INDIAN PLANNING —PAST & FUTURE

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"People must come to accept private enterprise not as a necessary evil, but as an affirmative good."

—Eugene Black

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PLANNING SUCCESS DEPENDS ON MODERNISATION

BY

SIR BIREN MOOKERJEE*

A fable written by Lewis Carroll reads thus:

"The Red Queen was asking Alice to run faster and faster. And they went so fast that at last they seemed to skim through the air, hardly touching the ground with their feet, till suddenly, just as Alice was getting quite exhausted, they stopped, and she found herself sitting on the ground breathless and giddy.

"The Queen propped her up against a tree, and said kindly, 'You may rest a little now.'

"Alice looked round her in great surprise. 'Why, I do believe we've been under this tree the whole time! Everything's just as it was!'

" 'Of course it is', said the Queen: 'What would you have it?'

" 'Well, in our country', said Alice, still panting a little, 'you'd generally get to somewhere else — if you ran very fast for a long time, as we've been doing.'

" 'A slow sort of country!' said the Queen. 'Now here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!' "

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There is a moral for our country in this Lewis Carroll story. For, although our Planners have been dreaming and forecasting a "take-off" in the twinkling of an eye, we all know, from our own experiences in the last 15 years, we still seem to be, like Alice, very much under the same tree.

I do not imply that there has been no progress. But, in the meantime, our population has been growing at a nullifying rate, and we have been slow in appreciating the vast changing technological environments. Sons, even today, are not only following in their fathers' footsteps, they are taking on their fathers' tools as well. They are following the same ploughs across the same fields.

The moral is that, if our standards of living are to reach the desirable minimum, our exploding population makes it imperative that we must first, pragmatically, sweep away our defensive and restrictive attitudes towards modernisation, and then, like the Red Queen and Alice, learn to run, realistically, at least twice as fast, in the right direction. I am afraid that so far this moral has been lost on our Government.

This year 1966 is India Productivity Year. It is paradoxical that, in this Productivity Year, industrial production has already been seriously retarded, and may become worse. The Fourth Five-Year Plan has yet to be decided, and there is hardly any work offering. The Railways have cut their programme by a third. The Structural Industry has little or no work, and the Refractories and Steel Foundries have already cut their output. And, it is common knowledge that, all this is the result of Government's indiscriminate licensing of unbalanced and unrealistic new capacities, mostly in the Public Sector.

And, we are also aware that, except for the Machine Tool Factory, nearly all the units in the Public Sector have hardly given a return on the capital invested, which is tax payers' well-earned money. If only Government had not experimented with its doctrinaire astigmatism, but let private industry, which long had the necessary background and experience of quality and competitive production, invest the same capital, Indian economy would not have dipped to its present all-time low.

In any economy, the industrial engineers have an important role to play. In the context of the Indian economy, which, to say the least, is in doldrums, their role is vital for any revival. They will not only bring to bear the modern techniques and tools of management, but their most important role will be to introduce pragmatism in place of mere ideologies, in attitudes, values and outlooks, and thus close the gap between promise and performance.

The other day, the Deputy Prime Minister of New Zealand, Mr. J. R. Marshall, said that "only 14% of the New Zealand population worked on land, but each farmer there produced enough to feed, on an average, 96 people." Compared to this, in India 70% of the people worked on land, but could not produce enough to feed themselves and the other 30%.

This deplorable state of Indian agriculture is not a matter for surprise to any of us. For, what else can we expect from interminable chauvinistic debates, as we read in the Press, whether or not the fertiliser plants should be in the Public or Private Sector. What matters, if in the meantime, well-meaning foreign collaborators turn away, in desperation, to better investment climates, and India tumbles from one year of shortage to another of near-famine!

The New Zealand Prime Minister pointed out that they had achieved the high level of production in the agricultural field, only because they had adopted new farming methods, including mechanisation, for many years.

As many of us know, a mechanical digger, for instance, is capable of moving about 400 tons of earth in a day. By pick and shovel, this would take possibly 200 man days in India. If mechanisation is necessary in the field of agriculture, how essential it must be to use the most modern production methods in every direction possible! Otherwise, it could be hundreds, if not thousands of years, before there is any appreciable improvement in our standards of living.

The crucial role which automation will play in the future is no longer in serious dispute. Automation provides the main solution for a great increase of labour productivity, especially in India, where there is the bogey of poor climatic conditions and lower stamina.

At present, in India, we are using computers largely as advanced accounting machines only. We are only scratching the surface. Before long, computers will be commonplace, as in the advanced countries, in production and process control, economic forecasting, industrial design, and in many other directions.

Unfortunately, there is always a climate of fear, whenever there is a change, and very often voices are raised to question the desirability of any new process, only because it is new. The fear, in this instance, is that automation leads to unemployment. It is known from experience that redundancy is not always an inevitable feature of a technological change. The experience in expanding economies in the U.S.A., Europe, Japan and the U.S.S.R., for instance, has been that automation has not led to unemployment.

India's too is an expanding economy, — or at least it should be so, if we all really mean that we want a better order, we wish to see real prospects in the future — and, in this expanding economy, I am convinced that there is no fear of unemployment, as a whole, directly arising from automation itself.

The important point to remember here is that Indian industry cannot remain in isolation, and if we are to become at par with the world industries, we must create for ourselves a new thinking and gear our thoughts, attitudes and institutions to modern requirements and methods.

Whilst the problem of existing unemployment is an acute one, it cannot be solved merely by carrying or creating unnecessary jobs, and thus increasing the cost of production and the burden on the consumer, inevitably leading to inflation and its corollary, deficit financing. The solution must be found in more production at lower costs, and more consumption at lower selling prices, as has been the case in other developed countries.

Unfortunately, in India today, labour productivity is at an extremely low level in almost all industries. With education and training, this, no doubt, can be improved, but the one insurmountable hurdle is that many industries today are suffering from a "labour monopoly". It is, therefore, necessary that Government changed its policy of continually giving in to this "monopolistic labour", to help industry contribute more to the national output.

It was the Private Sector alone, so far, which took the abrasion from this "monopolistic labour". But, the Public Sector is now significantly large, and if the Government does not change its labour policy, I am afraid Government's policy of appeasement will now, like Frankenstein's monster, turn on its own creator and take control, as is already becoming apparent in several Public sector units.

It should be noted, with seriousness, that the Trade Unionists, holding responsible positions within their Unions, who are also in the front line of industry, must not only recognise the objectives and have a clear understanding of their role of participation, but they should also give up their traditionally negative attitude and become actively concerned about implementing these objectives in industry.

For, both the Government and the trade unionists must know that the stakes are high. Even a decade or so ago, Indian heavy manufactures were competitive in the world market on their own. Today, unfortunately, owing to restrictive attitudes towards technical modernisation, and the ever-rising costs of labour unrelated to productivity, Indian products are no longer freely competitive, and, in fact, in many areas they have been priced out of the world market. The country, however, must export to earn foreign exchange for its food and other essentials, and this can only be done at world prices, which are lower than even our production costs. The Indian tax-payer again, therefore, is made to bear the burden of finding the rupees to fill the gap.

(Based on a talk in Calcutta on April 14, 1966)

POOR PERFORMANCE OF 15 YEARS OF PLANNING IN INDIA

BY

DR. N. DAS, I.C.S. (Retd.)*

India took to planning in 1951 with the primary objective of initiating a process of development which would raise living standards and open out to the people new opportunities for a richer and more varied life. Since then, two Five-Year Plans, covering the period 1951-61, have been completed, and the Third Plan, which began in 1961, is also nearing its end. These fifteen years of planning, 1951-66, have been marked by steep rises in the plan outlay: it rose from Rs. 260 crores in 1951-52 to Rs. 614 crores in 1955-56, to Rs. 1,071 crores in 1960-61, and to Rs. 1,984 crores in 1964-65. For 1965-66 it is estimated that the plan outlay would amount to Rs. 2,250 crores. Thus, by the time India completes her fifteenth year of planning, the total outlay on planning would amount to Rs. 21,552 crores.

As a result of planned economic development, the national income (at constant prices), which is regarded as a good measure of economic growth, has gone up by 68.7 per cent from Rs. 8,850 crores in 1950-51 to Rs. 14,930 crores in 1964-65. A significant part of this increase has taken place in the industrial sector. The index of industrial production (1956=100) rose from 73 in 1951 to 174.8 in 1964. In the case of basic and heavy industries, the increase in production has been much higher. And this has helped the country reduce its dependence on imports, as is evident from the estimates presented in the **Economic Survey,** 1964-65.

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According to these estimates, the dependence on imports has declined by 95.4 per cent in the case of sugar-mill machinery, 65 per cent in the case of petroleum products, 41.4 per cent in the case of aluminium, and 6.6 per cent in the case of iron and steel.

During this period, the health of the population has also registered an appreciable improvement. The death rate and the infant mortality rate which stood at 23.7 and 167 in 1938, declined in 1962 to 11.1 and 80, respectively. And the expectation of life at birth went up from 32.45 years in 1941-51 to 41.68 years in 1956-61.

If, however, we judge the performance of planning in India from the impact it has had on the standard of living of an average Indian, we find that the gains have not been very significant. The **per capita** income (at constant prices), which is regarded as an index of economic well-being, has registered a very modest rise: it rose by only Rs. 66.9 from Rs. 247.5 in 1950-51 to Rs. 314.4 in 1964-65. This compares very unfavourably with the increase in **per capita** income in the other developing countries. According to a recent (1964) U.N. Survey relating to the developing countries of the ECAFE Region, **per capita** increase in income in India has, during recent years, been one of the lowest.

What is even more distressing is that the increase in income has not been shared equally by all the sections of the community. While the share in income of the top five per cent of the household went up from 14 per cent in 1952-53 to 24.4 per cent in 1962 (that is to say, one per cent of households in this class enjoyed, on an average, income of five per cent), that of the bottom 20 per cent declined from 7.5 per cent to 6.4 per cent (that is to say, one per cent of households in this class shared, on an average, an income of 0.3 per cent only).

A detailed analysis shows that certain sections of the community have not gained anything from our planning and development programmes. This has been particularly so in the case of agricultural labourers who constitute about 17 per cent of the total working population and who are, socially and economically, one of the weakest sections of the community. The two Agricultural Labour Enquiries held in 1950-51 and 1956-57 showed that, over a period of six years during which the national income **per capita** rose by over 11 per cent, the yearly income of an average agricultural labour household fell from Rs. 447 to Rs. 437, even though the number of earners per family rose from 2 to 2.2. Similarly, the income **per capita** of these families declined from Rs. 104 to 99.4, or by 4.4 per cent. And the situation does not appear to have improved during recent years. As the Mahalanobis Committee on Distribution of Income and Levels of Living reported in 1964, "agricultural labourers as a group do not seem to have shared in the increase of incomes." A recent Survey undertaken by the National Council of Applied Economic Research also shows that the lowest ten million of the rural population have an average daily income of 27 paise or an annual income of Rs. 99 only.

The lot of certain other sections of the community does not also seem to have kept pace with the general increase in national income. Mention may be made, in this connection, of Government employees (including Central Government, State Governments, and local bodies), and also those in the teaching profession who, in 1961, numbered 7.3 millions and 1.5 millions, respectively. As a percentage of total working population, these sections of the community, taken together, constitute 4.7 per cent. As against an increase in national income of 43.8 per cent during the period 1951-61, the earnings of Central Government employees (including railways) registered an increase of merely 22.5 per cent. That is to say, increase in the earnings of Central Government employees during 1951-61 was only half of the general increase in national income. And no appreciable change does appear to have taken place in recent years. Relevant data in regard to teachers is not available. There are, however, indications to show that their lot has lagged far behind the general increase in national income.

Looking from the point of view of **per capita** consumption — an important yardstick for measuring changes in the standard of living — we find that the situation is not a very satisfactory one. Of the increase in **per capita** income during the period 1951-65, about 22 per cent was absorbed by the increase in **per capita** government consumption expenditure and another 25 per cent was used to increase the level of **per capita** domestic savings. The result was that the net increase which could be available for consumption was only about Rs. 35.5, that is to say, an annual increase of Rs. 2.54 only.

If we apply Professor Galbraith's Popular Consumption Criterion, we find that the position of the average Indian has registered almost no improvement. Diet surveys undertaken at the instance of the Indian Council of Medical Research over two periods, 1935-48 and 1955-58, show no appreciable quantitative change in the diet of the people: the **per capita** daily consumption of foodgrains increased by 0.10 oz. only — from 16.88 oz. in 1935-48 to 16.98 oz. in 1955-58. And the position does not appear to have improved after 1955-58. According to the figures published in the **Economic Survey**, 1964-65, the **per capita** daily net availability of foodgrains actually declined from 16.4 oz. in 1961 to 15.7 oz. in 1964. As a matter of fact, it is less today than what it was in 1935-48 or even in 1955-58.

The poverty of the Indian diet is strikingly brought out when a comparison is made with the diet in other countries. Professor P. V. Sukhatme has made a study of diet in representative groups of poor and rich countries. His calculations show that the index for total foods available per person in India is only three-fourths of that for the poor countries (excluding

India) and less than a third of that in the rich countries. According to his estimates, some 250 millions of India's population today are either undernourished or malnourished or both. A recent (1965) USAID study report has revealed that if the present food production in India is distributed at the rate of 2,300 calories per person per day, which is the minimum required for sustenance, 48 million people in India would be left totally without food.

Almost similar is the case with cloth, another important item of popular consumption. If we compare the present level of **per capita** consumption of cloth (excluding man-made fibres which are consumed by a small minority only) with the pre-war level, we find that the improvement has been most insignificant: it rose from 15.4 yards in pre-war period (1938-39) to only 16.6 yards in 1964!

In the case of housing, the situation is the worst. The shortage of houses is growing, and housing conditions are worsening. According to the data published in the 1951 and 1961 Census reports, the shortage of houses in India which amounted to 1.6 million houses in 1951 rose to 5.6 million houses in 1961. The National Sample Survey on Housing Conditions undertaken in 1957-58 revealed that the plinths, walls and roofs of only 13 per cent of urban houses were made of durable materials; 20 per cent of these were made of mud and thatch and the rest were made of a combination of durable and non-durable materials. In a calculation of square feet per person it was found that 49 per cent of floor space allowed less than 200 square feet per person and 47 per cent allowed only 50 square feet per person. As for sanitary facilities, 42 per cent of the houses had no built-up latrines, and only 20 per cent had individual latrines. Municipal sources of drinking water were available to 51 per cent of the households; 34 per cent used tanks and ponds; and the remainder utilized wells, lakes and rivers. Conditions do not appear to have improved since the Survey was undertaken. This is also borne out by a recent Ford Foundation study, according to which India today is faced with a "tremendous" housing shortage.

The poverty of housing in India becomes all the more striking if comparison is made with other countries. The average density (persons per room), which is regarded as a good index of housing conditions, is much higher in India: it is 2.6 as against 0.7 in the United States, 0.8 in the United Kingdom, 0.9 in West Germany, 1.0 in France, 1.4 in Japan, and 1.7 in Chile.

The position with regard to employment is also not a happy one. Despite successive increases in plan outlay, the unemployment situation has not shown any improvement. In fact, the situation has deteriorated. The backlog of unemployment, which stood at 4.1 millions at the beginning of the First Five-Year Plan, rose to 5.3 millions in 1955-56, and to 8 millions in 1960-61. It is estimated that the backlog of unemployment at the end of the Third Plan would be of the order of at least 12 millions. And if to this is added the number of underemployed persons, the figure would rise to about 32 millions.

The continuous increase in unemployment is a matter of grave concern. According to Professor Colin Clark, if investment, expressed as a proportion of national income, amounts to four times the rate of population growth, it should ordinarily find jobs for all the new entrants to the labour force. In India the rate of investment is about six times the rate of increase in population and still the backlog of unemployment is rising continuously.

The facts enumerated above show that the gains from planning in India have not been commensurate with the enormous amount of the plan outlay. One of the reasons advanced for this poor performance is that population has been growing at such a high rate in India that a substantial portion of the gains has been eaten away by the increase in population: of the 68.7 per cent increase in national income which took place during the period 1951-65, 41.7 per cent was neutralised by population increase, and only about 27 per cent could be available for increase in **per capita** income.

This is merely an apologia. Planning, to be really worthwhile, must generate gains sufficient to satisfy at least the minimum human needs of food, clothing and shelter. This it has failed to achieve. As a matter of fact, in some respects, the common man's lot is no better today than what it was two or three decades ago. Should this not make us pause and reappraise our planning strategy and techniques?

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PROBLEMS OF THE FOURTH PLAN

BY

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Many problems are facing us as we begin with the Fourth Plan. They are formidable as well as complex. They do not lend themselves to easy solution. However, it is well worth asking ourselves the question what is the basic issue facing our economy today? Can we sort out these problems and pick on the basic issue which must be dealt with above everything else in the new plan?

Until recently the tendency was to judge the plan by its absolute size. Each successive plan was about 50% larger in outlay than the previous plan and that by itself was deemed to be the measure of its achievement. The experience of the three plans has shown that financial outlay as such, however impressive, could not be a correct measure of success of the plan and may even be misleading. What matters is how far physical targets are realised and how economically. Significantly, each plan left more intractable problems behind than it was able to solve.

Thanks to the national emergency of 1965 the issue of the size of the new plan seems to have gone into background. We are not now indulging in the numbers game as we used to do in the past. In this direction we have perhaps matured. People seem less concerned today whether the Fourth Plan will be of the order of Rs. 18,000 or 20,000 or 22,000 crores.

The year 1965 also taught the nation a lesson in self-reliance — a capacity to do without — a readiness to live with less. The sudden stoppage of external aid was an eye-opener. The sense of national complacency

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generated by taking foreign aid for granted was dispelled. The nation gained immeasurably in stature.

Too much stress only on the resources required had the baneful effect of Government raising resources at any cost to the national economy as also some wasteful spending of resources, e.g., on prestige projects.

There is now a welcome change in all this. Difficulty in finding resources, internal as well as external, makes us use them with economy and to get the best out of them. We are now beginning to think more in terms of productivity of resources or economy in their use. We cannot forget that we are a nation poor in capital — we can ill afford to waste capital. This is even more true of foreign capital where repayment involves special problems.

Neither the size of the Plan nor the availability of resources is the crux of our problem. In fact, easy availability of funds carries with it the danger of improvident and uneconomic spending.

The last year of the Third Plan has thrown up another problem which is all important today and is, therefore, naturally engaging our urgent attention. Large deficit in food output due to failure of the monsoon has posed for the nation a most difficult problem of averting famine. This, in turn, has made us acutely aware of our whole agricultural policy and give it a much higher priority than we had given in the past. This in itself is a great gain for the future, as it will make for a more balanced development as between agriculture and industry.

However, this year's failure should not make us lose our sense of proportion. With all that is going on in agricultural development, with increasing inputs of fertilisers, irrigation, power, seeds, equipment, etc. in land, production of food and cash crops must necessarily show a steady increase, given normal rainfall. Today's difficulties should not blind us to this important trend. While it is true that for over a decade we have depended on U.S. wheat and this dependence seems to have increased instead of diminishing, a cool assessment would show that agricultural production must rise steadily. We can agree with the Food and Agriculture Minister's forecast that within the next five years we will be more or less self-sufficient, though such an assertion does not carry conviction today. The past, if anything, would corroborate this assessment. If during the past 15 years food production could go up by 75%, with the agricultural break-through now taking place, we can look forward confidently to the successful achievement of our objectives in the agricultural sector. In the past, foodgrains prices were kept unduly low. With the remunerative foodgrain prices now obtained, production should be stimulated.

However, we should remember that the distress of the people in the matter of food is only partly nature-made but partly it is man-made. The zonal system, the mishandling of distribution by state governments, the opposite pulls of the surplus and deficit states brought serious disruption in the field of distribution. The wide disparity in prices in different regions made a mockery of controls. If the State and Central Governments have failed in this regard it is because of their impractical, rigid and doctrinaire approach that the middleman is the villain and should be eliminated even without the creation of an alternative distributive system. For a country of the dimensions of India, to seek to replace a well-tried system of distribution overnight, whatever be its weaknesses, is to play callously with the lives of the hungry masses of our people. Unless the Government and the trade work out a joint system and the Government is able to avail itself of the experience of trade, there can be no hope of satisfactory distribution of foodgrains within the country.

Thus the central problem of the new plan is not resources, nor food, however important these items are in themselves. The central problem is the rising cost of living and the rising cost of production which have now become unbearable. In other words, it is the fight against inflation.

The irony of the situation today is that both the Government and the business community are talking about anti-inflation but in effect follow policies which are inflationary. Through its fiscal policy the Governments, both Central and State, are loading more and more indirect taxes through higher and higher excise and customs duties and sales tax, octroi, etc., which directly put up prices for the consumer and the producer. The business community, both in industry and trade, finds it easy to pass on the rising costs to the consumer by raising prices. Even the operation of controls helps industry to pass on the burden of rising costs and taxes to the consumer with active Government assistance, though controls under conditions of scarcity are supposed to keep prices down and help equitable distribution. Industry pleads for decontrol or continuation of controls, as it suits it from time to time, provided it gets the benefit of higher prices. For example, behind the decontrol of cement lies the real objective of more remunerative prices (however justified this may be). On the other hand, the sugar industry, in spite of surplus production, wants to perpetuate the system of control because of different factories get different controlled prices based on their cost of production. More than 20 years of sugar control has helped only the industry and the cultivators by exploitation of the consumer who has to pay higher and higher prices for sugar each year. The operation of sugar control is a classic instance of Government joining hands with industry and the farmer to exploit the consumer. The imposition of further excise on textiles and sugar in the 1966 budget is one more instance of Government aiding inflation in practice, while talking of fighting inflation in theory.

Only on the monetary front, Government policy is positively anti-inflationary but in the absence of integration between the credit policy and the fiscal policy, monetary policy has been only partially successful. However correct and laudable may be the objective in following a policy of severe credit curbs, under present circumstances, some of the consequences of monetary policy have been to inhibit growth in directions where growth is most needed. The hardest hit sector from the scarce money policy are the small businessmen and entrepreneurs who depend for credit not on the organised banking system but on the indigenous bankers. Availability of credit at usurious rates of interest of 15 to 20 per cent is crippling for the small trader and businessman. However modest and justified the Bank Rate of 6 per cent may appear to be, the cost to the ultimate borrower of 9 to 10 per cent charged by the banks, and much higher rates in the private banking sector, means that the cost of credit becomes prohibitive. Secondly, credit squeeze, to be successful, must operate so as not to hamper production. In so far as credit policy has affected production, particularly of capital goods for which we have built up large capacity, it has an adverse impact on the economy, and is slowing down the tempo of growth. A truly successful credit policy has to serve the double purpose of restraining inventory build-up while ensuring economic growth. The monetary reins which the authorities hold have, therefore, to be skilfully tightened or loosened from time to time so as to achieve this dual role.

Government view of inflation, judging by its credit policy, appears to overstress deficit financing. The magnitude of deficit financing during the Third Plan is no greater than in the Second Plan. If account is taken of the big defence effort made in the two wars through which the country had to pass during the last Plan period, the size of deficit financing can be appreciated. However, the steep rise in general prices is the result of so many complex factors that what is required is a direct attack on the price front as a whole, of which an attack on deficit financing can form only one part. Only through an organised and concerted effort to bring prices down, in which the Government and business community join, can we hope to succeed.

The Government must come forward to deal with prices of essential consumption goods which enter into the cost of living index. For example, textiles, vegetable oil, sugar, tea, kerosene, matches, etc. are the primary articles, besides food, on which the burden of excise duties is very high. It is said that since 1951-52 indirect taxes have pushed up the cost of living by over 30%. A bold lead by the Government, declaring its readiness to gradually lower excise duties on these articles, can go a long way in creating a new psychology of anti-inflation. Some loss of revenue may be inevitable but the overall economic gain can be large.

Just as the effort of export promotion has caught on during the Third Plan and shown some success, the time is now ripe in the present Plan to make a national effort to deal with the price problem. Because of its preoccupation with the problem of raising more and more resources, the Government has so far failed to make a serious effort to really fight inflation. If such effort is made, the Government will be able to get mass support. Government resorts to tax incentives to stimulate production and exports. Likewise, Government can offer suitable incentives to trade and industry in bringing about a downtrend in prices. Government can offer to lower excise duties where there is matching effort on the part of industry to lower prices. For example, the rates of excise duties are very high in the case of sugar and cement, amounting to over 20 per cent of the wholesale selling price. An annual plan to lower excise along with industry, also lowering its selling price in matching fashion, would go some way in building up a new psychology of how to bring down prices by joint endeavour between industry and Government. Once the business community faces a new situation of downward turn in prices there will be a tendency to reduce inventory all round, which will hasten the decline in prices.

Industry will be forced thereby to direct more and more attention to improving its productivity to make up for the lowering of prices.

In the Tariff Commission, Government has available a body specialising in dealing with the price problem of industry. Its services could very well be utilised and a new responsibility added to its task of determining the basis on which and the steps through which prices of key commodities could be brought down.

Once people begin to see a determination on the part of Government to lower prices by every effort, the climate itself can change and the movement will gather its own momentum.

In keeping with such policy, Government must resist all effort on the part of industry to raise prices further. The objective should be not raising of prices but lowering of costs. Any plea for raising prices must be examined to find out how the cost structure could be reduced. Once we begin to view the situation from this angle, every policy must be geared to the new objective. The prices of raw materials, of fuel and power, transport costs, interest charges, wage problem must all be then looked at from the one angle of lowering prices and no sector which does not play this game should be given any consideration. An integrated and determined policy with the single goal of bringing down prices in the next year or two to the level ruling some years ago will bring a new sense of direction to our planning which has hitherto been propelled by inflationary forces. Much, of course, would depend upon the sincerity and earnestness with which the Government undertakes this task. If it does, it can be sure of full popular support, and even trade and industry will not be found wanting.

Bringing prices down is by no means an easy operation. It is full of obstacles and difficulties. At the same time, the effort is worth making and it can yield handsome results. Any serious endeavour to tackle prices means that attention should turn from prices to costs. Every enterprise would then be required to look inward and review its own working and improve its efficiency. The existing trend of cost-push inflation would be arrested and can possibly be reversed. An effort to lower price is tantamount to an effort to improve productivity and increase production. Whether it is the productivity of labour or capital, of land or organisation, the Fourth Plan must make a bold bid to improve it. Emphasis on productivity of available resources, rather than augmentation of plan size, can well be the slogan for the Fourth Plan. Prices, productivity and production should be our watchword in the new Plan. A policy of anti-inflation is a policy to contain costs. Without having a bigger plan in terms of resources it is still possible to achieve bigger results.

Once we give a new focus to our planning we will begin to deal with our numerous economic problems in that perspective. For example, we will view the problem of wage and salary increases by linking them with productivity. This will, no doubt, require each industry and each enterprise to look within, because productivity is easy to talk about but difficult to achieve. However, the very exercise to turn the searchlight inwards, if done on a wide scale, can go a long way in reducing waste. Since better productivity means better utilisation of resources it brings out the virtues of economy and efficiency. This will require establishing new norms in industry and put a heavy responsibility on both management and labour to show better results in order to obtain higher gains. 1966 is the Productivity Year and what could be better fulfilment than its application in all fields of economy is as much applicable to Government administration, etc. as it is to the different sectors of our economy.

The stress on productivity is applicable equally to land and capital. With all the various inputs being put into land and with better foodgrain prices there is little doubt that productivity of land will continue to improve. It would be useful in this context to highlight the many strides which are being made in the agricultural field.

So much new capital has been sunk in recent years in building capacity to manufacture a variety of capital goods, heavy and light machinery, machine tools, etc., that the fullest use of this capacity requires a great deal of urgent attention and effort. Productivity of this heavy capital investment depends upon its utilisation. Fortunately, there is already visible a change in emphasis from creating new capacity to using the existing capacity fully. Whatever concentrated effort we can make in this direction will yield high return. For example, an investment of over Rs. 300 crores in the two Government factories of heavy engineering at Ranchi and heavy electrical at Bhopal has been unproductive and serious endeavour is called for to put these units to full and adequate use.

Bringing down prices and bringing up productivity and production would bring our prices in better alignment with world prices. In our export effort this will be a great gain. It will also reduce our dependence on the methods we are now using to step up our exports, of selling at almost throw-away prices on the world market while exploiting the home market by charging excessive prices.

The impact of any determined effort to bring down prices can be tremendous, particularly in regard to the external value of the rupee. The stability of the exchange value of the rupee could be greatly strengthened if we succeed in our fight against inflation. India's credit abroad will go up to the extent we succeed. The Fourth Plan should have a purpose and a target. Let this be in the direction of bringing the price level down.

As mentioned earlier, the size of the Plan is not an important element in future investment policy. This aside, many of the planning decisions, as they are being announced piecemeal, are in the right direction. Imports of foodgrains, on the scale we have been making in recent years, is not only expensive but makes the country vulnerable to outside pressures; besides, agriculture has been a neglected sector so far, and can benefit from modernisation. Consequently, the emphasis on agriculture — and agriculture-allied activities like fertilisers and tractors — is not only a corrective to past follies but would also be justified on economic grounds.

It is in the industrial sector that one is most conscious of the need for clearer thinking. It is not certain how the allocation to industry will emerge out of the pruning which the Fourth Plan no doubt at present is undergoing. More important than this, however, is the fact that industrial investment activity in the past two to three years has tapered off, and unless positive steps are taken, it is likely that the crisis of investment will deepen and be more difficult to overcome.

This problem needs to be tackled from many angles, some of which (those relating to monetary, fiscal and price policy) have been indicated earlier. In addition, it is also necessary to orientate our investment policy so as to make it self-reinforcing. Now that we are pruning the railway programme (which, in any case, was built too much around the steel programme), it is necessary that we seek to fill the gap in our transport and communication system. A bold policy of large investment in this sphere would help to revive economic activity. Even the small car, in the light of today's conditions, is not such a fad as car-owners and car-manufacturers make it out to be.

These are the issues which our planners must face up to. Investment is always quantitative, and targets would need to be put in numbers which everybody can understand and judge the results by. But planners need to go beyond this, to policies and perspectives which make the numbers sensible. I have indicated the problem — of monetary and fiscal policy, of price policy, of investment policy — which should form the basic issues of planning. Without them, it is only likely that we shall repeat our none-too-happy experience of the past.

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"Free Enterprise was born with man and shall survive as long as man survives."

A. D. Shroff

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