasants and workers in these lands. As in China, the local communists impress the people with their zeal, singleness of purpose, loyalty to the party and their incorruptibility. Russian planning also attracts the intellectuals and the general mass of people as a very effective way of fighting poverty and squalor in their own country. The operation of private enterprise and free economy in these societies leads to glaring anomalies and gross inequalities and it is difficult to convince the mass of the people in these areas that the cause of private enterprise is the cause of liberty and justice. 96

In India there is a generally favourable disposition towards the Americans as the champions of the colonial peoples. But of late a sneaking suspicion about dollar imperialism seems to be gathering strength. This may be partly due to the propaganda of the opposing side. The business classes and industrialists are of course wholly on

96. D. R. Gadgil, "Economic Prospect for India", *Pacific Affairs*, June, 1949.

the side of the Americans. They may have certain reservations about the sphere of American capital, etc. but that is a matter for mutual adjustment. The Government of India, largely influenced by these elements, is also in the same camp.

Strategic considerations also strengthen their inclination in this direction. The Indian Union is geographically situated at the southern end of the Asian continent. It has a coast line of thousands of miles; the Indian peninsula juts out into the Arabian Sea. On the north, even if Kashmir remains within the Indian Union, there is little direct contact with U.S.S.R. The Himalayas and the adjacent mountain barriers make any large-scale army movements on either side almost impossible. This is also true of north-eastern areas. From the point of view of defence, therefore, India's coastline remains the most vulnerable and India will have to keep on good terms with world naval powers, viz., the United Kingdom and U.S.A.

India cannot be a great world power because of the limitation of her economic resources. She cannot be a decisive factor in any world conflagration. But she happens to be a key strategic area, from the U.S. point of view, in South-east Asia, as she can be used as an important base for operations against the rising and rolling tide of communism in South-east Asia. India as a result has been and will receive increasing attention from the U.S.A.

On the other hand as economic distress grows in India because, as shown earlier, of the inability of the Government of India to take the necessary measures, the general and amorphous discontent about the Government increases and naturally strengthens those who are inspired by the Russian ideal. This increases political instability. Significant improvement in economic conditions in the shortest possible time is the only way out of this impasse. It has to be made clear that the only hope of sizeable econo-

mic development in India or generally in the backward areas, lies in large-scale foreign aid and large-scale planning. The American influence is exerted wholly on the side of private enterprise and to the extent to which it is made a condition of capital aid which also is comparatively meagre it works against planning and concrete improvement of economic conditions. As a result it works in the direction of increasing political instability which it is the aim of the American policy to eliminate. American policy is, in this respect, thus ultimately playing into the hands of the Russians.

In this connection it is necessary to discuss what American policy towards backward countries is and what it ought to be in somewhat greater detail. American economic policy towards Asia was for many decades mainly oriented towards China and also articulated through that country. Europe has always been the main concern of the Americans and remains so even today. Since the end of World War II till recently the pattern of American foreign economic policy broadly remained the same. With the worsening of political and economic relations between the U.S.S.R. and the U.S.A. a new intensity was lent to the American effort in Europe regarding its political and economic recovery which expressed itself through Marshall Aid. This has had remarkable results and W. Europe is today slowly heading towards recovery and normality. The communist tide has been halted at least for the time being. But it started rolling in Asia and China was submerged by it. That was a serious reverse for the U.S.A. She had given considerable help to the Chinese National Government and had taken active part in the attempt at reconciling the factious elements in China. This proved of no avail and the U.S. felt that all the help given to China was "so much good money thrown down the drain."

This has influenced U.S. foreign economic policy in
F.—6

two ways. In the attempt to contain communism the U.S. has now shown willingness to take a more active part in the political and economic development of the remaining S.E. Asian countries. To strengthen them economically and politically, to check the growth of internal communist elements in them and to defend them, if necessary, from external communist aggression can broadly be said to be the aims of the new U.S. policy. The strengthening of Japan as a bulwark against communism also stems from this policy. The second change in U.S. policy has been the increased willingness to give increased economic aid to the economically backward areas, to subserve the above purpose. But the help is not to be given in terms of large-scale grants as under the Marshall Plan, but in supplying the technical deficiencies in these countries. This is the gist of President Truman's Point Four Programme. He proposed on 20th January, 1949 "a bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement and growth of under-developed areas."

It is necessary to examine the assumptions underlying this policy of technical help, its context and its possible results. The new policy, as distinguished from the policy of Marshall Aid, is based primarily on the experience in China. It will be remembered in this connection that a part of Marshall Aid was specially sanctioned for China. The debacle in China impressed two things on the Americans, firstly, that mere foreign help in money and capital goods is not enough for economic expansion because without the capacity to absorb it, it might just go to waste. It was found, for example, that the capital equipment provided to the Chinese by the Americans and the Japanese capital equipment and machinery the Chinese secured as reparations, could not be set up in China because the cost of erecting the machinery and putting it into motion was beyond the capacity of China. It was no use providing machinery and capital equipment on a large-scale which, because of

the prohibitive cost, could not be used by the country in question.

Secondly, not merely capital but the technical know-how and the skilled personnel was also in acute short supply without an adequate supply of which again any large-scale help in capital equipment could not be used. The emphasis on technical help supplemented by a small capital help originates in these developments. A detailed analysis can be attempted only after the nature and the context of the Four Point Programme have been described. But one criticism regarding the Chinese experience may be adduced immediately. American policy towards South-east Asia and the backward economies is a generalization based on the particular and rather peculiar experience in China. To say the least, the Chinese situation during the war and after was probably the most unpropitious for carrying out a programme of economic development. A decade and more of fighting had left the country exhausted and gasping under a hyper-inflation of almost unprecedented dimensions. There was, in addition, no internal peace in the country. On this background it is no wonder that no economic aid could be of any avail, however, generous. This is not to belittle the real difficulties in the way of the absorption of economic aid, etc. But only to urge that these problems had been magnified a thousand fold by the then existing conditions in China.

Thanks to the reports prepared by the United Nations upon the recommendation of the Economic and Social Council on technical assistance for economic development to backward areas it is possible to determine the contents of the Point Four Programme in rather specific terms. In the agricultural field the technical assistance visualized is in regard to better seeds and manure, vaccines for combating animal diseases, control of infestation, improving storing methods, improved milling practices, etc. In the industrial field it comprises engineering and economic

studies for planning industries and planning of specific projects, construction and initial operation of plant, improving transport, postal services, telegraph, telephone and radio services and press, broadcasting and film industry. In the social field it means improving public health facilities, mass use of insecticides for combating epidemic diseases, technical education, research and dissemination of scientific information, basic social services, industrial safety, social security, improvement of financial and monetary institutions, etc.

In appraising the programme as a whole it should be emphasized that the difficulties in the way of utilising large scale foreign help in backward economic areas are economic and very real. But whether these alone should be allowed to shape a programme while neglecting other equally important factors in the situation can be doubted. These other factors are the complex of poverty in these areas and the overwhelming urgency it creates for some quick and immediately fruitful action in the economic sphere. The Point Four Programme is hopelessly inadequate to solve this problem.

Let us see what it amounts to. It tries to meet the technical deficiencies in backward areas such as those enumerated previously. This is attacking symptoms rather than the root of the malady. Overt symptoms of welfare should not be confused or mistaken for welfare as the Colonial Powers did in the past. If welfare per head increases it will be no doubt reflected in more education per head, increased use of health services, more travelling, etc., but this process does not work in the reverse gear. A mere availability of more educational facilities will not induce the people to take education if they are economically badly off. It is the experience, for instance, in several parts of India that fines imposed on parents under schemes of compulsory primary education for not sending their children to schools are more willingly paid than sending

them to schools because the children earn more than the fines by working and the fines can often be evaded. Even the education given tends to be twisted because education that provides employment and higher earning capacity is preferred by the people to education that raises the cultural or social level. The same applies to the other fields also.⁹⁷

Technical help provided under this programme for bettering health facilities might actually tend to aggravate the economic situation in these countries. Most of the backward economies are already over-populated and potentialities of further rapid growth of population in them are considerable. Population growth eating up all increases in production is even today a sufficiently difficult problem to tackle. Better health facilities and combating of epidemic and endemic diseases by reducing death rates all round can contribute considerably to the growing members. This criticism might appear as devoid of human sympathies but the only intention in making it is to bring out the implications of such help rather than to dissuade any action in this field.

The economic and consequently the political situation in the backward countries and more particularly in South-east Asia has become so acute that without a bold and drastic attack on the situation, there is every possibility and almost a certainty that the whole area will go the way of China. A high-speed programme of development is called for. The poverty of this area largely springs from an adverse balance between resources and numbers. Because of poverty capital formation is meagre and because only meagre amounts of capital can be applied to the natural resources poverty is not effectively combated. This is a vicious circle and it needs to be broken at as many points as possible. Large-scale development can be achieved in a

97. Furnivall, *Colonial Policy and Practice—A Comparative Study of Burma and Netherlands India*, Cambridge, 1948, pp. 436-40.

comparatively short period by large-scale capital investment from abroad. But it will be at once objected that these countries have not the capacity to absorb large-scale aid of this type. This is true only if capital aid is too narrowly conceived and interpreted. But even accepting it as true for argument that should not mean giving of aid adjusted to a low absorption capacity. Because that will mean development at a pace which cannot even ease the acute situation there. As Mill observed "little remedies not only produce little results but some times no results at all." The remedy really lies in the direction of increasing the capital absorption capacity of these countries simultaneously with the giving of large-scale aid.

What this really implies is that the Point Four Programme as conceived today needs to be considerably supplemented and broadened in several directions. The capacity of capital absorption of the backward areas is low for two reasons. Shortage of technical personnel, etc. and inability to bear the strain of large scale capital investment, because of crushing poverty. The Point Four Programme tries to meet the first but in regard to the second the American attitude seems to be one of *non possumus*. This is wrong. Even where capital equipment is provided to backward countries its absorption setting up, etc. calls for considerable internal resources, which have to be diverted for the purpose from other vital channels. To put it in another way, foreign loans or gifts for development have to be matched by adequate domestic savings. Because of the general poverty, the cut into consumption which it implies, is too severe for the economy to bear. In order to make this possible it will be necessary to find ways and means of easing this strain. The most effective way of doing this would be to supply consumption goods to these countries, such as food for instance, along with the capital equipment on a generous scale. To assure the proper fruition of technical aid and capital equipment, supplementary grants of consumer's goods are necessary. This is not

an entirely new idea. A part of the Marshall funds has been used in this fashion by some of the participating European countries.

But this very substantially raises the sights, to use an eloquent American expression, of the Point Four Programme and necessitates its reorientation on the lines of the Marshall Plan. In some respects the plan for S.E. Asia will have to go much further than the E.R.P. because the problem to be tackled is very different. In Western Europe the problem was one of rehabilitating an already developed economy devastated by war. In that sense it was essentially a short-term problem, though even there not so short-term as was thought at the beginning. In South-east Asia and the backward areas generally the problem is one of quick development *ab initio* on a large scale in difficult circumstances of crushing poverty and political instability. Here it will be imperative for the U. S. to give the capital equipment and the technical personnel, to provide the consumers goods to ease the strain of absorption, to plan the thing much more directly than in Europe and to take a more active part in the actual execution of plans. Naturally such aid and planning will have to be considered in the context of a region, such as South-east Asia or South-east Europe, etc. and the plan will have to be conceived in a manner which will require gradually decreasing help from abroad for its continuation and progress.

The difficulties in the way of drawing up and executing such a plan are of course enormous. The primary difficulty is of course that of persuading America of its necessity and urgency. America's economic capacity to give such large-scale help is, it appears, from tentative calculations, not inadequate. As regards persuasion, the Communist success in China has almost done half of it and American policy is by stages, though very slowly moving in that direction. Even a small advance in the Communist line will be enough for American opinion to support the kind of policy

envisaged above.

Difficulties in South-east Asia itself are not small. Most of the countries in this region are in a state of transition from a colonial to a national economy and the general trend, as is natural, of their policies is to become militarily strong enough to defend their freedom. At present this is putting a considerable strain on their meagre resources. But apart from this the supremacy of defence needs is directing the trend of economic development in these countries towards self-sufficiency in at least some vital lines. Again the natural resources of these countries are broadly similar and presage the development of light industries in them, probably under tariff protection. The trends thus are working towards the development of the economies of these countries as competitive rather than complementary to one another. A plan embracing the whole region cannot allow dissipation of scarce resources by such developments. The U. S. will have to combat these tendencies by some sort of a guarantee against mutual and outside aggression. This will also help to improve the atmosphere of mutual suspicion between these countries and the fear of incipient Indian or Chinese imperialism. A regional pact regarding the treatment of minorities in this region under international auspices will also considerably help the easing of the growing tensions in these plural societies. ⁹⁸

The conflict between the U.S.A. and U.S.S.R. today is, as pointed out earlier, a conflict of two ideologies and therefore ranges all the world over. As such it is of a radically different character from the conflict for world power between, say, America and England and Germany or Japan. America must, therefore, determine her strategy in the conflict from a much more wider view point than she is prepared to do at present. The present American policy is

98. N. V. Sovani, *Economic Relations of India with South East Asia and Far East*, Indian Council of World Affairs, New Delhi, 1950,

based on rather narrow considerations of immediate losses and advantages. In Asia it has so far refused to face the problem squarely. The policy has been a series of improvisations to meet the immediate dangers. When the situation in Indo-China became critical the U.S. became concerned and extended help to that country. But if the situation had not deteriorated the U.S. would not have bothered much about Indo-China. At present, she is paying only the least necessary attention to other countries in South-east Asia because the situation there is comparatively better. The current witticism that the U.S. does not interest herself in any country unless there are enough communists around reflects reality to a greater extent than would appear at first sight. The policy is not likely to succeed because the U.S. aid comes along when usually the situation deteriorates beyond repair.

As remarked above the dice are heavily loaded against the U.S.A. in poor areas of the world. If the U.S. wants to wage a successful conflict against Communism her policy will have to hitch its wagon to more long range objectives of the rapid economic development of poor countries in the world and to give such help as it can in ample measure and in the shortest time. Giving of aid on the basis of immediate political or military considerations as is being done at present amounts to patching up a rent for the time being only. It does not advance the American cause. It also does not further effectively the policy of halting the Communist tide.⁹⁹

This might sound as a plea to the U.S. to assume the role of a world government and to think of the development of the backward areas of the world in that role. It is nothing of the kind. The aim is rather to define precisely

99. Even the recent Spender Plan seems to have been conceived on the narrow and immediate considerations of containing communism though it has not emerged in any clear cut form at the time of writing.

the significance of the development of backward areas in the context of international economic and political co-operation. On the need for the development of backward areas there is, broadly speaking, agreement between the U.S.A. and the U.S.S.R. though the methods of the two might differ radically. The U.S.S.R. has tackled the problem of the development of her backward areas even at some sacrifice to the Central Government and has impressed the people of the backward areas of the world with her record in this field. The proclaimed aim of Communist movements all over the world is to free subject and backward areas and peoples in all parts of the world from political and economic bondage and this constitutes a major source of its power of "attraction." The aim of the U.S.A. is not dissimilar but she has not yet given any indication of a policy in that field conceived and pursued from the long-term world point of view. As argued above her present policy appears to be based on rather narrow considerations of meeting immediate pressures with a view to containing communism. Such a policy cannot naturally have the same power of attraction as that of the Communist policy.

If the U.S.A. adopts a disinterested long range policy leaving the people of the backward areas to judge for themselves in the light of concrete results the better way of bringing about their development the result will be a major step towards international accord and co-operation, at least in the economic sphere. Both the U.S.A. and the U.S.S.R. could pursue their own policies in their respective fields of influence and thus help to tackle the problem as a world problem. Economic development of backward areas divorced from political considerations, to a greater extent than at present, would lay a solid foundation for international co-operation.

Two factors interfere with a higher level of international economic and political co-operation, self-interest and

power politics. If every country pursues its own ends, without a thought for the consequences of its action on others no fruitful international co-operation can develop. In a sense this is inevitable so long as the standard of living in a country is bound up with its resources. So also, so long as the independence of a country has to be preserved by military might and so long as some nations of the world far richer than others are interested in maintaining the *status quo*, by military power if necessary, international co-operation will be confined within the narrowest limits and will work only by fits and starts.

“Unless, therefore, this basic set of conditions is radically altered, the foundations of international economic co-operation cannot be truly laid. The problem is the same as the one found within a country. The co-operative spirit cannot be fostered very much unless everybody in the country is assured freedom from want, etc. under a social security system. The same solution needs to be tried on an international level. The standard of life in each country must be divorced from the resources within its borders. A certain minimum standard of living must be guaranteed to all nations and people by some international authority. The principle of ‘from each according to his ability and resources’ must give place to that of ‘to each according to his need’. Under such circumstances international co-operation will reach the highest attainable level, and the law of comparative costs will come into its own. Regional specialisation can proceed then to the farthest limit.

“Realisation of such conditions will be possible only under an international or world state. This will make possible the divorce, referred to above, between the resources and the standards of living in a country which would be the true basis of lasting international co-operation. In fact it would then cease to be ‘international’ as such.” 100

100. N. V. Sovani, *Transition from a Colonial to a National Economy*—Asian Relations Conference, March-April 1947, New Delhi, p. 40.

I—STATISTICAL APPENDIX.

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TABLE I.

ESTIMATED COST OF PROVINCIAL FIVE YEAR PLANS
AND PROPOSED DISTRIBUTION OF EXPENDITURE (IN LAKHS OF RUPEES)*

(Source:—Report of the Advisory Planning Board, 1946)

	Madras	Bombay	Bengal	U.P.	Punjab	Bihar	C.P. & Berar	Assam	Orissa	Sind	Total
	1	2	3	4	5	6	7	8	9	10	11
Agriculture.	8,01	6,31	24,45	9,49	5,44	8,87	2,35	1,43	2,66	8,58	77,59
Veterinary and Livestock. }	1,67	61	4,65	1,56	1,55	2,31	84	31	67	17	14,34
Forests.	1,62	51	2,70	84	2,00	36	68	52	11	—	9,34
Fisheries.	93	7	1,05	72	2	24	—	—	23	46	3,72
Co-operation.	—	65	4,17	1,05	1,59	21	19	2,12	89	14	11,01
Rural Uplift.	37	—	3	—	82	—	—	80	3,09	1,77	6,88
Total.	12,60	8,15	37,05	13,66	11,42	11,99	4,06	5,18	7,65	11,12	1,22,88

*One lakh is 100,000.

APPENDIX I

Table I (Continued)

	1	2	3	4	5	6	7	8	9	10	11
Industries	2,44	67	3,74	2,86	5,00	2,74	7	75	2,10	27	20,64
Education	30,67	3,39	9,44	12,69	10,00	9,05	11,64	1,09	4,86	45	93,28
Health	14,08	4,62	22,58	18,32	11,99	9,55	4,49	7,51	2,09	4,15	99,38
Roads	20,77	20,80	23,34	30,72	12,49	13,60	7,00	5,32	4,00	8,85	1,46,89
Irrigation and Waterways.	28,10	5,75	35,92	3,81	40,31	11,72	—	—	1,33	16,24	1,43,18
Electric Power	11,10	6,91	—	17,99	8,84	9,17	2,00	5,00	4,22	1,32	66,55
Miscellaneous (Other public works, propaganda, mining ports, administration, buildings, resettlement, etc.,	9,64	2,51	22,41	7,88	16,22	8,10	1,34	1,63	7,57	1,35	83,65
*GRAND TOTAL	1,29,40	52,80	1,59,48	1,07,93	1,16,27	75,92	30,60	26,48	33,82	43,75	7,76,45

*The Grand total of column 3 is wrong and consequently that of column 11 by 50 million. But we have not altered the figures given in the original.

TABLE II.
FINANCING OF THE PROVINCIAL FIVE YEAR PLANS.

(Source:—Report of the Advisory Planning Board, 1946)

(Based on the preliminary analyses of provincial plans prepared by the Planning and Development Department)

Province	Total expenditure	Grants from Central Govt.	Provincial Balance Funds.	to be met from loans.	Estimated Portion of Loans which will be un-productive.	Remarks.
(RUPEES IN CRORES)*						
Madras	129.00	42.00	47.50	39.55	24.50	
Bombay	53.00	17.75	25.00	10.25	5.25	Total cost of plan will probably be increased to at least Rs. 60 crores.
Bengal	159.00	69.00	9.70	80.30	43.00	Has been warned that proposed expenditure appears to be beyond its resources.
U. P.	108.00	47.00	31.50	29.50	6.00	
Punjab	116.00	24.00	34.00	58.00	6.00	Has recently intimated that Provincial funds, etc. may be only Rs. 2.6 crores instead of Rs. 34 crores.

APPENDIX I

*One crore is 10 million.

(Continued on next page)

Table II (Continued)

Province	Total expenditure.	Grants from Central Govt.	Provincial Funds.	Balance to be met from loans.	Estimated Portion of Loans which will be un-productive.	Remarks.
Bihar	76.00	31.00	12.00	33.00	22.00	
C. P.	31.00	14.00	13.00	4.00	2.00	
Assam	26.50	11.50	3.00	12.00	5.00	Wishes to increase expenditure by Rs. 16 crores.
Orissa	34.00	10.00	2.24	20.76	8.41	Government of India have suggested that a total expenditure of Rs. 26 crores will be more within Orissa's resources.
Sind	44.00	3.90	15.00	25.10	18.00	
Total (excluding N.W.F.P.)	776. 5	270.15	192.94	312.46	140.16	

TABLE III.
PROVINCIAL DEVELOPMENT EXPENDITURE (19th JUNE, 1947 to 1949-50)
(In LAKHS OF RUPEES).***

(Source:—Provincial Development Programme, Cabinet Secretariat, Government of India, 1949, p. 190)

	Assam	Bihar	Bombay	C. P.	East Punjab	Madras	Orissa	U. P.	% %	West Bengal	Total
1. Agriculture and G.M.F.	87	2,19	6,84	1,85	27	10,09	1,89	3,14	93		28,07
2. Veterinary	6	6	19	42	5	21	20	62	—		1,81
3. Forests	53	30	24	29	12	43	7	43	16		2,57
4. Co-operation	5	5	83	32	17	12	14	44	9		2,21
5. Industries	13	68	72	1,83	7	1,66	1,59	1,49	22		8,39
6. Education	61	80	6,14	3,08	44	3,55	1,35	81	1,51@@		18,29
7. Medical and Public Health	78	1,70	3,01	88	6	1,51	75	2,13	4,84		15,66
8. Irrigation	14	5,71	1,85	23	5,97	7,84	5,72	5,81	3,71		36,98

(Continued on next page)

Table III (Continued)

	Assam	Bihar	Bombay	C. P.	East Punjab	Madras	Orissa	U. P.	%	%	West Bengal	Total
9. Electricity	3	20	3,15	8,12	6,15	10,23	49	5,08		§		33,45
10. Civil Works	2,08	2,58	7,02	5,22	1,45	7,25	2,94	25,86		1,93		56,33
11. General Administration and Miscellaneous	48	71	17,74	1,33	14	94	67	1,16		1,82		24,99
Total	5,76	14,98	47,73	23,57	14,89	43,83	15,81	46,97		15,21		2,28,75

*** Adjusted for likely consequential changes in the Provincial Development Programme on account of the reduction in Central loans and grants for the current year. It has, however, not been possible to make adjustments for reduction of Rs. 13 lakhs in the Central grant of the E. Punjab and increased Rs.1 crore in Central loan to the U.P.

% % The figures in respect of the U. P. have been abstracted from the provincial budget estimates which do not make a distinction between normal and developmental expenditure. The figures are, therefore, rough approximations, and probably lean on the side of understatements. (Author's note based on information supplied elsewhere in the report).

@@ Add Rs. 30 lakhs.

§ About Rs. 17 lakhs.

TABLE IV.
CENTRAL EXPENDITURE ON DEVELOPMENT DURING 1946-47—1949-50
(IN CRORES OF RUPEES)

(Source:—Budget Papers)

	1946-47	1947-48 (7½ months)	1948-49	1949-50
Railways	13.42	16.79	27.15	20.83
Irrigation	—	—	1.16	0.75
Posts and Telegraphs	5.04	2.46	2.91	3.82
Industrial Development	2.67	6.13	10.94	9.55
Aviation	1.11	2.24	3.00	2.00
Broadcasting	—	0.33	0.69	0.68
Ports	0.07	0.13	0.15	0.15
Multipurpose				
River Schemes	—	—	—	1.31
Civil Works	0.58	1.73	5.68	6.05
Schemes of State Trading	—	4.70	— 1.73	6.33
Grants to States (Provinces) for Development	25.00	20.39	18.00	24.12
Advances to State (Provinces) Govts.	11.50	22.45	38.92	52.55
Total	59.39	77.35	108.39	128.14

TABLE V.
OUTLAYS AND DEFICITS OF THE GOVERNMENT OF INDIA DURING 1946-47—1949-50,
(IN CRORES OF RUPEES)

(Source:—Budget Papers)

	Undivided India	1947-48 (7½ months) Revised Estimates	Indian Union	
	1946-47 (Accounts)		1948-49 (Accounts)	1949-50 Revised Estimates
Central Government outlay on:—				
1. Revenue Account.	435.10	185.29	320.85	336.10
2. Capital Account.	563.24	141.24	485.19	241.23
3. Total Outlay.	998.34	326.53	806.04	577.33
4. Defence Expenditure on both Accounts	242.10	86.63	146.04	170.06
5. Percentage of 4 to (1 + 2)	24.00	27.00	18.00	29.00
6. Deficit on Revenue Account.	45.29	6.52	\$50.84	3.74
7. Deficit on Capital Account.	61.52	133.41	167.48	120.30
8. Total Deficit.	106.81	139.93	116.64	124.04
Deficit financed by:—				
9. Net reduction in Central Government Cash Balances.	89.45	93.55	83.54	N.A.
10. Net increase in total Notes issued.	19.67	51.02		N.A.
§ Surplus.	N.A.—Not Available.			

APPENDIX II.

Achievements of Provincial Development Programmes.

The paucity of available data on the concrete achievements of the provincial development programmes prompted us to address the following circular letter to the Chief Secretaries of the Provincial Governments in India on 26th April 1950.

“The Institute is, at present, engaged in preparing a paper on “Economic and Social Development in India” for the Pacific Relations Conference to be held at Lucknow in October, 1950. In that connection we need some statistical information regarding the progress of post-war reconstruction plans in the provinces, which is not available in the Report on “Provincial Development Programme” prepared by Dr. Gyan Chand. I will be obliged if you will kindly supply the following information as soon as possible.

I. *Irrigation:*

- (a) No. of tube wells constructed during 1st April, 1946 and 31st March, 1950.
- (b) No. of surface wells constructed during 1st April, 1946 and 31st March, 1950.
- (c) Increase in total canal irrigated area during 1st April, 1946 and 31st March, 1950.
- (d) Increase in the total irrigated area during 1st April, 1946, and 31st March, 1950.

II. *Electricity:*

- (a) Increase in total installed capacity during 1st April, 1946 and 31st March, 1950.
- (b) Increase in total electric power generated during 1st April, 1946 and 31st March, 1950,

III. *Agriculture and G.M.F.:*

(a) Total land reclaimed for cultivation during 1st April, 1946 and 31st March, 1950.

(b) Increase in total compost manufactured during 1st April, 1946 and 31st March, 1950.

(c) Increase in the area supplied with better seed during 1st April, 1946 and 31st March, 1950.

(d) Increase in Foodgrain production during 1st April, 1946 and 31st March, 1950.

IV. *Education:*

(a) No. of additional primary schools started during 1st April, 1946 and 31st March, 1950.

(b) No. of additional secondary schools started during 1st April, 1946 and 31st March, 1950.

(c) No. of additional High Schools started during 1st April, 1946 and 31st March, 1950.

(d) No. of additional Arts Colleges started during 1st April, 1946 and 31st March, 1950.

(e) No. of additional vocational colleges started during 1st April, 1946 and 31st March, 1950.

(f) No. of additional Universities started during 1st April, 1946 and 31st March, 1950.

V. *Civil Works, Buildings and Roads:*

(a) No. of Government buildings constructed during 1st April, 1946 and 31st March, 1950.

(b) Mileage of new roads constructed during 1st April, 1946 and 31st March, 1950.

(1) Metalled.....

(2) Unmetalled.....

VI. *Medical and Public Health:*

(a) No. of new Hospitals opened during 1st April,

1946 and 31st March, 1950.

(b) No. of new village dispensaries opened during 1st April, 1946 and 31st March, 1950.

(c) No. of new medical schools or colleges opened during 1st April, 1946 and 31st March, 1950."

We received replies from most of the Governments and data on some aspects of the development programme were furnished by them. The replies were received over the last six months and they were not of uniform quality or coverage. We give below such data as were furnished to us upto 15th November 1950.

I. IRRIGATION:—

(a) Wells-Number of Tube wells and Surface wells constructed between I. IV. 46 and 31. III. 1950.

<i>Province.</i>	<i>Tube Wells</i>	<i>Surface wells constructed</i>	<i>Surface wells repaired.</i>
Bombay	Nil	12,367	7,454
Madras	Nil	80,227	27,316
Bihar	111	8,392	—

(b) *Canals*: Increase in the area irrigated by canals between 1. IV. 46 and 31. III. 50.

Assam	562,887	acres
Bombay	76,063*	"
Punjab	60,940	"
Bihar	35,050	"

In Bihar, besides the increase in irrigated area noted above 12,331 minor irrigation schemes were completed between 1946-1950 which were expected to benefit a total area

* Increase in area irrigated by Government and private canals, tanks and other works to the end of 1948 only.

of 2,46,620 acres of cultivable land.†

II. *ELECTRICITY*: Increase in installed capacity between 1. IV. 46 and 31. III. 50.

Assam	1,395 K.W.
Bombay	55,520 K.W.

According to the data compiled by the Central Electricity Commission the total installed capacity in the Indian Union was 1.537 million kilowatts at the end of 1949 as compared with 1,070 million units in 1939 an increase of about 44 per cent. During 1945-49 installed capacity increased by nearly 23 per cent. The production of electricity almost doubled during 1939-49, being more than 4,900 million kilowatt hours in 1949. A rise of about 23 per cent. in the production of electricity was recorded during 1946-49.*

III. *AGRICULTURE AND GROW MORE FOOD*:

(a) Land reclaimed for cultivation between 1. IV. 46 and 31. III. 50.

Bombay	180,624	acres
Assam	34,500	"
East Punjab	2,363	"
West Bengal	4,320	" (during 15. VIII. 47—
Bihar	64,317	" 31. III. 50)
Madras	94,583	"

Mr. A. N. Sinha, Finance Minister, Bihar, is reported to have declared to the Congress workers at Gaya on 24 November, 1950, that crores of rupees had been wasted on minor irrigation schemes; that had there been proper irrigation facilities famine conditions would not have appeared; that there was no coordination between different departments; that most minor irrigation schemes had proved to be only a farce. *Times of India*, 25 November, 1950.

Reserve Bank of India Bulletin, October 1950.

(b) Increase in foodgrain production during 1. IV. 46—
31. III. 50

Bombay	37,537	tons	
East Punjab	9,043	tons	(253,212 maunds)
West Bengal	172,840	tons	(during 15. VIII. 47 31. III. 50)
Madras	340,000	}	Upto 31. III. 49 only.
Assam	94,195		

IV. EDUCATION:

Additional Primary, Secondary, High Schools, Arts and Science Colleges, Vocational College and Universities started between 1. IV. 46 and 31. III. 50.

(a) *Primary Schools:*

Bombay	6,855	
West Bengal	394	(upto 31 March, 1949 only)
Assam	3,852	(during 1946-47—1948-49)
Madras	4,333	(of which 544 under Post-war Schemes).

(b) *Secondary Schools:*

Bombay	187	
West Bengal	108	(upto 31 March 1949 only)
Assam	187	(during 1946-47—1948-49 only).
Madras	178	(of which only one under Post-war Schemes).

(c) *High Schools:*

Bombay	55	
West Bengal	233	(upto 31 March 1949 only)
Assam	90	(during 1946-47—1948-49 only).
Madras	253	(of which only one under Post-war Schemes).

(d) *Arts and Science Colleges:*

Bombay	13*	
West Bengal	22	(upto 31 March 1949 only)
Madras	17	
Assam	1	(during 1946-47—1948-49)

(e) *Vocational Colleges:*

Bombay	16	
West Bengal	11	(upto 31 March 1949 only)
Assam	27	(during 1946-47—1948-49)
Madras	7	

(f) *Universities:*

Assam	1
Bombay	4

V. *CIVIL WORKS:*

(a) Number of Government buildings constructed during 1. IV. 46 and 31. III. 50.

Bihar	77	
Assam	654	
East Punjab	103	(Exclusive of huts and houses built for refugees and displaced persons).

(b) New roads constructed during 1. IV. 46—31. III.50.

Metalled:—

Bihar	Nil	
Assam	37.355	miles.
East Punjab	200.05	miles
West Bengal	139	miles ("done to waterbound consolidation stage").

Inclusive of 2 in State area now merged in Bombay State.

Unmetalled:—

Bihar	11	miles
Assam	330.154	miles
East Punjab	152.350	miles

VI. *MEDICAL AND PUBLIC HEALTH:*

(a) Number of new Hospitals and Dispensaries started between 1. IV. 46 and 31. III. 50.

Bombay	34	
Assam	1	
Madras	117	
Orissa	4	(excluding those opened for refugee camps).
East Punjab	11*	(during 15. VIII. 47—31. III. 50).

(b) Village dispensaries opened during 1. IV. 46—31. III. 50.

Bombay	72	(additional S.M.P. centres)
Assam	38	
Madras	48	
Orissa	49	
East Punjab	8	(during 15. VIII. 47—31. III. 50).

(c) New Medical Schools and Colleges started during 1. IV. 46—31. III. 50.

Bombay	3	Colleges (total admission 140 students).
Assam	1	
Orissa	1	

In addition 14 hospitals and dispensaries have been taken over by the Punjab Government from Local and private bodies.

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