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SHRI TARLOK SINGH

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THE PLANNING PROCESS AND PUBLIC POLICY: A REASSESSMENT*

I feel deeply honoured to be at this great national institution and sincerely thank Professor Dandekar and his colleagues for their generous invitation. For several decades, and specially since independence, national development policies and planning have gained immensely from the pioneering research undertaken and the ideas thrown out by the Gokhale Institute under the guidance of Professor D. R. Gadgil and his colleagues. Long before Professor Gadgil came to the Planning Commission, his thoughts and criticism exerted a powerful influence on public thinking and where he differed, his views were always received with much respect. His personal contributions to Indian economic thinking and his example of dedicated service to the well-being and progress of the mass of the people were a constant source of inspiration to many younger workers throughout the country.

In asking me to speak in a series as highly respected as the Kale Memorial Lectures, Professor Dandekar has given me an opportunity and also set a dilemma. It was his wish that I should use this occasion to reflect freely on the planning process as it has gone on for some thirty years, attempt some kind of reappraisal, and perhaps also look a little into the future. I confess, I have found the task more difficult than it had seemed and felt unsure about where and how to begin.

In considering how the planning process and public policy have interacted upon one another, one possible point of entry may be the crises through which planning has passed, the problems which these crises highlighted and how methods devised to deal with these problems were assimilated into the planning process. In this sense, we see the process of planning, not as a set of fixed principles and methods developed once for all, but as tentative approaches, continuously undergoing modification, sometimes explicitly, often implicitly, in response to new situations, new experiences and trends, and new insights and informations. At the next stage, it may then become possible to pick out a few themes of public policy and trace how they were or might be approached through the planning process, eventually compelling changes equally in policy and in the process. Both public policy and the planning process have to be viewed as unfinished pieces of

* Text of Kale Memorial Lecture, 1979, delivered by Shri Tarlok Singh at the Gokhale Institute of Politics and Economics, Pune, on 2 June 1979.

work, marked by many gaps and inadequacies and often subject to political and social strains and pressures. Therefore, in looking at the past, there may be room for observations on some aspects of policy and planning to which more concerted thought should be given in the future.

I

Like failures in everybody life, rightly understood, crises should be a beneficent influence on public policy. More could be gained from them if, going beyond the immediate measures through which governments seek relief, institutions of research and learning and scholars associated with them could examine causes and manifestations with uncompromising objectivity, tear apart the myths and ignorance which often surround public policy, and seek more fundamental and long-range action for the future. This has not happened in India to the extent we might wish for. As public anxiety associated with each successive crisis has subsided, all too frequently, following the example of others, thinkers and analysts too have returned to other themes. For this reason, although much new experience has been gained over the years, there has not been that measure of cumulative growth of thought and analysis and that degree of synthesis and interpretation which are essential in an economy and a society facing the deep-rooted structural, economic, social and political problems inherent in the situation of India.

The use of an expression such as 'crisis' may require explanation. On the one hand, there are events which burst upon us with a degree of suddenness. Examples of these are the Bengal famine of 1943 and the food problems of the war years, the inflation of the post-war and post-independence period, the foreign exchange crisis of 1956-58, the crisis of defence and development of the period 1962-65, the food scarcity and devaluation of 1966-67, and inflation of the early seventies which was further inflamed by the rise in oil prices. Each of these events had both its proximate and its more basic and long-term causes. We have to consider how our planning processes understood these causes and provided for them.

In addition to phenomena such as these which cast shadows for a period and then relent, we have also a number of continuing endemic problems which could be described fairly as crises, where the failure may not show itself up with great suddenness, but the powder remains dry for the future, with consequences that no one can predict. Among these endemic and critical problems are poverty at the level of the mass, specially among the landless, the marginal and small farmers, and the rural artisans, the crisis of hunger, under-nourishment and

malnutrition, the crisis of unemployment and underemployment and poor utilization of available manpower, the crisis of population growth, and the crisis of economic and social disparities, of the distribution of economic power and, at a different level, the crisis of inadequate savings and inadequate capacity to export, both contributing to inadequate economic self-reliance. These basic and continuing economic and social crises inevitably lead on to the challenge of political organization and morality, of administrative efficiency and performance, and of the role of the people as a whole vis-a-vis administrations and political parties.

II

It is sobering to recall the Bengal famine and the wartime food problems, because these had a profound influence on the economic trends of the succeeding years, on the priorities of the First Five-Year Plan, and on post-independence planning in relation to food and agriculture. Food shortages and inflation were intimately related although there were distinctive factors associated with each of them. Because of their combined impact, which was accentuated by the decontrol policies followed in 1948, the projects which had been proposed for post-war reconstruction had to be largely given up. Formal planning could begin only after the setting up of the Planning Commission in 1950. Even so, the first two years of the First Plan were mainly devoted to dealing with the problems of food and inflation.

The setting up of the Planning Commission coincided with two political developments without which even a beginning could not have been made. These were the completion of the process of integration of princely States and the promulgation of the Constitution. The constitution had wisely included Planning in the concurrent list. This enabled the Central Government to take the initiative by way of coordination to bring the States, then described respectively as Part A, Part B, and Part C States, into a partnership for planning and development across the whole field of economic and social activity, including Central, concurrent and state lists. At this stage patterns of Central assistance were based on sharing scheme by scheme and item by item. Over the years, progressively, these patterns have been broadened and liberalized, but the fundamental nature of Centre-State relations in planning has not changed materially.

We should stop here briefly to note that the functions of the Planning Commission as set out in the Government of India Resolution of March 1950 fell into two groups, whose significance was not sufficiently perceived at the time. The function of assessing the material, capital and human resources and investigating the possibilities of

augmenting them was stated in general overall terms. However, all the other functions, namely, planning, determination of priorities, creation of conditions under which factors retarding development could be eliminated, determining the machinery required for successful implementation, and appraisal of progress, were related to the formulation of "a Plan for the most effective and balanced utilization of the country's resources". At this stage, there was no clear view of what was meant by a Plan. It was only at a much later stage, after an exercise had been done on the preparation of a six-year programme for the Colombo Plan and instructions had to be sent to the States to draw up their own programmes that the idea of a Five Year Plan became concrete. Still, later, on the very day in July 1951 that the Draft Outline was to be signed and a title had to be set, that the view was taken consciously that the Plan should be described as the *First Five-Year Plan*, meaning thereby that other Plans of like nature would follow, that the various Five-Year Plans would constitute an unbroken continuum.

The Resolution setting up the Planning Commission had one serious lacuna which was not then realized. There was no reference to the Commission's possible role in relation to the working of the economy. This was due to a failure to appreciate adequately the relationship between planning and the operation and management of the economy. The gap was filled in action, atleast in part, when political circumstances led to the appointment of the first Member (Finance) in the Planning Commission also as the Finance Minister of India. One recalls an early occasion in the work of the Planning Commission when, on objections being raised to a proposal to offer incentive prices for cotton on the ground that the structure of relative prices might be disturbed, no less a person than Sardar Patel questioned the claim of the Commission to press its view on the question of prices. Later events brought about some measure of coordination between planning and current economic policy, although the relationship has remained largely undefined and the Planning Commission has remained essentially on the sidelines of current economic policy. The issues involved in this relationship have never been fully considered.

If the Planning Commission had not got plunged from its early days into problems of food policy and controls and operational planning and programming in relation to the States and the Central Ministries, it might have been profitable for it to examine more fully and in terms of principle and approach issues such as Centre-State co-operation in planning and problems of social and economic organization, poverty, unemployment and under-employment, landlessness, and others. But the pressure of current problems and the commitment to the formulation of operational medium-term plans for five-year

periods had the effect, on the one hand, of putting the planning Commission into a position of palpable authority in relation to investment decisions and, on the other, of limiting its time-horizon and responsibilities in considering the wide-ranging social and economic problems of the country. Not unlike the yearly budgets, medium-term plans have strong political overtones and respond to the economic and social compulsions being felt at the time each plan is being formulated. The weakness of planning to grapple with the more fundamental problems reflected in the endemic crises of the economy and society of India can be explained to no small extent by preoccupations with Five-Year Plans and inadequate in the area of perspective long-term policy.

III

Against the background of these observations on the tasks assumed by the Planning Commission, let us consider briefly some of the features of the planning process which came through the crisis situations to which I have referred earlier.

With variations in detail, the food-inflation syndrome has bedeviled planning repeatedly until the recent past. For a variety of reasons the Five-Year Plans provided invariably for commitments beyond the dimensions of assured resources. Dependence on external resources and shortfalls in realizing declared targets were built into them. This condition continues even today although the margins have become narrower than they were in earlier periods. During years of poor agriculture, the dependence on external inflows was accentuated still further. Without large food imports on concessional terms, even the measure of price stability which prevailed until the early sixties would not have been possible. On the other hand, the tenuous balance between food and population and the extent of dependence on external resources and external supplies of food had lessons which might have influenced the strategy and process of planning more decisively than they did. In the recent period, when food reserves have grown and food offtakes have not kept pace with output, the question of low purchasing power of large numbers at the base of the community has also remained somewhat outside the main strategy of planning. Altogether, looking beyond the formal procedures of drawing up plans, our planning processes have, it seems, failed to put the problems of food, savings, mass purchasing power and nutrition, productivity and employment sufficiently at the centre of the strategy for development. For many years there has been need to think in more radical and fundamental terms about these problems.

The foreign exchange crisis of 1956-57 need not have come as a surprise. The Second Five-Year Plan, whatever its potential for creating an impasse in foreign exchange, had just been prepared and had yet to go into action. The crisis had in fact started much earlier. As a legacy of the opportunities opened up by the second world war, substitution for imports of finished products and foreign collaboration in assembly and manufacture became the vogue with private industry in the early fifties. Growth of activity outside the traditional industries was encouraged through liberal licensing of imports. The policy implications were never consciously analyzed by the Planning Commission or the Finance and Industry Ministries. At this stage, there were periodical import policies, but no import or foreign exchange budgets, and specific planning was limited to investment allocations. It was only a few years later that it was realized that import substitution for varying periods might not always bring a saving in imports or accretion in foreign exchange resources. Still later, long after the circumstances had changed, and export capacities were becoming available (in part due to the limitations of the domestic market), economists began to debate the rival merits of import substitution and export orientation as a basis for the growth of domestic industry.

The period of the Second Plan and the first two years of the Third are often thought to be the primary construction period when the foundations were laid for subsequent industrial and technological growth. Upto a point this was so. However, in relation to the planning process, two sets of observations are called for, one bearing on the formulation of the Second Plan and the contribution of Professor P. C. Mahalanobis and of the Panel of Economists, the other bearing on the kind of crisis which for several years was being built into the economy invisibly but persistently.

There was much that was new and daring in the draft plan-frame presented by Professor Mahalanobis. The plan-frame had held out two promises. The first was rapid growth of the national economy with the development of "basic heavy industries for the manufacture of producer goods to strengthen the foundations of economic independence". The second was a piece of political persuasion with much less foundation, namely, "to liquidate unemployment as quickly as possible and within a period not exceeding ten years". The plan-frame had little to say on agriculture, or on the relationship between agriculture and industry, or on the character of unemployment and under-employment in rural areas, and the measures directly relevant to their reduction in the short period. Instead, it offered a series of "targets" for major industries and sought to avoid inflation through the rapid expansion of "household and hand industries". Informed Indian opinion had long desired rapid industrialization, and the plan-frame offered

a strategy for industrialization which, in its essentials, was in line with experience elsewhere, and especially in Soviet planning. Yet, at this point in our planning history, when important new directions were being set, and dominant political influences including the Prime Minister and the then Finance Minister had thrown their entire weight on one side, a certain failure occurred at the level of thought and analysis in relation to planning.

The Panel of Economists met three times between January and April 1955. Its members prepared a series of papers, several of them containing important insights, notably those by Professors C. N. Vakil and P. R. Brahmananda on investment patterns in the Second Plan and by the Gokhale Institute on employment situation and policy. However, for all practical purposes, the papers, subsequently published in a tome, were at that time taken largely as read. The Panel as a group prepared a paper on Basic Considerations Relating to the Plan Frame which sought to meet various points of view. It limited itself essentially to comments on the size and structure of the Second Plan and the policy and institutional implications of the proposed plan-frame. In themselves many of the propositions advanced were well taken. The Panel did not, however, pierce into the flaws of logic and substance in the draft plan-frame, did not insist that the Second and subsequent Plans should face up to the implications of the place of agriculture and the structural features of the Indian economy, and limited itself unduly to the conditions to be met in the specific context of a 'bolder' Second Plan. In effect, the work of the Panel of Economists, which might have been a highly significant contribution to thought on India's economic problems, served mainly as support to the draft plan-frame, with all its strong and weak points such as they were. Thus, a rare opportunity to take our planning to a deeper analytical and conceptual level was virtually lost. As a rule, such opportunities present themselves only when altogether new courses are being set or existing structures are on the point of breakdown and when the political and intellectual climate is either highly favourable or is clearly seen as a barrier to further progress.

Like the foreign exchange crisis of 1956-58, which was relieved through hastily sought foreign aid, pruning of the Plan, and improvement in agricultural prospects, the crisis which culminated in the devaluation of the rupee in June 1966 should also have given no real cause for astonishment. It was in the process of being built up for several years, with few among planners and economists at the time applying their minds to objective and indepth study of the emerging facts. The Second Plan had been launched on the basis of several implicit assumptions which, in retrospect, did not turn out too badly. Domestic resources were mobilized with a degree of vigour. The com-

bined revenues of the Centre and the States as a proportion of national income rose from 10.4 in 1955-56 to 17.5 percent in 1963-64. The rate of investment rose from 8 percent of the national income in 1955-56 to 11 percent in 1960-61, and to 13.5 percent in 1965-66, of which external resources accounted for 2.5 percent. Despite budgetary deficits, increase between 1955-56 and 1961-62 in agricultural production of 28 percent and in food production of 25 percent, accompanied by food imports (mainly on concessional terms) of nearly 25 million tonnes helped to keep food prices reasonably steady. Longer gestation periods for new projects than had been provided for reduced the impact of new expenditures even if they also deferred the outputs.

The real crisis broke out when defence expenditures had to be increased shortly after 1962, agricultural production began to stagnate (with the exception of the year 1964-65), foreign aid inflows dried up after the conflict with Pakistan and two years of scarcity and drought brought the entire economy to a dangerously low point. Thus, almost every assumption which had earlier seemed favourable, had now turned awry. It is still a moot point whether the devaluation decision was avoidable and what its longer-term effects might have been. It is certain, however, that there was little real analysis of the underlying problems of the economy either within the Planning Commission or the Government or outside in institutions of research, and decisions were mainly influenced by external pressures and the drift of events. Here was another serious failure in our planning process which still deserves to be probed as a piece of economic history.

These events could have different lessons for different individuals. For me personally the perception that came with the greatest force was that in our focus on Five-Year Plans and on investment and growth we had failed to correlate the short-term management of the economy with medium-term planning. Once a plan had been launched, most of the policy initiatives passed to the managers of the economy, its social imperatives and directions became mainly political talking points, gaps between savings and investment and between demand for and availability of foodgrains and agricultural and industrial raw materials and imbalances between industry, transport and power led to much hand to mouth decision-making, and lags between economic and social development and the volume of unemployment and under-employment increased steadily. India's planning had indeed reached a point of crisis, but in a sense different from that visualized in the Sussex studies. The need now was for a careful re-examination of all our assumptions, for a new long-range view of the future, and for basic changes in the priorities of development and the methods of planning. To an extent this need was being felt even earlier and had

found expression in the Third Five-Year Plan itself in the chapters on Objectives of Planned Development and Long-term Economic Development. Unfortunately, the events of the period 1962-65, including the passing of Jawaharlal Nehru, gave little opportunity to several major thrusts of policy which had been then contemplated and reduced planning largely to efforts at the level of government to stave off the consequences of one economic predicament after another.

In these circumstances, the Planning Commission, reconstituted in 1967, with Professor D. R. Gadgil as the Deputy Chairman, had a case for not proceeding to develop a final plan for the period 1966-71 in terms of the Draft Outline which had been earlier accepted by Parliament and the National Development Council. What followed instead was unvarnished plan-holiday, surrender of planning and policy initiatives to current economic, industrial, and financial management, deferment of vital longer-term investments in power and transport and new industry, rising demand constraints and increase in utilized capacities in several sectors of industry (with surpluses becoming available for export), some loss of perspective in relation to the growth of the economy and transformation of its social and institutional structure, including unhappily, a further weakening of the sense of concern over the problems of unemployment and under-employment. In other words, except at some significant points, the Fourth Plan for the years 1969-74 turned out to be a plan for a period of transition, influenced excessively by anticipations of the impact of new technologies on the prospects of agricultural growth. Basic issues affecting employment, small and uneconomic holdings, landless labour, the state of the household and unorganized economic activities, failures in social development, and the growing social and economic imbalances being generated within the economy were being swept under the carpet, perhaps unwittingly, through the very processes of planning which, it had been earlier thought, would become the principal means for removing the fundamental constraints and impediments standing in the way of growth and development and solving the problems of poverty.

Thus, through the Fourth Plan as presented in 1969, we entered upon another phase of the crisis in planning which, despite some attempts in the Fifth Plan and in the Draft Plan for the period 1978-83, is still with us. In fairness, it should be said that some of the basic problems of poverty did begin to receive, if not 'strategic', at any rate 'schematic' attention, even with the Fourth Plan and, on a somewhat wider front, in the Fifth Plan. The Plan for the period 1978-83 has carried them further, and this is its principal contribution. But, all in all, these extensions of plan programmes directed towards disadvantaged areas and regions, towards disadvantaged sections of the

population, and towards provision of defined minimum needs in a number of areas, cannot be said to add up to a national strategy for attacking the problem of poverty at the roots or transforming the structure of society and the economy. This task still remains to be done and represents the main challenge for planning and for students of planning from now on.

IV

When we turn to consider what we have described as the endemic, continuing crises of the national economy in relation to the process and method of planning, we have first to acknowledge that, for all our failures and omissions and even our errors, on any standard, taken as whole, the achievements of planned developments are not to be rated lightly. There are many imbalances to correct, and problems of the future will only yield to more fundamental and sustained policies than we have followed in the past. Nevertheless, with the advances made in the growth of scientific and technical resources and manpower, in the capacity to organize and deliver, and in general awareness of the nation's needs and possibilities, the means to root out the problems of poverty, hunger and under-nutrition, and unemployment and under-employment, and to assure the essential amenities and opportunities to the mass of the people are now well within our grasp. The economic potential of the Indian economy and the capacity of political and administrative institutions can be drawn upon to a far greater degree than has yet been done. Economic self-reliance, first offered as a goal in the mid-fifties, and fulfilment of the Directive Principles of the Constitution, since translated into a succession of political symbols, have become fully feasible propositions. The main question to consider therefore is, given these resources and potentials, in what manner could the processes of planning be strengthened, so that the basic problems can find satisfactory solutions over the next fifteen to twenty years within the political parameters and assumptions of India's democratic, federal system.

There are several issues on which attention could be focused. Among these, we may pick the following:

- (i) Implications of a national approach to planning;
- (ii) Long-term planning;
- (iii) Role of planning in resolving growing contradictions in the system of national economy and the social structure;
- (iv) Planning and regional and international co-operation in development;
- (v) Research, evaluation and synthesis in relation to planning.

(i) *Implications of a national approach in planning.*

Planning has been thought of from the beginning as an effort by the nation as a whole, involving equally the well-being of all citizens, with greater emphasis on the needs of the weaker and the more vulnerable groups, and seeking the co-operation of all. Even under favourable political circumstances, such an approach asks for much understanding and restraint on the part of those within and outside governments. Upto the mid-sixties, on the whole, though never absent, short-range political considerations were not central to the planning process. Internal tensions within the dominant party at the Centre in the late sixties caused the first major breach. In later years, considerations of expediency have gained greater influence. On the two occasions when the continuity of planning was abruptly broken (in 1967 and 1977), the arguments advanced were of doubtful validity. But they were not challenged either by independent scholars or by other parties. This was the disease of apathy. The Introduction to the Second Plan, using a few of Nehru's own words, had declared:

"The beginning and the end of each Five-Year Plan are vital dates in the Nation's history. Each Five-Year Plan is both an assessment of the past and a call for the future. It seeks to translate into practical action the aspirations and ideals of the millions in the country and gives each of us the opportunity of service in the common cause of eliminating poverty and raising standards of living."

Six years later, when events across the northern borders were seen by some as making planning much less relevant to national survival, Nehru had insisted that the Plan was "the warp and woof of our National life, and it was the war effort itself that requires the Plan."

Planning involves technical and administrative processes. But without its *elan*, without a commitment to continuity and sustained action, without securing support that goes beyond party and the emotional involvement of citizens, as citizens, these processes may achieve investment decisions, but will not change society or bring new social and human values into the life of the community. Therefore, with experience of the past fifteen years behind us, by far the most decisive factor for the future of planning in India is the capacity of the national leadership from all parties to see beyond small loyalties and gains and to create, once again, the basis of a broad, national consensus in the approach to planning. This has become all the more essential because governments of different parties or coalitions of parties are bound to be in office at different points in the political system and must find, as much in national interest as for their own long-term survival, agreed and acceptable conventions to work together in

the interest of the people as a whole. For, as was well said by Nehru on one occasion, "the party politics about which there is so much ado involves, really speaking only about 5% problems. On the remaining 95% there is no question of such a difference". Even when the prospects seem uncertain as they do at present, if we have faith in democracy and in India, we must cherish the hope that the national leadership as a whole, within and outside politics, will succeed in countering the undesirable trends which have already done much to turn planning from a national commitment into an administrative and technical tool which could be used for partisan rather than wholly national purposes. Here, scholars of all disciplines have a moral and intellectual duty to render to the nation.

(ii) *Long-term planning*

From the beginning some long-term projections have appeared in the Five-Year Plans. The First Plan offered a macro-economic view of the growth of the economy extending to a period of 27 years, the Second Plan upto 1976, and the Third Plan also upto 1975-76. With improvement in national accounts, the Fourth Plan presented a picture of growth in national accounting terms between 1968-69 and 1980-81. The Fifth Plan was drawn up against a perspective for the period ending 1985-86 which considered in detail demographic aspects, the objective of self-reliance, improved consumption for the bottom 30 per cent of the population, the structure of output and the structure of demand in terms of 66 sectors into which the economy was divided, and the consequent changes in the structure of gross national expenditure. The Draft Plan for 1978-83 has carried these technical exercises to a more advanced level in terms of an input-output study based on 89 sectors for the economy. The perspective presented is limited to the period ending in 1987-88 and includes projections of sectoral rates of growth, demographic projections, and prospects for the reduction of poverty, defining the poverty line in terms of nutritional requirements of 2400 calories per person per day for rural areas and 2100 calories per person per day for urban areas.

Advances in availability of data and computing facilities over the past decade have enabled planners to begin to quantify magnitudes and propositions which earlier could be stated mainly in qualitative terms. The purpose of the elaborate exercises undertaken for the Fifth Plan and the current Plan was essentially to justify the Plan proposals in terms of projections for somewhat longer periods. This is not an adequate approach. We need now to develop long-term plans which are mainly operational in character and can be monitored in operational terms, while their consistency *inter se* can be examined and assured more precisely than in the past. For an economy like

ours, it is necessary to have continually detailed perspectives, with periodical revisions, for the principle sectors, the principal regions, and the main socio-economic groups, for a period of atleast 15 to 20 years. Plans with different time-horizons should be regarded as constituting a system. The functions of long-term, medium-term and annual plans in the planning process arise from the significance for development of factors which bear specially on these different time-spans.

Long-term plans for different sectors, different regions, and for the economy as a whole, should serve as a genuine framework for medium-term plans. Certainly, they should also meet all the relevant tests. However, their main focus should be, not merely on estimates and projections but, more specially, on methods of intensifying and accelerating development, on structural and institutional changes, on problems and policies affecting the mass of the people and the poorer and the less developed regions, on changes called for in the unorganized sectors of the economy, and on pattern of income, employment, skills and education, and levels of living. Going beyond aggregate numbers, we should be able to work through the long-term plans for specified and planned changes in the occupational structure of the population, in the organization of agriculture, of small industries at different levels of scale and technology, of trade, and of the modern and organized sector, for changes in the income structure of rural and urban communities and in the consumption of different socio-economic groups, and for carefully conceived designs of growth for the development, individually, each region within the national economy. The planning of economic and social overheads like transport, power, irrigation, education, health and housing lends itself to effective long-term planning. The long-term plans in each field should highlight the nature of social, economic and technological choices to be made by the nation and should provide a basis for political and administrative commitment and allocations of resources as needed with no less determination than in the Five-Year Plans. Without such plans and the commitments that go with them, there is a real danger that Five Year Plans may become administrative and technical operations without sufficient moral force and commitment to continuity. Here, obviously, the main responsibility lies with the Central Government, the Planning Commission, and the National Development Council.

(iii) *Role of planning in resolving growing contradictions in the system of national economy and the social structure.*

For several years, there has been an increasing concern about certain critical contradictions in India's social and economic situation. These bear on the widening of disparities in income and wealth, the

disproportionate growth of the larger business houses, and the relative worsening of the income and consumption levels of large sections of the rural and urban populations, notably, the landless, petty farmers, rural artisans and those engaged in traditional household industries, and unskilled workers generally. The reality is much too far removed from the declaration in the Third Plan, which also bore Nehru's personal testament, that every citizen of India must be assured "the right to work, to equal opportunity, and to a minimum level of living". The Plan had further stated:

"In the last analysis, economic development is but a means to an end — the building up, through effort and sacrifice widely shared, of a society, without caste, class or privilege, which offers to every section of the community and to all parts of the country the fullest opportunity to grow and to contribute to the national well-being".

The expansion of the Indian economy under the impact of planned development has widened opportunities in unequal measure for different sections of the population. This would have happened even in a non-market economy which failed to take sufficient counter-measures. A mixed economy lends itself to a high degree to accentuation of economic and social disparities. At Independence, in the very manner of the transition to freedom, the mixed economy was part of the inheritance from the past and, even if the political will had been different (which it was not), there was no alternative to it. It seemed natural then to use the private sector as an agency for development of modern industry. Within the private sector, those possessed of experience and resources and otherwise advantageously placed — the large and larger business houses of today — were able to respond more successfully to the new opportunities. They did so by and large with the support of Government and political opinion.

While maintaining the premises of a mixed economy functioning through markets, in addition to socialist orientations, extensive measures have been taken to create a more balanced institutional framework for the modern sector of the economy. These include expansion of the public sector in industry, near monopoly of Government in several branches of industry and in transport and power, nationalization of the principal commercial banks and state control over the bulk of investible resources, legislation on monopolies and restrictive trading practices, changes in the system of industrial licensing, and enforcement of new priorities in the distribution of credit and other public support. Yet, much informed opinion is genuinely disturbed by trends making for greater concentration and for enlargement of disparities in income and wealth and in consumption.

Aided by all the available data and research and capacity for thought and analysis which exists in the country, it is now a prime obligation of planners to place the policy options before the country in a reasoned and responsible manner from the point of view of the best long-range interests of the country. In a democracy, the issues which require consideration at the present time can be resolved only through serious and informed study, for, whatever the economic system we wish to create for the future, transitions have to be provided for, the apparatus of production has to be maintained, and growth and development must continue. Purposeful and precise social and institutional planning, going far beyond investment decisions and declarations of political intent is a necessary condition for wise, well-conceived and firm judgements by Parliament and the Government at the national level on major issues of policy which bear on the future system of national economy.

However influential now and in the future, the modern sector remains still a small part of the national economy. The crux of the problems of social change, of stratification and inequality, of low productivity and lack of work, lies within the rural situation. No one would wish to question the impressive gains in agriculture and in rural development in many parts of the country. However, one of our main failures in development has been that we have not had an approach and a strategy, which could become a national commitment, for transforming our rural society into a just and progressive system of social and economic relationships which could truly hold the prospect of equality and growth of opportunity for the weaker and the deprived groups — the landless, the petty and marginal farmers, the rural artisans, and for numerous groups engaged in traditionally poor occupations. We have looked for easy ways of bringing about far-reaching structural changes, relying mainly upon investment and credit and supplies on more favourable terms and the principles of capitalist and individual enterprise in all spheres of activity. The co-operative movement has grown in the sphere of credit and services, but has virtually faded away as an instrument of fundamental structural change.

Despite the greater emphasis given in recent Plans and currently to the poorer groups, we should have no reason to be surprised if the new economic opportunities which an expanding economy and a growing network of public services and credit throw up are distributed highly unequally within the community. There is no reason to suppose that the trends over the next few years will be any different. Even if the land reform legislation which was enacted had been implemented with honesty, (which it has not been), our rural structure would still be highly unequal, with large numbers continually at the

disproportionate growth of the larger business houses, and the relative worsening of the income and consumption levels of large sections of the rural and urban populations, notably, the landless, petty farmers, rural artisans and those engaged in traditional household industries, and unskilled workers generally. The reality is much too far removed from the declaration in the Third Plan, which also bore Nehru's personal testament, that every citizen of India must be assured "the right to work, to equal opportunity, and to a minimum level of living". The Plan had further stated:

"In the last analysis, economic development is but a means to an end — the building up, through effort and sacrifice widely shared, of a society, without caste, class or privilege, which offers to every section of the community and to all parts of the country the fullest opportunity to grow and to contribute to the national well-being".

The expansion of the Indian economy under the impact of planned development has widened opportunities in unequal measure for different sections of the population. This would have happened even in a non-market economy which failed to take sufficient counter-measures. A mixed economy lends itself to a high degree to accentuation of economic and social disparities. At Independence, in the very manner of the transition to freedom, the mixed economy was part of the inheritance from the past and, even if the political will had been different (which it was not), there was no alternative to it. It seemed natural then to use the private sector as an agency for development of modern industry. Within the private sector, those possessed of experience and resources and otherwise advantageously placed — the large and larger business houses of today — were able to respond more successfully to the new opportunities. They did so by and large with the support of Government and political opinion.

While maintaining the premises of a mixed economy functioning through markets, in addition to socialist orientations, extensive measures have been taken to create a more balanced institutional framework for the modern sector of the economy. These include expansion of the public sector in industry, near monopoly of Government in several branches of industry and in transport and power, nationalization of the principal commercial banks and state control over the bulk of investible resources, legislation on monopolies and restrictive trading practices, changes in the system of industrial licensing, and enforcement of new priorities in the distribution of credit and other public support. Yet, much informed opinion is genuinely disturbed by trends making for greater concentration and for enlargement of disparities in income and wealth and in consumption.

Aided by all the available data and research and capacity for thought and analysis which exists in the country, it is now a prime obligation of planners to place the policy options before the country in a reasoned and responsible manner from the point of view of the best long-range interests of the country. In a democracy, the issues which require consideration at the present time can be resolved only through serious and informed study, for, whatever the economic system we wish to create for the future, transitions have to be provided for, the apparatus of production has to be maintained, and growth and development must continue. Purposeful and precise social and institutional planning, going far beyond investment decisions and declarations of political intent is a necessary condition for wise, well-conceived and firm judgements by Parliament and the Government at the national level on major issues of policy which bear on the future system of national economy.

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Despite the greater emphasis given in recent Plans and currently to the poorer groups, we should have no reason to be surprised if the new economic opportunities which an expanding economy and a growing network of public services and credit throw up are distributed highly unequally within the community. There is no reason to suppose that the trends over the next few years will be any different. Even if the land reform legislation which was enacted had been implemented with honesty, (which it has not been), our rural structure would still be highly unequal, with large numbers continually at the

very margins of subsistence and with little hope for most of more than superficial improvement. The recent so-called Antyodaya programmes will be found before long to be a misuse of the expression. As conceived in the Second and Third Plans, agrarian reform was to be only the first phase of rural change. Its purpose was to prepare the way for more radical changes, the essence of which was and must be the adoption, progressively of community approaches to the use and development of land and other resources, community concern and responsibility for bringing all sections of the population to a level of genuine social and economic equality, and the growth of a composite rural-industrial economy, with the necessary complement of economic and social services, in every single region in the country. After the Third Plan, both in politics and in planning, the search for a just rural society has been practically given up, as if technological changes no longer needed the support of social, structural and institutional changes and of new values and mores of functioning in society. Only a new movement in social and economic thinking, which must now come from outside the limited and short-range pre-occupations of those engaged in day to day political life, can hope to bring national policies back, once again, to fundamental issues in the economic and social transformation of rural India.

There is a third major aspect of the contradictions which it must become a responsibility of planners and social and other scientists to resolve. A wide chasm divides the modern, organized sector, which will inevitably continue to grow, from the unorganized parts of the economy, including agriculture, much of small and household industry, construction, trade, and many other dispersed activities. Through the financial and credit system and government intervention, in some aspects new linkages are being developed, but the gulf remains large and is likely to increase still further because of the increased pressure of population, rural-urban migration and other factors. The major responsibility for resolving the problems of mass poverty, of finding work, of utilizing manpower resources at rising levels of productivity, of assuring their minimum needs to all, and of creating conditions of equal status and opportunity at the base of society, has to be undertaken within the unorganized sectors of the economy. Each of these has to be reorganized purposefully so that small units, functioning separately in some ways and collectively in others, are able to enter the stream of modernization effectively, draw fully upon the potential of the organized parts of the economy, and become, on their own terms, as capable of generating surpluses and achieving economic growth and expansion as other more favoured parts of the economy.

In the coming years, planning should postulate an explicit national and all-embracing strategy for greatly diminishing the structural

dualism which exists and will persist within the Indian economy. The strategy has its most far-reaching applications in the reorganization of the production system in agriculture. Here, the changes will come in stages over a period, but a clear sense of direction and design of change must become an integral part of the outlook on planning. The planned reconstruction of the unorganized segments of the national economy so as to bring about a unified and integrated economic structure, all parts of which are rising simultaneously in productivity, is perhaps the single most important task, equally for planners and for scientists and technologists as well as economists and other social scientists.

(iv) *Planning and regional and international co-operation in development.*

In common with other countries, India's planning has been largely inward looking. Through development over the years, the country now possesses resources in manpower, science and technology, experience and organization, and potentials for growth, which enable the Indian economy to extend itself to its own advantage and, even more, to the advantage of other less developed countries, specially those in its neighbourhood, in South Asia and in West Asia. The implications of the flow of remittances from Indian workers and technicians and others who have gone abroad and of the growing opportunities for Indian consultancy and other services and the so-called "joint ventures" have yet to be absorbed within the scheme of national planning.

There is a still more fundamental reason for urgently broadening the horizons of India's planning. India, Pakistan, Bangladesh, Nepal, Bhutan and Afghanistan represent the largest single concentration of mass poverty in the world, poverty which we now have the means to eradicate. Among other neighbours, Maldives face serious problems of under-development, Burma is a country rich in natural resources still awaiting intensive development, and Iran has great wealth in oil and other resources ready to be put to constructive uses. All these countries have much to give to one another and could co-operate in many areas of development with considerable mutual advantage, with costs and benefits assessed carefully and objectively for all concerned. In the process, their natural resources could be developed more fully and more rapidly, each of the economies and specially those which are weak and excessively dependent on agriculture could develop modern industrial structures in harmony with their resources and potentials, and with wider markets becoming readily available to them.

Co-operation among less developed countries is now a running theme in international forums, in conferences of the 'group of 77' and in non-aligned and Commonwealth gatherings, but too little is done

to give concrete meaning to the declarations which are being made. Such co-operation is itself an indispensable condition for evolving a new international order and restructuring relations between the more and the less developed world. For India to take its due share in these movements and possibilities of international reconstruction, her own planning must now reflect a much wider spatial perspective, a longer time-horizon, and greater concern for the well-being of the people of the neighbouring countries equally with her own. This is a responsibility India owes to herself no less than to others.

(v) *Research, evaluation and synthesis in relation to planning*

Since the early days of planning, considerable support has been given to social, economic and scientific research, and evaluations have become part of the system of planning and administration. As development proceeds, there must be still greater stimulus to such research and evaluation, and inter-disciplinary approaches could play a much larger role than they have done so far. At the same time, there is need to consider afresh the adequacy of our present methods of sifting the lessons of experience, examining critically the available research and evaluation studies in terms of the country's basic problems, and attempting new syntheses and hypotheses from time to time. At the present time, one cannot help feeling that, whatever be the reasons, as a nation, we continue to fail to utilize the available knowledge and experience to the maximum advantage. Half-truths and shiboleths which are often exceedingly dubious in character are allowed to pass unqueried, often out of false modesty or respect for authority. In time, they find their due place in official declarations and even in plan documents.

Here, then, is an obligation which institutions of learning and scholars, working individually and in groups, are well-equipped to discharge. They will surely differ much from one another in views and interpretation but, when disinterested and committed to the search for truth and willing to learn from life, they have a bond that gives them unity and coherence. Through generous but unmotivated support to their work, public policy and planning can only gain. To summarize knowledge and experience from time to time in each important area, to draw out their meaning for the future, and to develop new thought and syntheses, could become a truly creative means of enriching national policy and deepening the planning process.

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The R. B. R. R. Kale Memorial Lecture, 1979 was delivered by Shri. Tarlok Singh, Retd. I.C.S. on the 2nd June 1979 at the Institute. The subject of the lecture was "The Planning Process and Public Policy: A Reassessment".

Born on 26th of February 1913, Shri Tarlok Singh had his education from the Deccan College, Poona, Gujarat College, Ahmedabad, and London School of Economics. In 1937 he entered the Indian Civil Service and served the Punjab Government upto 1943. From 1944-1946 he worked in the Finance Department of the Government of India. Thereafter, upto 1947 he was Private Secretary to the Prime Minister of India. From 1947-1949 he held the post of the Director General, Rehabilitation of Refugees. From 1950 he served with the Planning Commission in various capacities as the Deputy Secretary, Secretary and later from 1962 to 1967 as the member, Planning Commission. For some time he was a Visiting Professor at the Institute of International Economic Studies, University of Stockholm. He was appointed as Hon. Fellow, London School of Economics. He was elected the President of the Indian Agricultural Economic Conference, 1962. He also worked with the UNICEF, and the Asian Development Institute. Shri. Tarlok Singh has written some books on the Planning Process. His publications include (1) *Poverty and Social Change: A Study in the Reorganisation of Indian Rural Society, 1945*, revised in 1969, (2) *The Planning Process, 1963*, (3) *Towards an Integral Society, Reflections on Planning Social Policy and Rural Institutions 1969*, (4) *India's Development Experience, 1974*.

R. B. R. R. KALE MEMORIAL LECTURES

Lecturer	Subject	Year
1. V. G. KALE	<i>Modern Tendencies in Economic Thought and Policy*</i>	1937
2. G. S. GHURYE	<i>The Social Process†</i>	1938
3. B. R. AMBEDKAR	<i>Federation Versus Freedom†</i>	1939
4. K. T. SHAH	<i>The Constituent Assembly*</i>	1940
5. A. V. THAKKAR	<i>The Problem of the Aborigines in India†</i>	1941
6. V. L. MEHTA	<i>A Plea for Planning in Co-operation†</i>	1942
7. S. G. VAZE	<i>The Formation of Federations; Rs. 1.50</i>	1943
8. JOHN MATHAI	<i>Economic Policy*</i>	1944
9. S. R. DESHPANDE	<i>A Statistical Approach to Vital Economic Problems*</i>	1945
10. J. V. JOSHI	<i>Indian's Sterling Balances*</i>	1946
11. C. D. DESHMUKH	<i>Central Banking in India : A Retrospect†</i>	1948
12. D. G. KARVE	<i>Public Administration in Democracy†</i>	1949
13. H. L. DEY	<i>Policy of Protection in India: Re. 1.00</i>	1950
14. M. VENKATRANGAIYA	<i>Competitive and Co-operative Trends in Federalism : Rs. 1.50</i>	1951
15. A. D. GORWALA	<i>The Role of the Administrator : Past, Present and Future; Rs. 2.00</i>	1952
16. LAXMANSHASTRI JOSHI	<i>Indian Nationalism*</i>	1953
17. W. R. NATU	<i>Public Administration and Economic Development†</i>	1954
18. P. C. MAHALANOBIS	<i>Some Thoughts on Planning in India*</i>	1955
19. S. K. MURANJAN	<i>Reflections on Economic Growth & Progress†</i>	1956
20. B. K. MADAN	<i>Financing the Second Five-Year Plan†</i>	1957
21. V. K. R. V. RAO	<i>Some Reflections on the Rate of Saving in Developing Economy*</i>	1958
22. K. P. CHATTOPADHYAY	<i>Some Approaches to Study of Social Change; Re. 1.00</i>	1959
23. B. VENKATAPPIAH	<i>The Role of the Reserve Bank of India in the Development of Credit Institutions; Re. 1.00</i>	1960
24. B. N. GANGULI	<i>Economic Integration : Regional, National and International; Re. 1.00</i>	1961
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28. PITAMBAR PANT	<i>Decades of Transition—Opportunities and Tasks*</i>	1965
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33. RAJNI KOTHARI	<i>Political Economy of Development; Rs. 2.00</i>	1971
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37. ASHOK MITRA	<i>Diseconomies and Growth; Rs. 2.00</i>	1975
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39. M. N. SRINIVAS	<i>Science, Technology and Rural Development in India: Rs. 3.00</i>	1977
40. J. P. NAIK	<i>Educational Reform in India: A Historical Review, Rs. 3.00</i>	1978

* Not Published. † Out of print. (Postage-extra) No lecture was delivered in 1947 and 1970.

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