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# A CRITIQUE OF THE INDUSTRIALISTS' PLAN

BY

A. N. AGARWALA, M.A.,  
*Lecturer, Allahabad University.*

The learned Professor makes  
a critique of the whole Plan, and  
his study deserves the most  
careful consideration.

—*Indian Spectator.*

BENARES  
IND KISHORE & BROS.

1944

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This book contains a critical, constructive and dispassionate judgment on the *Plan of Economic Development for India* published under the signatures of Eight Industrialists. The author explains the *Plan*, criticises it with a deep insight into the economic problems and planning theory and technique, and offers his constructive suggestions. He makes a strong case for an extension of the scheme so as to include in it certain omitted and neglected items, and suggests ways and means by which this additional programme can be financed. His suggestions also bear on the methods by which a scheme of capital accumulation can be put into practice, which has escaped the attention of the Eight Industrialists. It is a refreshingly original and keenly thought out book.

*Price Rs. 2.*

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## PREFACE

The Industrialists' *Plan of Economic Development for India* has opened up a new chapter in the economic history of this country and has given a realistic and practical shape to discussions and deliberations relating to economic planning. The *Plan* is a document of barely 55 pages; but it is of such fundamental importance that it has been occupying the stage of economic thought in this country to an extent which has hitherto been quite unusual and unprecedented. It has naturally received close attention of its admirers as well as critics. The authors had released the first part of their *Plan* in the hope that it would arouse constructive criticism and evoke interest of the people in such a programme. Their hope has, indeed, been realised in more than ample measure in both these directions.

No apology is needed for a book dealing with this *Plan* in a critical, constructive and dispassionate spirit. The present book has been written with four main objects. Its first object is to expose and explain this important document in a simple and clear manner. But this object is subsidiary to the main purpose of offering my criticism to the many weighty and fundamental suggestions made by its able authors. The third

object, which must naturally go with the second object in a sincere attempt to assess the true value and worth of a work, is to support and give credit to the authors for the ideas expressed and policies laid down by them which appear to be economically sound as well as practical. Finally, I have made bold to offer constructive suggestions of my own for the redrafting and revision of this great document, without which critical judgment loses much of its value.

I can thus call myself a critic as well as an admirer of the *Plan*. I would very much like this *Plan* to be extended and modified. But, under the existing political conditions of the country, I would be anxious to see that this *Plan* gets a start even as it is.

My thanks are due to my friend, Mr. R. V. Murthy, the erudite editor of the *COMMERCE* of Bombay, for having permitted me to use some of the articles I had the honour to contribute to his leading commercial weekly. I am also deeply indebted to Professor S. K. Rudra, Economic Adviser to the United Provinces Government, for his keen interest in my work and constant encouragement.

Indian Journal of Economics, }  
University of Allahabad. }

A. N. Agarwala

## Works by the Same Author

1. Pessimism in Planning. (Kitab-Mahal, Allahabad, 1944).
2. Reconstruction of Economic Science. (Kitab-Mahal, Allahabad, 1944).
3. Socialism without Prejudice. (Kitab-Mahal, Allahabad, 1944).
4. Gandhism : A Socialistic Approach. (Kitab-Mahal, Allahabad, 1944).
5. Introduction to Economics. Fourth Edition (Kitab-Mahal, Allahabad, 1944).
6. Business Methods and Machinery. 2 Volumes. (Kitab-Mahal, Allahabad, 1943).
7. Economic and Commercial Essays. Second Edition, (Minerva Book Shop, Lahore, 1944. *In Press*).
8. Insurance Principles, Practice and, Legislation. (Indian Press, Ltd., Allahabad. 1942).
9. Insurance Finance (Kitab-Mahal, 1939).
10. Outline of Socialism. (In Hindi). Muraraka Prize Book. (Vinod Pustak Mandir, Agra, 1942, Second Edition).
11. Rural Economics and Co-operation (In Hindi). (Rai Sahib Ram Dayal Agarwala, Allahabad).



# CHAPTER I

## THE IMPORTANCE AND STRENGTH OF THE PLAN

The publication of the well-known memorandum outlining *A Plan of Economic Development for India* by "Eight Industrialists", viz., Sir Purshottamdas Thakurdas, Mr. J.R.D. Tata, Mr. G. D. Birla, Sir Ardeshir Dalal, Sir Shri Ram, Mr. Kasturbhai Lalbhai, Mr. A.D. Shroff and Dr. John Matthai, at the commencement of the current year is the most important economic event of recent times. This is the first scheme of its kind that has been framed in this country and has naturally drawn unprecedented attention of the economists, politicians and general press. A discussion of this scheme has become the staple of financial and economic journals of the country in the past weeks, a characteristic which has been fully shared by the Indian dailies and weeklies. Since the marked attention drawn by the planning achievements of Soviet Russia and the totalitarian States and the haphazard imitation thereof by capitalist democracies, planning has been in the

minds of the people of this country. The first practical attempt to apply planning to Indian conditions was made by the Congress Governments, but it was unfortunately cut short by the exigencies of the political situation which are now well known. The veteran planner of this country, the enthusiastic Sir M. Visvesvaraya, has through his constant individual and organised efforts, kept the problem of planning in the forefront of recent discussions and through several A.I.M.O. publications, especially *Prosperity Through Industry*, has suggested a practical programme of industrial planning. The efforts of the Government of India, only recently awakened from its lethargy, have been rather piece-meal and haphazard, of which the precedence of the road development scheme and the Sargent Education Scheme over other more important items of a planned programme is a glaring example; and it is this unplanned planning by the New Delhi authorities which has led them to as much as to predo the Sargent Scheme on the flimsy ground of lack of finances, which might also be the fate of the Bhore Health Committee Plan which is now on the anvil. The attempts of economists, individual as they have been, have not overgrown the stage of

principles-discussion and nothing by way of a definite plan has emanated from this source. *A Plan of Economic Development for India* is the first concrete, comprehensive and all-in plan prepared in this country. This is surely going to be the starting-point of all future discussions on planning in India. Its practical and theoretical importance can be well realised.

A great point of strength of the Industrialists' *Plan* is the fact that it is comprehensive. The work, such as has been done in this direction hitherto, has been, as mentioned above, piecemeal and haphazard, which is in glaring contrast to the all-sidedness and full-bloodedness of the Industrialists' *Plan*. It is a characteristic of an economic plan that it looks to all the aspects and limbs of an economy in their totality, entirety and essential unity. And it is gratifying to find that the Industrialists' *Plan* is a successful attempt to get over the excessive departmentalisation and independence of the various parts of our economic mechanism, which are, as a matter of fact, inherently and intimately connected. It includes in its scope all the important parts of our economy and tries to evolve a system and relativity in their growth. It is a type of work that has not been thus far

done this side of the Indian Ocean. For the first time this Plan prepares a comprehensive budget of our national needs and resources; and gives us an idea of the work that has to be done and the targets that have to be attained to save us from the morass of economic degradation, and the resources available for this purpose. It must thus be regarded as a pioneer work in this direction.

Another great merit of the *Plan* is that it makes all the necessary calculations in concrete and statistical terms. It is thoroughly a cut and dry and business-like document. The statistical poverty of this country is a well-known fact. The Economic Enquiry Committee, the Bowley-Robertson deliberations and the Committee of the Statistical Institute of Calcutta have all brought out this fact sufficiently well. The very deficiency and want of statistics in this country has been a potent cause strongly operating against the framing of an economic plan. But undeterred by this obstacle, the "Eight Industrialists" have made the best of a bad job, made reasonable statistical assumptions where definite figures have been lacking, and given us a plan which might be questioned and criticised on any other ground but which cannot be reasonably attacked on the score of the error or weakness of

the statistical computations it contains. This, of course, does not mean that the statistics furnished in the *Plan* are God's own truths and must come out true in practice. . These statistics must, as a matter of fact, be presumed to be merely provisional. The Planners are frankly not prepared to swear by them. They make it perfectly clear that "With regard to the several estimates of expenditure, production and income contained in the memorandum, it is necessary to explain that in view of the inadequate data on which many of them are based, they are to be regarded as merely rough approximations and their value as more illustrative than absolute." Apart from it, the *Plan* is to be valued not so much for the statistics it furnishes as for the economic policies underlying them. It is thus abundantly clear that to criticise the *Plan* on the score of the statistical computations it contains, would be without warrant and would confuse the whole issue.

The *Plan* also gives adequate thought to the development of the industrial part of our economy and the suggestions made by it directly in this regard are of profound and lasting value. It has taken a balanced view with regard to the growth of the various parts of the industrial

sector and the aggregate magnitude to which it aims to push industrial production accords well with the aspirations of the people. In view of the great importance and need of the industrialisation of this country, these suggestions are certainly warmly welcome.

But the most important point of strength of the *Plan* under reference is the ways and means position it suggests for its own finance, which has for the first time been done in this country. So far, the Government attached only theoretical importance to planning and no amount of seriousness could be visualised in their talks and efforts in this direction. The economists were equally unable to establish due connection between the productive part of economy and its nation-building and expending parts under a plan, and consequently even in their theoretical discussions, there was a sort of aloofness and impracticability which seemed to indicate that planning was not an immediate problem in this country. The general public and press were even more indifferent to this subject which to them was entirely beyond achievement and out of the question. The atmosphere was generally one of dire despondency and lethargy. The Industrialists' *Plan*

took its birth in such depressing circumstances. By the dint of sound imagination and the application of business-like intellect, it established and put into lime-light what was escaping the attention of everybody thus far, *viz.*, the close connexion between the earning and expending items of a programme of economic development of this country. It has made sound and practical proposals for securing finances to the tune of Rs. 10,000 crores which it would cost. The removal of this financial obstacle, which has been the most important hurdle in the way of a plan, is the most remarkable achievement of this *Plan*.\*

The *Plan* under discussion has, on the whole, been very cautiously drawn so as to eschew foggy and confusing controversies as far as possible. It deals mainly with the financial aspects of planning, though matters of general policy are inevitably and incidentally woven into the whole pattern. The problems of methods, technique and organisation, of distribution of wealth and income, and of degrees of

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\*For a detailed discussion of the various issues involved in planning in this country and the contribution of the Industrialists' *Plan* in this regard, see my book, *Positivism in Planning* (Kitab-Mahal, Allahabad).

control or ownership to be exercised by the State, are no doubt highly important, but they are also those which cannot be discussed without raising extravagant criticism ; and it is, therefore, well that the authors have put them off for the time being, till the more fundamental issues have been fully grasped and cleared up. The language, treatment, style and diction, all have the impression of studied caution employed throughout in setting out these proposals. But, despite all the care bestowed upon it, the scheme is not entirely free from blemishes which are mostly of the nature of lacunae and loopholes, gaps and omissions, perspective and proportion.

## CHAPTER II

### THE AIM OF THE PLAN

Planning—why and what for? This is an important threshold enquiry which the authors answer at the very outset and may rightly base the case for planning mainly on the necessity of increasing the national income and the standard



of living of the people of the country, which at present are extremely low.

The Eight Industrialists clearly show that our income *per capita* is among the lowest in the world. According to the estimate of Dr. V. K. R. V. Rao for the year 1931-32, this *per capita* income does not exceed Rs. 65. The figure for 1939, state the authors of the *Plan*, will be lower still if we make allowance for the large increase in the population at the rate of 5 million per annum since 1931, which is not accompanied by any significant increase in the total national dividend. This disquieting situation must be improved; and to carry out this improvement is the ultimate aim of the *Plan*. The authors definitely state that "a planned economy must aim at raising the national income to such a level that after meeting the minimum requirements every individual would be left with enough resources for enjoyment of life and for cultural activities. Our present information, inadequate as it is, regarding the potential resources of the country in respect of raw materials, power and labour, leads us to believe that given a systematic plan and adequate organisation it is possible to raise our national income within a short time to a

level considerably above that required for meeting the minimum needs of life." Their *Plan* fixes a target of trebling the present national income within a period of fifteen years from the time the plan is put into execution. The aggregate national income of India was estimated to be Rs. 1,766 in 1931-32; and this figure is intended to be raised to about Rs. 5,300 crores within the course of a decade and a half. Including the Indian States, the total national income would have to be increased from Rs. 2,200 crores to Rs. 6,600 crores. Our population, however, is increasing rather rapidly at the present time and it may be presumed that the rate of increase shown by the last census, namely 5 million per annum, would be continued. Assuming, therefore, that the *Plan* is put into execution in 1945, the population of the country in 1960 may be presumed to be 489 millions. In terms of income *per capita*, this means that if our national dividend is trebled during this period of fifteen years, our income *per capita* would be only doubled. It would, in other words, reach the level of Rs. 135.

This aim is to be achieved by increasing agricultural output by 130 per cent and industrial output by 500 per cent. The capital investment

is to be astronomical : Rs. 10,000 crores. But this, according to the authors is "well within the limits of our resources" and "such expenditure will constitute a sound and profitable investment for the country." These planners do not paint a dream or a Utopia ; nor are they idle exaggerating visionaries. They are practical realists and their promise is moderate, achievable and understandable. The U. S. S. R., which first set the ball of planning rolling, could achieve staggering results even after the first five-year plan : taking 1928 as the base, the index number of industrial production touched the level of 369 ; that of output of investment goods, of 481 ; and that of consumers' goods, of 274 ; while the national income increased from 25 billion roubles to 125 billion roubles. Sir M. Visvsevaraya promises us to double our national income within five or seven years through industrial planning alone. The promise of the authors of this Plan is cautiously moderate by comparison.

With an income of Rs. 130 per annum, the authors of the Plan believe, a person can live well and have something over and above the bare minimum for existence. In this they presume that the price level which prevailed on an average during the period 1931-39 would also prevail

during the period the plan would take to work itself out. This presumption is absolutely necessary to make the discussion possible. If a critic thinks or presumes that the price level during the post-war period (when the plan might be put into execution) would be something different, let him work out the calculations at that rate. This would not change the correctness or validity of the proposals contained in the *Plan*, or the practicability or the proportion of the vision of its authors. Money is nothing more than a measuring rod; and in order to keep the measuring rod uniform, a presumption of the above sort would have to be made. Otherwise, it is the quantum of commodities and services the money represents that the planners have kept, and ought to have kept, in view, and which would remain unchanged whatever price-level is presumed or is in force.

However, this increase in income would make possible a standard of living much higher than the one in existence at present. The standard of living that would thus be realised has been expressed in concrete terms and in a definite manner by the Eight Industrialists, which shows the thoroughness of their work and the business-like definiteness which they have

employed in drawing up their *Plan*. The important items of such a standard are mainly five : food, housing, clothing, health and education. Each of them has been explained at length and with great clarity and preciseness.

Food is the most important factor in the standard of living and this should be both adequate in quantity as well as sufficiently nutritive. The energy value of the diet necessary for maintaining the health of a normal person in this country has been calculated by experts at 2,600 calories. Taking into account some wastage in the kitchen and at the table, the *per capita* requirements of a balanced diet would amount to 2,800 calories a day. A large part of our population does not at present get enough food, not simply because of a bad distribution of wealth and food-stuffs, but also because the available supplies fall short of our normal health demands. However, presuming that the plan would increase the production of foodstuffs to the sufficient extent, the cost of a balanced nutritive diet of the type above mentioned would be about Rs. 65 per annum at the pre-war price level, and in this regard no distinction need be made between a growing child and a growing adult. The total cost of keeping our existing

population normally nourished would, therefore, be Rs. 2,100 crores per annum.

The *per capita* income of Rs. 130 would also permit a person to have enough cloth to cover his person. It is difficult to fix up the *per capita* yardage of cloth that would be needed on an average in this country for no such calculations have yet been made. But the Notional Planning Committee regarded the figure of 30 yards per person per year, as reasonable. The Eight Industrialists accept this figure and calculate that at the rate of 3½ annas per yard, the aggregate cost would amount to Rs. 255 crores. The *per capita* cost would come to Rs. 6-9-0 only.

Housing would be another element in a satisfactory standard of living and the Eight Industrialists have tried to make adequate provision for this as well. On the basis of the Bombay Rent Enquiry Committee's figure that a person should have about 3,000 cubic feet of fresh air per hour, the accommodation required would be 100 square feet of house room per person. There are at present only about 6 million houses in India—10 million in towns and 66 million in villages. This position is highly unsatisfactory. In particular, the extreme type

of over-crowding to be found in industrial towns requires immediate redress. According to the 1941 census, the average number of persons per house is about 5. On this basis, the area of an average house should be at least 500 square feet. In rural areas such a house can be built by spending Rs. 400 and in urban areas the expenditure would be twice as much. In order to provide adequate housing accommodation to each and every person, many new houses would have to be constructed in towns, cities and villages. Many of the existing houses are unhealthy, old and unsatisfactory, and would have to be demolished and rebuilt. The total expenditure which would have to be incurred in new construction and rebuilding has been calculated to be Rs. 1,400 crores. Account has also been taken of the increasing population during the fifteen years of the Plan; and the amount which will have to be spent for constructing new houses for this additional population has been put at Rs. 800 crores. The total cost of construction and rebuilding would thus come to Rs. 2,200 crores. At 7½ per cent of the total capital outlay including the value of existing houses, the cost of maintenance would be Rs. 318 crores. Out of this, only recurring expenditure would pre-

sumably have to be incurred by private individuals and has been shown in the cost of living by the authors of this *Plan*.

Next to housing is the problem of medical care and care of health ; and the Eight Industrialists have made due provision for this item as well. India at present leads the important countries of the world in the matter of birth as well as death rates ; and public health measures would have to be adopted along the preventive line—like sanitation, adequate and good quality water supply etc.—as well as along the curative line—like the provision of adequate medical facilities. There were in 1939 about 7,300 hospitals and dispensaries in British India, which were furnished with 74,000 beds. The number of persons served by each hospital and dispensary comes to 41,000 and the number per bed comes to 4,000, which is indicative of the great insufficiency of medical facilities. According to these planners, a minimum standard of living would require the adoption of the following preventive and curative measures :—

- (i) proper arrangements in respect of sanitation and water supply in rural and urban areas ;
- (ii) a dispensary for every village ;



- (iii) general hospitals and maternity clinics in towns ; and
- (iv) specialised institutions for the treatment of tuberculosis, cancer, leprosy, venereal diseases, etc.

The total non-recurring cost of providing all these medical facilities would be Rs. 281 crores while the recurring cost would come to Rs. 185 crores. It is the latter which alone would enter into the cost of living.

Sanitation and conservancy and the provision for adequate water supply have been estimated to cost Rs. 100 crores and the annual cost of maintenance would be Rs.  $7\frac{1}{2}$  crores per annum. On an average, the village contains about 517 persons and a dispensary in charge of one doctor and two nurses has been suggested. The total cost of this arrangement would be Rs. 355 crores, of which Rs. 132 crores would be the cost of buildings and equipment. Urban hospitals would be more ambitious affairs and would be provided at the average rate of two hospitals per town of 40 beds each at a total cost of 38.5 crores per annum, of which 16.5 would be recurring. There would also be one maternity hospital on an average in every town and the total capital cost in this regard has been put at Rs. 8 crores and the

annual recurring cost of running the hospital and of maintenance at Rs. 6·6 crores per annum. Then, there would be special hospitals for the treatment of such diseases as tuberculosis, venereal diseases, leprosy and so forth which would require a capital investment of Rs. 19 crores and a recurring expenditure of 12·5 crores. The total cost of the various health and medical services detailed above would be as under :—

(In Crores of Rupees)		
	Non-recurring cost	Recurring cost
Sanitation, Water Supply, etc.	100	7·5
Rural Dispensaries	132	141·9
General Hospitals	22	16·5
Maternity Clinics	8	5·6
Specialised Institutions	19	12·5
Total	281	185·0

Education is the fifth important item of the standard of living and the *Plan* makes adequate provision for primary and adult education as might be sufficient to give education in three R's to all, young as well as old. The cost of adult education would be Rs. 66 crores while the non-recurring cost of primary education would



Rs. 65 ; and as the population has increased since then without proportionate increase in production, the present income *per capita* is presumably less than this.

In this estimate of Rs. 74 *per capita* income, however, the authors do not, take into account several items of expenditure. Expenditure on fuel, conventional necessities, travelling, correspondence, religious occasions, marriages and deaths, ornaments, etc., is quite important and cannot be ignored. Further, education would create a demand for books and newspapers and houses would require furniture and equipment. And what about savings ? The authors themselves hope to get Rs. 4,000 crores out of the savings of the people for financing the scheme, i. e., at the rate of Rs. 7 *per capita* per annum. This alone would increase the cost of this standard from Rs. 74 to Rs. 81. But we trust it is such considerations as these which have led the authors to fix the target at Rs. 130, thus leaving a good margin of Rs. 49 *per capita* to take care of the unspecified items.

There is, however, one more point. What is the guarantee that this would be the *minimum* standard of each and everybody and not the *average* standard ? For, if this turns out to be

the average, then in case some have more than this minimum, others will, as a mathematical certainty, have less. And if this is what really happens, the rationale of planning on standard of living plane would be weak indeed; and one can then question the very necessity or sanity of such planning. This certainly means that the authors' concept of 'the distribution pattern is of the essence in this context; and, as they promise to present it at a later date, the final pronouncement on this fundamental point will have to wait. Planning, we need not observe, is to be regarded as comprehensive utilisation of the human and natural resources to the best advantage and *for the greatest well-being of the people.*

The *Plan* is also open to an objection of a fundamental nature. If the entire national income of the country is only just sufficient to give to every member, either in an average or a minimum shape, an annual income of Rs. 130 which is to be the cost of his standard of living; it means that no part of this national dividend would be set aside for productive purposes save (i) what the State can hook out in the shape of taxation, which would indeed be extremely niggardly and small *if* Rs. 130 is just sufficient

for the minimum standard laid down ; and (ii) what the people themselves can save, which has been calculated by the authors themselves at Rs. 4,000 crores during 15 years. From where, then, is the money necessary to finance capital-requiring plans in education, research, industries, agriculture, transport, communications, insurance, banking, etc. is to come ? Is it always to be borrowed abroad without any attempt at repayment ? Must our saving be kept so low as to make foreign debts a permanent feature of our public finance ? The financial technique of planning must be of such a nature that after providing for necessary initial finances from borrowing and from other sources, it must tend to become self-financing as far as possible, which would involve systematic payment of foreign debts incurred at the commencement. But this Plan does not make any material provision for capital accumulation for productive use and for the liquidation of the debt it would incur. It would be obviously unconvincing to suggest that the problem can be viewed from this angle after this Plan has run its full course ; for this would be postponing too much for the future. Without any previously accumulated capital fund, foreign borrowings would again have to be resorted to ; while the problem of the

repayment of foreign debts would get more weighty and acute. If this comprehensive plan, which combines three five yearly plans, does not even care to try to reach or begin the stage of self-financing, but comfortably continues to draw upon the borrowed funds to bolster up our standard of living though at low level, we should regard such a plan as narrowly envisioned. That a part of the national income should be meant for consumption purposes and another for productive purposes, of course maintaining a due balance between the two so that neither consumption is too much starved nor does production suffer undue neglect, is a *sine qua non* of planning achievement. The present *Plan*, we fear, makes no attempt to consider the matter from this angle. Its only object is to put the productive mechanism on such a footing that it might begin yielding double the present *per capita* income, not caring even two hoots for future capital accumulation or foreign debt liquidation. The *Plan* should have been broad-based so that while it doubles the income *per capita*, it, at the same time, leaves an adequate margin for capital accumulation.

While the standard of living approach to the planning problem is excellent, we feel that a

solitary and undiluted adherence to this dictum to the utter neglect of creating wealth for capital investment purposes for the future and for liquidating debts incurred in the past, is being too much concerned with consumption and smacks of spendthriftness. We would like to invite the attention of the authors of the *Plan* to this aspect of the matter and would suggest that in its redrafting, they must try to harness our natural and human advantages to the fullest extent, pay adequate attention to the omitted and neglected items of the *Plan* as indicated below, and out of increased production and additional wealth thus created ear-mark generously for capital accumulation.

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### CHAPTER III.

#### PLANNING OF INDUSTRIES

How can, then, we increase our *per capita* income twofold during the course of a decade and a half by investing Rs. 10,000 crores as advised by the authors? Of this no less than 44.8 per cent., i. e. Rs. 4,480 crores, is to be



spent on industrialising the country. Industrialisation is, according to this *Plan*, to be the main source of economic prosperity of the order envisaged under it.

In 1931-32, the contribution of industry, agriculture and services to the total national income of British India was found to be 17%, 53% and 22% respectively, about 8% remaining unclassified. The *Plan* proposes to increase the absolute amount of the contribution of each of these economic pursuits in such a manner that the proportions above-mentioned are changed approximately to 35%, 40% and 20% respectively for the whole of India. This would require a 500% increase in net income yielded by industries, 200% in that of services and only 130% in that of agriculture. The following table given in the *Plan* clearly brings out this point:—

	Net income in 1931-32 (Rs. Crores)	Net income expected after 15 years (Rs. Crores)	Percentage increase
Industry	374	2,240	500
Agriculture	1,166	2,670	130
Services	484	1,450	200

As is evident from the above table, from capital investment viewpoint in its totality,

industrialisation is to be almost as important as the rest of the programme put together. In production section of the *Plan*, it is to be twice as important as the remaining pursuits. In comparison to the consumptional part of the programme, it is to be about  $2\frac{1}{2}$  times as important as education, health and housing. The authors, it is clear, propose to bring about economic salvation to the country mainly through industrialisation. Naturally the proposed industrialisation, absolutely considered, is such as to be found satisfactory and excellent.

But we must let fall a word of caution here. In order to make industrialisation of this order possible, there is absolute need of the development of primary industries and auxiliaries of economic mechanism to an adequate degree. There is a certain relativity, which varies from country to country and time to time, between the industrial and non-industrial sectors of an economy which can bring about mutual supportability, from inland and foreign exchange angles, and maximises economic welfare. But this seems to have been overlooked by the authors of this *Plan*. They appear to have been too much busy with their own sphere of industrial planning, with the result that they have given

less than adequate attention to agriculture, as also to trade and the auxiliaries of economic progress like banking, insurance and transport. It is not merely a question of agriculture *versus* industries, or of rural interests *versus* urban interests. It is a question of the very possibility and purpose of industrialisation of this magnitude under these limiting circumstances. For if every part of productive mechanism is dependent upon the others, the suggestions made by the planners are not only unfair, but also incompatible. We shall, however, go into the entire question of economic perspective presently:

But it can be stated without fear of contradiction that the Planners have made very valuable suggestions with regard to industrial planning and coming as they do from persons who have unparalleled experience in this particular field, they have an authority and weight which would not be necessarily attached to their other suggestions. They systematically divide the industries into three categories: (i) basic industries, (ii) consumption goods industries and (iii) cottage and small-scale industries. These three classes are not mutually exclusive, and the third class obviously falls into both the first two categories of industries though it mostly

goes with the consumption goods industries.

The Planners draw up their plan of industrial development in such a manner that the basic industries get a priority over the other types of industries in the initial years of planning, which is very necessary and essential for without this foundational growth, we would be unsuccessful in raising a stable superstructure of industries. The Planners rightly consider it "essential for the success of our economic plan that the basic industries, on which ultimately the whole economic development of the country depends, should be developed as rapidly as possible." The list of basic industries is also quite exhaustive. Its includes the following seven items :—

1. Power—electricity.
2. Mining and metallurgy—iron and steel, aluminium, manganese etc.
3. Engineering—machinery of all kinds, machine tools etc.
4. Chemicals—heavy chemicals, fertilisers, dyes, plastics, pharmaceuticals, etc.
5. Armaments.
6. Transport—Railway engines and wagons, ship-building, automobile, aircraft, etc.
7. Cement.

In the stagification, the capital investment has been thus distributed between basic industry and consumption goods industry :—

(Rs. crores)	First Plan of 5 years	Second Plan of 5 years	Third Plan of 5 years	Total
Industry :	(790)	(1,530)	(2,160)	(4,480)
Basic Industry	480	1,200	1,800	3,480
Consumption goods Industry	310	330	360	1,000

Special importance in this list of basic industries has been attached to the production of power. The Planners rightly believe that "the development of our industries, both large and small scale, as also of agriculture and transport, will be determined to a large extent by the development of electricity." India is said to contain potential reserves for the development of hydro-electric energy of about 27 million kilowatts out of which only half a million kilowatts have been developed so far. There is ample room for further development in this direction, which would be properly utilised and exploited under the proposed *Plan*. But we fear that to the authors, power means electricity which alone they plan to develop. Now, it may be conceded at once

that, as a general rule, electricity has been found to be the cheapest form of power in the advanced countries of the world. But what about India's large coal resources ? Do the planners propose to keep the coal that is lying in the bowels of the earth here idle ? On a consideration of comparative costs, it might be found that coal will be cheaper than electricity in certain areas. Coal can, again, be an important export commodity, even if we follow Japan's example of generating electricity for internal consumption and exporting coal to China which stands in its great need. In any case, we clearly foresee a bright future for coal and a scheme of systematic and proper development and exploitation, involving some capital cost, should be the vital part of a plan. Our petroleum resources are also meagre, whereas liquid-fuel would be in great demand in post-war years, *inter alia*, for mechanical road and air transport ; and we would like to know the general policy of the Eight Industrialists in this regard. We, however, fully agree with the two reasons given by them why they wish to develop basic industries under priorities, *viz.*, (i) that their absence has greatly hindered industrial development during the war period and (ii) that their development would reduce our dependence on

foreign markets and, therefore, our need for external finance.

The Authors are sufficiently cautious to warn us that the development of the basic industries must not be carried on so enthusiastically that the production of enough consumption goods is put into jeopardy, and the people of the country have to undergo the same hardships which had to be faced by the people of the U. S. S. R. We regard this as a very wise precaution; but we must reiterate our criticism that in an attempt to safeguard and improve the standard of living, the authors have overlooked the great need of capital accumulation and have thus given a *tempo* of economic progress which should, and can be, accelerated to a material degree. While fully subscribing to the general policy adumbrated by the *Plan* in this regard, *viz.* that the craze for producing investment goods must not be satisfied at the cost of the manufacture of consumption goods, we would like to point out that we must not err on the other side and neglect or slow down capital accumulation to the injury of our permanent economic interests with a view to secure spectacular results on the consumption fronts. In this case, however, we can easily gather fat without having to bring down the standard of

living target fixed by the Eight Industrialists only if we take adequate steps to fully develop the natural and other advantages of economic progress, which have not received due attention of these planners.

The consumption goods industries which have to be developed in this country under the *Plan* have been enumerated as follows :

1. Textiles—cotton, silk and wool.
2. Glass industry.
3. Leather goods industry.
4. Paper industry.
5. Tobacco industry.
6. Oil industry.

The above list does not exhaust all the consumption goods industries and is merely illustrative. Other like industries would also be developed according to the requirements of the people. The authors also assure us that though planning without tears is impossible, they have sought to plan in such a manner as to avoid the two mistakes committed in Russia which exposed the people there to hardships, namely, (i) their over-emphasis on heavy industries and indifference to consumption goods industries, and (ii) their enthusiasm for building huge industrial plant which took years to come into



operation. The consumption goods industries would be bulwarked not only from a quantitative and magnitudinal standpoint; but as far as is consistent with planning, "the free choice of consumers in respect of consumption goods should suffer no restriction."

In a country like India where small scale industries have been functioning from times immemorial and where such industries are still in existence despite severe competition from factory products of Indian as well as foreign origin, the problem of the place to be assigned to such industries in a plan becomes one of great importance and intricacy. It has been recognised by the Eight Planners, that generally speaking "while in basic industries there is little scope for small industrial units, they have an important and useful place in consumption goods industries where their function is in many cases complementary to that of large units." The safeguard and development of small scale industries, for which the *Plan* makes provision, may therefore be regarded as a further assurance that the supply of consumption goods would not be allowed to run short of certain minimum demands of the people. The importance of these industries, according to planners, consists in the facts (i)

that they can afford employment to a large number of persons and (ii) that they would reduce our need for external capital, particularly in the earlier stages of planning, so as to facilitate the setting up of large factories. But, these arguments in our opinion, seek to justify cottage type of industrialism, not as an end itself but only as a means to the achievement of the goal of large-scale industrialisation. The authors do not directly meet the question as to whether, in the ultimate scheme of things, cottage industries would have any place or not, which is a great omission, for short-range policies can best be fashioned in the light of the long-range ideologies. If cottage industries are bolstered up only to be liquidated after a decade and a half, there would be considerable loss of resources and skill. Cottage industrialism must follow a set plan. The competitive strength of each such industry must be assessed right from the start and only such of them should be blessed and promoted as can withstand the onslaught of mechanised factories. This, of course, supposes that small-scale industrialisation will have a place in the economic scheme *ultimately*. We do not know for definite if this is the view of the Eight Planners as well. Should this not

he so, their proposals in this regard are exposed to serious objection and criticism.

The picture of planned industrialism as envisaged by the authors is, on the whole, attractive and engaging. We have nothing to say against industrialisation *qua* industrialisation. As a matter of fact, this is *the* first essential of India's economic prosperity. But as the graveman of our charge is one of proportion and perspective between economic pursuits *inter se*, we would turn our attention to agriculture.

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## CHAPTER IV PERSPECTIVE BETWEEN INDUSTRY AND AGRICULTURE

An important standpoint from which an economic plan for this country has to be examined is the perspective it keeps and maintains between industry and agriculture. For while the growth and development of both these spheres of our economy is mutually supporting and beneficial to a very large degree, this association is lost after a certain extent due to the differential

natural advantages available to each of them. An adhesion to the theory of full employment would require that both these pursuits should be fully developed, so far as possible, and our natural and human resources should neither be kept idle nor badly employed.

The authors of the Industrialists' Plan, in regard to their proposals about industrial and agricultural development, start on the basis of the stock argument that India's economy is, at present, in a state of disequilibrium which must be set right. They say that the net income from industry and agriculture is Rs. 374 crores and Rs. 1,166 crores, respectively : this disequilibrium, according to them, is to be corrected by increasing the net income yielded by industry by 500 per cent. and that yielded by agriculture by 130 per cent., so that the net income from them after 15 years may become Rs. 2,240 crores and Rs. 2,670 crores, respectively. In this way, our economy is to be brought in a state of equilibrium and equality !

This is, to our mind, a curious and ridiculous idea of balanced economy. What comparative or absolute improvement of Indian agriculture is possible at this petty cost? Certainly we want to have a balanced economy ; but not by throwing

agriculture permanently in the throes of backwardness and decay. We surely want to develop industries; but, at the same time, we want to develop agriculture. And if, on the whole, we find that on putting our resources to the best possible use, we are mainly agricultural, we must accept the situation gladly; for *that* would be our balanced economy. The development of our industries and nondevelopment of agriculture proportionately so pitched up as to secure an artificial equality in the income yielded by each of them, is, to say the least, an erroneous concept of equilibrium economy. The authors have taken the term 'equilibrium' in too arithmetical a sense. And they also forget that all that is meant by occupational disequilibrium is just this that too many persons have come to depend upon agriculture and some of them should be shifted on to industries; it has absolutely no relation to the net income yielded by both these pursuits. The proportion between the industrial and agricultural sectors of our economy must be arrived at and determined through the process of putting our entire physical and human resources to the best possible use in relation to internal consumption, production and exports; and if, after doing this, we are mainly agricultural, it would be to our

good. Of course, if autarkic conditions are forced upon us, we might have to make readjustments in this position. But to talk of readjustment in production is an issue quite separate from the talk of keeping our productive machinery idle or backward. The authors try to weave the 'equilibrium' of their concept in the pattern of our economy with mathematical zeal and oddly pose it against, and in preference to, the theory of full and best utilisation of our human and material resources. They have evidently made a wrong start and so fall in pitfalls subsequently.\*

The authors would like agricultural income to increase by 130% only because their "idea is that, in respect of agricultural commodities India should, as far as possible, aim at feeding her own population adequately and should not aspire, in the initial years of planning, to export to foreign markets," because this has "introduced a serious element of uncertainty in our economic life."

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\*For controversial aspects of the whole matter, see Messrs. P. Chandra and P. C. Malhotra's articles criticising my views, entitled as *Agricultural Vs. Industrial Development* and *A Note on the Bombay Plan* in the *COMMERCE* (Bombay) of 8th April, 1944 and 15th April, 1944; and my rejoinder there to, *Agriculture in an Economic Plan*, in the *COMMERCE* (Bombay) of June 24, 1944.

The whittling down of agricultural improvement within the narrow limits of internal requirements on such flimsy grounds is something we do not understand or appreciate. After all, fluctuations in the price level in foreign countries and the fluctuating exports thereto cannot be sufficient arguments against foreign trade as such; for, logically, that would be an argument against every sort of enterprise! And, here, we must observe that the authors do not want to plan industrial development with the same object. They do not say that it should also be made to progress only within the limits of internal demand. Then why should agricultural progress be choked up within these strangling limitations? Their argument that the demand for food-stuffs is inelastic is not altogether correct for, while the internal demand may be inelastic after a certain point, what about the foreign demand? and, again, what about the non-food sector of agricultural economy? The foreign post-war markets for agricultural goods are sure to be very large with a view to remove malnutrition which is prevalent on a world-wide scale and to satisfy the demand for raw materials to support an ambitious industrial programme which foreign countries are preparing to raise the standard of

living of their masses. From the angle of the post-war trade prospects, there is a strong argument in favour of large-scale development of agriculture far exceeding 130% so as to exploit our entire agricultural advantages and make the best of our post-war trading opportunities.\*

The *Plan* presumes that the 130% agricultural growth over the pre-war level would bring about a self-supportability between the industrial growth of 500% and the output of the agricultural sector, from the point of view of raw materials supply, but we would like this proposition to be further scrutinised very carefully. A five-fold increase in industrial output may necessitate an equal increase in the output of agricultural raw materials in case the shape of economic structure remains unaltered except in magnitude; but as this is not going to be, the development in the raw materials producing part may be of somewhat lower order, but it would certainly be more than 130%. To take the case of cotton simply as an illustration and supposing the planners decide to increase

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\*This point has been fully elaborated in my article, *Planning and Post-war Trade Prospects in Investment and Finance* (Delhi), Planning Number, May, 1944.



cotton textile production five times, their requirement of raw cotton would go up to 180 lakhs bales of raw cotton per annum, whereas a 130% increase in its present output would give them only 135 lakhs bales of raw cotton per annum. And this on the presumption that exports of raw cotton are reduced to zero and short-staple variety has yielded place to long staple variety as much as we want, with neither of which propositions we agree. If the planners leave too wide a gap between the quantum and rate of industrial progress and agricultural progress, disequilibrium in the raw material demand and supply of this nature may appear here and there, with the result that an ambitious super-structure of industrialisation could not be supported at all.

However, even apart from it, there is the question of crops like tea and jute which mainly depend upon foreign markets and for which internal markets cannot be very great. Are they also to be suffocated within the strangling limit of the internal demand? What will happen to them in the absence of foreign markets, how much readjustment in crop planning would then have to be made, and whether it would be practicable or not, are important problems that

arise from this suggestion, to all of which the authors do not appear to have addressed themselves. On the whole, it seems that the authors advocate an autarkic state so far as agriculture is concerned. But it would be a ridiculous autarky indeed which programmes to begin with a deliberate loss of its foreign markets! And more ridiculous still if it is made to apply to one part of our economy only!

The authors of the Plan, however, advocate this policy *particularly* during the initial years of planning; but even if this be so and it is not to be their permanent or ultimate ideal, it does not add to the reasons in favour of their position. We would like to ask them: Why should it be their aim at all, in the earlier years or later years? As an ideal, it is erroneous. As an ultimate proposition, it is injurious. As a short-period goal, it is mischievous. If this suggestion is accepted and we lose our foreign markets and boycott ourselves from the scramble for them in the postwar years, shall we be able to regain them when we desire? It is extremely doubtful. If once we lose or fail to capture them in the readjustment following after the war, we would find to our sorrow, at the time of making quest for them at a later date, that the others have the

advantage of an early start and we have once again been ousted.

These views are still more untenable on the ground that it is more difficult to find markets for industrial goods than for raw materials. The chief industrial countries of the world will always demand our agricultural and mining products, while, if we want to sell our industrial goods on any large scale, we will have to compete not only with old giants in the line but also with protected industries of the hitherto industrially backward countries, which might not be much of a practical proposition, at least in the initial stages. But, all the same, we would have to establish foreign balances with a view to importing heavy machinery, technical skill, and deficient minerals like tin, tungsten, lead, zinc, nickel, graphite and liquid fuels—the authors themselves envisage an income of Rs. 600 crores from this source for the financing of their plan—and if agricultural articles are not to be exported and industrial articles would not be exported, then how would the foreign exchange balances be created at all? The authors should, in fact, have realised and emphasised the necessity of keeping our agricultural exports at a high level so that we might be able to obtain the essentials of basic indus-

trialism with ease and goodwill.

Their reasons and arguments, it would thus be seen, do not bear scrutiny; and their proposals, which imply that agriculture would be kept at a very low level of efficiency, do not seem to be well thought-out. Their attachment to autarky has led them to advocate cessation of agricultural exports as their anxiety for industrialization has implicitly made them not to put any such limitation for the growth of industries. The theory of full and most efficient employment of natural and human resources has been paid only lip-sympathy and has, in practice, been abandoned in favour of the narrower visions conditioned by imagined fears regarding agricultural exports. Industrialization of the country has been given an absolutely correct but relatively overly economic importance by comparison to agriculture. The result is a wrongly perspectivised and disproportioned vision of a planned economy which being balanced is superficial. Teems of national income equality is unbalanced from the really relevant economic criterion. We would urge the planners to give greater thought to agriculture in accordance with the doctrine of full employment to which they have committed themselves.

## CHAPTER V

### PROGRAMME OF AGRICULTURAL DEVELOPMENT

The programme of agricultural development drawn by the Authors is, logically, not up to expectations. In this the two fundamentals of agricultural progress, *viz.*, consolidation of holdings and liquidation of debt, would be achieved without any capital cost to the country; while soil conservation, irrigation facilities, and model farms would be provided at a cost of Rs. 210 crores, Rs. 460 crores and Rs. 195 crores respectively. After adding working capital to the tune of Rs. 250 crores to all these items, the aggregate sum to be spent on agriculture comes to Rs. 1,245 crores. This is about half of what the planners would like to invest in housing; and one-fourth of what is to be invested in industries. We do not know what vision the authors have kept before themselves while making these suggestions; but it seems far from their ideal of utilising our natural advantages to the fullest extent.

The authors are gravely inaccurate in providing only Rs. 250 crores as working capital with a view to the introduction of improved

methods of farming, particularly when we see that this sum would be spread over a period of 15 years, over 6,00,000 villages of this country, each of which inhabits 517 persons on an average. In other words, the working capital would come to be a little less than eight annas per head per annum of village population ! We fail to understand what sort of improved methods of farming are possible with this niggardly amount. We wonder if the planners have at all seriously thought about agricultural development. We are not sure, we are as a matter of fact very doubtful, that even the restricted items of improvement suggested by the authors, namely, "use of better varieties of seeds, manure, improved types of implements," can be put into practice by spending so little. Would it not be funny spectacle of cultivators living in good houses, getting proper medical care, having irrigation facilities and no debts, but following time-worn methods and using same old implements except what new tools they can purchase out of eight annas per annum which the planners have graciously sanctioned for their benefit !

So far as the question of the supply of fixed assets goes, the Planners do not make any provision for the supply of machinery for use

in agriculture. They do not evidently like to mechanise Indian agriculture. The mechanisation is not to proceed beyond the stage of "improved type of tools" lest we have to depend upon foreign markets which would bring uncertainty in our economic life, each part of which misapprehension is a fallacy. It is a great riddle of this Plan that, while its Authors are prepared to mechanise industries almost with a passion and in its most modern way, they turn their face against mechanising agriculture. While they are anxious to establish an equilibrium between industries and agriculture in terms of physical output, they do not plan for an equilibrium in terms of efficiency. To many this picture of a planned economy in which an advanced, mechanised, rationalised and organised industrial structure exists side by side an emaciated and unmechanised agricultural economy may appear distorted and even ugly. If the various sectors of an economy are inter-dependent, then this is an incompatible position. The very fecundity of industrial economy might, if associated with poor cultivators, be faced with a plethora of unsold goods and it might be found ere long that industrial prosperity was only artificially inflated, to be engulfed in the doom of a depression.

Moreover, mechanisation of agriculture is necessary with a view to providing ample raw materials, foreign purchasing power, command over foreign trade, and, finally, with a view to releasing man-power which is absolutely essential to make huge programme of industrialisation, transport and commerce possible and to break the stay-at-homeliness which is a great hurdle in the path of mobility of labour in this country. Again, if mechanisation is accepted as a principle, its application has to be conceded to agriculture as much as to industries. There may be differences in the *tempo* of mechanisation in the two cases; there may also be variations in time-preference scale; but to discard mechanisation as a principle in one and accept it as such in the other is, too much to make an appeal. Finally, the mechanisation of agriculture has to be regarded as an inevitable desideratum. If Indian agriculture does not mechanise itself, it would not be able to withstand the competition of heavily mechanised agriculture of other countries which might undersell it even on the mainland of India at one stage or the other. Such a situation can, no doubt, be saved by imposing protective tariff; but protection itself is only a temporary device and in order to remove it,



it would be necessary to mechanise our agricultural economy. This leads us to the inevitable conclusion that mechanisation alone can meet mechanisation. And if this is so, why not mechanise agriculture right from start ?

The planners, as mentioned above, want to liquidate agricultural indebtedness and, according to the method they suggest, this would be brought about without spending a single shell. They state that the debt which was estimated at Rs. 1,200 crores before the war, has since been reduced to a considerably smaller figure as a result of favourable prices realised by cultivators during the last two years and the remaining debt can be further reduced by the method they propose. "The liquidation of debt," they say, "should be arranged principally through co-operative societies which would require to be suitably organised for the purpose and provided with sufficient long-term finance. It may be pointed out that the finance required for this is not included in our estimate of capital expenditure since the debt of the agriculturist represents the savings of another class and these savings would themselves be available directly or indirectly for financing co-operative societies." So the debt is to be paid off by co-operative banks to the

creditors by one hand, only to be received back by them from the other. Probably a book entry is all that would be required! The *modus operandi* of this process has not been unfortunately explained; otherwise we would have understood the authors better. We confess that we do not know how would this all happen so easily. If the planners have compulsory conciliation and investment in co-operative banks in their view, they do not say so; and if this is not what they mean or like, they are either optimists or escapists.

Consolidation of agricultural holdings is another item of the *Plan* which is to be achieved without any expenditure. This the authors of the *Plan* rightly regard as the "most important question to be solved" and as "one of the main reforms which would be necessary for the adoption of intensive farming." They state their solution of this problem in the following words: "To bring it about, co-operative farming appears to present less difficulties than any other method that may be suggested. It increases the size of the holding for purposes of cultivation without depriving the cultivators of their right to the ownership of their existing holdings. In order that co-operative farming should come

into vogue as early as possible, some measure of compulsion appears desirable." Now, the co-operative method of consolidation which the authors advocate, was first applied in the Punjab where the average cost per acre comes to be Rs. 2-5-0 per acre. On this basis, the cost of consolidating the total cultivated land, current fallows and cultivable land in British India, 35.4 crores of acres (Cf. *Agricultural Statistics*, 1939-40), would be Rs. 82 crores. If we include seven-tenths area of the Indian States as well, this figure would have to be pushed up to Rs. 139.4 crores. For this sum no provision has been made in the scheme. We do not swear by the average Punjab cost, but we use it merely as illustration. Apart from cost consideration, mere consolidation would not prevent re-fragmentation which the law of primogeniture and other subsidiary causes are sure to bring about once more and which have not been considered by the Authors. Finally, though they speak in favour of co-operative farming and would like to employ some measure of compulsion to bring it about at an early date, they do not make clear as to what they actually mean by co-operative farming. If by this they mean collective farming, which is how they have been interpreted to

imply in certain quarters, we would like to point out that virtual confiscation is a condition precedent to collectivisation and *de facto*, if not *de jure*, deprivation of the cultivators of their right to their existing holdings is bound to take place, as the Russian experience clearly reveals, especially if mechanisation is adopted.

Other items in the improvement programme may also be discussed here. They are the very basic ones and consist of prevention of soil erosion, provision of irrigation facilities and the establishment of model farms. With regard to the soil erosion, the authors are right to mention that every year large quantities of valuable top soil are washed away by rain and if this goes on, millions of acres of land will be permanently lost for cultivation. Consequently they provide a capital outlay of Rs. 200 crores and recurring expenditure of Rs. 10 crores for soil conservation and other permanent improvements. As regards irrigation, Indian agriculture takes very little advantage of irrigation facilities. Out of 209 million acres cultivated in British India in 1938-39, only 54 million acres were cultivated. The planners believe that an increase of 200 per cent in the irrigated area would be necessary to carry out their programme. They also make

provision for the establishment of model farms which would be expected to “provide improved varieties of seeds and manure, agricultural implements, bullocks etc., and generally to help agriculturists.”

The total amount of capital required for increasing agricultural production to the target figure of 130%, is as under :—

(Rs. croros)	Non-recurring expenditure	Recurring expenditure
Soil conservation etc.	200	10
Working capital	....	250
Irrigation—canals	400	10
—wells	50	....
Model Farms	195	130
	Total	845
	845	400

## CHAPTER VI.

### PLANNING OF TRADE, TRANSPORT, BANKING AND INSURANCE

After discussing two main parts of the *Plan*, viz., those dealing with industry and agriculture,

we may now turn our attention to the commercial, financial and other aspects of our economic life. As would be presently shown, they have not been given sufficient attention, which confirms the criticism that the Authors have drawn up a satisfactory plan only with regard to industrial development and the other aspects of economy have suffered comparative neglect at their hands.

So far as the commercial policy and programme is concerned, the *Plan* has not even a word to say. Planning of trade and commerce, it would be realised, bristles with weighty problems of policy, finance and details. While the planners may not deal with all or most of them, they could not have properly ignored the two: (i) general foreign trade policy to be followed under the plan; and (ii) the question of foreign vested interests, ownership and control inside the country. So far as the first point is concerned, the Authors do not say anything directly and whatever they say indirectly or incidentally is extremely cautious and avoids arguments and discussions. It, however, appears that, while they do not propose complete cessation of foreign trade, they certainly want to cut it short. And, again, they want to apply the self-sufficiency principle to agriculture and

not to industry, the oddity of which we have pointed out earlier. If they desire that autarky in its naked form should be adopted in India, let them say so. But to whittle down the development of the non-industrial sector of the economy, even if it is unintentional, merely to make room for industrial development, is a position which we do not think the people would go jubilant over.

The problem of non-Indian ownership and control of certain industrial and commercial ventures is perhaps more immediate and important; and the Authors do not say if they would like to nationalise or Indianise this part of enterprise. If they do so, additional capital will be required for investment here, and for this a plan of this nature must make generous provision.

To turn to transport and communications, the *Plan* is not silent but it does not seem to have bestowed adequate thought in this direction. The need for these arteries of traffic is, however, frankly realised and the deficiency of means of transport in our country is rightly deplored. "India with an area of approximately 1,580,000 square miles," state the Authors, "has about 41,000

miles of railway while Europe, excepting the U. S. S. R., with an area of 1,666,000 square miles has 190,000 miles of railway. Similarly, in British India the proportion of road mileage to area works out at 35 miles per 100 square miles. The corresponding figure for the U. S. A. is 100 and the U. K. 200." They, therefore, plan to increase railways by 21,000 miles, at a capital cost of Rs. 434 crores and maintenance charges of Rs. 9 crores per annum. As regards roads, they state that the length of existing roads in British India is in the neighbourhood of 300,000 miles, of which 74,000 miles are metalled and 226,000 miles are unmetalled. Their object in this regard is to increase road mileage by cent per cent. The programme of doubling present mileage in 15 years is intended to cover mainly village roads and the humbler district roads. This additional mileage would cost Rs. 300 crores while the cost of maintenance would be Rs. 35 crores. They also suggest that the 226,000 miles of ordinary earth roads that are being used for vehicular traffic at present should be metalled at a cost of Rs. 113 crores. The total cost of road planning would thus amount to Rs. 413 crores. It would be recalled that the Consulting Engineer to the Government of India recently



calculated the cost of constructing 400,000 miles in India at Rs. 450 crores.

They also give attention to the coastal shipping and state that this form of transport has also been seriously neglected hitherto. They would like to improve the small natural harbours that are scattered along India's extensive coast line and provide them with loading and unloading facilities. "For a long time past," they say, "very few ports in India, except Bombay, Calcutta, Madras and Karachi have had adequate shipping facilities. In recent times several smaller ports, principally in Indian States, have been developed but still the number of ports suitable for coastal shipping is very small. If coastal shipping is to occupy its legitimate place in the transport system of the future, it is necessary to provide more harbours suitable for small ships. A capital expenditure of about Rs. 50 crores may be estimated for the purpose. At 10 per cent the maintenance charges would amount to Rs. 5 crores per annum."

The ideas of the Authors with regard to oceanic transport are evidently extremely narrow, as they do not go beyond the stage of coastal shipping. It has been a long-standing aspiration of the people that they should have their own

ships to carry their goods, and their dependence on foreign means of oceanic transport should be reduced, if not eliminated totally. The country has immense natural advantages for oceanic transport and her foreign trade is of great proportions, and, if the planners do not consistently move in the narrow rut of autarky without any other consideration, this trade is sure to increase several times as the economic plan makes progress. At present our dependence on foreign oceanic services is costing us a good deal and the stiff competition which our national shipping companies have to face from their foreign compeers, has been a great hurdle in the path of the development of our indigenous shipping enterprise. All these considerations are strong reasons why an economic plan for this country must make adequate provision for the development and growth of an indigenous shipping transport industry. No plan which does not do this can come up to the expectations of our countrymen and give them satisfaction.

In this picture of transport planning, another significant omission is civil aviation. That civil aviation is going to have a big place in the postwar world, is a proposition which nobody would today deny or contradict.

Hitherto the development of civil aviation has been extremely little in our country. But the war has produced a new set of conditions in which it would be inimical to our best interests to continue this neglect, let foreign countries and their concerns exploit our aviation routes and crystallise into vested interests. New flying machinery of greater swiftness, larger carrying capacity and better ability to withstand the elements of nature are being produced. Pilots, ground engineers and other personnel are being trained in bulk with a view to win this total war. New aerodromes, hotels and other equipments have been set up at several points. New routes and services have been opened up. Conditions have thus come to prevail in which it would be most natural and logical as well as comparatively easy to develop this long neglected arm of rapid transport. Apart from it, great concern is being felt all the world over regarding the future of the civil aviation. This concern is mainly on the score of the basis on which it shall be possible for the lines of a country to operate internationally; and the atmosphere on both the sides of the Atlantic seems to be heavy with the talks of "freedoms of air", a position which cannot but injure the interests of a country in

the position of India. The Government of India, we understand, have got a blue-print of the development of civil aviation industry prepared, which is regarded as a moderate plan. According to this programme, a network of 111 aerodromes and landing grounds would be spread throughout the length and breadth of this country during a period of 10 years at a cost of Rs. 15½ crores. Ninetyone aerodromes, however, are already in existence and only 24 new aerodromes will have to be constructed. Seventy-eight aerodromes will be equipped with night flying facilities. The total estimated personnel of every category has been estimated at about 70,000. It is, indeed, strange that while the Government of India so often accused of lethargy and indifference are so much alive to the problem of civil aviation in post-war days, the Industrialists' *Plan* is altogether silent on the point.

The means of communication have, again, been altogether omitted by the Authors of this *plan*. If our towns and villages are to be made bee-hives of agricultural and industrial activities, there will be great need for an increase in the number of post offices, telegraphic offices, savings bank offices, wireless and radios, and other means of communication and remittances, which would

call for considerable capital investment but to which no attention has been paid by the planners.

Besides transport, there are other equally important financial auxiliaries of economic progress which have also been altogether omitted by the authors of the *Plan*. Of these, banking and insurance are the most important. An increase in industrial, agricultural and business activity in the post-war period, an increment in the *per capita* income, a greater diffusion of education and greater insurance salesman efficiency on the part of Indian offices, all these will create a huge market for insurance to cater which dozens of insurance companies will have to be floated. It is also a just grievance of Indian offices that foreign companies, by virtue of their international connections and immense capital, take away a large slice of Indian business, particularly in the non-life section, and leave their Indian compeers high and dry. A future plan must provide for the establishment of big indigenous insurance units capable of proving a match to foreign concerns in every sphere of insurance business and taking care of the ever-increasing insurance habit. Particularly, the hegemony of foreign exchange banks blessing foreign marine insurance companies and *vice*

*versa* will have to be faced squarely. It is well-known that no Indian exchange bank has been allowed to take root in India, because of severe, cut-throat, and unjust competition of foreign exchange banks. Even in internal commercial banking business, foreign concerns hold an important sway. The problem in the post-war days would not only be of evenly competing with these and other like sources of invisible imports but also of executing and transacting increased banking business which would be a necessary concomitant of economic prosperity. Increased ruralisation of banking and insurance and the setting up of different functional varieties thereof would require crores of rupees. For all this vitally necessary programme, no provision has been made, which we regard as an important shortcoming of the *Plan*.

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## CHAPTER VII.

### THE PROBLEM OF TRAINED PERSONNEL

Another important standpoint from which the economic plan for a country in the position

of India has to be examined is the way in which it seeks to tackle the problem of the supply of trained personnel. "Industrialisation" of manufacturing industries and perhaps, what is no less important, "industrialisation" of agriculture within proper limits, would create a huge and unprecedented demand for trained personnel of both manual and mental categories, for those who have been trained in class-rooms and by desk studies as well as for those whose intellect has developed in workshops and by practical experience. Supply of trained manual workers should be an important item in the execution of a plan, for without them we cannot set the mechanised units in motion and make the main part of a plan go. The limitations placed upon the industrial growth by shortage of trained workers and skilled technicians and the arrest of our efficiency-promotion objectives caused by the low grade of the available skill must be removed; and vigorous efforts must be made in this direction under an economic plan.\* This would require great educational activity on the part of the Government and perhaps private industrialists

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\*Quoted from my article, *Educational Preparation for a Plan* in the EASTERN ECONOMIST (New Delhi), March 31, 1944, p. 494.

and would need considerable capital investment in the human factor in the industry. But the Industrialists' *Plan*, we are sorry to note, does not pay attention to the conversion of unskilled labour into skilled categories, a process without which our industrial development of the order envisaged by them should be incapable of attainment.

Besides the proper training of the manual labour, there is also a vital necessity of securing an adequate supply of specialists like engineers, doctors, teachers and insurance and banking experts, in which category may also be included administrators and managers. As regards these, there is a lamentable lack of the right type of persons in this country. India, noted for its malnutrition, diseases and unparalleled death rate, does not possess more than 42,000 doctors and 4,000 nurses. If a country like U.S. A. cannot boast of more than 400 or 500 town and house planners, we cannot carry on our counting beyond 40 or 50. Our banking, insurance and transport experts are conspicuous by the smallness of their number. If it is correct that an important factor lying behind the recent banking growth is the existence of persons trained in the art of banking in the old banking institutions, it



is logical to conclude that even in other spheres the correlation between the supply of trained personnel and business growth is definitely positive up to an optimum point which is yet far off in this country. Our past tradition of depending upon foreign managerial and administrative skill has been unfortunate (our leading industries like cotton textiles, jute textiles and iron and steel still largely depend upon foreign managers and experts who hold the key-positions) and has led to inefficiency arising out of the unsuitability of Indian climate to foreigners, the advance payments made to them before making a start for India making their dismissal difficult and control over them lax, and their inexperience in handling Indian labour which to them seems to be composed of inefficient and lazy weaklings. The war has moreover exposed the political danger involved in too much dependence upon imported skill, which might become serious in a time of national emergency.\* Educational planning must cut out the cause of managerial inefficiency and instability and must develop local skill with vigour

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\*For a thorough discussion of the problem, refer to my article, *Planning and the Problem of trained Personnel* in the J. K. REVIEW (Cawnpore), June, 1944.

and rapidity such as is consistent with proper skill acquisition, for in managerial field, it is supposed to be a slow process.\* But this importance, if realised by the Eight Planners, has not been translated into practice as there is no category of practical or theoretical education mentioned by them in which provision has been made for this.

Nor have the authors to say a word regarding a new branch of education, *viz.*, education in planning itself which has already been put into practice in the Princeton University of America and is receiving active attention in foreign countries. The persons who would direct, execute and carry out the programme in different capacities can discharge their duties much better if they know the plan and working of the entire mechanism of which they are one of the many limbs and parts. Working on this basis, Princeton has divided planning students into Plan-Experts, Plan-makers and Plan-Administrators with separate courses, syllabuses and training. It has come to be realised that this sort of education is of profound importance for achieving the success of a plan. But our

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\**Ibid.*

Industrialists' *Plan* has paid no attention in this regard. In the country itself, however, this sort of need is not being felt; and our Indian Universities have not risen to the occasion and have not made any provision for education, howsoever theoretical, in this particular direction. The only exception is the University of Allaha-bad which has already introduced a special paper on Planning in the M.A. Economics Class.\* The Industrialists might have included this item, for all we know, in the provision they have made for "University education, scientific education and research". But the sum ear-marked under this heading is itself very niggardly.

The total amount to be spent on education is 490 crores which includes primary education, adult education, secondary education, and research. The planners propose the expenditure of 5/1000th of the national income under the last category and estimate that this would amount to Rs. 10 crores in the first year of the plan and to Rs. 30 crores in the last year, the average annual expenditure coming to Rs. 20 crores, and

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\*Under the able guidance of Prof. G. D. Karwal. Research on the various aspects of planning is being carried on in the Commerce Department of the same University under Prof. K. L. Govil.

the aggregate absolute expenditure to Rs. 300 crores in the 15 years of the *Plan*. This suggestion is very inadequate and is not on all fours with the suggestions in this connexion made elsewhere in the *Plan*. To take the case of medical education only, there are at present only 42,000 doctors and 4,500 nurses in the country who would be quite inadequate to carry out the ambitious health programme visualised by the authors. According to this scheme, the new doctors and nurses required might be estimated as follows :—

Institutions	Proposed Number	Capacity of each	Number per hospital of		Total Number of	
			Doctors	Nurses	Doctors	Nurses
Village Dispensaries ...	6,60,000	...	1	2	6,60,000	13,20,000
Urban— ...	...	...	...	...	...	...
Hospitals ...	5,500	40 beds	2*	4*	11,000	22,000
Materinty Homes...	2,750	30 beds	2*	4*	5,500	11,000
Clinics ...	...	15,000 beds (total capacity)	2* (per 50 beds)	4* (per 50 beds)	6,000	12,000
				Total...	6,82,500	13,67,000

\*The authors do not give figures. Our own estimates.

It is evident from the above table that the manning of the medical service would call for the training of 6.8 lakhs of doctors and 13.7 lakhs of nurses according to the suggestions of the authors themselves. In 1939, the average cost of training a medical doctor in India came to Rs. 895 per annum. On this basis, the cost of giving medical training to 6,82,500 medical students over a period of five years each would be Rs. 305,66,87,500. If we add to this the cost of training 13.7 lakhs nurses at a moderate rate of Rs. 100 *per capita* for the entire period of training, i. e. Rs. 13.7 crores, the total cost of medical education alone would aggregate to Rs. 320 crores. Thus Rs. 300 crores provided by the Planners for university education, scientific education as well as research would not be adequate even for a small fraction of the entire programme.

Evidently, the authors have paid very little attention to the problem of trained personnel and they would have to considerably modify their proposal in this regard before their *Plan* can assume a satisfactory position and make-up. We are glad to note from Mr. G. D. Birla's speech at the Annual (1944) Meeting of the Federation of Indian Chambers of Commerce

and Industry at New Delhi that he is fully conscious of this point. "The most serious difficulty about planning," observed Mr. Birla, "is the scarcity of men. In India we have not got sufficient number of men who could at present take up the execution of a job of this kind." We fully agree with this observation and hope that Mr. Birla will bring his influence and broad vision to bear in this regard and have this excellent *Plan* redrafted and broadened so as to make sufficient provision for training, education and apprenticeship in all the directions and phases.

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## CHAPTER VIII.

### THE FINANCING OF THE PLAN

The strongest point of the Industrialists' *Plan* is the very practical and sound proposals it contains with regard to finance. As we have already observed, the great question before the Government, the economists and the people of the country before the publication of this *Plan* was how to secure the wherewithals to finance

a programme of a large-scale economic development. This was a problem eluding and baffling all in this country. The great poverty of the country and her people, the long starvation of funds which has been the fate of our nation-building departments, the great obstacles which the little economic development hitherto attained had to surmount, and last but not least the deep-rooted suspicion in the intentions of the alien Government, had all conspired to create an atmosphere in which post-war reconstruction in India appeared to be a meaningless phrase. For the 'impossibility' of obtaining the necessary finances was a major factor to be reckoned with and mainly because of this, planning was looked upon with remote interest. But by the application of sound imagination and patient thought, the Eight Industrialists have suggested very real, sound and practical ways in which a plan could be financed; and though the criticism of the *Plan* has been vehement in regard to its financial aspects, it is more of the nature of a surprise which would take time to subside than of the genuine unwarrantability of the proposals themselves.

The authors divide the sources of finance into two categories: Internal and External.

By *external finance* they mean the finance which is available for payment to foreign countries for goods and services imported from them and includes (i) hoarded wealth of the country, mainly gold; (ii) short-term loans we have given to the United Kingdom, represented by the sterling securities held by the Reserve Bank of India; (iii) our favourable balance of trade; and (iv) foreign borrowing. *Internal finance*, on the other hand, is that which is required within the country for the mobilisation of our resources and consists of (i) savings of the people and (ii) created money. It would, however, appear that the line of demarcation between internal and external finance would be found in practice to be rather alternative along certain range and, at any rate, unnecessary. This does not, however, take away even an ounce of the strength of the suggestions the *Plan* has to offer in this regard.

By hoarded wealth of the country, the planners mainly mean gold which has been estimated at about Rs. 1,000 crores even after the sale of distress gold. Of this, the authors hope to, get at least Rs. 300 crores for capital investment purposes. The proposals regarding the dishoarding of gold to the tune of Rs. 300



crores is very welcome but when they estimate this availability at "*not more than\** Rs. 300 crores", we fear that either they believe in the powerlessness of a confidence-inspiring Government to carry the disboarding to the near-100% limit or they think that gold should continue to provide not only a war chest but also the backing to currency to the same extent as at present or even more. We, however, feel that under a controlled economy of the type envisaged by the planners and firmly and competently directed by a Government of the people in which our countrymen would have full faith, the use of gold for currency purposes can be reduced to the very minimum. The entire gold resources, leaving a small part for ornamental and industrial requirements, can be mobilised and even commandeered by the Government. It should be remembered that if at any time it is found necessary to replenish or augment our gold resources, we can purchase it in the open market. This should be an added reason why it would be useful as well as safe for us to convert all this idle wealth into active capital, producing further wealth and making the people richer. We, on our part, believe that it would not be

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\*Italics ours.

difficult for the Planning Authority to realise at least double the estimated amount for capital investment purposes which may be utilised for financing the omitted items of the *Plan*.

The next source of finance are the sterling balances fast accumulating with the Reserve Bank of India. These balances have already crossed the Rs. 800-mark and the authors believe that "if the war continues for a year or two and His Majesty's Government continue to make purchases from this country on the same scale as they have been making hitherto, the amount is likely to increase to Rs. 1,000 crores." Their estimate has been generally regarded as accurate and fair, and quite rightly so. If anything, it might be found to err on the side of an underestimate. But the great question is: Would it be available to us for the importation of the capital goods required at the beginning of the plan? Or, would it be available to the full extent of 10% of the total finances required? In this we have grave doubts. Firstly, it is not improbable that we might have to make a contribution towards the war expenditure and post-war rehabilitation expenditure being incurred and to be incurred by Great Britain, as we had to do at the end of the First World

War.\* The chances of such demand being made upon us have increased with the arrival of the enemy at our eastern doors. Whatever balance is left after meeting this call, might have to suffer a loss on account of sterling depreciation which has been generally regarded as a matter of certainty, though the extent of a fall nobody can predict. Another inroad on the desired equivalence between capital goods and these balances is the high degree of probability of large-scale import of consumption goods from abroad which would not only consume a large slice of accumulated assets but would also hit the war-time industrialisation, maybe to a serious degree. Whatever balances are thus

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\* Since the above was written, London *Economist*, Lord Keynes himself and others have begun demanding a revision of Indo-British settlement so as to write off a part of our sterling balances. The International Monetary Conference which met at Bretton Woods played into the hands of Britain and gave a cold shoulder to the problem of abnormal war balances. See in this connection, my contributions: *Fresh Dangers to Sterling Assets*, FINANCIAL NEWS (Bombay), June 17, 1944; *Sterling Repayment or Repudiation?* HINDUSTAN (Lucknow), June 30, 1944; and *The British Case for Sterling Repudiation Examined*, MYSINDIA (Bangalore), June 24, 1944.

finally left over might, again, not be in a position to become effective in the most seriously controlled capital goods markets of the world. The production of capital goods has suffered a neglect to make the production of equipment for various theatres of war possible ; and the switch-over of wartime economy to peace basis would take some time. Apart from it, the demand for capital goods for making good the devastation caused by war, for effecting the replacement of depreciated assets and for reconstructing and rehabilitating the economy to a high pitch in consonance with postwar ideals, would be very great in every country of the world and in particular in the countries which are the largest producers of such goods. The demand curve for sometime after the war is bound to remain considerably higher than the supply curve ; and as long as this difference lasts, capital goods can be obtained only under special trade agreements rather than in a free market. It is because of this reason that foreign countries are already entering into special agreements with the producing countries for the obtainment of high import priorities of these goods. A big scramble is already being staged, in which India is having no part and is, therefore, bound to be left behind

to fall to the mercy of Great Britain which herself would not be in a position to oblige India. London financiers have already declared that the supply of capital goods would be made in a manner as is consistent with the British policy of post-war reconstruction, which we fear might delay the supply of such goods till a general surplus has occurred throughout the world and the golden opportunity of industrialisation has slipped.\* This being so, we feel that the authors' self-complacency that these balances would be available to us in the shape of capital goods in the initial years of a plan is not altogether justified. They must at least qualify and reserve their expectation with a demand for proper safety of the sterling balances and their convertibility into capital goods drawn from different countries of the type made by the 1944 (New Delhi) Annual Meeting of the Federation for Indian Chambers of Commerce and Industry, so as to give an idea to the people and the Government that the importance of the safeguard of sterling balances is vital to the introduction

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\**Vide* my article, *The Future of Sterling Balances*, in the THE ORIENT ILLUSTRATED WEEKLY (Calcutta), May 14, 1944, where the issue has been discussed in greater detail.

and starting of a plan and that these balances would not, under the existing circumstances, of themselves become available to us.

The third source of finance enumerated by the authors is the favourable balance of trade. They state that as a result of the general policy of directing agricultural production primarily with a view to meeting the internal demand which they have advocated, our export trade is likely to diminish in future. Side by side, the development of consumption goods industries and food crops within the country will bring about a reduction in the volume of imports. Our favourable balance on normal trade account is not, therefore, likely to shrink below Rs: 40 crores per annum which, because of repatriation of most of our sterling debt, will be available as external finance. The total amount which might be expected from this source in 15 years will, therefore, be Rs 600 crores, and would be 6% of the total finances involved. We, however, would like to think not so much in terms of balance of trade as in those of balance of payment; particularly as a large part of the favourable balance appearing on commodity account is usually consumed by the deficit on the invisible item account. Apart from it, we believe that

the estimate of the favourable balance of trade has been made on a very conservative scale by the planners. If our suggestion is accepted and the foreign trade policy of the country is broad-based, full scope is given to the development of agriculture, and all the auxiliaries of economic progress discussed above are given proper attention, the favourable balance can substantially increase. This source of finance requires to be further tapped.

The fourth source of finance suggested by the planners is foreign borrowing. They are quite correct in thinking that India's credit in foreign capital markets is now very high and she can, therefore, borrow substantial amounts of capital if she so wishes in these markets, especially in America. We also fully agree with them that "even if India resorts to 'created money' device as she is likely to, since this finance is to be employed for promoting an expansionist economy, its effect on her credit in foreign markets would not be so serious as it otherwise would be." The authors suggest that money borrowed from foreign countries should be of the order of Rs. 700 crores only, i. e. 7% of the aggregate finances involved. Here, again, we feel that the authors have taken a very cautious

and modest view of things and in case our lenders know that the money we borrow is not to be dissipated in unproductive channels but is to be invested in highly paying and productive avenues, that we are not going to dishonour our financial obligations and that we are to give a reasonable rate of interest and provide scheduled liquidation arrangement, there is no reason why we cannot tap this source much more. It is, however, a great drawback of the *Plan* that it does not provide for some method of repayment of the foreign indebtedness according to a fixed schedule and by means of sinking fund device. The rate of interest at which foreign borrowings can be made and the extent to which we can thus borrow, turn materially upon this arrangement, while we would not like to be unnecessarily burdened with foreign debts and interest payments longer than what is absolutely essential.

The fifth and the largest source of finance is an internal one, *viz.*, savings of the people. The percentage of savings to national income in Japan is 21.9, in Russia 14.2, in Germany 11.8, in U.K. 7.0 and in U.S.A. only 5.0. With regard to India, the planners think that, "taking into account the fact that the present standard of living is extremely low and that no provision



has been made for the increased taxation which a planned economy would necessitate, we do not assume that more than 6 percent of the national income on an average would become available for investment during the period of the plan.' On this basis they have calculated that during a decade and half which the plan would cover, the aggregate savings would be in the neighbourhood of Rs. 4,000 crores, thus providing 40% of the total finances.

The last and the most hotly controverted source of finance is the "created money". The suggestion of the planners is that about Rs. 3,400 should be created by borrowing against *ad hoc* securities from the Reserve Bank. The principle of created money, which has been drawn upon by the authors, can be amply supported and defended on the authority of monetary theory. Only its two limitations have to be borne in mind. Firstly, the supply of created money should not be carried on to such an extent that the aggregate supply of currency outstrips the demand for it, when price level might shoot up to undue heights. Secondly, the creating authority must fully inspire confidence into the public. So far as the first point is concerned we can presume that the Planning Authority would see that the supply of

currency is kept within demand. It should be understood that when the plan has gathered momentum and production in every sector is rising, the supply of 'created money' can be pushed sufficiently far without generating inflationary effects. To criticise the *Plan* on the score that this proposal would definitely create inflation, is to *presume* that the issuing authority would be so incompetent as not to keep the above mentioned elementary caution in view or that the people would not have sufficient faith and confidence in the note-issuing authority, which is altogether unwarranted. As regards the first point, however the planners concede that "at the end of the period the general level of prices would in all probability be lower than at the beginning of the plan. During the greater part of the planning period, however, financing of economic development by means of 'created money' on this scale is likely to lead to a gap between the volume of purchasing power in the hands of the people and the volume of goods available. How to bridge this gap and to keep prices within limits will be a constant problem which the planning authority will have to tackle. During this period, in order to prevent the inequitable distribution of the burden between different classes which this method of

financing will involve, practically every aspect of economic life will have to be so rigorously controlled by government that individual liberty and freedom of enterprise will suffer a temporary eclipse." These observations are extremely reassuring and cautious. With regard to the second point mentioned above, it has been presumed in the plan as a basic condition that there would be a national Government in the country which would inspire confidence of the public.

The suggestions of the authors in this regard are in our opinion, definitely and essentially sound. We, on our part, would like the planners to broaden and extend the scope of their plan, include the omitted and neglected items in it and have much greater recourse to the "created money" device, if necessary. For the normal absorbability of the created money is a function of the quantity of the monetary supply and the *tempo* of industrial and business activity; and so long as an equivalence is secured between the two, at the desired price level, the "created money" cannot do any economic mischief. "Created money" principle is the cheapest, most scientific and modern monetary method which has full application in normal times and should have greater relevance and validity during a period of rapidly

rising indices of economic activity.

To sum up, the authors propose to obtain finances from the following sources and in the given quantities :—

Source of Finance	Rs. crores	Percentage of total finance
Savings	.... 4,000	40
Created Money	.... 3,400	34
Sterling Securities	.... 1,000	10
Foreign Borrowing	.... 700	7
Balance of Trade	.... 600	6
Hoarded Wealth	.... 300	3
	Total 10,000	100

On the whole, the authors of the *Plan* have boldly faced the crux of the entire problem—the issue of finance—and arrived at a solution which is essentially sound and thoroughly practical. It is because of this reason that this *Plan* has made such a great impression on every section of population in this country and has become a document of permanent importance and relevance. This *Plan* has definitely established, in the words of Mr. G. D. Birla, that “money is the least important difficulty” for attaining the planned ends in this country

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## CHAPTER IX

## OUR SUGGESTIONS

On the whole, we warmly welcome the Industrialists' *Plan* which is an economic document of unusual importance and lasting value. It has changed the public outlook on the entire question of planning and has established the fact that planned economy is not beyond our achievement on financial grounds. It has opened up new vistas of economic potentialities and probabilities and set concrete equivalents of our economic aspirations. It is a pioneer work in its line and is destined to occupy an immortal place in the economic literature of India.

But, as we have pointed out in the preceding pages, we would suggest to the authors a redrafting and revision of the *Plan* so as to include in it the omitted and neglected aspects of our economic construction. They should set for agricultural development a higher target than what they have already fixed and generously provide for the development of animal, forestry and mining industries. Insurance and banking and other financial institutions should also be

developed according to a fixed agenda. All the means of transport and communication and all branches of trade must be paid full attention. A full-fledged scheme, including sub-plans relating to all the aspects of our economic system, should be framed on a comprehensive basis and a bold attempt must be made to exploit our human and natural advantages to the fullest extent and at the highest possible level of efficiency. By so doing, the Eight Industrialists would satisfy the public opinion and would really be in a position to plan in the best interests of the country, which has been their worthy object in preparing this *Plan*.

But, if the scope of the *Plan* is to be extended, the astronomical figure of its financial requirements given by the authors, viz., Rs. 10,000 crores, would have to be substantially increased. This is an inevitable result of our suggestion, but it is not a position which should alarm or frighten us. The Eight Industrialists themselves have suggested excellent and practical ways of securing the necessary finances and, as we have discussed in the preceding chapter, all these sources are capable of being tapped further to a material degree except, perhaps, sterling balances about which we cannot be sure under the existing

circumstances. We would like the authors to go into the question of financial ways and means again in the light of this enlarged vision, and they would surely find out further resources for financing the more ambitious programme advocated by us.

This extension of the scope of the *Plan* and the investment of further resources would naturally enhance our *per capita* income and aggregate national dividend beyond the target laid down by its authors. This should not be entirely dissipated by pushing up the standard of living to spectacular heights, and for the present the consumption aspiration should not be allowed to exceed the level fixed by the authors of the *Plan* under discussion. The excess should, as a matter of fact, be utilised for capital accumulation purposes which can be used for providing investment goods for further development, as also to liquidate foreign indebtedness. This would meet all the criticisms we have raised in the foregoing pages in this regard, help to augment the tempo of the *Plan*, and add to its achievements.

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Mr. A. N. Agarwala, the author of this book, is University Lecturer at Allahabad. Was appointed Lecturer immediately after he completed a most brilliant academic career at the Allahabad University, during which he carried away most of the prizes and positions. Wrote many books and contributed several articles to the press even while a student. A stimulating, clear-headed, thought-provoking writer on economic subjects. Contributes regularly to all the leading magazines and journals of the country. Has a number of ably written books to his credit. His first Hindi book, *Samajvad ki Ruprekha*, was declared to be the best book on Socialism in Hindi by Hindi Sahitya Sammelan which awarded him the Murarka Prize on it. His *Introduction to Economics* is the most widely read text-book in this country. Has recently written a lot on economic planning and put forth much original material and new viewpoints. Was for sometime on research deputation in the Labour Department of the Government of India. Is editing the *Indian Journal of Economics*, the organ of the Indian Economic Association.

--The Publishers.

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## SOME OPINIONS ABOUT THIS BOOK

"I was pleased to see that you agreed with my views."—Sir Chunnilal B. Mehta, Kt., Bombay.

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"I congratulate you"—Sir Tracy Gavin-Jones, Kt., Cawnpore.

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"I have read them with great interest."—Dr. Amaranatha Jha, Allahabad.

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"I have read it with profit."—Dr. Beni Prasad, Allahabad.

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"I read many other appreciations of the Bombay Plan but in none of them was this question of perspective raised. That you have brought the point to the forefront is very creditable."—P. Candra, Esq., late of U.P. Civil Service.

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"I hasten to convey my most sincere congratulations."—Dr. R. D. Tiwari, Bombay.

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"Read it with great interest."—Dr. B. G. Ghate, Under-Secretary, Reconstruction Committee of Council, Government of India.

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"The learned Professor makes a critique of the whole Plan, and his study deserves the most careful consideration"—*Indian Spectator*, New Delhi.