

Scrap the Plan!

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The author argues the case for scrapping the Five-Year Plan. Capital development and increased production are not synonymous with higher employment and higher standard of living.

The pattern of development most suitable to India today is radically different. Short-term projects for improvement of agriculture, redistribution of land and co-operative farming will yield the surplus which is the basis for a developing economy.

HAS the Five-Year Plan been a success? As the end of the Plan-period is drawing nearer the anxiety about its success is mounting. The report of the Government about the progress of the Plan shows an upward trend in the output of some of the industries. It also describes the progress in other sectors of the Plan. But there are certain very clear gaps. Progress falls short of the schedule in many respects. Finance—external and internal—is not available according to expectations. Tin's might wreck the entire prospects of the Plan.

Judged by the touchstone of people's enthusiasm for it and their gain from it, we should admit the failure of the Plan. The overall economic picture is in no way brighter today than it was when the Plan was launched. Prices are again rising, the wholesale index having risen from 377.5 in January to 406.8 in July 1953. Export prospects, too, are not rosy. The spectre of unemployment is haunting the towns and the villages of India. Whatever increased production has been achieved fails to be consumed. Increased food production has also been claimed. But Government has admitted that due to poor purchasing power, people are not taking over the stocks of food grains. Most of the recent famines or eases of acute scarcity have been due more to the lack of purchasing power than to the lack of food stuffs. Nor should it be claimed that the completion of the Five-Year Plan would materially make any difference in the situation. There is no reason to believe that the present adverse trends would be automatically checked. On the other hand, if the Plan fails to achieve its targets, the adverse effects, psychological and material, may be very serious. Moreover with the increased health facilities the population is bound to increase—may be by leaps and bounds. The standard of living of the people would further deteriorate. The increasing outturn of the graduates

from the universities would further worsen the unemployment problem.

Probably the planners would explain the position by saying that they had never given any high hopes to the common man. The Plan was meant to be a modest plan. The planners claim to have taken a long range view. So the immediate interests have to suffer. "We have to sacrifice," said Pandit Nehru in one of his meetings at Lucknow, "the comfort of today for the progress of tomorrow or the day after." It is intended to provide a basis of capital development by sacrificing present consumption and by emphasising capital investment and increased production. What we are passing through rue, probably, simply the pangs of industrialisation experienced by all industrial countries.

A SHORT CUT

This brings us to some of the fundamental conceptions of planning. Is it necessary for every country to go through the same pangs of industrialisation? Is there no short cut? Pandit Nehru recounted in his same speech, the examples of other countries and said, "Nations like England or Russia have today become great through the sweat of past generations. Their people had to undergo tremendous hardships to make savings and invest them in industrialising their country."

But unfortunately the experience of other industrialised countries is not of much avail to us. Judged by her industrial development, India might be considered to be a century behind the advanced countries. But according to the level of political consciousness, India is considerably ahead of what other countries were at our level of industrial development. This is an important point and should make a difference in our approach to the various problems. Capital formation *does* require the sacrifice of present consumption. The early stages of British industrial revolution involved that sacrifice and caused large scale suffering by generating many eco-

nomical and social evils. The sufferings did not rend asunder the social and political fabric of the country. Partly it was due to the imperial plunder which improved the economic lot of the Britishers. Partly it was due to the lack of trade union movement and political consciousness. Russia of 1917, too, was politically more backward than India is today. Moreover, the enormous capital formation in Russia during the last 35 years has involved tremendous human suffering and the establishment of a political system which we might not hazard to adopt for ourselves. Russian capital formation has failed to raise the consumption standards of The Russian people proportionately as is amply clear from the consumption figures published by the Soviet Government.

SOME PROBLEMS

Is capital development a very sure test of the standard of living of a country? Is it synonymous with a country's economic progress? Or, if capital development and production of consumption goods are rival to each other, how much of the present consumption should be sacrificed for increased capital development which is considered to bear fruit in a distant future? Besides mighty economic considerations, there is an important moral issue. The present and future generations have rival claims on the present resources. How much and why should the present generation suffer for their children and grandchildren? If the people of today are deprived of adequate opportunities of development for the sake of future development, won't the undeveloped and crippled personalities of the present have a serious effect on the development of their younger ones and hence on the next generation? Apart from that, the rapid advance of science might make the present capital investment obsolete. It might be possible to make machinery at a much cheaper cost in future—for which we spend so much and sacrifice so much today. That

industrialisation is not the test of the standard of living of a country is very nicely demonstrated by the effects of industrial development in communist countries—like East Germany and Hungary. Reviewing the mistakes of his own Government Mr Rakosi, Communist leader of Hungary, listed forced industrialisation as the foremost. Industrial over-expansion at the cost of light industries, he said, had caused a fall in the living standard of the working masses. Changes in the live-year plan of East Germany are also instructive. The new course policy involves a reduction of heavy industry. At the same time consumer goods and food production are to be increased. We are not only experimenting with industrial and economic systems, we are also laying the foundation of a new political order. People have different choices and alternatives before them as far as political systems are concerned. Democracy should prove its worth within a short period. You cannot ask the people to wait for the "long run" when all of them would be dead. You have been given a trial. If you want to lay the foundations of democracy securely, you should deliver the goods immediately or leave the held and allow the people to seek other alternatives. A totalitarian set up may not be able to solve the problems through a, shorter route. But it can make a return to democratic way of life impossible for a long time. When we are planning for an all round development of our country, we cannot separate economic problems from social and political problems. They should be treated as one whole.

PATTERN OF DEVELOPMENT

This discussion about the fundamentals of the Plan does not render the problem simpler. It creates fresh difficulties. Does this analysis mean the abandonment of all schemes of capital development? If the people are allowed to consume all that is being produced, would there at all remain anything to be consumed in the Very near future? This conclusion does not, of course, follow. It simply exposes the fallacy that capital development and increased production are synonymous with more employment and higher standard of living. This analysis also points to the importance of taking non-economic problems into consideration in our economic calculations.

But what should be the pattern

of development suitable to our country? It should indeed be radically different from our present conceptions of planning. Greater emphasis on short term needs alone would not be enough. The alternative to a regime of austerity (considered so essential to the future economic development), is to bring into use all the available resources of the country. There are tremendous human and material resources, at present, lying idle in India. An unorthodox and bold approach is required to bring them into use. The planners have ignored the human resources of the country. Greater employment has manifold implications. Utilisation of human resources would be conducive to greater production and would also help better distribution. It will create a healthier political atmosphere and make democracy more secure. Greater purchasing power of the people due to increased

employment would sustain demand and provide an incentive to economic progress.

Emphasis of the Plan should thus shift from production to employment. This means radical changes in our industrial and economic system. In spite of all tall talk about cottage industries, what precisely has been done to organise our industrial set up on these lines? Was not a large scale import of cottage machinery possible from Japan or some other country and could not a more dignified place be assigned to the cottage industries in the economic system of the country? Could not a cottage machinery producing factory be set up in place of or in addition to the machine tools factory set up by the Government? Cottage industries provide an ample scope for the absorption of our vast man-power and immense material resources. And it is possible to organise the industrial

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Planners could not dare touch the present industrial system and suggest any modification of it. They have concentrated on agriculture as, they say, agriculture plays a more important part in the economy of India. The problem of Indian agriculture is to increase production, check rural under-employment and unemployment and to get a large surplus out of agricultural sector which could finance the industrial development of the country. They say, food production has gone up. But what is the amount of agricultural surplus? Is the increased food production commensurate with the attention paid, energy spent and resources devoted to this sector of our economy? Has it not been at the cost of other commercial crops? We must aim at a larger and immediate agricultural surplus, if we intend to plan the economic development of the country.

Here again is a case for what may be called "short run" interest. War had not yet ended when the then Government drew up schemes for a big capital outlay to counteract what was considered to be most likely, a post-war depression. The so-called inevitable did not occur. The inflationary spiral continued and prices soared higher and higher. The heavy Government expenditure due to the post-independence problems and big projects added considerably to the inflationary pressure. Meanwhile much expenditure had already been incurred on the survey and initial work of the projects. They could not be abandoned. It was all haphazard. Work on all the projects could not be continued due to financial stringency. Many were abandoned at various stages of their development. And costs of the rest were inflated after re-estimation.

IMPROVEMENT IN AGRICULTURE

All the money spent—and to some extent wasted—on big power and irrigation projects could be utilised for less gigantic and more useful schemes expected to give quick results. An immediate improvement in our agriculture is of much more significance than greater improvements in a distant future. Apart from psychological and political gains from immediate agricultural advancement—which is by no means a minor consideration—such advancement would release some surplus which could again be invested for further development of

agriculture or industry. Greater agricultural production would yield a surplus by saving a lot of foreign exchange and by increasing the saving capacity of the farmers'.

There are certain well-known devices for short term agricultural improvement. Minor irrigation schemes and all modern methods of intensive cultivation would have involved much less expenditure than has been incurred so far for agricultural development. No doubt some attention has been paid to intensive cultivation through short term programmes in the form of popularising the Japanese method of rice cultivation, production of artificial manure, etc. But more could be done in this very direction had the planners a different approach to the problem in their mind.

Land system has an important bearing on agricultural production. The Plan envisages village co-operative fanning as an ideal land system. How far are we still away from the ideal? How much effort has been made to move towards it? The answer is disappointing. Land reform legislation is still pending in various States. And a proper beginning has yet to be made in co-operative farming. The Plan provides a paltry seven crores of rupees for co-operation which includes all aspects of the movement. With this amount, the planners intend to change the entire economic system of the country! In spite of the realisation on the part of the planners of the role of the co-operative farming, it has found a very low place in their priority list. Needless to say that a co-operative farm is in a much better position to reduce costs and adopt mechanical and scientific farming and to yield a surplus—thus providing a basis for a developing economy.

Coming back to the problem of the fullest utilisation of the resources, the Plan has not paid much attention to the maximum utilisation of man-power and the material resources. This is the reason people are being asked to make sacrifices. As far as putting into use our monetary resources are concerned, much depends on the private sector. There is no ready-made formula to make capitalists play their full part. They can, of course, be left a well-defined field within which they should be persuaded to perform their task in a set pattern. Anyhow, there is much scope for the development of money, capital and bill markets in India. Effort should be made to

get all the saving of the community invested. The successful floatation of Central and States loans has clearly showed that market has sufficient, investable funds.

HOARDED GOLD

There are not only stocks of money remaining unused but a much more undesirable spectacle of idle gold. Is it not criminal that when we need every penny for meeting our foreign exchange and investment requirements, stocks of gold should remain locked up in the deposit vaults, sterilised in buried pitchers, weighing heavily on and spoiling feminine beauty, studded on the images of the gods and temple spires and such odd and useless purposes? No doubt customs are deep rooted and it is difficult to overcome the gold thirst. But what campaign has been launched to get gold released for the service of the nation? Has the issue been raised on a political level and necessary propaganda carried out? Have the people been told and provided with alternative avenues of saving instead of gold hoarding? It is indeed a neglected field but full of immense possibilities.

While taking stock of our resources, some attention must also be paid to our liabilities. It is good that the problem of increasing population has been, after all, recognised. And the final report of the Plan goes a step further than the Draft Outline in this respect. But the population problem, again, does not get the priority it deserves. There is only a token allocation for merely ascertaining the nature of the problem. The Plan does not provide any effective counteracting measures. If the present rate of increase in numbers continues unabated, whatever we shall get out of our increased production would be consumed. On the other hand there is a likelihood of the standard of living of the people falling due to population increase.

Thus the priorities of the Plan need revision and the entire approach of it a thorough reorientation in the light of the experience gained during the three years of the working of the Plan. It is meant to be the basis of future plans. The approach that we adopt for it, thus, acquires greater significance. Now when we are laying the foundations of a new political and economic order, let us do continuous thinking and rethinking about our fundamental concepts and the basis of the new order.

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