

# Dangers of Physical Planning

## A DISCUSSION

*The Democratic Research Service believes that the five articles by Mr. Shriman Narayan, Prof. H. Ezekiel, "Onlooker" of the Times of India and the Editor of Freedom First reproduced in this folder are of educative value. They bring into focus certain developments and trends which, if not checked in time, might result in undermining the very basis of the free way of life cherished by democrats of all persuasions—those who believe in democratic socialism as well as free enterprise, the mixed economy as well as sarvodaya.*

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# **The Dangers Of Physical Planning**

**BY PROF. HANNAN EZEKIEL**

**D**EMOCRACY in India is threatened by a new danger. Economic planning, which the Planning Commission had visualised as a great experiment in democracy and which had been hailed as such in many parts of the world, may now take a new direction which must necessarily mean the ultimate destruction of democratic ways of living in this country. While the communist defeat in the Andhra elections has ruled out a rejection of the democratic postulates of economic planning through a change in the Government at least in the immediate future, it appears that this may take place through the acceptance of "physical planning" by ruling circles in the country and particularly by Pandit Nehru.

The high-priest of "physical planning," which thus threatens to enter through the back-door, is Prof. P. C. Mahalanobis, Director of the Indian Statistical Institute, Calcutta, who is also Statistical Adviser to the Cabinet and wields great personal influence with Pandit Nehru. In recent years, this statistician has built up a large staff, including some foreign experts, at his institute in Calcutta, mainly through funds made available by the Government of India. The list of the foreign experts at the Institute is revealing. It includes two leading Soviet economists with the Gosplan and Prof. Oscar Lange of the Polish Planning Organisation. From countries outside the Iron Curtain, there are Prof.

Charles Bettelheim of France, Prof. Rangar Frisch and Dr. R. M. Goodwin. All these are suspected of fellow-travelling tendencies. The latter two are econometricians and, by virtue of their subject itself, they tend to think of human beings in terms of tidy little patterns of behaviour that can be fitted into equations and graphs. There is also danger from their tendency to see uniformity where it does not exist as they are usually willing to enforce it if mere human beings do not conform to their pre-conceived notions.

In physical planning, as understood by the statistician and his group of experts, there is little doubt that there is implied a replacement of the democratic foundations of economic planning by a system of direction of resources which is so familiar to those who have studied the economies of the communist countries. Destruction of liberty is inherent in this technique of planning. Its greatest attraction is that it yields results, or so people are made to believe, though the sacrifice in terms of human suffering and the loss of liberty that has to be incurred is, of course, out of all proportion to its achievements.

There is little doubt that the Prime Minister himself is moved by the apparent inability of the economy to respond to the efforts made so far, as evidenced by the intractability of the problem of unemployment. Partly, this is a misreading of the situation, for the results already achieved are by no means inconsiderable. Pandit Nehru is really a victim of the inefficiency of our own publicity and the transparently dishonest efficiency of the publicity of the communist dominated economies.

Nevertheless, there is some case for the view that the Planning Commission in the First Five Year Plan looked too much to

the financial aspects of the Plan and paid too little attention to the underlying physical resources. It is this fact and the arguments based on it that tend to persuade people that physical planning is desirable. What is really proved by these arguments, however, is only that greater attention must be paid by the Planning Commission to the problem of physical resources and to a proper appreciation of the implications of each decision to resource-use on the one hand and resource-creation on the other. But this approach is not the same as physical planning in the Mahalanobis sense. It does not differ from what the Planning Commission has been already doing though not thoroughly enough. Thus in its *Programmes of Industrial Development*, the Planning Commission had attempted estimates of the demand for steel, cement, etc. and balanced the plans for expansion of these industries against them. Similarly, the decision to give priority not to expansion of capacity in producer goods industries but to full utilization of capacity in consumer goods industries was an assessment *par excellence* of the situation with regard to resources and their optimum utilization.

The assessment of resources under physical planning is, however, in physical rather than value terms. This does not mean that value judgments are not made at all, but they are made by a small group of planners, who give little consideration to the wishes of the people nor explain the bases of their decisions.

That the totalitarian tendency in physical planning requires a control over the sources of data is apparent from the establishment of the National Sample Survey under the control of Prof. Mahalanobis for the purpose of collecting data about the economy

of the country. Prof. D. R. Gadgil, who was associated with the work of the Survey for some time, has attacked the NSS as an authority "which through the nature of its being will tend to exterminate all parallel agencies in the field." He has pointed out that "with complete centralization and independent functioning the opportunity for doubtful operations may indeed be greatly increased." The danger is that the NSS may mould the facts to fit the particular programmes and policies that the Indian Statistical Institute may wish to put forward. A plan based on such foundations and in which the emphasis is placed on physical direction of resources, including manpower can only lead to the destruction of democracy not merely in the economic but also in the political field. No amount of playing with input-output tables, which are really inapplicable in underdeveloped countries, or with income-elasticities of demand which have not taken social factors into consideration, can disguise the essentially totalitarian characteristics of such planning. Pandit Nehru must think twice before entrusting the future of the country to a group of people who are so obviously determined to destroy that which he cherishes so much. And the people must take note of the red clouds on the Indian horizon that are deriving their strength from the work of the Indian Statistical Institute in Calcutta.

(Reproduced from *Freedom First*, April, 1955)

## **Towards A Communist Pattern?**

**I**T is a strange irony of events that while India is pledged to follow a peaceful and democratic way to attain economic pro-

gress, the vital task of preparing the framework of her Second Five Year Plan should be entrusted to a group of experts who have no regard for and no interest in the ideals and values of democracy. The fact, which was for a long time shrouded in mystery, has only recently become public, thanks to Prof. Shenoy's warning at a meeting of the Indian Council of World Affairs in Ahmedabad and Prof. Ezekiel's article in the last issue of *Freedom First*.

The group of experts is that collected around him by Prof. P. C. Mahalanobis, Director of the Indian Statistical Institute and the Statistical Adviser to the Government of India. The group consists of seven experts from Iron Curtain countries and a couple of fellow-travellers from other European countries, with the single exception of one who hails from a democratic country. The staff of assistants employed by the Institute also contains a number of communists and fellow-travellers, the most prominent amongst them being Mrs. Kalpana Joshi, the wife of Mr. P. C. Joshi, the one-time General Secretary of the Communist Party of India.

Not long ago, Mr. Jayaprakash Narayan drew pointed attention to these facts. In an interview in Lucknow, he said: "The seven authors of Pandit Nehru's Second Five Year Plan are all men from behind the Iron Curtain." Jayaprakash is not in the habit of exaggerating, and indeed it is ascertained that the names of the members of this communist cell maintained by the Indian tax-payer without his knowledge are Dr. M. I. Rubinstein (U.S.S.R.), Academician D. D. Degtyar (U.S.S.R.), Mr. Filiminov (U.S.S.R.), Mr. P. M. Moskvina (U.S.S.R.), Mr. Timchevko (U.S.S.R.), Prof. I. Y. Pisarev (U.S.S.R.), Prof. Oscar Lange (Poland), Prof. Charles Bettelheim

(France), Dr. R. M. Goodwin (England; originally from the U.S.A.) and Prof. Ragnar Frisch (Norway).

Mr. Jayaprakash was naturally disturbed by these facts and expressed his deep concern over the "highly centralised totalitarian kind of planning which Prime Minister Nehru is getting done by the experts of communist countries in the name of a socialistic pattern of society."

This 'highly centralised totalitarian kind of planning' is now slowly taking place behind closed doors. The first open onslaught of Prof. Mahalanobis and his experts launched in the name of a physical approach to planning did not succeed. It met with strong opposition from the Planning Commission and the economists. The Statistical Adviser to the Government of India therefore beat a strategic retreat and has now, it appears, presented his ideas in a modified and more acceptable garb.

The main characteristic of this modified plan is reported to be the primary importance accorded to the building up of heavy industries with a view to make the country self-sufficient in the matter of supply of producers' goods. This was the central feature of the First and subsequent Five Year Plans of Soviet Russia and it was this which led to the merciless exploitation of the people and the rise of the police State. Soviet Russia may perhaps have had some justification for adopting that course in the peculiar circumstances in which she found herself in the beginning of her career. But India, which is more fortunately situated and can avail herself of the help that is readily available from industrially advanced countries, need not blindly imitate what Russia did and thus pave the way for the eclipse of freedom and democracy.

Another important feature of the plan is

said to be the decision to reserve the new production of consumer goods for hand and cottage industries and to prevent any further expansion of factory production in that sphere. The object of the decision is stated to be the desire to solve the problem of unemployment. Whatever the object, the net result of the decision will be the smothering of free enterprise, a famine of consumer goods and the tying down of millions of workers to primitive and soul-deadening techniques. The plan also provides for the entry of the Government into many new spheres of activity. The obvious consequences will be rigid control of the Government over all economic activities and more and more of regimentation.

The central idea of the physical planning advocated by Prof. Mahalanobis and his experts is to take into account the physical resources available to the country and to utilise them in the most effective way for ensuring rapid industrialisation, which to them is synonymous with large-scale development of heavy industries. Effective utilisation needs direction of labour as well as resources which is not possible without a rigid control over the entire life of the community. Rapid industrialisation will also need a high rate of investment which is possible in a backward economy only through a further lowering of the living standards of the people. These economic compulsions will necessarily lead to the establishment of a totalitarian regime, for without such a regime it is not possible to direct labour and resources into planned channels and to coerce the people into submitting to a life of toil and hardship and misery.

Soviet Russia and other communist countries based their plans on this central idea. And the result has been the growing

pauperisation of the people in spite of some spectacular advances secured in heavy and armament industries. It is now an established fact that though heavy and armament industries have made rapid strides in Soviet Russia, the standard of living of the Russian people continues to be as low as before. The craze for rapid industrialisation led to the collectivisation of agriculture which resulted in the killing, exile and starvation of millions of Russian peasants. Slave labour camps holding in servitude over ten million workers is another monstrous off-spring of the same craze. And on the top sits the most oppressive police state that the world has ever seen directing the apparatus that runs the economy and keeps the people in check. What is happening in other communist countries is but a pale imitation of what has happened in Soviet Russia.

Experts drawn from Iron Curtain countries and trained on communist lines could not but recommend a similar plan. They would not be communists, and in any case they would not be allowed to leave their countries and work here as experts, if they could not be relied upon to evolve for India a plan on orthodox communist lines. It is Prof. Charles Bettelheim of France, a well-known communist, who has formulated the plan for the experts in his working paper, bearing the title *Scheme of a Model of Reasoning for the Elaboration of the 2nd Five Year Plan of India*. The objective put forward by Prof. Bettelheim is very alluring. He proposes to double the national income and to solve the problem of unemployment in ten years. The objective is no doubt very alluring and it is this objective that seems to have impressed the Prime Minister and won his sympathy for the plan.

The objective is, however, extremely deceptive. It is merely a paper promise dangled before the eyes of the Prime Minister and others. The working paper does not say how the plan will be financed. It is only in a communist State that it is not necessary to think of finance, for there both labour and capital can be conscripted. And promises can be easily made, for there will be nobody to demand fulfilment. Besides, the statistical machinery is always at hand to cook up statistics to deceive the gullible. Starting with the outrageously absurd statement that "in the Soviet Union, the national income has nearly quadrupled in the course of the first two Five Year Plans," Prof. Bettelheim goes on to call for a rate of investment of 10.8% for the second Five Year Plan and 15.3% in the course of the third Five Year Plan. This high rate of investment is not possible without coercing the people to accept serious cuts in their standards of life. Prof. Bettelheim also contemplates the public use of private profits, which will virtually amount to confiscation of private enterprises. He also visualises a system of balances which will be possible only on the basis of the strictest control of all economic activities.

This is a plan on the approved Soviet model. It can work only on the basis of social, political and economic conditions that obtain in Soviet Russia. It cannot work in a free society where the people demand and insist upon their freedom to choose their jobs, their freedom to use and consume the goods that they like and their freedom to criticise and change the Government.

Prof. Bettelheim's plan did not go through. It is reported, however, that many of the basic ideas of his plan have

found their way into the draft of the 2nd Five Year Plan. The report may or may not be true. But there are certain other incontrovertible facts which give cause for grave anxiety. Prof. Mahalanobis, the moving spirit behind the plan, is now to be treated as a *de facto* member of the Planning Commission. This peculiar arrangement is presumably in accordance with the learned Professor's own wishes, for it is understandable that he should not want to shoulder any legal responsibility and subject himself to the discipline of a parliamentary process in which he has no belief. He will shortly be joined there by another eminent academician whose political predilections are of the same variety. Dr. J. C. Ghosh, who it is reported will shortly resign his Vice-Chancellorship of Calcutta University to join the Planning Commission as a member, is known for his leftist sympathies. Before taking up his last job, he inaugurated on April 21 the second national conference of that notorious Communist Party front, the India-China Friendship Association. More ominous is the speech he recently delivered in Bangalore in which he talked of a conscious minority alone being interested in planning. Are we then in for days when a conscious minority will do all the thinking and the planning and impose its will upon the large majority?

Another significant pointer is the scheme adumbrated by Prof V. K. R. V. Rao (a co-Vice-President, along with Prof. Mahalanobis, of the communist-inspired and controlled Indo-Soviet Cultural Society) of a National Labour Force. To begin with, it is to consist of one million persons. Its strength will be raised to two million during the period of the Second Plan. It will work, according to Prof. Rao, under 'semi-military discipline' and will be uti-

lised for constructional activities of various kinds, such as road making, bridge building and irrigation. When there is plenty of available labour in the country for any amount of constructional activity there is no point in building up a Labour Force unless the idea is to conscript labour and make it work at any rate and at any place that may be decided by the State. Is this the shadow cast ahead of forced labour camps? The question is legitimate, for Prof. Rao's appreciation of communist China and its methods is not unknown.

It is in this context that one must view the recent amendments made to the Constitution and realise their serious implications. The amendments have taken the quantum of compensation altogether out of the purview of the Courts. When moving for reference of the Constitution Amendment Bill to the Select Committee on 15th March, the Prime Minister had himself rejected the suggestion that all matters of compensation should be made non-justiceable. According to the P.T.I. news report published in the *Hindustan Times*, Mr. Nehru had then said that this course had been deliberately rejected by the Cabinet after careful thought. "I will tell you", he said, "that when we were discussing this matter, one of our colleagues suggested a very simple amendment to the Constitution to solve the whole problem. This amendment was very brief and not as long as I have placed before you in this amending Bill. The suggestion of our colleague was that we should say that whatever property was taken over by the State, the question as to what compensation should be paid for it should be left to be decided by Parliament and the Assemblies and no court should interfere in this at all. Well, this was a very simple pro-

cedure. It meant that the courts should not at all interfere in whatever Parliament did in regard to compensation." The Prime Minister then said he would like to tell the members that if that suggestion of his colleague had been accepted, then the courts would have been completely kept out. "This could have been done," continued Mr. Nehru, "but in that case the Fundamental Right in this regard relating to property would have been completely nullified. The Government could do this, but we did not think it proper to go so far." Yet, this is precisely what was done a few days later in the Select Committee with the Prime Minister in the chair, and there can be no question but that Fundamental Right to property which was enshrined in the Constitution has thus been destroyed.

The right to own property is as much a Fundamental Right as the rights to freedom of speech, association or assembly. None of these rights is an absolute right. All rights are subject to certain reasonable limitations. If those limitations are overstepped and rights are infringed, citizens must have the right of going to the courts to assert them. That is the essence of the Rule of Law. It is obnoxious to make an exception in the case of the right of property. The exception may harm a few of the rich, but it may also harm a large number of the not-so-rich. If a totalitarian plan of the type recommended by Prof. Mahalanobis and his experts is adopted, the amendments will enable the State to do what it likes with private property and subordinate all processes of production to the dictates of bureaucrats.

The picture is not, however, all dark. Some relief is provided by the declarations that the Prime Minister makes from time

to time. Recently in New Delhi he made a very forthright speech on the unique experiment that India is trying "to achieve economic prosperity without abandoning democratic institutions." He said "that India would not sacrifice democratic institutions at the altar of economic progress," and added that "in the long run, economic prosperity based on a denial of human freedom and dignity could not carry a country very far." He deprecated the progress that Russia had achieved as it was achieved "at the cost of the freedom of the individual." The uniqueness of the Indian experiment lay in the fact, he said, that economic progress was being achieved "under a democratic set-up." These are heartening declarations and they inspire the hope that India may not after all be dragged along the road that Russia and China have travelled.

The danger lies in impatience. Progress along democratic lines, indeed, any genuine progress, is bound to be slow, though it is always far more permanent, far more rapid and far more satisfactory. The progress achieved by India under the first Five Year Plan is of a very high order. And yet there is no dearth of communist propagandists and their dupes who decry the achievement and laud to the skies the progress that Russia and China are supposed to have achieved under their totalitarian regimes. The stories of that progress are on many occasions sheer dishonest propaganda and yet curiously enough they find a lot of credence in quarters which decide the policies of the nation.

The craze for rapid industrialisation with a view to outstrip the industrial might of other countries and the desire, very common amongst bureaucrats and planners, to order the life of the community accord-

ing to a set pattern are other factors which may drive us headlong towards the highly centralised totalitarian kind of planning suggested by Prof. Mahalanobis and his experts, and in that headlong drive the Prime Minister may not remember too long the noble sentiments expressed by him. The Prime Minister's declarations may give us some hope, but it will be unrealistic to ignore the grave danger represented by the dark activities of communist and near-communist statisticians and econometricians who have an uncanny way of finding easy access to his ear and mind.

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## **Is Our Planning Becoming Totalitarian?**

**BY SHRIMAN NARAYAN**

**T**HE Planning Commission have recently published some preliminary papers relating to the "tentative frame-work" of the Second Five-Year Plan, for eliciting public opinion and inviting constructive suggestions on different aspects of the proposed Plan. In one of the papers, Prof. Mahalanobis, Director of the Indian Statistical Institute and the Statistical Adviser to the Government of India, has submitted his "draft recommendations" for the formulation of the Second Five-Year Plan. In another paper, the Panel of Economists headed by Prof. D. R. Gadgil, have published "basic considerations" relating to the "Plan-Frame". While these tentative discussions and proposals have been welcomed in general, a few sections of public opinion have vehemently criticised the "basic approach" of Prof. Mahalanobis and other economists including Dr. V. K. R. V.

Rao. "Freedom First", which is the Organ of the Indian Committee for Cultural Freedom, has dubbed these economists as Communists or "fellow travellers," and expressed great concern over the so-called totalitarian trends in the preparation of the Second Five-Year Plan. "This highly centralised totalitarian kind of planning", writes the Organ, "is now slowly taking place behind closed doors" with the help of "experts from the Iron Curtain countries." It is pointed out that emphasis on the building up of heavy industries would necessarily lead to "the merciless exploitation of the people and rise of the Police State." The Organ has also criticised the recent amendment of the Indian Constitution relating to Article 31, on the ground that "the Fundamental Right to property, which was enshrined in the Constitution, has been destroyed." Although the writer takes note of a number of recent utterances of Prime Minister Nehru to the effect that "India would not sacrifice democratic institutions at the altar of economic progress", he ends on a note of suspicion that "the dark activities of communist and near-communist statisticians and econometricians have an uncanny way of finding easy access to his (Prime Minister's) ear and mind."

It is true that planning in modern times tends towards over-centralisation of political and economic power resulting in the curtailment of individual liberties to a considerable extent. In fact there is a school of thought led by Prof. Hayek which regards economic planning as a "road to serfdom". But this is, surely, an extreme view. We should not lose sight of the fact that India has taken upon herself one of the greatest challenges of modern times, namely, to plan out her social and

economic life under a democratic set-up through peaceful and non-violent methods. The Prime Minister has reiterated this view a number of times beyond any shadow of doubt or confusion. After his visit to China, Shri Nehru, in the course of several speeches, made it abundantly clear that although he was deeply interested in the progress of China, there was absolutely no question of imitating the political and economic organisation of China. India was wedded to the methods of peace and democracy, although she did not want to interfere with the systems prevailing in other countries. "I think that in the long run," observed Shri Nehru, "the democratic and peaceful method is more successful even from the point of view of time and much more so from the point of view of results." The Avadi Resolution on Socialistic Pattern, while emphasizing the role of the public sector, made it amply clear that "the private sector will continue to have importance", because the private sector in India would necessarily include agriculture and small-scale and cottage industries. This point has been further clarified in the course of a recent speech of the Prime Minister in the Congress Parliamentary Party in connection with the nationalisation of the Imperial Bank. At the A.I.C.C. Session at Berhampur, Shri Nehru emphatically declared that the slogan of "nationalisation" was not going to solve India's economic problems. The basic or mother industries have to be nationalised, of course; but the consumer goods industries should be decentralised on a very wide scale in the form of co-operatives. As the Berhampur resolution on the Second Five Year Plan pointed out, it will be necessary to organise for "a great development of small-scale and village

industries which have to play a role of crucial importance both in relation to providing fuller employment and for the purpose of ensuring an adequate supply of consumer goods." The tentative framework of the Second Five-Year Plan, as published by the Planning Commission, visualises cooperative effort and not collectivisation and nationalisation in the important sectors of land and village industries, which would naturally constitute a substantial portion of India's economic development for many years to come. The fears regarding totalitarianism and centralisation are, therefore, unfounded and should not be allowed to cloud our vision.

We are, indeed, extremely surprised to find that the Organ of the Indian Committee for Cultural Freedom has attacked the recommendations of the "statisticians and economists" on the ground that the Second Five-Year Plan proposes "to reserve the new production of consumer goods for hand and cottage industries and to prevent any further expansion of factory production in that sphere." "The net result of the decision," writes the Organ, "will be the smothering of free enterprise, a famine of consumer goods and the tying down of millions of workers to primitive and soul-deadening techniques." This opposition to small and village industries makes the position of the Indian Committee for Cultural Freedom very untenable and even ludicrous. On the one hand they oppose large-scale production on the ground that it would result in regimentation and totalitarianism, and, on the other, they condemn village industries because their development would leave very little scope for large-scale factory production in the private sector. This clearly shows

that the Indian Committee is mainly interested in the well-being of the private sector or the capitalists in this country. They are opposed both to the nationalisation of key industries as well as to the expansion of small and cottage industries and desire to raise the bogey of "totalitarianism" in order to create confusion in the public mind.

Let me repeat once again that the mind of the Congress and the Government of India is not a communist or a semi-communist or totalitarian mind; it is also not a capitalist or American mind which always thinks in terms of private enterprise and regards private property as sacrosanct. India is determined to follow the path of peace, non-violence and democracy as chalked out by the Father of the Nation. We desire to abolish poverty and unemployment from this country within the next ten years through large-scale planning of small, village and cottage industries with the active help and co-operation of village panchayats and local bodies. It is gratifying to know that the Community Projects Administration has recently decided to strengthen their activities through the organisation of Gram Panchayats as basic units of administration and planning. Our objective, therefore, is to conquer hunger and unemployment by a process of bold decentralisation of political and economic power, and not by following totalitarian or regimented methods of socialist or communist countries. That is why we purposely avoided the term "Socialism" in the Avadi resolution and used the new phrase "Socialistic Pattern of Society". Our Socialism would be of the Gandhian or Sarvodaya type and not of the Communist pattern. The Congress has not used the word "Sarvodaya"

in its objectives because we did not want to exploit a high ideal and a noble word for political purposes. But there is no doubt whatsoever that our ultimate ideal is the Sarvodaya pattern of society and not the highly-regimented and totalitarian type of State. Let there be no mistake about it.

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## Let There Be No Mistake

**T**O criticise the actions of persons in high places and to invite attention to certain dangerous implications is always a hazardous task. If, however, freedom is to survive and democracy is to thrive there must be in a free society some who will be intrepid enough to undertake that task.

*Freedom First's* criticism of the Mahalanobis Plan and the technique of physical planning and its revelations regarding the communist character of most of the foreign experts gathered together by the Indian Statistical Institute has evidently earned for it some displeasure in high quarters. *Freedom First* is not afraid of incurring displeasure, when public duty requires it to run that risk; it would not, however, like its position to be misunderstood.

*Freedom First* had criticised the Mahalanobis Plan and its technique of physical planning on the basis of the little information that was then available in scanty newspaper reports. Since then, some authoritative documents have been published, namely, the Plan Frame of Prof. Mahalanobis, a note prepared jointly by

the Economic Divisions of the Ministry of Finance and the Planning Commission, the memorandum of the Panel of Economists and Prof. B. R. Shenoy's note of dissent to the memorandum. Now that these documents have been published for general discussion, it will be necessary to study them and to re-examine, in the light of this new information that has now become available, the criticism that had been made earlier. *Freedom First* will essay that task in the course of the next three or four months that are happily allowed for a discussion of the Plan Frame.

At the moment, it is necessary to point out that *Freedom First* is not alone in the doubts and apprehensions that it had expressed about some of the features of Mahalanobis Plan and their impact on freedom and democracy. One of the most outspoken critics of that Plan, now called the Plan Frame, has been Dr. B. C. Roy, the Chief Minister of West Bengal. In a note submitted to the National Development Council, Dr. Roy stated:— "In my opinion, the Plan is unpractical both in regard to the total effort which is envisaged, as well as the manner in which this total effort is proposed to be applied in different directions.

"Very broadly, my criticism is that:

- (a) the total strain involved will be beyond our present capacity to bear, particularly in view of the fact that the most important element in assessing this capacity in democratic planning is the willingness of different sections of the people themselves to undergo this strain; and
- (b) the different major heads under which this effort is to be made will lead to a lop-sided development,

thus seriously injuring the prospects of balanced growth."

The note then examines the various targets of the Plan Frame and points out that the approach adopted "is an example of putting the cart before the horse." It says: "The level of our targets should be pitched according to capacity and not according to what we may wish for." The note has also criticised very severely the pattern of development contemplated by the Plan Frame.

Equally trenchant criticism of the Plan Frame has been voiced by Prof. B. R. Shenoy, a member of the Panel of Economists with a distinguished record of academic and public service behind him. It is true that his was the only voice of dissent in the Panel but that does not in itself reduce the validity of his criticism. He has criticised the basic idea of the Plan Frame of financing the Second Five Year Plan to the extent of Rs. 1000 crores by resort to deficit financing. He has pointed out that deficit financing of such a high order may well lead to wild inflation which would inflict permanent injury on the economy of the country. He regards the plan as "over-ambitious" and warns against the consequences of adopting an over-ambitious plan in the following words:

"To force a pace of development in excess of the capacity of the available real resources must necessarily involve uncontrolled inflation. In a democratic community where the masses of the people live close to the margin of subsistence, uncontrolled inflation may prove to be explosive and might undermine the existing order of society. Alternatively, if appropriate "physical measure", familiar to a communist economy, were adopted (in an

effort to prevent inflation) we would be writing off, gradually or rapidly, depending upon the exigencies of the Plan, individual liberty and democratic institutions by administrative or legislative action."

Prof. Shenoy has also examined the "policy and institutional implications of the Plan Frame" and has stated: "I apprehend that reliance on legislation and administrative measures to increase the rate of saving, which will permit a bigger and bolder Plan, may by degrees undermine our democratic social order, which would be too high a price to pay for accelerated economic development. Legislative and administrative action should be directed to ensuring the socially most effective uses of savings. To permit accelerated economic development it would be preferable to supplement domestic savings by foreign capital and foreign aid."

Influential organs of public opinion have been equally critical about the Plan Frame. The *Hindu* of Madras in its Editorial dated May 21 disapproved of the methods proposed for financing the plan, of the "targets drawn up entirely unrelated to the resources available," of the pattern of development and concluded: "The result of this lopsided programme would be to raise prices, bring down consumption standards and leave the much-favoured cottage industries with mounting stocks of unsold goods. There is clear need for a more realistic approach, which does not envisage too heavy burdens on the consumer and which provides for a more generous expansion of light industries."

Reverting to the same subject on June 12, the *Hindu* describes Prof. Mahalanobis as the person "from whom the second Five Year Plan largely derives its inspira-

tion" and, criticising a statement made by him at a press conference that if he had his way he would put into cold-storage modern technology, writes: "You cannot possibly use modern technique selectively bringing into existence steel and cement plants on up to date lines and at the same time trying to meet the demands for a higher standard of living, through the output of cottage industries." *The Hindu* then quotes appreciatively the following passage from an article by Mr. Kingsley Martin in the *New Statesman and Nation*:

"It is bold for any country which maintains a democratic structure to embark on a plan which involves so high a proportion of saving. Communist countries, which have converted so large a percentage of the nation's earnings into capital expenditure, have done so at the cost of much coercion and expropriation." It is to be hoped that the Prime Minister and others will ponder deeply these words of their very devoted friend.

*Thought* of Delhi has been equally critical about the recommendations of Prof. Mahalanobis and his experts. It wrote: "The principles on which these recommendations are based are the same as those of communist or totalitarian plans. Both the First and the Second five-year plans of the Soviet Union were based on these principles; so also are the plans of East European satellites and China. It should be obvious that if these recommendations get accepted, their cumulative effect would be to push India's economy increasingly into a mould undistinguishable from that of the communist country."

It should be clear therefore that *Freedom First* is not alone in criticising the Mahalanobis Plan and in drawing attention to some of its implications tending in

the direction of totalitarianism. It may have spoken first and spoken a little sharply. Some would have liked the voice to be less sharp and some, in the belief that they had already combatted and repelled the danger, would have liked the matter to be dropped. In a democracy it is always best that the people at large should know of the danger that had threatened them, even if it has receded for the time being. Opinions again might differ whether the danger has already passed and in any case vigilance might pay better dividends than complacency.

One of our critics has been extremely unkind and unfair. Mr. Shriman Narayan, the General Secretary of the Indian National Congress, has charged the Indian Committee for Cultural Freedom with being "mainly interested in the well-being of the private sector or the capitalists in the country." The charge is based on the allegation that the Indian Committee is opposed on the one hand to large-scale production and on the other to village industries, as the latter would leave very little scope for large-scale factory production in the private sector. The allegation has no basis in fact. The Indian Committee is neither opposed to large-scale production nor to village industries.

What *Freedom First* had criticised was on the one hand the emphasis placed in the Mahalanobis Plan on heavy industries and on the other hand its decision to reserve all additional production of consumer goods for hand and cottage industries. Opinions may differ regarding both the proposals. But that is no reason why one who does not approve of those proposals should be dubbed as mainly interested in the well-being of the capitalists.

That the development contemplated by the Plan Frame of heavy industries at one end and of hand and cottage industries at the other end will be a lopsided development has been pointed out by many others besides *Freedom First*. Many others have also expressed the apprehension that there will be a famine of consumer goods, that while incomes will be generated there will not be enough of consumer goods, to satisfy the new demand that will be created thus making it obligatory, as Dr. B. C. Roy has stated in his note, "to clamp down Draconian regime of rationing and control in every sphere."

Mr. Asoka Mehta, the Socialist M.P., has indeed suggested that this "temporary device is being used to inveigle unwary Sarvodayawadis into the modernist future. This may be useful politics but no honest functioning. Cleverly the controversy with the Sarvodayawadis is pushed off to 1961 when the battle would be lost by them before it could be joined."

The imputation of motives should not have found a place in the Gandhian technique which Mr. Shriman Narayan endeavours to follow. The Committee has within its ranks persons belonging to diverse schools of thought. It has among its members democratic socialists, radical humanists, believers in Sarvodaya, in free enterprise, and in mixed economy and others of various persuasions. It is wedded to no particular economic dogma. Its sole interest is in the advancement and expansion of freedom in all spheres of life—political, economic and social. It will judge all schemes, proposals and events on the basis of their impact on freedom, the freedom of the individual to live a life of his own and develop all his potentialities.

Nobody in India, and least of all *Free*,

*dom First*, is opposed to planning as such. The crucial question is how to square demands of planning with the requirements of freedom. The answer to the question may not be the same in all communities and at all times. It is, however, important to keep the problem in mind and to ensure that planning does not overstep its limits and eclipse freedom, which must be constantly reinterpreted as the actual freedoms enjoyed by the people in their daily lives. As Miss Barbara Wooton, herself a socialist, has stated in the book *Freedom Under Planning*: "A wise choice of planners and a watchful eye on plans may well be the price of freedom." Planning, she has asserted, must know where to stop. It is from this point of view that *Freedom First* had struck a note of caution about the danger of overstepping the proper limits of planning within freedom.

Planning to be democratic must proceed from the bottom to the top. It must first ascertain the needs of the people in the villages—it must be remembered that India consists of villages—and find out what can be done to satisfy those needs. As the *Radical Humanist* has pointed out: "Its goals would not be set in terms of increased national income, larger production, technical efficiency, national self-sufficiency, and all that, but rather the increased freedom of the individual. In such planning both planning and execution would be done by the people from down below and not by a centralised political authority running the economic life like a gigantic machinery in which the citizens have become mere cogs."

The Mahalanobis Plan or Plan Frame has adopted an entirely different pattern. It starts with the arbitrary objective of effecting a 25 per cent increase in national

income and providing about 10 to 12 million new jobs. It then finds out the amount of investment that will be necessary to attain that objective and, after making some rough calculations about the resources that would be available and finding a huge shortfall of Rs. 1000 crores adds to them that staggering figure of deficit financing. It then allocates those resources to the various sectors of the economy according to a pattern arbitrarily decided on by the experts. Thinking about a Plan Frame drawn up on these lines one is reminded of a plan that was drawn up over ten years back promising a doubling of the national income within fifteen years on the basis of an investment of Rs. 10000 crores. That Fifteen Year Plan was universally regarded as a Big Business plan. The Plan Frame contains many of the essential features of that plan except that State Capitalism takes the place of Big Business.

It is not the purpose of this article to discuss in detail the Plan Frame or the other documents pertaining to it. A couple of observations regarding its effects on the economic life of the people and on the political institutions of the country may not, however, be out of place. The Plan proposes to raise during the period of the plan Rs. 900 crores through additional taxation. The main burden of this taxation is to fall on the mass of the people and with that end in view it is even proposed to amend the Constitution to allow the taxation of essentials. The deficit financing of Rs. 1000 crores will also affect the common people very adversely. The net result may therefore be a worsening of the living conditions of the people.

The Plan Frame states enigmatically that "large organisational and constitu-

tional changes may become necessary." The Panel of Economists have also expressed themselves in a similar manner. Nobody knows at the moment what organisational and constitutional changes are contemplated. But the following statement of Dr. V. K. R. V. Rao, an eminent member of the Panel, in an article in the *Hindustan Times*, may throw some light: "It may even be necessary to treat the initial plan period as a period of emergency akin to war and, therefore, provide the President during that period with the same Constitutional powers that he has under Articles 352 and 360 of the Constitution." Commenting on the suggestion, Prof. G. D. Parikh wrote in the *Radical Humanist*: "What Dr. Rao suggests is that the Federal nature of our Constitution will have to go, all powers of the units will have to be taken away and the fundamental right will have to be suspended if we have to have bold and successful planning." Other economists may not agree with Dr. Rao, but is not his suggestion alarming enough?

The crucial question to be raised and answered is the one raised by Prof. G. D. Parikh: "Is the country prepared to pay the price of reducing men and materials to the same instrumental level for the sake of the so-called gains of economic development in terms of increased physical output?" The over-all planning contemplated by the Soviet and other foreign experts, the technique of physical planning and theory of balances proposed to be adopted sought to reduce men and materials to the same instrumental level. Thanks to the efforts of the officers and members of the Planning Commission, the ideas have been toned down to a large extent in the Plan Frame. Yet Prof. Maurice Dobb has to say this about the emphasis on heavy in-

dustries, the basic feature of the Plan Frame: "Presumably it reflects the influence on the economists' discussions of expert opinion from the countries of 'planned economies' and an adoption in principle of at least one cardinal feature of what has hitherto been spoken of as 'the Soviet way of industrialisation'."

It is remarkable that, in the plethora of discussion that has taken place, there has not so far been a denial of the allegation that the material for the Plan Frame was prepared by a team of ten foreign experts of whom six are Soviet officials, one a Polish official and two are communist or fellow-travellers from other countries. Commenting on the manner in which "the cloven foot of totalitarianism peeps through", *Onlooker* in the *Times of India* of June 23 writes: "If out of ten experts preparing a brief as many as seven live in the odour of Soviet sanctity it is not unfair to infer that the economic handiwork is pervaded with their political perfume. If this is 'Indian', then Sarvodaya is equivalent to Sovietism." Recalling the suggestion that the people should join not merely in the acceptance of the Plan, but in the thinking of the Plan, *Onlooker* aptly asks. "Whose thinking?" It is remarkable that in his long article Mr. Shriman Narayan should have sought to bypass this issue altogether.

Mr. Shriman Narayan's emphatic assurances that the objective is "to conquer hunger and unemployment by a process of bold decentralisation of political and economic power and not by following totalitarian or regimented methods of socialist or communist countries" are however highly gratifying. His further assurance that "our ultimate ideal is the Sarvodaya pattern of society and not the highly regi-

mented and totalitarian type of State" is also equally reassuring. We are grateful to him and to the Prime Minister for the fresh assurances that they have given.

It must, however, be pointed out that there is a logic or compulsion of events. Lenin observed long ago that whoever says A must in the end say B. None of our leaders has the intention of saying the B of totalitarian or regimented methods. Let us not, therefore, say the A of a highly centralised plan which in the end will compel us to say the B. Echoing Mr. Shriinan Narayan we too end by saying: "Let there please be no mistake about it."

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## **The Ethics Of Economic Planning**

**BY ONLOOKER**

**I**N a remarkably stimulating article in a recent issue of *The Times*, London, M. Jean Monnet, perhaps the foremost practical economic thinker in Europe today, poses an interesting question. Why, he asks, have Russia and the United States made greater economic progress than Europe? It is not, he answers, because the Americans and Russians are more inventive or hard-working than the Europeans. It is because, despite the differences of their regimes, they are both developing their economies on a continental scale. "By contrast, the resources and markets of the European countries are separate from one another and small."

In her economic planning India also has this peculiar advantage. Being like Russia and America and China territorially

vast, with a large expanding population, her planning is on a massive continental scale. Over the past few weeks Mr. Nehru has stressed the same point, more particularly at the meeting of the National Development Council in May when in calling upon Ministers and others to encourage intelligent public thinking on the Plan he urged that one should approach it not State-wise "with reference to a limited area" but from the broad perspective of the entire country, and even more important, of the people. The people, he insisted, "should join us not merely in the acceptance of the Plan but in our thinking of the Plan, because in doing so they go step by step."

Because of this, much hinges on how the Plan is presented and against what backdrop it is set on the public stage. Although the Second Five-Year Plan will not be finalised until March of next year, the plan-frame in which it has initially emerged has been contrived under the auspices of Professor P. C. Mahalanobis, honorary statistical adviser to the Government of India. According to one report, which so far has not been officially denied, the material for the plan-frame was prepared by a team of ten foreign experts of whom six were Russian and one a Pole. In his eagerness to adopt a broad continental perspective Professor Mahalanobis seems to have over-stepped the bounds for inspirationally at least his draft plan is not merely continental but inter-continental.

It smells, some allege, more of Muscovy than Mahalanobis. This innuendo the professor vigorously contends insisting that his draft is purely "Indian in character and outlook" owing nothing either to the U.S.A. or the U.S.S.R. Remarked the statistically-minded professor, "I've been thrice to

Russia and fifteen times to the United States," leaving his hearers to draw what conclusions they would from this Delphic utterance. Perhaps familiarity has bred contempt.

Preparing material for a plan is akin to preparing a brief for a lawyer. Both processes are eclectic depending on a certain selectivity of matter, argument and arrangement. If out of ten experts preparing a brief as many as seven live in the odour of Soviet sanctity it is not unfair to infer that the economic handiwork is pervaded with their political perfume. If this is "Indian", then Sarvodaya is equivalent to Sovietism.

The draft plan, as it emerges from the statistical sieve, is winnowed down to two main objectives—an annual increase of 5 per cent. in the national income and the provision of new employment for 10 to 12 million people over the five-year period. To achieve these twin targets requires an investment of Rs. 5,600 crores to which the much-maligned and increasingly circumscribed private sector is expected to contribute Rs. 1,000 crores. Deficit financing and the imposition of indirect taxes by the extension of excise duties are calculated to help meet the financial bill.

At every stage of production the draft plan envisages a delicate system of checks and balances between supply and demand which will control, if not eliminate such embarrassments as inflation, shortage of labour and raw materials, and surplus of unutilised commodities. Higher production in turn postulates two things—the growth of heavy industry to produce capital goods and the wide expansion of village industries to supply consumer goods.

It is here that the cloven foot of totalitarianism peeps through. In an interview

published in the first week of this month, Professor Mahalanobis declared that in order to eliminate unemployment "as early as possible" the Government would have to place the accent on hand and household industries by creating an assured market and increasing demand. "What is more," he went on, "it must stop all factory industries which compete with household industries for a specific period."

In other words, if, for instance, the handloom industry fails to make headway on its own resources and momentum, the Government can arbitrarily order the textile mills of Kanpur, Nagpur, Bombay and Ahmedabad to shut their doors and throw hundreds of spindles and thousands of workers on the scrap heap. The subsidising of inefficiency is by now an article of faith in the gospel as preached by Delhi.

When a Bombay journal took leave mildly to characterise this as totalitarianism the General Secretary of the All-India Congress Committee was moved to wordy wrath almost implying that democracy, as Gerald Heard once remarked, is a system under which you say what you like and do what you're told. We are indeed rapidly reaching that pass.

It is possible to read too much into operation Mahalanobis for apart from this essay in statistical economics the Standing Committee of the National Development Council has considered at least two other papers—a memorandum prepared by 22 economists (21 of whom have accepted the Mahalanobis approach) and a second draft by the economic diversions of the Planning Commission and the Ministry of Finance in consultation with the national income unit of the Central Statistical Organisation. By the time the States present their reactions and other

views are canvassed and dovetailed into the plan frame the Plan itself might acquire a new look with Marx no longer standing assertively in the foreground but peeping coyly over the shoulders of George Washington—and Mahalanobis.

Pipe dreams and master planners apart, the point is that at a time when foreign aid and foreign experts are at discount, to enlist the services of a foreign team over-weighted with hand-picked Soviet economists who provide the material for the country's plan-frame is not to invite confidence but to excite suspicion. "The people," says Mr. Nehru, "should join us not merely in the acceptance of the Plan but in our thinking of the Plan." Whose thinking?

Nobody suggests that in planning, India should not draw upon the experience of other countries, totalitarian and democratic. What many people object to is the growing habit of the Government of India to drink deep at the springs of totalitarian thought to the exclusion of almost every other fount, and to assume towards those who disagree with them an attitude too often clouded with totalitarian overtones.

Nothing is free in this world—not even Soviet or American advice. There is the story of a negro preacher whose sermons emphasised free salvation but who complained when the collection plate showed a paltry return.

"Didn't you done say, Parson" said a parishoner, "that salvation is free—free as the water we drink?"

"Salvation is free, Brother," replied the minister. "It's free and water is free, but when we pipe it to you, you has to pay for the piping."

You has to pay for the piping.

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