



**INDIAN INSTITUTE OF  
ADVANCED STUDY  
SIMLA**

A non-official resolution on the Third Five Year Plan moved by Shri S. N. Mishra was passed unanimously at the Hyderabad Session of the A. I. C. C. held in October 1958. It reads as follows :

*"The Second Five Year Plan is in the middle of its career and work may be expected to begin soon on the preparation of the next plan. It is, therefore, time for the Congress to give thought to the basic considerations which should govern its formulation. The A. I. C. C. resolves that the Congress President appoint a committee, which may include outside experts, to suggest social and economic objectives which should be achieved during the Third Five Year Plan as part of our phased advance towards a Democratic Socialist Society."*

In an humble attempt to contribute to thinking on the subject, a Paper was prepared for discussion in the Congress Socialist Forum. Emphasizing the need for a "historically adequate" Plan which, in its opinion can only be on the basis of significant Socialist advance, and asking the country to stick to the determination to cross the "sound barrier" of industrialisation during the next two Plan periods, it sets out some basic though preliminary ideas on the approach to the Third Five Year Plan. This first non-official attempt in the field is being presented in the hope that it would lead to further and wider discussion.

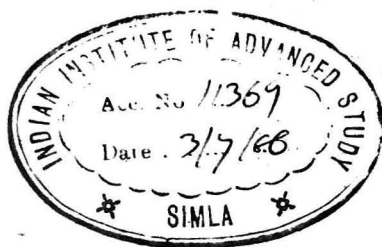
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## **I. Ten Years of Planning : An Assessment.**

The Third Five Year Plan would come against the background of ten years of planning, its achievements and shortcomings. Today while projecting our thoughts on the next Plan we can assess our progress during the last eight years fairly accurately and the coming two years rather broadly. In a sense we have already crossed two phases of planning in this country. The first step in the long march towards a substantial step-up in national income and standards of living of the people was taken under the First Plan. It had more or less the features of a self-contained Plan. It was basically a preparatory and "stability" Plan and it succeeded in achieving this objective eminently. Among other things, the good harvests during this period helped to improve the agricultural situation and created an atmosphere of hope and confidence in planning. This was good for the future of planning in the country. But at the same time it also created a measure of complacency and facile belief that the process of planned development would not demand much sacrifices from the community.

2. It was the Second Plan which can be rightly regarded as having a long term perspective and a certain social philosophy. It kept in focus the next 20 years and brought home to the nation in broad economic terms the emergent future and the national effort needed for it. It incorporated the idea of socialist pattern of society as the ultimate social objective of economic planning in the country and marked a distinct shift in our thinking as well as magnitude of effort towards economic development. The stress on rapid industrialisation and considerable expansion of employment opportunities was recognised as a means to the realisation of the social objective. At the back of the socialist goal was the clear realisation that the adequate scale of national effort would not be forthcoming in the absence of it. It was, therefore, not only a value judgment, but much more.

3. The last eight years have seen us accomplish big things, but at the same time they have laid bare the weaknesses and deficiencies in the methods and organisation of our planning. Particularly the three years of the Second Plan have brought us face to face with real issues and problems of planning. More than anything else they have exposed our uncertain and not a very adequate approach to resource mobilisation. The result is that we are confronted today with shrinkage in the Plan outlay, and other serious difficulties with all their adverse repercussions. Due to the anticipated shortfall in internal resources, the Plan outlay has been reduced from Rs. 4,800 crores to Rs. 4,500 crores. To achieve even this reduced outlay, there will have to be much more serious effort than seems to be in evidence so far. Apart from deficit financing, the domestic resources on the basis of present trends may not be more than Rs. 2,000 crores in all against the Plan target of Rs. 2,800 crores.

4. The Plan is passing through a critical period in respect of foreign exchange and the size of the problem has proved to be much larger than our calculations. The balance of payments deficit has increased from the

estimated Rs. 1,100 crores over the Plan period to nearly 2,000 crores. Whereas the external resources utilised during the First Plan were only about 10% of the total investment outlay, for the Second Plan period the external assistance plus the draft on sterling reserves would amount to 32%. We must not forget that like the food problem, the foreign exchange problem is going to be with us for some years to come.

5. The greatest weakness of the Second Plan so far has been on the agricultural front. This should not be attributable to our stress on industrialisation. Russia supported its programme of heavy industries in an abnormal way. They courted defeat on the agricultural front in a normal way and made up for it in an abnormal way. China has shown that it is not necessary that success on the industrial front should inevitably go with failure on the agricultural front.

6. One of the developments causing greatest concern has been the pressure on prices which started operating on the economy with the progress of the Second Plan. The whole-sale prices today are 15 to 16% higher than they were on the eve of the Plan. Since the price indices of almost all commodities other than food articles moved within very restricted margins during the last two years or so, the pressure seems to have been mainly exerted by food prices.

7. It seems the Second Plan therefore, is going to bring about only a nominal increase in the rate of growth in national income and employment opportunities. As against the target of 25% increase in national income, the achievement is likely to be round about 20%. This has to be compared with the 18½% of the increase in national income achieved during the First Plan. Similarly in respect of employment opportunities, the achievement is going to be only somewhat more than that of the First Five Year Plan. The Second Plan will not find employment opportunities for the addition to the working force and the backlog of unemployment at the end of the Plan period would be increased to 7.5 millions or so from 5 millions.

8. If we attempt an assessment in social terms, we might find that in the urban sector, rentier and business classes have gained while the fixed income groups have lost in terms of real income. The working class seems to have kept its ground. Despite the widening of employment opportunities, the problem of urban unemployment, on the whole, has been aggravated. In the rural sector the landless and the artisans, except the weaving and spinning sectors, will be left as they were, if not worse off. The rural unemployment situation might be worse despite more intensive effort for agricultural development. Although the total agricultural output does not show significant increase, the substantial cultivators may be better off due to rise in agricultural prices and increased facilities for agricultural development.

9. In the rural area there is now a greater measure of equality as a result of comprehensive land reform though the condition of the landless does not show any sign of improvement. It has to be emphasised here that the Second Five Year Plan will not be able to make any significant impact

on the unemployment situation or on the lives of the disadvantaged and poor sections of the community in favour of whom the pressure for a large Plan developed. It should not cause any surprise, therefore, that in spite of solid advance towards basic industrialisation, which the Second Plan will register, the atmosphere at the end of the Second Plan may not be so full of hope as was originally expected.

10. In respect of socialist advance, however, these ten years will have seen some significant developments. The nationalisation of Imperial Bank and Life Insurance and the setting up of a State Trading Corporation are important steps of far-reaching social and economic significance. The recent decisions of the National Development Council to undertake State Trading in foodgrains and make multi-purpose services co-operatives and Panchayats the base of our social and economic development are also of fundamental importance. The Second Five Year Plan will have the credit of laying the foundation of socialist industrialisation which is bound to become the driving force of development of the national economy. This would be evident from the step-up in public investment in recent years. From a mere Rs. 200 crores in 1950-51 it went up to Rs. 480 crores in 1955-56 and is expected to be of the order of Rs. 900 crores in the last year of the Second Plan. The total public investment over these ten years would amount to Rs. 5,300 crores. There has been a considerable increase in investment in vital fields. The total investment in manufacturing industries in the public sector which stood at Rs. 49 crores at the commencement of the First Plan rose to Rs. 109 crores at the end of that Plan period and is further expected to go up to Rs. 800 crores at the end of the Second Plan period. Similarly in the electricity supply undertakings, the investment in the public sector increased from Rs. 70 crores at the beginning of the First Plan to Rs. 330 crores at the end of the Plan period, and by the end of the Second Plan period, it is expected to be of the order of Rs. 760 crores. Taking the First and Second Plans together, public investment in manufacturing industries will have increased by over sixteen times as against the increase of about two and a quarter times in the private sector. The introduction of Wealth Tax and Expenditure Tax, apart from their value for an integrated tax structure, may prove to be important instruments of redistributive fiscal policy, though their present yields may be extremely meagre.

11. In the ultimate analysis, most of the weaknesses of the Second Plan will be found to be due to the limitations of the existing policies and institutional framework. It is clear that there was no adequate realisation of the implications of a Plan of this size and character in terms of efforts and sacrifices. Nor was there any real attempt to work out policies and organisations necessary to implement it. So the building-up of co-operative organisations and Panchayats, effective decentralisation in the field of cottage and small scale industries and the generation of dynamism in the rural economy through the community development programme would be achieved, if at all, only to a limited extent.

## **II. Basic considerations for the Third Plan.**

12. The long term growth model presented in the Second Five Year Plan (p. 11) gives a synoptic view of twenty years (1951-56 to 1971-76 i.e.

five plan periods) relating to the increase in national income, per capita income, total net investment, rate of investment etc.

13. It postulates that the rate of investment should rise from 10.7% at the end of the second Plan to 13.7% at the end of the Third Plan. To make this possible the total net investment (at constant prices) in the Third Plan should be Rs. 9900 crores as against the total net investment of Rs. 6200 crores in the Second Plan.

14. As the Second Plan Report was considered and adopted by Parliament, it may be assumed that this broad picture has its general approval. It is in a sense our duty now to try our best to conform to this model. Particularly as the step-up in investment during the Second and Third Plans has been considered crucial for crossing the "Threshold", there is every reason why our efforts should not fall short of it. Moreover, the failure of the Second Plan in certain respects is not a signal for retreat, but a challenge to be met.

15. Nevertheless, a section of the people has begun advocating a period of rest (Shabasan) during the Third Plan after what they prefer to call an arduous exercise during the present Plan. It would be most disastrous for the country to succumb to this facile and false philosophy. There can be nothing but hard work and utmost austerity for the people till the economy gets the 'perennial gale' which would constantly propel it. As gradual and slow rate of growth is of no consequence in the context of rapidly increasing population and backwardness, we will have to think inevitably in terms of large efforts till the economy is moved off the 'dead centre'. This is also necessary to mobilise the nation on a big scale.

16. Further, the Third Five Year Plan will have to take into account the following compulsions of circumstances :—

- (i) The rate of increase in population. It seems to be higher than that postulated for the Second Plan. As against the rate of growth of 1.25% per annum it is estimated that it may be around 2%.
- (ii) The mounting problem of unemployment. As the increase in employment opportunities during the Second Plan will fall short of the addition to the working force by about 2.5 millions, the backlog of unemployment at the beginning of the Third Plan will stand at 7.5 millions as against 5 millions at the beginning of the Second Plan.
- (iii) The rate of investment called for by the law of dynamic growth in general and the logic of the Second Plan in particular.
- (iv) The rates of growth achieved by some other countries which had almost simultaneously started on their career of economic development.

- (v) Aspirations of the people and prevailing climate of opinion in the country.

### III. Objectives & Priorities.

17. In view of these considerations the objectives and priorities of the Third Plan will have to be as follows :—

- (1) The Third Plan must be the logical extension of the Second and must conform to the long term perspective indicated in the latter.
- (2) There must be much greater stress on agricultural development enabling us to free ourselves from dependence on import of foodgrains and to facilitate a substantial increase in the export of agricultural products. The major limiting factor in the development has been and will continue to be the shortage of food and other agricultural products. Failure to increase this is bound to accentuate pressures on internal prices and the balance of payments position. We may set the target of 50% increase in agricultural production during the Third Plan period (this should not look ambitious in view of the target of doubling food production during 1959-66 as laid down by the A.I.C.C at Hyderabad). China is said to have achieved comparable results in one year.
- (3) There should be greater reliance on our domestic resources for financing our development programmes. In the context of our foreign exchange difficulties we would require, inter alia, to lay a special accent on the export industries and significant expansion of overseas shipping operations.
- (4) The proportion of investment in basic and producer goods industries should increase from 15% at the end of the Second Plan to at least 20% in the Third Plan with special emphasis on machine building industry so as to enable us to have capacity for building a million ton steel plant, a fertiliser plant and 1.5 M.K.W. of power potential every year. The production and refining of mineral oils and projects for synthetic petrol might rank equal in importance with the machine building programmes.
- (5) The approach and policy of the Second Plan regarding the development of village and small scale industries as progressive and decentralised sector of the economy should not only be continued but reinforced further on the basis of experience gained in the actual implementation of the programmes in the Second Plan period. The potentialities of these industries in dealing with the problems of under-employment and unemployment in rural and urban areas generally and for providing income and work to specific groups e.g., the educated unemployed, the displaced persons, persons affected by



slum clearance schemes, scheduled castes and tribes and landless persons should be utilised to the utmost. The principal objectives in view should be the progressive improvement of techniques, developing the economies of sale and organisation by bringing the artisans increasingly into industrial co-operatives, improvement of marketing, closer linking of the small scale industries with large ones as ancillaries and the building up of industrial nuclei in rural areas based on a larger programme of rural electrification. (The percentage of the villages electrified should increase from 4% at the end of the Second Plan to 10% at the end of the Third Plan).

- (6) The rate of increase in national income should be such as to double it in 1967-68 as stipulated in the long term model. It should, therefore, be at least 6% per annum in the Third Five Year Plan. Actually if the target of 50% increase in agricultural production materialises, it will be possible to secure a much larger increase in national income.
- (7) We should strive to eradicate at least one-third of the backlog of unemployment in 1961 and to provide job opportunities for the addition to labour force during 1961-66. This will mean the creation of 15 million fresh jobs in the Third Plan period.

The Third Plan must seriously attempt to eradicate the problem of educated unemployed by providing 24 lakh jobs as against 14.4 lakh jobs that might be created during the Second Plan.

- (8) Steps should be taken for a more rapid development of human capital particularly through the expansion and reorganisation of education. (As regards primary education for the age-group 6-11, we should attempt to bring in all children to school in the Third Plan. It is estimated that by 1960-61, facilities will be available for 84% of the boys in this age-group, and it should not be very difficult to take this figure to 100%. In the case of girls, however, it will be an up-hill task to raise the percentage from 42.7 (estimated) in 1960-61 to 100 but every attempt should be made to realise it, in view of the very modest character of the target vis-a-vis the constitutional directive.)
- (9) Definite steps must be taken to effect a distinct socialist advance during the Plan. (This has been spelt out in a separate section).

#### **IV. Approach to Resource Mobilisation and its policy implications.**

18. The Third Five Year Plan would demand a very radical approach to resource mobilisation. As the means employed so far may yield only marginal results, it will require structural economic changes. The usual way

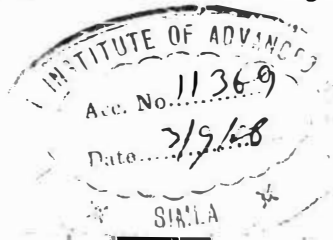
to look to the actual economic surplus as the source for development, is not only wrong but demoralising in the extreme. To bring about a substantial rate of growth, we have to tap the potential economic surplus in the economy. This would require a regime of austerity and elimination of leakages and waste occurring in a number of ways.

19. On the basis of present trends, for instance, scarcity of foreign exchange resources is considered to be the greatest limiting factor. But to look at the present position in this respect or any other as the datum is contrary to all notions of planning and development. National planning is essentially a comprehensive process designed not only to make an effective use of existing financial resources but also to augment them as we go along. Otherwise, the situation would seem completely hopeless. Thus there would hardly be any scope for a plan of basic industrialisation with foreign exchange component, on the basis of a thesis of despair which runs something like this: In view of the present trends of exports and the imports and the need for the maintenance of economy and repayments, we will not be left with a sizeable margin of foreign exchange resources.

20. The basic requirement for our export earnings is high agricultural production both of foodgrains and commercial crops and increase in efficiency of production and competitive capacity of our export industries. Internal and external resources are not two independent compartments. The production of foodgrains plays a key role in our export earnings. Failure in this respect not only worsens the position through the need for imports of foodgrains but also through the raising of the prices of export goods and undermining their competitive capacity.

21. Considerable saving is possible in our imports of steel, machinery and certain basic industrial raw materials as the investments in these branches would start yielding returns in the Third Plan. On the export side, there will be increasing scope for stepping up our earnings. The exports in our traditional lines like jute, textiles and tea can be increased. We should also be able to lay apart for exports an increasing share of the additional production of such commodities as sugar, cement, engineering goods, etc. On the whole, it should not be difficult to increase our foreign exchange earnings by Rs. 75 crores a year through efforts in these directions.

22. The crux of our problem is that we must mobilise the agricultural surpluses and the surplus manpower in rural areas. For this we will have to bring to bear upon it a completely new and fresh outlook. The existing surpluses, however, cannot be considerable and so what is still more important is that we must try to augment them and mobilise them as they go on accruing. But the mobilisation presents a much tougher problem. It cannot be achieved unless we develop necessary organisation for the purpose. Japan could achieve the mobilisation of surplus through agricultural taxation. Russia could do the same through collective farms and compulsory deliveries and China is now doing it successfully through cooperatives of her conception.



23. The most suitable framework in India for this purpose seems to be the cooperative farming society. We must, therefore, actively undertake the organisation of cooperative farming societies through which alone it would be possible to take away a part of the increased production for national development. The multi-purpose services cooperatives which we want to establish in every village with maximum speed will provide the necessary framework of resources and facilities which will help to foster the development of joint farming societies. The urgent problem is to bring about the cooperativisation of small uneconomic holdings, the number of which is very large. Holdings upto  $2\frac{1}{2}$  acres constitute about 61% of the total and "perishable commodities" as they are, they have a compulsion of circumstances to come together for joint cultivation. The surplus land available after the imposition of ceiling may be utilised for boosting up these tiny holdings and thus used as a lever for the formation of cooperatives.

24. We can also mobilise agricultural surplus by providing the village community with a nucleus fund and making it responsible for most of the social services programme. At present some of the State Governments are already making over 30% of the land revenue to the Panchayats. If we decide to entrust to them 50% of the land revenue, it may be expected to be multiplied by local resources in men, money and material to fulfil their felt needs. So what seemingly we may lose in the swing may be not only made up in the round-abouts, but also multiplied manifold, if proper leadership is available to the Panchayats. There are serious limitations in India to increasing land taxation as was done in Japan. It would be extremely difficult to take away resources from the villages even if we were to canalise them back to the villages, but it should be comparatively much easier to do it by transferring nucleus resources in the first instance and then getting them multiplied by local resources via social services programme. It would be apt here to point out how in some of the Community Development Blocks in Madras unusually large local resources have been forthcoming for the expansion of education. In one Block the local contribution for this purpose seems to have gone upto about Rs. 13 lakhs or so. It is learnt that the Government of Madras are now making available to the village Panchayats and their Unions 50% more financial resources than they have been drawing by way of land revenue. This would mean more powers to the village community. Limited powers lead to the indifference of a large number, as they think that they would be enjoyed by the chosen few. We may consider what regulatory measures would be necessary to keep evil forces in check that may come out with the taste of larger powers.

25. Thirdly we can bring about large scale capital formation in agricultural sector by utilising the savings potential of the disguised unemployment. An underdeveloped country is by definition deficient in capital and so in our case the process of development will have to represent largely the victory of men and not of materials. It is mainly through the cooperative reorganisation of the village that we can hope to utilize the surplus manpower.

26. In regard to other sectors of the economy we will have to locate certain strategic points at which action is called for not only from the point of view of tapping profits at source and thus mobilising resources for

national development but also for safeguarding the vital interests of the community. The most urgent thing to do is to control the elements which make for instability in our economy and bring about precipitous rise or fall in prices of certain important commodities. By undertaking State Trading in foodgrains we will have the most important lever to control the prices. If we can maintain stability of prices we can have larger deficit financing, more savings and more of taxation, etc. Even the announcement of State Trading in foodgrains seems to have had a salutary effect on prices.

By and large we may not require to bring under public ownership the existing production units in the private sector. There is need, however, to ensure efficiency and low cost in them, and make the administration of regulatory laws applicable to them more purposive and effective so that their potential surplus is mobilized for the Plan and there is greater acceptance of the basic values implicit in the concept of the socialist pattern of society. At present, the regulatory measures in practice do not form part of an integrated picture as their administration is carried out in a dispersed and unco-ordinated way. The Third Plan would demand executive policy decisions and their complete unity of purpose to bring out in full the economic and social potentialities of these laws. All this, however, should be done in such a manner that it does not result in stifling incentive and amplitude of action necessary for the effective functioning of the private sector in the field earmarked for it.

Our trade and commerce which generates about 19% of our national income is less amenable to public control and less subservient to national planning. We, therefore, will have to do much more to inform this sector with a new social purpose. Here the margin of profit is almost highest, and the monopolistic trend is more pronounced. It is highly congested with a large number of parasitic and redundant people who must be transferred to more socially desirable and economically productive sectors. If we succeed in exercising effective control and direction of this sector, production units would be largely regulated. At present we have an organised industrial sector which may be made more amenable to public control. Similarly we have more or less an organised financial system including banking on which public control is effectively exercised. The rural credit is also going to be organised on cooperative lines. Railways, air service, shipping, etc. constitute a fairly organised transport system. To a large extent labour is organised in the urban sector. But we do not have an organised distributive trade, an organised agriculture, an organised construction and an organised labour in rural area. Unless we act in terms of filling in these gaps, we cannot have a framework in which the mobilisation of the surpluses accruing in them may become possible. The urgent task of our planning lies in bringing about their proper organisation as soon as possible and informing them with a social purpose.

27. It would, therefore, follow that to stabilise and improve our foreign exchange earnings, we will have to think of extending State Trading in the field of basic import-export goods. We may have to consider for socialisation such items of our foreign trade also which are amenable to speculations and profiteering in large measure. In addition, State may take up trade in such lines as are necessary for making available to the industry

raw materials at reasonable prices and consumer goods to the general public at fair prices. But care should be taken to see that these steps do not mean a "socialisation of losses".

28. Socialisation of internal trade, if extended in the form of State monopolies, can enable us to raise resources for development in the form of trading profits. The Taxation Enquiry Commission has made recommendations for fiscal monopolies in certain commodities which may be examined in this context. It may be argued that for monopoly trading, using existing channels of distribution, production itself may have to be socialised. Possibly, under a different set of arrangements, it might not be necessary to do so to derive the benefit of Government pricing and profits accruing therefrom. The extension of public ownership may also be necessary not only from the point of view of raising resources, but also—and this is more important—for conserving and developing the natural sub-soil resources.

29. The pricing policy of State enterprises should be adjusted in such a way as to yield resources for development without inflicting undue burden on the consumers.

30. These are some of the general lines which offer themselves for consideration in the context of our need to raise resources. It is difficult to quantify them at this stage. This task may be better left to the Government bodies concerned.

31. From what has been stated above it is quite clear that present policies and institutional framework cannot meet the requirements of a plan dictated by the objectives, and considerations mentioned earlier. We have come to a stage where the crucial problem of resource mobilisation is found to be inextricably linked up with institutional change and social transformation. Unless we are prepared for a radical departure from the present policies, we will not be able to find the necessary resources for the future plans. That is the lesson we have to learn from the experience gained during the Second Plan. The decision regarding the organisation of multi-purpose services cooperatives is extremely important. So also the decision to make the Panchayats the driving force for a programme of rural regeneration based on self-reliance. The decision of State Trading in foodgrains is also of far-reaching significance. The implementation of these programmes would call for a large scale training of persons for which steps may be taken right now.

32. We have to give some concrete form to the objective of reduction of inequalities. A committee should be set up to study the problem of narrowing down the range of income inequality to 1 : 30 as recommended by the Taxation Enquiry Commission. We have not so far formulated a national wage and salary policy. Such a policy must emphasize the need to limit any rise in wages or salaries to the minimum. All round austerity must be our keynote and it should govern the regulation of dividends as well.

A committee should also be set up to suggest techniques and organisation for the utilisation of surplus manpower. Capital formation on large scale will be possible only if we can draw upon our immense idle labour for national development.

## V: Socialist Advance.

33. The Third Plan would register a definite socialist advance in the following way :—

- (1) It would ensure equitable distribution and elimination of exploitation in the agricultural sector through the completion of some of the important aspects of land reforms.
- (2) It would bring about the cooperativisation of important services required by the rural community and thus provide the basic framework for cooperative farming. The process of setting up the multi-purpose services cooperative in every village would be completed and thus there would be significant increase in the rural income through the development of agriculture and village and small-scale industries.
- (3) The socialisation of vital sectors of trade and commerce will be undertaken.
- (4) Through more integrated, purposive and effective administration of the regulatory laws it would ensure greater acceptance by the Private Sector of the basic values implicit in the Socialist pattern of society.
- (5) There would be much greater advance towards socialist industrialisation by much larger public investment and further extension of public sector in important and basic industries.
- (6) The egalitarian effects of redistributive fiscal policy based on Estate Duty, Wealth Tax, Expenditure Tax, Capital gains Tax etc. would be more fully felt as a result of their more effective operation.
- (7) It would lead to much greater widening of employment opportunities, solve the problem of educated unemployed, and make a significant attack on the backlog of unemployment.
- (8) It would take effective steps to reduce the disparity between the rural and urban areas and give a special stress on depressed pockets.
- (9) It would seek to reduce the disparity in wages and salaries and the disparity between income from work and income from property on the basis of a national policy which would at the same time see to it that there is no adverse repercussion of incentive to work, productivity and efficiency.
- (10) Steps would be taken to reduce the gap between the highest and lowest incomes to 1 : 30 times per family income as recommended by the Taxation Enquiry Commission.

- (11) It would bring about much greater equalisation of opportunities by the spread of education.
- (12) It would democratize the process of development by making the Panchayat and the Cooperative as the base for social and economic development, and thus release the initiative and creative energies of the people on a large scale.

## VI. The Motive Force.

34. Some may ask whether the contemplated policy and institutional changes can be effected and adequate resources realised within the framework of a political democracy. It may be pointed out that some serious limitations may operate to the disadvantage of a plan which demands enough sacrifices from the community. On the one hand, the political parties may not rise above narrow party considerations and, on the other, a slowly changing administrative set-up may not prove equal to the tasks of a rapidly developing economy.

It is, of course, extremely important to realise that we cannot implement a bold plan in a routine manner. No matter how good and wonderful the theoretical build-up of a plan might be, it would not be of much consequence if it is not backed by an administrative machinery which has as much regard for new social ideals as for efficiency and honest work. The machinery for implementation of the Plan will have to be imbued with the new idealism and so refashioned that the 'dynamic element' - scientists, engineers and experts—have greater importance, responsibility and effectiveness than at present.

As for major political parties which have to provide the real "motive force", it may be said that they may not see their way to keeping the sphere of national planning above party considerations, and so while they may press for a big plan with stress on basic and heavy industries, they may not let go any opportunity to exploit the stresses and strains produced by them for their political ends. Some of the recent strikes affecting our exports and even import of foodgrains needed for drought - stricken areas, and the production of basic commodities are instances which may be readily pointed out in this connection. In particular, it is felt that political democracy imposes serious limitations in respect of raising resources from agricultural sector.

35. The capacity of the ruling party to discharge its responsibility in building up local institutions and leadership and preparing the people for obligations of a bigger plan is another important consideration. There is no doubt that in the present circumstances of the country this can be an important determinant of progress.

36. We have sometimes a tendency to defend lower performance in the name of democracy. So also we advocate low capital formation in the name of democracy. If democracy in the present state of development means less burdens on the people, more salaries and wages, and devoting sizable resources to consumption and going in a leisurely fashion, it is idle



to talk of the "break-through" the vicious circle of poverty. We cannot blame the people or the democracy unless we have built up institutions through which people can give spontaneous expression to their creative energies. There is no reason why the results achieved in a democratic system should be of a lower order than under any other system if the moral and creative energies of the masses are fully aroused.

37. Our concern has always been, as it should be, to see that the Plan is kept above party considerations. We succeeded in bringing about a near-unanimity on the objectives and structure of the Second Plan. Its impact was not sufficiently felt, however, on the implementation of the programmes. The process of consultation with the political parties can be expected to be more intimate and fruitful this time. But even if other political parties do not rise above their narrow political interests the ruling party should prepare itself to provide the drive and lead for large scale mobilisation of national effort. With its wide-spread net-work of organisation, it should not be difficult for it to build up a nucleus of half a million voluntary workers to educate masses and bring about their effective participation in development programmes. The problem is to get through persuasion and education the same response from the people as a totalitarian country is able to squeeze out through instruments of coercion.

38. The question, therefore, boils down to this : whether the ruling party would feel self-confident in facing the electorate with a Plan which is desirable in every way but which imposes greater burdens and sacrifices on the people. The inability of a ruling party to do it can be the most serious limitation to the adoption of a historically adequate plan. Such a plan is more a function of political courage and farseeing statesmanship than of economic acumen and expertise.

