India's five year plans: two decades of planning in retrospective

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A planned policy for economic development is both complicated and comprehensive. It must influence and direct the whole activity of a modern society in all its ramifications.

Jean Tinbergen

I

Planning for an economic policy and more particularly for a development policy is today becoming more and more a part of state activity. More countries are tending to adopt this technique, and the technique itself is constantly improving. The communist countries went over quite suddenly after the Bolshevik Revolution from an unplanned to a planned economy; the transition in other countries was however gradual. Whereas in the past, the state often acting in accordance with the principle of laissez-faire, only after natural catastrophe—a war or some other grave crisis or difficulty—the conscious introduction of 'thinking ahead' has gradually led to the practice of forming an idea of the situation that will most probably prevail at some future period of time. This thinking ahead is now known as forecasting and has continued to improve in recent years. We have progress from the rather naive method of forecasting by extrapolating the line of a graph to the much more sophisticated method of forecasting based on the knowledge of the operation of social forces.

There has also been a change in the basic methodology from a micro to a macro approach as more attention has been given to the connection between various economic, social and political forces, with the result that every effort is now made to integrate isolated parts of economic policy. For example, when the west reached the stage of planning and defining its economic aims, there was a marked preference for the use of what are known as macro-economic figures, showing a summary of the national income, national consumption, employment and so on.[1]

Among the simplifications that have so far been scientifically applied with some success can be counted as a series of assumptions which may be termed the assumptions of a long-existing development. They include, for example, a constant growth of population, a constant investment quota (in other words, a constant relationship between investment and a national product), a constant discount for the deferment of consumption, a constant technical devel-

1. Theil, H., *Economic Forecasts and Policy*, Amsterdam, 1968, Zoderdipan, pp. 71-72.

opment and the existence of a certain kind of simple law of production, the so-called Cobb-Douglas function.[1] In general terms the three chief elements of modern planned economic policy are: a looking ahead, coordination and the attainment of a deliberate aim.[2] A given aim no doubt can be achieved by various means or a combination of means and one of the special functions of the plan is that of choosing the best possible means from all those available. The choice of means is to a great extent conditioned by their effectiveness, although the question of preference, or valuation will also play a part in determining this choice, since a means will only be considered suitable if the sacrifices are slightly in relation to the results expected.

Above all, in spite of the progress made to date in the very methodology and technique of planning for development, it is to be noted that developmental planning is a comparatively new branch of applied science, barely twenty years old in the west, and over fifty years old in the Soviet Union. In principle it is concerned with the whole economy. It is hardly necessary to say that it is still underdeveloped and unable to provide an answer, or at least a full answer to many of the questions that arise in the course of formulating a developmental plan.[3]

II

The Indian economy at the end of British rule (in 1947) had practically reached a stage of stagnation. This can be attributed to the passive role of the colonial government in the process of economic development. As a result, per capita income in India had not risen in fifty years, and was in 1951 about one-fortieth of that of the United States, one thirteenth of that of the United Kingdom, and about one-third of that of Japan. The per capita income is, in fact, lower than that of the other fifty-four underdeveloped countries for which the United Nations has published the data, including Egypt, Brazil, and Peru.[4]

Very likely also, the standard of living of the large masses of people in India was even lower than indicated by the per capita income, because of the unequal distribution of income, unemployment, and under-employment. In 1950, out of a total working force of about 170 million, about 8 million were unemployed and about 15 million on a conservative estimate were under-employed.[5]

If steel output and the educational base, particularly technical education, were to be considered as rough indices of the extent of development, Indian development with regard to the steel output even in 1955-56 was some 60 to 80 years behind that of the United States, United Kingdom, Germany, France, and Russia. On the other hand, from the point of education Indian development was behind all these countries by about 80 to 100 years.[6] Such shortcomings were aggravated by the large absolute size of her population, about 361 million in 1951, to be exact.

In view of this there existed a compelling urgency to generate and accelerate a process of sustained growth in India. This urgency has become even more pressing due to the widespread poverty and the growing awareness that something must be done, and done at once. Moreover, unlike countries where economic evolution preceded political evolution, India attained political freedom, far ahead of economic freedom. Because of this phenomenon, the need for economic development became both more imperative, and more difficult. It soon became apparent that if social, political, and economic catastrophes, were to be avoided, India needed to accomplish in a very short period the degree and extent of economic development for which the countries that are developed today took more than a century to accomplish under more favorable conditions. As a matter of fact this threat still hangs over India.

In consideration of such pressures, a quarter century scheme of economic development was adopted in 1951, under a strategy of «five year plans».

III

The First Five Year Plan 1951 to 1956

With the attainment of independence in 1947, the need for a planned development of the Indian economy became urgent, for reasons outlined earlier. Due to the burdens of partition and other political exigencies the formal inauguration of planning was delayed until the establishment of the planning Commission in March 1950 (by a resolution of the government of India) under the chairmanship of Mr. Nehru, the then Prime Minister of India.

1. Phelps, E., 'The Golden Rule of Accumulation', the *American Economic Review*, L1 (1961), pp. 638.
2. Tinbergen, J., *Development Planning*, McLord University Library, McGraw-Hill Book Co., 1967, pp. 44 and 76.
3. Ibid, p. 43.
4. United Nations Statistical Papers, Service 4, Per Capita National Product of Some Selected Countries, 1952-54. New York, 1957.
5. Government of India, Planning Commission, *Third Five Year Plan*, Draft Outline, 1960, p. 84.
6. Mahalanobis, P.C., *Next Step in Planning*, Sankya, New Delhi. January, 1960, p. 9.

Assignment of the Planning Commission

The Planning Commission has been charged with the dual responsibility of first making a thorough assessment of both the tangible and intangible resources of the country, and of formulating a plan for the most effective and balanced utilization of the country's resources. It is supposed to determine the relative priorities and allocate the resources for their completion, to indicate the retarding factors in the economic development and the necessary conditions under the existing socio-political framework for the successful execution of plans. It has also to help in evolving a proper machinery for the implementation, appraisal and evaluation of the progress achieved. In addition to this, the Planning Commission has also been assigned the task of giving advice on problems referred to it by Central or State Governments. Thus in a nutshell, the Planning Commission is assigned the tremendously important task of formulation, phasing, implementation, and evaluation of planned programs.[1]

In keeping with its assigned task, the Planning Commission in July, 1951, presented a draft outline of the plan covering a period of five years (from April 1951 to March 1956). The principal objectives of the planning as a whole were set out over a spread of about 25 years, of which the first five year plan marked a beginning. The prime objective of planning was to create a congenial atmosphere in which the living standards are reasonably high, and all citizens immaterial of sex, may have full and equal opportunity for growth and service. Second, it was decided that simultaneously a steady advance should be made towards the realization of wider objectives, such as full employment and the removal of economic inequalities. Thus maximum production, full employment, the attainment of economic equality and social justice constituted the overall accepted objective of planning.[2]

The first five year plan had dual objectives: first, of correcting the disequilibrium in the economy caused by the war and the partition of the country; second, it attempted to provide simultaneously for an all round balanced development, which would insure a rising national income and a steady improvement in living standard over a period of five years.[3]

However, the first five year plan was based on three assumptions:

1. That population would grow at the rate of 1.25 per cent per annum (which was the rate recorded in the last decennial Census) prior to 1951.
2. That postulating the capital output ratio of 3:1.[4]
3. That the rate of saving as a proportion of total national income would go up from 5 per cent in the base year 1950-51 to $6^3/_4$ per cent in 1955-56 to about 11 per cent by 1960-61, and 20 per cent by 1967-68.[5]

On these assumptions, it was asserted that the national income could be expected to double in 22 years by 1972, with per capita income doubled in 27 years, that is by 1977, or in five years more than the period required for doubling the national income. It was estimated that over these 27 years consumption standards were to rise by a little over 70 per cent as compared to the 1950-51 level.[6]

However, the Planning Commission failed to make any positive prediction regarding employment; nevertheless, under the guise of reservations they observed that «eliminating unemployment in an underdeveloped economy is by its nature a somewhat long term problem which calls for the steady and persistent effort». During the period of the first plan, according to the Planning Commission, «Considerable progress will have been made in expanding irrigation, power, basic industries, transport and other services and these will provide directly as well as indirectly, new avenues of employment».[7]

These estimates, as was pointed out by the Planning Commission, were considered illustrative and intended only to indicate broadly the implication in terms of the assumed behavior of the various parameters over a period of time. On the basis of these assumed parameters, along with the detail assessment of both the tangible and intangible resources of the country, the Planning Commission decided on the relative priorities in the first five year plan.

Relative Priorities in the First Plan

A detailed study of the magnitude of the relative priorities over the major heads (between agricultural and nonagricultural sector) shows clearly that the top most priority was given to the development of agriculture, including irrigation and power, which formed a little over 44 per cent of the aggregate outlay in the plan, as shown in table 1.

In determining the distribution of outlay between agricultural sectors and nonagricultural sectors, the main considerations taken into account by the Planning Commission were:

1. The need for initiating a process of development

1. India, Planning Commission, *First Five Year Plan*, pp. 1 to 6.
2. *First Five Year Plan*, p. 28.
3. Review of the First Five Year Plan, May 1957, p. 1.
4. Planning Commission, *First Five Year Plan*, p. 22.
5. *First Five Year Plan*, p. 21.
6. *First Five Year Plan*, p. 21-22.
7. *First Five Year Plan*, p. 23.

TABLE 1. *The Allocation of Resources in the Order Priority**

	RS in gross	P.C. of total
Agriculture and community development	361	17.5
Irrigation	168	8.1
Multipurpose irrigation projects	266	12.9
Power	127	6.1
Transport and communication	497	24.0
Industry	173	8.4
Social Services	340	16.4
Rehabilitation	85	4.1
Others	52	2.5
Total	2,069	100.0

*Source: First Five Year Plan, P.3, p.33.

TABLE 2. *Imports of Food Grains during 1946-1950-1951**

Year	Quantity in million tons
1946	2.25
1947	2.35
1948	2.85
1949	3.74
1950	2.13
1951	4.72
Total	18.04

*Source: Raj Narain Gupta, Indian Economics Year Book, p. 62.

that would form the basis for the much larger efforts needed in the future.

2. The necessity of completing the projects initiated by the Central and State Governments prior to the commencement of the plan.
3. The realization that without a substantial increase in the levels of food and raw materials productions, it would be impossible to make a break through in industrial sector.
4. The need to correct maladjustments in the economy caused by the war and partition.

In view of these considerations the Planning Commission laid heavy emphasis on agricultural development by allocating 44.6 per cent of the total expenditure.

The emphasis on agricultural development was justified by the Planning Commission on the following grounds:

1. First, the Planning Commission asserted that there is an immediate need to initiate a process of development that will form a basis for future development. For without a substantial increase in the production of food and raw materials a higher tempo of industrial development cannot be long sustained. Furthermore, the realization that an increase in agricultural output would not only serve as a stimulus for expansion in other sectors, but would also help to save, if not also earn, the foreign exchange needed for the purchase of capital equipment from other countries.
2. Second, in spite of the fact that a large proportion of the total population remain engaged in agriculture (about 70 per cent) there was still a shortage of food and agriculture raw materials. This state of affairs demanded immediate attention.
3. Third, the lack of adequate investment funds to launch any major development of the industrial sector encouraged the development of agricultural sector, which can be developed to a large extent with a limited capital, for the capital output ratio in agriculture is less than 2:1 as against 3:1 in industry.
4. Finally, the most important factor which influenced the Planning Commission's decision was an attempt to reduce imports of food and industrial raw materials.

Between 1946-59 the total imports of agricultural products amounted to 18 million tons valued at more than 122 million dollars. Table 2 shows the quantity of food imports made by India in the years 1946 to 1950-51.

Therefore, in the view of the Planning Commission, the reduction in such imports and the saving of such imports depended upon the development of agricultural sector.

The Planning Commission concluded that «for the immediate five year period, agriculture, irrigation and power, must in our view have the top-most priority».[1] For one thing, this emphasis is indicated by the need to complete projects in hand. But, further, «we are convinced that without a substantial increase in the production of food and raw materials needed for industry, it would be impossible to sustain a higher tempo of industrial development. In an under-developed economy with low yields in agriculture, there is of course no real conflict between agricultural and industrial development. One cannot go far without the other; the two are complementary. It is necessary, however, on economy as well as on other grounds, first of all to strengthen the economy at the base and to create conditions of sufficiency and even plentitude in respect to food and raw materials. These are the wherewithals for further development».[2]

1. Government of India, Planning Commission, *First Five Year Plan*, p. 44.
2. *First Five Year Plan*, p. 44.

Thus as a part of an overall development strategy, the Planning Commission not only contemplated on physical outlays to increase agricultural productivity but also recognized that there was need for reorganizing the entire agricultural sector. Thus the planners proposed various measures to remove any impediments which may obstruct the goal of increasing agricultural productivity.

The first plan laid down a land policy intended to secure an increase in agricultural production. This land policy meant in essence virtually the complete abolition of intermediate interests (such as Zamindari and other forms of intermediate interests in land) restricting the scope of ownership of land, security for cultivators against outside hazards and finally making the tenant the ultimate owner of the land he tills.

In addition to Land Reforms, the Planning Commission also proposed the construction of more irrigation works, and reclamation, with intensive farming based on the methods of cooperative village management, community development projects, and rural extension schemes. Furthermore, the Planning Commission made detailed references to the reform of the organizations for providing agricultural credit, better marketing facilities for agricultural products, to a better system of animal husbandry, dairying and horticulture, increase in the forest areas and soil conservation practices, and lastly to the necessity of developing and exploiting fishing operations.

These, in brief, are the main proposals which were made in the first five year plan, with respect to developing the agricultural sector of the Indian economy.

Industrial Development

With regard to the industrial development program, the private sector was assigned a dominant place. In India there were at that time consumer goods industries as cotton and jute textiles, paper, soap, sugar, etc., but there were scarcely any basic industries—steel, chemicals, etc. Without well-developed basic industries, no large country like India can hope to progress economically. But the Indian Government could not embark on such industries, during the first plan period, because of other pressing preoccupations.

According to the Industrial Policy Statement of 1948, while certain industries like arms and ammunition were to be the state's exclusive monopoly, coal, iron and steel, aircraft manufactures, ship building and manufactures of telephones, telegraph and wireless apparatus were to be developed by the Central and State Governments and other public authorities, if necessary with the cooperation of private enterprise. For the rest, private enterprise was free to operate as it pleased, except that the state could intervene in an emergency. Pride of place was given to the private sector in the iron and steel industry. The private sector was expected also to develop the consumer goods industries, such as textiles, sugar, paper, salt, and paper board, sheet glass, vegetable oils.

Thus some large scale industries were left in the hands of private investors.

Criticism

The first five year plan was naturally subjected to various specific criticisms. They were:

(a) The Plan gave a much greater importance to agricultural development than to industrial on the ground of completing the several already established projects in hand in order to create a strong basis for subsequent industrial development. Some critics held that they had proceeded upon the wrong assumption in placing heavy emphasis on agricultural development. This was asserted to imply that Indian industry had already developed to the extent that the existing agricultural development would justify. This, however, was not the case. Anyone familiar with Indian conditions (at the time of the formulation of the first five year plan) with regard to the then existing output of agricultural raw materials and foodstuffs, etc., could easily understand the real significance of attaching more importance to the development of agriculture, under the first plan, than to the development of industry. Subsequently for the same reason the point was made that India could have attained a much bigger industrial development of the country, even with the existing deficit gaps in agricultural production. This can be regarded as an unsound and unhealthy criticism of the overall strategy of the plan.

(b) The plan also left industrial development mostly in the hands of the private enterprise. There was no harm in this as business enterprise in the past was entirely in the hands of private corporations. But the criticism against the plan was that, while leaving the industrial development mostly to the private sectors and specifying targets of output, it did not provide sufficient resources for the use of private enterprise.[1] Moreover, industry needed not only finance but also many other facilities. Their supporters argued for such privileges as exemption from taxation, greater depreciation allowances, and in certain cases, such subsidies, etc. The critics held that it was not possible for private enterprise to do full justice to industrial development.

1. Lalwani, N.P., *Planning in India*, 1955, p. 39.

(c) Third, one of the serious defects of the first plan was its excessive emphasis on long-period projects; yet there is no doubt that in a planned economy weight has to be given to long term projects. In some foreign countries, of which the USSR is the best example, long term projects formed the main basis of planning. But conditions in India at the time of the formulation of the plan were very difficult. Although the plan needed to have a number of long term projects, the chief emphasis should have been on short term schemes. This would have made it possible to increase the yield of crops per acre of land more quickly and to secure a greater measure of self-sufficiency in food grains in a much shorter time.

Another likely disadvantage of placing greater emphasis on long term projects has been that the supply of goods, as a result of stepped-up investment (under the plan) increased only slowly but the purchasing power in the hands of the people increased at once. This had the result of intensifying inflationary conditions. A certain degree of inflation and consequently rising prices were inevitable in a planned economy. But if stepped up investment had increased the supply of goods in the market, the inflationary forces would have been counteracted. This would have been possible if proper emphasis were placed in the plan on short term projects. In the absence of this, the plan resulted in intensifying inflation much to the detriment of the consumer.

(d) Fourth, the success of any plan depends in part upon the efficiency of the organization which is set up to make it operational. It was a great weakness of India's first five year plan that it did not set up any special organization for implementing the plan. Some industrial and river valley projects were placed in charge of autonomous corporations over which the Government had very little control, with the consequence that much public money was wasted, the schemes had to be revised frequently, and production did not increase as was expected.

But on the whole, in spite of these shortcomings in the plan, there is no doubt that India's first five year plan was a brave effort at solving the country's economic problems. Progress under the plan was slow. But this marked the beginning of a more concentrated effort to increase agricultural and non-agricultural production and the per capita income of the people.

Second Five Year Plan 1956-1961

The progress recorded during the first five year plan period can not be regarded as more than a modest beginning of the process of generating dynamism in the economy. Also in view of the broad objective of a planned economic development, consisting of maximum production, full employment and higher living standards, the achievements of the first plan can be considered no more than as piecemeal effort. Therefore, at the time of the formulation of the second five year plan, it was felt necessary to achieve a more balanced economic development. This interpretation seems to have been influenced by the tremendous increase (of about 20 per cent) in agricultural production during the first five year plan period. Furthermore, towards the end of the first five year plan (in March 1956), the Government of India declared the new industrial policy resolution[1] in which an expanding role was assigned to the public sector. Simultaneously the parliament had accepted the «socialistic pattern of society»[2] as the objective of social and economic policy. These significant developments influenced the overall directions and objectives envisaged in the second five year plan.

Growth Model

At the time of the formulation of the second plan, the planners had to reformulate their long-term growth model, in the light of the performance of the first five year plan. The first five year plan gave a projection of economic growth over a period of 30 years from 1951-1981. In this growth model it was envisaged that national income (in 1950-51) could be doubled by 1970-71, and the per capita income by 1977-78.[3] In view of the impressive performance in the first plan it was concluded that the national income could be doubled by 1967-68 and the per capita income by 1973-74.[4] But this projection was once again based on unrealistic assumptions, with regard to population growth, capital output ratios, and savings and investment. The planners projected that, during the period of second five year plan, population would continue to increase at the rate of 1.25 per cent (which was far from the actual figure). Though consideration has been taken of the increase in population and its trends, but even with a continual rate of growth in national income of more than 5 per cent per annum, it would seem impossible to attain the target of doubling 1950-51 level even by the end of fifth plan period.

With regard to the capital output ratio, in view of highly favorable capital output ratio of 1.8:1

1. *Second five year plan*, p. 28.
2. *Second five year plan*, p. 21.
3. *First plan*, p. 20.
4. *Second plan*, p. 11.

realized during the first plan, the planners for the second five year plan contemplated that an «investment of 6,200 crores is expected to result in an increase in national income of 2,680 crores. This gives a capital output ratio of 2:3. For the third, fourth and fifth plan period, we have in the present model assumed capital output ratio of 2:6, 3:4 and 3:7 respectively».[1]

As regards the additional employment opportunity, the planners indicated the possibility to create about 10 million more jobs outside agriculture during the second five year plan period. Actually the additional employment to be created during the second plan was estimated at about 6.5 million outside agriculture.[2] At the end of the second plan, the backlog of unemployment was estimated to be prospectively 9 million.

Objectives

The second five year plan had been formulated with reference to the following four objectives:[3]
(a) A sizeable increase in national income so as to raise the level of living in the country;
(b) Rapid industrialization with particular emphasis on the development of basic and heavy industries;
(c) A large expansion of employment opportunites;and
(d) Reduction of inequalities in income and wealth and a more even distribution of economic power.

These objectives in the words of the Planning Commission are interrelated and interdependent. A rise in the levels of living and sizeable increase in national income of the order of 25 per cent over the five years cannot be secured without increase in production and investment. The substantial increase will not come about without building up economic and social overheads and establishment of heavy and basic industries. In a country with surplus manpower expansion of employment opportunities at a rate sufficient to absorb the increase in labor force assumes crucial importance. For this purpose a program or proper utilization and technical training becomes imperative. Further, the process and design of development should result in bringing about a certain basic change in social values and purposes. The reduction of economic and social inequalities should be achieved through democratic means. These objectives in the words of Planning Commission should be pursued in an even manner because too much emphasis on one at the cost of another may damage the economy and jeopardize the realization of the objectives. However, the said objectives, though they appeared sound in view of the inventory of the Indian economy, were too ambitious. They led the entire economy during the latter half of the second plan period into a perplexing situation.

The Order of Priority

In the light of the broad objectives of the second plan, the planners assigned topmost priority to rapid industrialization and diversification of the economy. According to the Planning Commission, if industrialization is to be rapid enough, the country must aim at development industries and industries which make the machines needed for further development. This calls for substantial expansion in iron and steel, non-ferrous metals, coal, cement, heavy chemicals and other industries of basic importance. The limitation in contemplating this type of development of basic industries before the Planning Commission was the scarcity of resources and the many claims on them. But in view of the fact that the criterion is not merely meeting immediate needs but the continuing and expanding needs in the coming years, the Planning Commission decided that it was desirable to aim at proceeding farthest in the direction of developing heavy and capital goods industries, which conform to this criterion.[4] The primary considerations were:
(a) That agriculture and irrigation have already made considerable progress in the first plan period, and that we can afford to devote more attention to industries which had been comparatively neglected.
(b) With an expanding population it would not be possible to solve the problem of unemployment and under-employment in the country, if we confined our attention mainly to agricultural development: and
(c) The realization of the fact that the economic prosperity of the country in the long run is linked up with industrialization.

The Planning Commission, thus justified the shift in emphasis from the development of agriculture in the first plan to the development of basic and heavy industries, without giving adequate reasons for this shift of emphasis, in the whole planning volume. It is said by Mr. Jaya Prakash Narain, the opposition party leader, that the preparation of the plan by experts close to Professor Mahalanobis (chief architect and engineer of the second plan) were foreigners mostly sympathetic to Soviet Russia or her satellite countries. It was perhaps for this reason

1. *Second five year plan*, p. 9.
2. *Third five year plan*, p. 4.
3. *Second five year plan*, p. 24.
4. *Second five year plan*, pp. 24-25.

that Mr. Marain, in the Indian parliament was reported to have remarked that «The seven authors of the Pandit Nehru's second plan are all men from behind the iron curtain».[1]

Wrong Assumptions

Generally speaking the rate of per capita economic growth of a country apart from psychological and sociological factors depends mainly upon (1) the rate of growth of population; (2) the rate of growth of capital formation; and (3) the capital output ratio. In the calculation of these parameters the Planning Commission made grave errors at the time of the formulation of the second five year plan. As we have pointed out earlier the Planning Commission had assumed the rate of growth of population at 1.25 per cent per annum, the rate of investment of 5 per cent of the national income and the capital output ratio as 3:1 with a time lag of two years. While reviewing the progress of the first plan the Commission noted that these assumptions were not realized, and therefore, they should be altered for purposes of future planning. It is here that the Commission committed an error of judgment, both initially and finally.

To start with, the Planning Commission once again underestimated the rate of growth of population during the second plan period, as they had done under the first. As they retained the assumption that the rate of growth of population would continue to rise at 1.25 per cent per annum, when it was actually rising at the rate close to 2 per cent (according to 1961 Census).

Regarding the capital coefficients the Planning Commission calculated that there has been a rise of about 18 per cent in the national income during the plan period. The rate of investment as percentage of the national output was calculated to have risen from 4.9 per cent in 1950-51 to 7.3 per cent in 1955-56. National income at 1952-53 prices rose from Rs. 9,110 crores in 1950-51 to Rs. 10,800 crores in 1955-56, that is a rise of Rs. 1,700 crores over the five year period. During this period investment was estimated to be at Rs. 3,100 crores. This gives an incremental capital output ratio as 1.8:1 as against 3:1 assumed by the Planning Commission for the first plan. The Commission had been emboldened by the favorable results and for the next five years has made calculations assuming a capital coefficient of 2.3:1.

The Commission was not justified in this assumption. It had not taken all factors into consideration in working out the capital coefficient for the second five year plan. Increases in national output during the first plan period were not wholly attributable to investment. Favorable monsoons gave us good crops for two successive years. There was also an increase in production due to utilization of formerly unutilized capacity.

Finally, the planners (under miscalculations) seem to have neglected interindustry relations in assigning top priority to industrialization. It is from this point of view that the whole planning structure (of the second five year plan) seems to be more highly idealistic than factual. For it is the same planners who later on, especially during the last two years of the second five year plan, realized their grave mistake in placing heavy emphasis on the development of basic industries. In fact the hard experience of the second five year plan has shown the rate of growth in agricultural industry to be one of limiting factors in the progress of the Indian economy. Especially the main factor responsible for the failure of the second five year plan was the slow growth of agricultural sector. It is this realization that brought the planners back to their senses at the time of the formulation of the third five year plan. This led them to shift the emphasis from a rapid industrialization of the country under the second five year plan to the development of agriculture under the third.

Third Five Year Plan 1961-1966

The beginning of the third five year plan on April 1, 1961, marked the completion of a decade of planned development strategy. The basic approach of the third five year plan directly follows from the pattern adopted in the second plan. However, in taking a long range view of the economy in general, the third plan was directed towards strengthening the agricultural economy, along with a balance development of industries, power and transport. Thus in formulating the third plan the planners contemplated the following principal objectives in defining the core of the plan:

(1) To secure an increase in national income of over 5 per cent per annum, the pattern of development being designed also to sustain this rate of growth during subsequent plan periods.

(2) To achieve self sufficiency in food grains and increase agricultural production to meet the requirements of industry and exports; and

(3) To expand basic industries like steel, chemical industries, fuel and power and to establish a machine building capacity so that the requirements of further industrialization could be met within a period of 10 years or so mainly from the country's own

1. Democratic Research Service, Bombay, «Danger of Physical Planning», p. 7.

resources. It is with reference to these objectives, along with the revised version of long term growth model, that the specific targets were laid down in the plan for the principal items under agriculture, industry, transport and communication.

Long Term Growth Model (Revised)

It may be recalled that in the second five year plan, the Planning Commission had presented a long term projection of economic growth—the revised version of an earlier projection presented in the first plan. According to this revised projection, the 1950-51 level of national income should be doubled by 1967-68 (a period of 17 years) and that of the per capita income should be doubled by 1973-74 (a period of 23 years). It was in accordance with this projection that against the 18 per cent increase in national income brought about by the first plan, targets of 25 per cent, 29 per cent and 26 per cent were set for second, third and fourth plans respectively. As the second plan achievement fell short of the target, the long term projection had to be reconsidered at the time of formulating the third plan.

It is estimated under the new projection that over the next 15 years population will increase by a little over 2 per cent per annum. The growth of population of this order will entail expanding demands for food grains, raw materials, transport, employment, education and the like.[1]

With regard to employment, the Planning Commission asserted that the progress included in the third plan is expected to provide employment opportunities for about 14 million people. But in view of the sharp increase in population, the number of new entrants to the labor force during the third plan period will be as many as 17 million[2] (along with a backlog of unemployment inherited from the second plan to the tune of about 9 million), the problem of unemployment will not decrease by the end of the third plan. Rather it was bound to increase.

Pattern of Priority under the Third Plan

The pattern of investment embodied in the third five year plan reflects the priorities and the relative emphasis in different sectors during the plan period. In turn, these derive as much from an assessment of the current economic situation and the likely trends as from the analysis of the basic economic and social problems of the country and the long term goals of national endeavor.

However, contrary to the emphasis of industrial-

1. *Third five year plan*, p. 27.
2. *Third five year plan*, p. 74.

TABLE 3. *Comparative Distribution of Plan Outlay in Different Sectors in the Second and Third Five Year Plans**

	Second plan	Third plan	Second plan	Third plan
1. Agriculture and community development co-operation	530	1,068	11	14
2. Major and medium irrigation	420	650	9	9
3. Power	445	1,012	10	13
4. Village and small industries	175	264	4	4
5. Industry and minerals	900	1,520	20	20
6. Transport and communication	1,300	1,486	28	20
7. Social services and miscellaneous	830	1,300	18	17
8. Inventories	—	200	—	3
Total	4,600	7,500	100	100

* Ibid., p. 8.

ization, under the second plan, the third plan gives prime priority to the development of agriculture, as under the first plan. This shift of emphasis from the development of industries under the second plan to the development of agriculture under the third is of considerable significance to the development strategy of Indian economy as a whole. For experience in the first two, especially in the second, it has shown that the rate of growth in agricultural industry is one of the limiting factors in the progress of Indian economy. Agricultural production has, therefore, to be increased to the largest extent feasible. Further in view of the fact that:

1. India is primarily an agricultural country;
2. Her population is expected to grow at the rate close to 2.0 per cent per annum, and
3. In the light of existing deficit in agricultural raw materials and food products, it is fitting that the Planning Commission should assign top priority to the development of agriculture during the third plan period.

Table 3 gives clear indication of the importance attached by the Planning Commission to the development of agriculture during the third plan, in terms of allocating a greater percentage of plan outlay.

Agriculture under the Third Plan

In the scheme of development (according to the Planning Commission) the first priority necessarily belongs to agriculture. The importance of achieving self-sufficiency in food, and meeting the requirements of agricultural industries and exports were among the major aims of third plan.[3] Furthermore, the Planning Commission made quite clear its as-

3. *Third five year plan*, p. 49.

sessment of the role of agriculture in the total economy of the country, by asserting that the level of agricultural production is an important determinant of the rate of growth of the economy as a whole. It was further envisaged by the Commission that, as the plan proceeds (apart from financial outlay already provided in the plan), if larger resources are needed for assuring more rapid advance within the rural economy, these will be made available.

In addition to making a rapid headway (in the development of agricultural sector through extensive net work of community development projects, with a basic aim of popularizing the operation of co-operative farming) the Planning Commission recommended from the technical point of view, five major programs around which intensive work was to be organized in an effort to develop agricultural production. They were: 1. irrigation; 2. soil conservation; 3. dry farming, and land reclamation; 4. supply of fertilizers and manures; and 5. better ploughs and improved implements.

Proposed Agricultural Targets under the Third Plan[1]

Agricultural production under the third year plan period is to be stepped up by 30 to 33 per cent. The specific targets of production proposed for various commodities are as follows:

TABLE 4. *Proposed Targets for the Production of Various Commodities between 1960-61 to 1965-1966*

Commodities (million tons)	Annual production 1960-1961	1965-1966
1. Food grains	75	100-105
2. Oil seeds	7.2	9.2-9.5
3. Sugar cane	7.2	9.0-9.2
4. Cotton	5.4	7.2
5. Jute	5.5	6.5

In addition to the above targets, it has also been proposed to increase the production of food articles, including fruits and vegetables, milk, fish, meat, eggs, etc.

The target proposed for the production of food grains would allow for consumption of about 15 ounces of cereals and 3 ounces of pulses percapita per day, besides providing some margin against emergencies.[2]

Achievement of the Third Plan

According to an early estimate of the central statistical organization, in 1964 the real national income of the country was increasing at the rate of 2.5 per cent, against the annual target of 5.6 per cent set by the plan. As the former is about equal to the rate of increase in population, no improvement is occurring in the per capita income, over the plan period. On the face of it, this is a picture of economic stagnation. However, the movement of national income in any one, two or three years cannot, by itself, indicate the strength underlying the forces governing the economy. Let us, therefore, look at the picture more closely.

Agriculture: The third plan had set a target of 27 per cent increase in overall agricultural production. But production had been almost static, when compared to the 1960 high of 81 million tons. In 1964 it is even less 79.5 million.[3] Also there are 40 million more mouths to feed than four years ago. This has all been happening, against the target of 26 per cent increase set for food grains output over the plan period. Taking all food grains together the area of cultivated land showed little change; with output remaining the same, the yield per acre has remained stagnant. Agricultural raw materials are displaying divergent trends. The output of cotton fell by 17 per cent while that of jute rose by 57 per cent. But the increase in jute production was achieved mainly by enlarging the cultivated area rather than by increasing the yield per acre. This meant diversion of land from other crops, particularly rice.[4]

On the whole food production has stagnated because of successive bad crops in the plan period. Some major part of this may be attributed to the erratic monsoons that brought either too much rain or not enough.

Nonagriculture: Though the agricultural sector has so far under the third plan period proved to be static, the industrial picture has been little brighter. The general index of industrial production advanced by 16.6 per cent, as against the growth rate of 11.2 per cent stipulated under the plan. We often hear that the index of industrial production, as at present compiled, understates the real industrial progress of the country as it gives an undue weight to certain traditional industries and also leaves out of account many new industries established after 1951. This is no doubt a valid point, but a closer look at some important industries which could claim to constitute the «core» of the industrial plan do not create more favorable impressions.

1. *Third five year plan*, p. 62.
2. *Third five year plan*, p. 63.
3. Mellow, John H. and Lele, «Alternative Trends in Food Grain Production in India», *Economic Development of Cultural Change*, Vol. XIII, No. 2, January 1965, p. 222.
4. Government of India, Central Statistical Bureau, Calcutta Crop Index, p. 39.

Finished Steel: Output rose from 2.4 million tons in 1960-61 to 3.5 million tons in 1963-64. This 48 per cent increase is, on the face of it, encouraging but this is still below the second plan target of 4 1/2 million tons and a far cry from the target of 7 million tons set for the last year of the third plan.

Cement: Production recorded a niggardly advance of a little over 7 per cent from 8 million tons to 8.6 million tons. The plan has envisaged a near doubling of output from 8 to 15 million tons by 1965-66.[1]

The plan laid a great stress on fertilizers, which have a direct bearing on agricultural production. But the production of ammonium sulphate, which could be considered as a representative of the fertilizer group, is found to have made a marginal gain during the plan period. The plan had envisaged a trebling of output.[2]

Furthermore, we may consider the employment index in the nonagricultural sector, as a positive sign of industrial development. The plan has badly failed in creating new employment opportunities in nonagricultural sectors that the gain from planning in the field of employment is negligible.[3] The additional employment resulting from the first plan, outside of agriculture was 4.7 million and from the second plan 6.5 million—an improvement of about 35 per cent despite the steep rise of 110 per cent in the investment outlay from Rs. 3,760 crores in the first plan to Rs. 7,900 crores in the second. The increase in employment being less than the natural additions to the labor force. The second plan, thus bequeaths to the third plan vastly more unemployment—9 million, that is inherited from the first plan. All calculations in this respect were based on a population increase of five million per year, of which the labor force was assumed to 40 per cent. But this has been upset by the discovery by the 1961 Census that the population increase during the past decade has been actually at an annual rate 1.9 per cent. And as of today, even accepting the Planning Commission's view that it is possible to create 14 million new jobs during the plan period, in view of the sharp rise in population, at the close of the third plan period, the unemployment backlog may rise to 12 million.[4] But here again, if we consider the employment trend under the first three years of the plan period, we realized a much higher backlog of unemployment at the end of the third plan than the 12 million figure indicated by the Planning Commission.

The one important question that emerges from this unhealthy employment prospect is whether in the future these unemployed millions are ever going to find jobs—are they to be put on relief, or find some gainful employment in nonagricultural pursuits or will they be made to depend upon agriculture. As of today indications are that in spite of a steep rise in plan investment the prospect of finding any feasible opportunity to employ all the entrants to labor force is pretty dark, thereby forcefully pushing them to depend upon already overburdened agriculture as a residual solution. Fortunately, the backbone of the Indian society and the Indian culture does provide for such an existence (for instance the most powerful age old institution of joint family existence, is a good example of such an array of institutions).

The Fourth Five Year Plan 1969-1974

According to a quarter century scheme of economic development as originally envisaged by the Planning Commission in 1951, the fourth plan was scheduled to begin on April 1, 1966. Though the first draft of the plan was prepared as early as 1965, the plan never got off the ground. Later on it was declared that the fourth plan would start only in 1969-70. There was to be a three year period of «Plan Holiday»,[5] an idea conceived by Lal Bhadur Shastri, the then prime minister and chairman of the Planning Commission. On close examination it is clear that such an action was a product of unexpected circumstances brought about by the conflict with China in 1962 and with Pakistan in 1965 followed by a temporary suspension of foreign aid,[6] the devaluation in 1966, the failure of the monsoons, and the general election in 1967.

However, during this three year period of «Plan Holiday» in the interest of continuity, the Planning Commission adopted annual plans on a modest scale both in terms of total outlay and goals. As a result national income rose only by 1.1 per cent and the index of industrial production registered only 1.7 per cent in 1966-67 and 0.31 in 1967-68 and finally rose by 6 per cent in 1968-69. Whereas national income also registered an increase of 9 per cent in 1968-69 as compared to 1.1 per cent in 1966-67.[7]

1. *Third five year plan*, p. 486.
2. *Third five year plan*, p. 478.
3. Shenoy, B.R., *Indian Planning and Economic Development*, p. 23.
4. *Third five year plan*, p. 156.
5. Pillai, Narayana, «Unplanning the Plan», *Far Eastern Economic Review*, 58:448-50 (December 7, 1967), p. 448.
6. Derek, Davis, «A Cart Without a Horse», *Far Eastern Economic Review*, 56:305-8 (May 11, 1967), pp. 306-307.
7. Publication Division, *India 1969*, Government of India, pp. 211-212.

Against these achievements under the annual plans, the fourth five year plan was finally started in 1969 on a solid foundation. It envisaged an outlay more or less equal to that in the past eight years. Compared to earlier plans, therefore, the anticipated tempo of expansion is not as high when the outlays are deflated by the increase in price level since 1960, nearly 70 per cent when the fourth plan was finalized; the allocations in real terms in some important sectors are lower than in the third plan, for instance; the allocation of Rs. 236 crores and Rs. 293 crores for village and small-scale industries, and of Rs. 142 crores for the welfare of the backward classes. Thus with 70 per cent price deflator, in real terms the fourth plan is no larger than the previous plan.

Objectives

In the interest of growth-with-stability the byword of the fourth plan, the Planning Commission has adopted the following five broad objectives: (1) introduction of safeguards against fluctuations of agricultural production as well as uncertainties of foreign aid; (2) a sustained increase in export by about seven per cent annually to secure balanced foreign trade; (3) limiting industrial activity and achieving efficiency and profitability of public enterprises; (4) stepping up the tempo of economic activity to such an extent that may bring about more productive employment maintaining a stable and self-reliant economy, and (5) accentuate the process of industrial dispersal and stimulate the economy of weaker and less developed areas through regional and local planning processes.[1]

The Planning Commission hope to achieve these objectives by assigning heavy emphasis to agriculture, fertilizers, and steel output. The core of the Plan is undoubtedly agriculture. The agricultural plan has been carefully formulated. Its analytical parts are superior to the formulations in the earlier plans. An annual growth rate offive per cent in agricultural production is anticipated. In the previous plans almost half the increase in agricultural production came from an extension in area; now the increase is almost wholly expected from improved productivity. The qualitative change in the effort needed can be easily recognized.

The main input, we are told, will be the new technology, the key areas of activity being those where high-yielding varieties can provide the needed response. In rice, jowar and bajra such extension has to be three-fold to four-fold: from 9.2 million hectares in 1968-69, of which wheat accounted for 4.8 million hectares or more than half the area, the HYV (high-yielding varieties) programme will be raised to 25 million hectares, of which wheat will only cover 7.7 hectares. «For obtaining optimum results from the high-yielding varieties programme, the main thrust of effort will be in the sphere of extension. The new varieties require more refined and precise cultural practices concerning preparation of seedbed and methods of sowing. Perhaps the most significant aspect relates to controlled irrigations so that water is supplied at critical periods of plant growth». How many State Governments, in the climate of instability that is being fostered, are in a position to provide these extension services and to attend to the technological change-over? Again, in the face of the spreading Naxalite unrest in the rural areas, and the uncertainties maintained there by the constant talk of land reforms without any final transformation, how many agriculturists will be willing to make the investments and undergo the discipline that a technological changeover demands? A five per cent annual rate of growth in agricultural production is, of course, desperately needed and indications are that this target will be met. Table 5 shows the specific agricultural target contemplated by crops in the fourth plan.

In keeping with the campaign promise (1971) of the ruling party to reduce unemployment drastically, programs have been initiated to provide as many jobs as possible through the emphasis on labor intensive employment generating industries. But a word of caution is in order, in achieving any significant progress in reducing unemployment particularly in the light of past experience in the three five year plans.

Though the fourth plan is in its third year, its achievements are rather obscure at best, and by far fall short of the fourth plan target. For example, national income rose five per cent in 1969-70 compared to the base of the previous year but per capita income rose only 2.5 per cent. Industrial production increased by 5 per cent in 1969-70 and 4.5 per cent in 1970-71 due to shortages of certain raw materials especially steel and raw cotton.[2] However, agriculture on the other hand is making, if not remarkable, steady progress. As a matter of fact for the first time India is contemplating export of wheat and wheat products to Middle East during

1. «Fourth Five-Year Plan, 1969-74 - Draft a Summary», *Reserve Bank of India Bulletin*, 23-1017-40 (July 23, 1969), pp. 1018-19.

2. Information Service, Embassy of India, *India News*, Vol. IX, No. 47 (Washington, D.C.: 1971), p. 2.

TABLE 5. *Fourth Plan Targets of Agricultural Production**

Sr No.	Commodity	Unit	Base Level Production (1968-69)	Estimated Production (1973-74)
1	Foodgrains	Million tonnes	98	129
2	Oilseeds	Do	8.5	10.5
3	Sugarcane (Gur)	Do	12	15
4	Cotton	Million bales	6	8
5	Jute	Do	6.2	7.4
6	Tobacco	Million kgs.	380	480
7	Coconut	Million nuts	5,600	6,600
8	Cashewnut	Do	160	236
9	Arecanut	Thousand tonnes	126	150
10	Pepper	Do	23	42
11	Lac	Do	35	52
12	Tea	Do	418	450

*Source: Reserve Bank India Bulletin, 23: 1017-40 (July, 1969).

next year.[1] However, in assessing the overall progress of the fourth plan one has to take note of the proceedings of the newly constituted Planning Commission on October 6, 1971:

The appraisal of the progress made so far is still not complete, but tentative findings are that the Centre has done badly. Shortfalls in expenditure in each of the first two years have been of the order of Rs 200 crores (though the States have overshot their expenditure, making the overall shortfall in the Plan outlay in the first two years just slightly over Rs 200 crores).
The Planning Commission has come to the conclusion that poor performance has led to serious distortions and imbalances in the economy. Shortfalls have been mainly on the industrial front and investments have fallen well below targets in such crucial fields as heavy industry, mining, etc.
But it was acknowledged today that, taking into account the rise in prices in the last two years, achievement in real terms has been around 15 % less than the targets aimed at. This has been mainly in industry, but certain sectors of agriculture have also not done well.
The position regarding cereals was reported to be sound —the target of a 5.5 % annual rise in production is being maintained—but production of pulses, cotton, oilseeds and sugar has lagged behind and caused further distortions in the economy.
Since the satisfactory position on the cereals front is attributed to a technological breakthrough, it was decided today that expenditure on research into production problems of other crops should be stepped up.
A far bleaker picture has emerged on the industrial front... Various factors, such as shortages of raw materials, nonutilization of capacity and bad labor relations have been identified, for the shortfall.[2]

In addition to this assessment, we should also take into consideration the effect of the 17 day war with Pakistan, with an influx of 10 million refugees (though most of them have returned to Bangladesh) in the overall performance of the fourth plan.

Some Observations

The foregoing general observations are made not with a view of criticizing the basic strategy of the plan, which is perhaps the one the country should have adopted under the circumstances, but with a view of seeing whether the implications flowing from the strategy have received full and conscious acceptance and attention.

Consider, for instance, the incremental capital output ratio. The performance of the second plan shows a capital output ratio of 2.8:1. Advance calculations of investment output relation in a growing economy is a difficult exercise but world experience would suggest that the ratio becomes higher as the economy progresses on the path of industrialization.[3] One would, in the normal course, have expected the Planning Commission to assume a slightly higher ratio for the third plan, that is, unless the pattern of investment adopted in the plan were to suggest a reversal of the trend of heavy industrialization. As a matter of fact, however, the third plan appears to have been formulated on the assumption of a capital output ratio of 2.4:1. In view of the bold advance towards industrialization conceived by the third plan, and the accent it lays on basic industries the adoption of a capital output ratio lower than the one that prevailed in the sec-

1. *New York Times*, May 7, 1972.
2. *The Statesman Weekly* (Calcutta: Saturday, October 9, 1971), p. 7.
3. Shariff, Ismail, *The Development of Indian and American Agriculture: A Comparative Study*. Interstate publishers and printers, Chicago, 1968, pp. 14-15.

ond plan would seem to have been unrealistic. The adoption of a higher capital output ratio would have been in conformity with the basic strategy of the plan, and might have also led to more intensive efforts at resource mobilization.

Second, the assumption in the third plan of a rise in the rate of saving to 11 per cent at the close of the plan is unattainable, unless we adopt totalitarian techniques of direct physical restraints on the masses of the people. Under full individual freedom over the disposal of one's earnings as between spending and saving, we may not reasonably expect the rate of saving to rise above 6 per cent.

Third, in the formulation of a policy for accelerating the national product, we must take note of the following factors more thoroughly than it has been given under the four successive plans. First, 50 per cent of the Indian national income comes from agriculture, and 70 per cent of the population draws its living from it. Manufacturing industries accounting for less than 20 per cent of economic activity. Peasant farming dominated agriculture on a crude traditionalistic basis. This in itself is manifest and suggests the need for a rapid development of agricultural industry. For the basic necessity of life is food. Then comes clothing and housing. But food has the priority. The fact that India until recently was unable to produce enough food for its own people is a very sad commentary of the Indian economy. The first thing, therefore, that India should plan for is to produce more food for the growing millions. Accordingly, India has to devote a greater percentage of total plan investment, to be used for agricultural development. This will not only provide food (or at least more than what the people have today), but also at the same time with the development of agriculture, we will be placing the Indian economy on a more solid and dependable basis. It will also pave the way for a sound development of other nonagricultural sectors at a more rapid rate. Nobody would deny the importance of industries in a modern world. However, we should have manufacturing industries and we should have plants for producing machinery. But all manufacturing industries require labor. In many industries half the cost of production consists of wages of labor. If industries are to prosper labor must be cheap and also efficient. But cheap and efficient labor can be had only if food is cheap and abundant. Make food available in plenty, and make it cheap and automatically this will lead to laying a sound foundation for the economy. Manufacturing industries have been complaining of a lack of balance between price and costs. The cost-price ratio has been adversely affected in recent years and the industries are not making the progress they should be.[1] The only way to bring about this proper balance is to make food cheaper. The Indian Government has in some cases fixed the wages of the laborers too high, in other cases have fixed the prices of raw materials like sugar cane and cotton too high. It seems that this was an attempt to provide the laborers and growers of cane and cotton with more income. But one cannot increase the supply of food by putting more money in the pockets of consumers. Rather one has to put more money in enterprises which produce more food.

The Fourth Plan is based upon various assumptions, such as price stability and 7 percent a year increase in exports. In the first year of the Plan, the price level has risen by 6 percent, manufacturing industries have registered a growth in output of only 6.3 percent instead of the expected 9 percent and exports have increased by only 3.8 percent. If the Plan targets are to be reached, the effort needed in the remaining two years will have to be greater than envisaged in the Plan; for instance, exports will have to rise by 8 percent a year. Though the Plan covers the years 1969-1974, the document was finalized only in the middle of 1970. Unfortunately, it has neither been revised in the light of the first year's experience nor have been provided indications of corrective action. Furthermore, no indications are available from the Government. At the first meeting of the AICC of the Ruling Congress after the finalization of the Plan, there was no discussion on the Plan and, therefore, no light has been thrown on how the Government proposes to buttress the crumbling assumptions of the Plan.[2]

The Plan envisages a marked increase in domestic savings. The total domestic savings are to go up from 8.8 percent to 13.2 percent of the National Income at the end of the Plan period. Household savings will register a small increase, from 6.4 percent of the National Income to 7.6 percent; corporate savings are expected to remain relatively constant—from 1 percent to 1.1 percent. Public savings will jump from 1.4 percent to 4.5 percent of the N.I. The success of the Plan thus depends upon the Government's capacity to mobilize adequate savings and channel them to desired areas of investment. The trend is expected to continue up to 1980-81, when public saving will have to rise to 8.2 percent while the two other streams of savings will have only minor increases—of 0.8 percent and 0.3 percent respectively. The order of effort, in absolute terms, is indicated thus; given the objective of

1. «Trends in Industrial Production, 1962», *Indian Statistical Series*, No. 9.
2. *The Statesman Weekly* (Calcutta, Saturday, July 6, 1970), p. 2.

dispensing with net aid after 1980-81 the volume of domestic savings will have to rise from Rs 2,530 crores in 1968-69 to approximately Rs 10,450 crores by 1980-81—or a four-fold increase in twelve years.[1]

The Plan assumes the generation of an additional income of about Rs 1,800 crores a year of which about Rs 700 crores will be invested.

The draft Fourth Plan had expected the balance from current revenue to be Rs 2,400 crores. The final document has brought it down to Rs 1,625 crores. In the Third Plan the expectation was Rs 460 crores but the actuals turned out to be minus Rs 642 crores. For the succeeding three annual plans, the total expectations were Rs 621 crores the actuals proved to be Rs 184 crores. During the first two years of the Fourth Plan, the balance from current revenue at the Centre (the combined picture of the State remains dismal) has been Rs 117 crores and Rs 180 crores respectively. If the remaining Rs 1,327 crores are to be realized, the annual accomplishment in the subsequent two years must be about Rs 450 crores a year. Nobody knows what positive steps are being taken, or are under active consideration, for this leap forward.[2]

In the past, the Centre managed to raise its share of additional taxes and it is well poised to achieve the Fourth Plan target. The States, however, have recently become even more remiss. In the first year, they were expected to raise Rs 122 crores through additional taxes; they raised only Rs 37.4 crores inclusive of Rs 8.8 crores from lotteries. It is possible that a full year's impact may be somewhat larger, but it cannot possibly be the Rs 84 crores needed to meet the expected target.

Above all the planning mechanism India has suffered from lack of implementation from its very inception. Mainly because of the fact that the planning commission's role is subjected to political dependency as it lacks any autonomy in its thinking. In any democratic government, planning in the last analysis must be a political process, and the Indians never have fallen into any delusion to the contrary. Yet this basic circumstance condemns the Planning Commission as a central staff agency charged with performing a quasi-expert, and also quasi-political function to an inherently precarious ambivalent set of relationship with the Central Government's ministries and other major line of organization, as well as India's eighteen State governments. The precariousness of the Commissions position is intensified by the fact that being deprived of political independence, the Commission's political bargaining power depends almost wholly on the liveliness of the support it draws from the Prime Minister.[3]

As a consequence of this, the very texture of the Planning Commission's operations lacks flexibility in its basic thinking and hence in implementation of its objectives. A plan is of little value, no matter how good it looks on paper, if its execution is faulty. This would create even more problems for a developing economy. Rightly a success or failure of a planning effort does not depend on the flawless blue print but on its execution. Countries like India look to planning as a way to achieve more rapid growth rate than is expected from a relatively free economy. But such planning to be effective, requires an independent judgment based on facts without any outside influence, political or otherwise.

Despite such shortcomings and difficulties it is encouraging to note that India is desperately trying to change the economic spectrum of the country through a planned endeavour.

1. Ibid., p. 4.
2. Ibid., p. 4.
3. Lewis, John P., *Quit Crisis in India*, The Bookings Institution, 1962, pp. 114-136.

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ERRATA

In the article «The Modern Greek Collection in the Library of Congress», by George E. Perry, published in our *Review*, No. 15-16, January - June 1973, have been noted few mistakes which are being corrected as follows:

page 17, line 26, column 1, instead of : it should be noted that editions of ancient Greek authors considered...
read : Greek authors are considered...

page 19, line 26, column 2, instead of : Γεωργίου Μπεντότε
read: Βεντότη

page 19, line 26, column 2, instead of : (Vienna 1972)
read : 1792

page 19, line 28, column 2, instead of : Στοιχεΐον μαθηματικὸν
read : Στοιχείων μαθηματικῶν.