

Socialistic Pattern of Society and the Second Five Year Plan

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Let us then judge the socialistic implication of our Second Five Year Plan by this criterion, How gradual is the transformation of the structure to be along socialistic lines?

The prognosis indicated here will perhaps be unpalatable to those who have some kind of an implicit faith in the realisation of a socialistic pattern of society through the operation of our present Plan. Yet the broad facts are there to show that whatever the Plan may achieve—and its achievements are not to be inconsiderable otherwise—it has very little of socialistic content in it. This is not so much a commentary on the Plan as a reminder of the fact that there are conflicting values in a society which it is hard to reconcile.

LET us not forget that socialism is a technical term, which, in its economic aspect, signifies a structure of society in which factors of production other than labour are socialised. Public ownership of the material means of production is the basic condition of socialism, the condition that distinguishes it and puts it in contrast with capitalism. This reminder is called for in view of the loose manner in which people talk of socialism these days. The widely quoted statement "We are all socialists now" is true only if the term 'socialism' is loosely applied, as it is so often done, to cover any scheme of social reform.

Equality and Socialism

One suspects that it is this loose use of the term of which advantage was taken by the Avadi Congress when it enunciated the doctrine of socialistic pattern of society. Nobody knew what precisely was the connotation of the doctrine. The framers of the doctrine had apparently a vague feeling in their minds that they were out to secure a better standard of living for the masses by providing more employment, wider social service schemes and so on. Indeed, when pressed for a precise definition, our Prime Minister, than whom nobody could be supposed to know better, disposed of it by just equating it with welfare state. And now when 'socialistic pattern of society' is transformed into 'socialism' by the Indore Congress, we are told that our socialism is not to be of the Western variety, that the sort of socialism that the Congress has in mind is more akin to Sarvodaya.

These interpretations are anything but precise and do little to show where we stand. Take, for example, the case of land reform which is

one of those things which the Congress is wedded to as an essential part of their programme. The first step towards land reform is the abolition of the Zamindari system. But it is only the first step and does not by itself bring in socialism. Suppose, as has been the case at places, that the Zamindars are given a reasonable compensation and the lands that are released are sold out to the tillers of the soil with a ceiling fixed on individual holding, the new owners being permitted to cultivate the land on their own. The procedure does indeed accord with the standard sense of social justice. Yet it is not socialism. Reduction of inequality of incomes—avowedly one of the major aims of land reform of whatever variety it may be—is a necessary condition but not a sufficient condition of socialism.

What, then, are the ingredients of socialism? What conditions are to be fulfilled if a society is to assume a 'socialist pattern'? Starting from the premise of public ownership of material means of production, one can answer the question by just referring back to the objectives that socialist policy seeks to attain. By its very definition socialism implies liquidation of profit-earners. Since one of the major causes of inequality of incomes in a society is the existence of profit as a share of national income that capitalism permits private entrepreneurs to enjoy, liquidation of profit-earners is a step towards a reduction of inequality. To this is to be added the possibility that public ownership of productive resources creates the substitution of public good for private profit. Under capitalism, since the resources are at the disposal of private entrepreneurs, production takes place along lines that yield

the highest profit. And in so far as there arises a conflict between private profit and public benefit, the latter is sacrificed. Socialism aims at establishing the supremacy of public benefit as against private profit.

Public Ownership is its Essence

Socialism, then, is a theory of economic policy which recognises public ownership of the material means of production and is designed with a view to minimising inequality of incomes in a society and to controlling and directing the employment of resources so as to secure the maximum of social benefit.

Now, while this is the character of an overall socialised economy, there is nothing to prevent us from seeking to realise it by stages. A socialised industry is surely compatible with an otherwise capitalist economy. Indeed there are few countries today where they do not have a socialised sector, even though the general structure of the economy is capitalistic. Pure capitalism is as much a figment of the imagination as pure socialism. Bearing this in mind, one can perhaps give concreteness to the concept of a socialist pattern of society' by interpreting it as a pattern that aims at a gradual incorporation into the economic system the basic ingredients of socialism. Apparently it is in this sense that the Planning Commission takes the concept. This is what the Commission says while laying down the objectives of the Second Five Year Plan:

"The Public Sector has to expand rapidly. It has not only to initiate developments which the private sector is either unwilling or unable to undertake; it has to

play the dominant role in shaping the entire pattern of investments in the economy, whether it makes the investments directly or whether these are made by the private sector".

Emphasis on Gradualness

The phrase "socialist pattern of society", according to the Planning Commission, means "that the basic criterion for determining the lines of advance must not be private profit but social gain, and that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment but also in greater equality in incomes and wealth". There is a notion of experimentalism in the Planning Commission's approach. But even this can be said to point to an emphasis on gradualness.

If this interpretation of the Planning Commission's approach is correct, then the Commission has the support of high authority. Professor Pigou's concluding remarks in his *Socialism vs Capitalism* for example, lends support to just this concept of a gradual realisation of the principles of socialism. After examining the merits of socialism vis-a-vis capitalism as a system of economic organisation, Professor Pigou asks what he would himself do if he were given the 'power to direct his country's destiny', and the answer that we get is that he "would accept, for the time being the general structure of capitalism; but he would modify it gradually". More and more; industries of a basic character would, in his regime, be socialised and in controlling and developing the socialised industries his government would "plan" an appropriate allocation for a large part of the country's annual investment in new capital". And when his term of office would be over, he would, in his 'political testament', ask his successor also "to follow the path of gradualness to mould, and transform, not violently to uproot". This is a counsel of caution and expediency, if not of perfection, and the Planning Commission in setting out its objectives, has chosen a line very much similar to this.

Plan Judged by this Criterion

Let us then judge the socialistic implication of our Second Five Year Plan by this criterion. How gradual is the transformation of the structure to be along socialistic lines? What role is to be assigned

to the private sector? What steps are contemplated in the Plan for the public sector ultimately to supersede the private sector? How is the private sector to be controlled with a view to the achievement of 'social ends', whatever these ends may be? How substantial is the reduction in inequality expected to be, in respect of income and wealth?

To answer these, we have to turn to the operational side of the Plan.

The total investment contemplated in the Plan is Rs 7100 crores, of which Rs 4800 crores is to be in the public sector and Rs 2300 crores is to be in the private sector.* As compared to the First Five Year Plan, investment in the public sector is to increase by about 100%, if Rs 1000 crores of current investment is taken out from the total Rs 4800 crores. On this basis, the ratio of public investment to private investment will be increased from 50:50, as it was in the First Five Year Plan to 62:38 over the next Plan period. The proportion is thus to be perceptibly altered in favour of the public sector. Yet, considering the fact that this proportion refers only to new investments and does not take account of the existing capital, the private sector is still to play a dominant role in the economy. Existing industries are not to be nationalised. On the other hand, considerable expansion is contemplated in the private sector even in respect of basic industries. Taking into account the fact that almost the entire investment in consumers' goods industries is left to the private sector, one would say that socialisation of capital is still a far cry. If socialism, is your goal, you do not proceed by permitting the private sector not only to persist but also to expand!

It is difficult to define 'social ends'. Philosophical doubts on this question will always remain. But the affairs of the world cannot wait, and we do have at least a rough notion of what these ends are. It is with reference to these broad ends that the specific targets of the Plan have been defined. The machinery for controlling the private sector so as to achieve these targets, however, is bound to be of limited effectiveness. Capital issue control, for example, can restrict investment in a line which is un-

*The figures are based on the published Report. No account is here taken of later revisions,

desirable; it cannot stimulate investment in a line which is desirable. The same consideration applies to the other measures of control. Obviously the achievement of the specific targets will require the willing cooperation of the private sector.

Taxation in the Scheme

Measures for the reduction in the inequality of incomes and wealth consist within the structure contemplated in the Plan, mainly of taxation. Where public investment towards rendering collective benefit in the form of social services is small, as it is in the Plan, and where special incentives are to be provided for investment in the private sector, it is mainly through the instrument of progressive taxation that reductions in inequality are to be effected. Prescription of a ceiling on income on the lines recommended by the Taxation Enquiry Commission is only noted in the Plan; it is not to be given effect to, at any rate in the near future. How far inequality will be reduced in the process of implementation of the Plan is yet to be seen. But the prospects, as judged by the place of taxation in the scheme of finance, do not seem to be encouraging. Even if the uncovered gap of Rs 400 crores is left out to be ultimately filled in by additional taxes, the Plan proposes to finance fifty percent of the public investment by loans and deficit, neither of which can be said to conform to the canons of socialism. Deficit finance, if it does anything, will raise prices and one should not expect that it will operate in favour of the relatively poor, unless adequate controls are exercised. On the other hand, savings will add to the volume of bondholding, and it is unlikely, in spite of the small savings campaign, that the distribution of new securities will be unfavourable to the richer section.

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