

The Indian Economy: An Assessment of Development Strategies.

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Since last year when China modified her economic model based on “closed economy” and strict “self reliance”, by inviting “capitalistic foreign multinationals” to help her “modernization plans”, the Indian model of economic development has regained respectability not only in India but also in several other Asian countries. The Chinese deviation from the Maoist hard line economic policies, which only a few years ago, were characterized by both the Chinese and American economists as being very effective in producing rapid economic growth, equalization of income distribution, is understandingly being viewed by many Indian and Asian economists as an admission of ineffectiveness of the Chinese economic model. Economists, who few years ago were suggesting adoption of some variations of the Chinese economic model, particularly manpower utilization and equalization of income distribution, by other developing countries, are now unsure of their earlier views. Recent press report emerging from China on the persistence of poverty, chronic unemployment, serious disguised unemployment and declining rate of economic growth, have puzzled serious students of Asian economic development. Where as few years ago, doubts were expressed on the appropriateness of Indian economic model to

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solve India's serious economic problems, now Indian economists are more concerned with adopting new approaches and strategies to deal with pressing economic problems rather than changing the basic economic model and political-economic structure. Towards this goal, critical evaluation is being made in the Indian economic circles of the achievements and shortcomings of Indian economic model adopted during the last three decades of economic planning. The results of three decades of planning have been rather mixed; significant achievements of some fronts and dismal failures on some others.

The most significant achievement is the break in the virtual stagnation of the Indian economy during the first half of the present century. The 4.0 percent average annual growth rate during the period 1950-1979 which, though grossly inadequate, is according to K.N. Raj, "2 to 3 times as high as the rate recorded in British administration . . . it has been higher than the percentage increase realized in India over the entire preceding half a century."¹ The growth rate of the Indian economy during the period 1950-1968, in the words of Max Millikan, "represents a notable acceleration over the annual growth rate of the British India for the first half of the twentieth century, which has been at no more than 1 percent, and compares very favorably with the growth rates of the presently advanced countries during their earlier development history." On the other hand, there have been some serious failures of the Indian plans. The rate of economic growth, though greater than the pre-independence period has been grossly inadequate when compared to other developing countries and also the targets fixed under different plans. The other notable failures of Indian planning have been in the utilization of manpower and distribution of income to ameliorate poverty among masses. What are the main achievements and failures of three decades of Indian planning? What are the factors behind the shortcomings? Were the strategies adopted under the plans sound? These are the questions to be dealt with in this paper.

We will start with a description of the strategies implicit in the Indian plans.

1. K N. Raj, *Indian Economic Growth : Performance and Prospects*, Delhi, Allied Publishers, 1976. p. 2.

2. Max F. Millikan, "Economic Development : Performance and Prospect," *Foreign Affairs*, Vol. 46, M, 3,

1. Basic Strategies of the Indian Plans

a. Emphasis on Heavy and Capital Goods Industries

It is commonly believed in the developing countries that "industrialization" specially "basic and heavy industries", is a prerequisite for economic developments. Steel plants and other large scale industries have become modern international status symbols. In India, the absence of heavy industries has always been considered a major obstacle to her development. This view stems from the argument that Indian industrial development has been lopsided during the preindependence period. While India had fairly developed consumer goods industries, the basic and capital good industries were conspicuous by their absence. This lack of basic industries persisted despite the fact that she had ample supplies of industrial raw materials. Nehru used to characterize steel and fertilizer plants as, "temples of the modern India." While the First Plan emphasized infrastructures, -power projects, transport and communications- from the Second Plan onward, development of large scale industries and mineral development were accorded priority in the allocation of plan outlays.

b. Growth Orientation

The main emphasis in the five year plans was placed on achieving the highest rate of attainable growth rate. Nehru once remarked that, "Production comes first and I am prepared to say that every thing we should do be judged from the point of view of production."³ It was assumed that all other objectives e.g. greater employment opportunities, eradication of poverty, would somehow follow from increase in national income. In other words, increase in growth rate of national income was a primary goal and the other objectives were derivative and secondary. This assumption, running explicitly in all the plans was implicitly stated in the Fifth Plan:

"In elaborating our strategy of development of earlier plan documents, we seem to have assumed that fast rate of growth of national income will by itself

3. Quoted in Lawrence Veit, India's Economic Revolution, New York, McGraw-Hill, 1976, p. 200:

create more and fuller employment and produce higher living standards of the poor."⁴

The Planning Commission ignored the fact that the strategy of "production orientation" without change in the pattern of ownership of the means of production might result in further maldistribution of income and wealth.

c. Socialist Pattern of Society: Growth of the Public Sector

The long term goal of the Indian planning has been to transform the economy into "Socialistic Pattern of Society" and most of the plan policies and development strategies reflect this goal. Though the formal resolution on this issue was passed at the Avadi Session of the Indian National Congress in January 1955, the Indian leadership was definitely committed to this goal much before Independence. The view that the "laissez faire" system adopted by the British Raj was the major obstacle to economic development, was widely held. Indian leaders specially Mahatma Gandhi, Tagore and Nehru, were greatly influenced by socialistic ideas and they articulated it freely in their writings and speeches. In 1938, the National Planning Committee set up by the All India National Congress suggested planning for economic development of India following the path of a "socialistic society" within a democratic framework.⁵ Nehru, the chief architect of economic planning, rejected the socio-political system prevailing in India before Independence:

Our economy and social structure have outlived their days. We must aim at a classless society, based on cooperative effort, with opportunities for all.⁶

Nehru rejected capitalism for India stating that, "a system which is based purely on the acquisitive instinct of society is immoral," Nehru made quite clear in 1954 that:

4. Govt of India. Planning Commission, Towards An Approach to the Fifth Plan. New Delhi, 1974, p. 3.

5. Quoted in R. Koshal, "Socialist Society—An Analysis of India's Economic Policy," in J. S. Uppal, edited India's Economic Problems, New Delhi, Tata McGraw—Hill, 1965, p. 133.

6. Ibid, pp. 144-145.

The picture I have in mind is definitely and absolutely a socialistic picture of society. I am not using the word in a dogmatic sense at all. I mean largely that the means of production should be socially owned and controlled for the benefit of society as a whole. There is plenty of room for private enterprise there, provided the main aim is kept clear.⁷

In December 1954, the Indian Lok Sabha clearly stated India's economic policy by adopting a resolution containing the following clauses:

- i) The objective of economic policy should be a socialistic pattern of society, and
- ii) Towards this end, the tempo of economic activity in general and industrial development in particular should be stepped up to the maximum possible extent.

The Second Five Year Plan elaborated on the concept "socialistic pattern of society" further to suggest that basic criterion for determining the lines of advance must not be private profit, but social gain.

The Third Five Year Plan emphasized the reduction in inequalities in income and wealth distribution and a more even distribution of economic power. The Fourth Five Year Plan, not only placed emphasis on the above objectives, but also suggested further nationalization of enterprises. It is important to point out that no radical policy e.g. nationalization of land for state farming or redistribution among the landless labourers was contemplated. In other words, five year plans did not suggest any significant structural changes in the ownership patterns either in the agricultural or industrial sector.

d. Self Reliance

The Fifth Year Plan has set the achievement of "economic self-reliance" as one of the strategic goals of planning in India. The idea is however, not new. Besides suggestions in the

7. Quoted in Baldev R. Nayar, *The Modernization Imperative and Indian Planning*, Delhi, Vikas, 1962, p. 51.

earlier plans, self-reliance was mentioned several times specially during national crisis such as periods of food scarcity and international conflicts. The roots of "self-reliance" can also be traced to the Swadeshi movement launched during the twenties and to the Gandhian idea of the village level self-sufficiency.

For success of the goal of self-reliance, the Fifth Plan seeks, "a dynamic self-reliance where the rate of economic growth is accelerated, while, at the same time, developing the capacity to sustain it essentially from our own resources. It is thus envisaged that by 1985-86, economic growth would be basically self-sustaining at a rate of 6.2 percent per annum which would be the highest ever attained by the economy on a sustained basis.⁸ The five year plans have recommended specific policies including domestic capital formation to "end dependence on foreign capital"; export promotion and import substitution; expansion and diversification of technical services.

e. Comprehensiveness

Indian plans are comprehensive in the sense that they cover several aspects of the society simultaneously: from increasing the gross national product to the development of arts and music, from the welfare of the lower castes to improvement in transport and communication systems. According to the Second Five Year Plan, Indian plans are intended to:

Accelerate the institutional changes needed to make the economy more dynamic and more progressive in terms to less of social than economic ends. Development is a continuous process; it touches all aspects of community life and has to be viewed comprehensively. Economic planning, thus extends itself into extra economic spheres, educational and cultural.⁹

Some writers have criticized this approach as spreading scarce resources too thinly instead of concentrating on areas of high growth potential.¹⁰

f. Democratic Planning and the Federal Political Structure

Indian plans are formulated and implemented in a democratic and a federal structure. The Planning Commission is an advisory committee charged with the responsibility of

8. Govt. of India, Planning Commission, Fifth Five Year Plan, New Delhi, 1975, Vol. 1, p. 4.

9. Govt. of India, Planning Commission, Second Five Year Plan, New Delhi, 1956, p. 3.

10. See M. R. Pai, Planning in India—A Commentary, Bombay, Popular Prakashan, 1966, pp. 1-56.

formulating plans in consultation with diverse political and economic interests. The following points need to be stressed regarding democratic elements in the Indian planning process:

- i) Planning in India is an open process.
- ii) The Planning Commission is an advisory committee. It prepares the plan but has no authority to implement it.
- iii) Implementation of the plan is left to various levels of governments in the Indian federal set up: center, states and local governments according to the demarcation of functions provided in the Indian Constitution.
- iv) The success of the plans depends on public cooperation and mass participation. In the Indian democratic set up, the government has no authority to restrain private consumption for private capital formation or force people to work as we find in some totalitarian regimes.

Gunnar Myrdal¹¹ characterizes India a "soft state" where the obligations on the part of masses to make sacrifices for economic development cannot be easily enforced. Bhatt describes how the democratic planning within a federal structure imposes considerable constraint:

The functioning of a democratic process in a poor country with a large size and intense religious, linguistic and cultural diversity creates sometimes such irrational and conflicting demand on the economic system as the system cannot meet without adversely impinging on the growth process.¹²

II. Major Achievements of India's Plans

a. Growth of Infrastructure and Basic Industries

There has been considerable provision of infrastructure and the basic industries. Road kilometrage increased from 0.4 million in 1951 to 1.21 million in 1978. Railway route

11. Gunnar Myrdal, *Asian Drama: An Enquiry into the Poverty of Nations*, New York Pantheon, 1968, p. 66.

12. V. V. Bhatt, *Two Decades of Development: Indian Experience*, Bombay, Vora 3 Co., 1973, p. 30.

length increased from 53,596 kilometres in 1951 to 60,234 kilometres in 1976. Today, the Indian railway system is the largest in Asia and the fourth in the world. Shipping tonnage increased to 5.36 million grt in 1978 from 0.37 in 1951. The electric power generated jumped from 20.1 billion kwh in 1960 to 100 billion kwh in 1978. The cultivated area under irrigation increased from 20.9 million hectares in 1950-51 to 47 million hectares in 1978. The growth of certain basic industries was spectacular. The production of steel increased from 1.47 million tons in 1950-51 to 8.7 million tons in 1978. The increase in aluminum output during this period rose from 4000 tons in 1950-51 to 180,000 tons in 1977-78. Similar high rates of growth have been achieved in mechanical engineering industries (machine tools, railway wagons, power driven pumps, diesel engines), electrical engineering industries (power transformers, electric motors, electric cables and wires), chemical and allied industries (fertilizers, cement and petroleum products). While the general index of industrial production (1970=100) increased from 54.8 in 1950 to 135.1 in 1977, the index for basic and key industries registered much higher increase as shown in Table 1.

Table-1

Index of Industrial Production 1951 - 1977

(1970 = 100)

<u>Group</u>	<u>1951</u>	<u>1977</u>
General Index	54.8	135.1
Rubber Products	56.0	161.1
Chemical	42.4	161.1
Petroleum	11.0	141.7
Machinery	22.2	168.8
Electricity	35.7	133.8

Sources: Govt. of India, Ministry of Information, India 1977-78: Planning Commission, **Fourth Five Year Plan 1969-74.**

While India has still a long way to go to develop infrastructure and basic industries sufficient enough to meet the growing demands of the expanding economy, the progress in this sector looks spectacular while comparing the situation in 1978-79 with that in 1950. The present level of development in infrastructure and basic industries is capable enough to put the Indian economy on the path of self-sustaining growth.

b. Education, Social Services and Development of Human Capital

Another area in which India has recorded impressive gain is in the expansion of educational facilities and provision of social services like public health and sanitation measures. During 1951-1979, the literacy rate went up from 16.6 percent to 35.0 percent. Ninety percent of children in the age group 6-11 were in schools in 1977 compared to 33.0 percent in 1950. There were 90 million students (at the primary and secondary levels) in schools in 1977 compared to 2.3 million in 1950. The number of pupils at the University stage: arts, sciences, and commerce, increased from 0.36 million in 1950 to 4.6 million in 1977. The number of universities registered an impressive increase from 27 in 1950 to 105 in 1977. Several educational, scientific and social science research councils have been set up and the contributions by Indian scholars to the International journals of repute have achieved world wide acclaim. India at present ranks third in the world (after the U.S.A and U.S.S.R.) in the absolute number of technically trained personnels.

This impressive growth in educational and research facilities should normally be a great asset in economic development. But, unfortunately, there are some disquieting features in the field of education. The Indian educational system continues to be deficient from the point of view of enrichment of students personality, modernizing their outlook and more essentially, developing their capacity and will for productive economic activity. A task force appointed by the Government of India in 1972 observed, "We have, unfortunately, at present a top heavy, lopsided, educational structure which does not seem to be commensurate with the socio-economic needs of the society. This is not, however, a recent phenomenon, it has its roots in the pre-independence period, only it has become more acute of late."¹³ Presently, India has more educated persons than she can utilize. Consequently, level of unemployment increases with level of education. During the period 1960-77, the rate of increase of unemployment was greater for college graduates than for the holders of high school diplomas.

Paradoxically, even engineers and other persons with advanced technical training are facing unemployment in India. According to a recent estimate, 0.69 million graduates and engineering diploma holders, which is 10-20% of the total number in this category, were unem-

13. Govt. of India, Report of the Committee on Distribution of Income, New Delhi, 1964, p. 28.

ployed in 1977-78. If the present trend continues, the situation will worsen over time. If we relate the increase in the unemployed to the increase in the number of these graduates, i.e., the marginal rate of unemployment, during the Sixth Five Year Plan 1978-83, it turns out to be 27.33%.¹⁴ This is a grim outlook indeed.

During the last decade, there has been a phenomenal increase in the export of consultancy services involving large number of technically trained personnel in industrial, technological and management fields to other underdeveloped countries in Middle East, South East Asia and Africa. The foreign exchange earnings from such services rose to \$5.00 million in 1977 as compared to the average export earnings of \$1.37 to \$1.52 million during the period 1970-71 to 1974-75—an increase of nearly 400 percent.¹⁵

There has also been a vast improvement in the provision of health facilities during the last two decades. The number of doctors and hospital beds has increased by more than two and a half times and that of nurses by more than five times. In the rural areas, there were about 43,117 primary health centers in September 1977, while none existed before 1950. Epidemics like malaria, T.B., small pox, cholera and plague, which took a heavy toll of life, are no longer big killers. The death rate has come down from 27.4 per thousand per year in 1950 to 18.9 in 1970 and the life expectancy at birth has increased from 32 years to 53 years during the same period. This impressive improvement in health facilities, highly desirable from human welfare, has, however accentuated the already serious problem of population explosion.

c. Savings and Investment

In a country with a large number of people living under subsistence level, it is not realistic to expect much domestic savings and investments. As Barbara Ward remarks, "In democratic India, where people are being asked for the first time in history to vote themselves through the tough period of Primitive accumulation, savings are lower.¹⁶ She goes on to say:

14. V. M. Dandekar, Education, Employment and the Plan: Convocation Address, University of Poona, March, 25, 1969, p. 2.

15. India News, Washington, D. C., October 29, 1976.

16. Barbara Ward, The Rich Nations and the Poor Nations, New York, Norton, 1962, p. 5.

Even though the hope is that five to ten years from now, conditions will be better, can the people be persuaded—least of all by free vote—to submit themselves to an even worse plight now ?¹⁷

It might be pointed out that while inadequate savings continue to be an impediment to economic growth, India's record in increasing the rate of capital formation, specially the domestic part of it, is quite impressive and better than any of the democratic underdeveloped countries. In 1950, India's gross investment was 7.0% of the national income (6.6% domestic and 0.4% foreign capital). The corresponding rate increased to 19.8% in 1977-78. Granted that this rate of investment will have to be increased further to achieve the annual average rate of growth of 5.5% envisaged in the Fifth Five Year Plan. The increase in the rates of saving and investment achieved during the last 25 years is, nonetheless, an impressive achievement.

III Main Failures of Planning in India

While we have outlined some major development gains from three decades of planning, we should not overlook some serious shortcomings and failures encountered during this period. To discuss the main failures of India's five year plans, we should keep in view their basic premise: a) development along socialistic lines to secure rapid economic growth, b) expansion of employment opportunities, c) reduction of disparities in income and wealth distribution, d) and prevention of concentration of economic power.

a. Inadequate Growth Rate

India's development performance during 1950-75 can be reviewed in terms of some crucial economic indicators in Tabel 2. The growth rate of the gross national product and also the per capita income can be interpreted in two ways. Comparing the growth rate during the period 1950-69, with that in the pre-independence period, to repeat Max Millikan remarks, "represents a notable acceleration over the annual growth rate of British India for the first half of the twentieth century, which has been estimated at no more than 1 percent, and compares very favorably with the growth rates of the presently advanced countries during their earlier develop-

17. Ibid., p. 125.

ment history.”¹⁸ The growth of the last thirty-five years is, however, not impressive judged from either the target or planned growth rates, which are much higher than the realized except during the First Plan or comparison with other underdeveloped countries. As Jagdish Bhagwati remarks:

It is now clear that the Indian economic performance while a definite improvement over that in the pre-independence period, is less than satisfactory whether one takes the “capitalistic” index of growth rates of income or the “socialist” indices of eradication of poverty and reduction of income inequality. International comparisons show that our growth rate during the last two decades since planning began has been bettered by a number of other countries of different sizes, political persuasions and economic ideologies: Taiwan, South Korea, Brazil, and Israel are only a few of the examples that may be mentioned.¹⁹

The increase in already grossly inadequate per capita income at a very small average annual rate of about 1.3% does not speak well about the effectiveness of the Indian economic planning.

b. whither India's Socialistic Society ?

We have discussed earlier the nature of “Indian Socialist Society” and its major instruments of public policy: (i) growth of public sector and nationalization, (ii) land reforms, (iii) redistributive policies to reduce inequalities in income and wealth. (As we will explain in a later section, the incidence of poverty and disparities in income distribution have rather increased since the start of economic planning.) The land reform have largely failed to achieve their objectives: providing security of tenure to cultivators, decreasing the rent charged and conferment of ownership rights on the actual tillers. Though there has been large expansion in the public sector (Increase in total investment: Rs. 250 million in 1951 to Rs. 89.7 billion in 1977 in public enterprises whose number increased from 5 to 129 during this period) there have been some questions raised on the performance of government undertakings. Shortcomings such as delay in completion of these projects; over-capitalization due to inadequate planning, delays and unavoidable expenditures during construction, surplus machine capacity, large overhead

18. Max Millikan, Op. Cit. p. 532.

19. Jagdish Bhagwati, “India in the International Economy”, Institute of Public Enterprise, Hyderabad, 1973, p. 1.

Table 2
Some Indicators of Economic Growth in India
 1950-1978

Indicators	1950-51	1955-56	1960-61	1966-67	1975	1976	1977	1978
	1955-56	1960-61	1965-66	1970-71	1976	1977	1978	1979
(Average Annual Growth Rates)								
Gross National Produce (at 1960-61 prices)								
a. Target	2.5	5.0	5.0	5.5	-	-	-	4.7
b. Actual	3.5	4.7	2.6	3.7	8.5	1.5	6.0	3.0
Per Capita Income: (1960-61 prices)								
a. Target	1.3	3.8	2.9	-	-	-	-	2.3
b. Actual	1.6	2.5	0.3	1.6	6.6	-0.4	4.5	3.0
Population Growth:								
a. Predicted	1.2	1.2	2.2	-	-	-	-	-
b. Actual	1.9	2.2	2.3	2.1	1.9	1.9	1.5	1.7
Agricultural								
Production	4.2	4.3	-1.1	-0.1**	15.6	-6.0	13.0	3.9
Food Grain Production	4.9	4.4	2.0	1.1**	21.0	-8.1	-	-
Industrial Production	8.2	6.6	5.7	4.1**	6.1	10.6	3.9	7.0

Notes : **Figures for 1964-65/1969-70

Sources : Government of India: Economic Surveys, 1973-74, 74-75 and 1975-76, 1977-78

Government of India: Planning Commission, Five Year Plans I-V

David Morawetz, Twenty-Five Years of Economic Development, 1950-75, Washington, D. C., World Bank, 1977.

National Council of Applied Economic Research : Appraisal of the Indian Economy (New Delhi, 1978.)

Reserve Bank of India, Report on Currency and Finance, 1977-78.

expenditures.²⁰ Up till 1972-73, the dividend on share capital was quite low, which is cited as a symptom of low profitability of public enterprises compared to the private sector. Since 1972-73 and more specially during 1975-76, there has been some improvement in this respect. An important reason for emphasis on public sector, as an instrument of socialistic society, was the expectation that while the returns from private business go to comparatively rich private owners, the benefits of the public undertakings would accrue to the "common man". It was also expected that profits from the public undertakings would be an important source of capital formation. Both of these hopes have not materialized. Commenting on the distribution of benefits of public undertakings, Minhas remarks:

Whether it was the operation of public enterprises or the construction of infrastructure facilities in the field of irrigation, flood control, power, transport, etc., or the operation of a licensing system for control of investments and imports, or the distribution of public largesse to the not-so-poor was ever present.²¹

Due to the low profitability of the public enterprises, the public sector fell below the target in contributing to capital formation. The ratio of the government savings, which include profits from public enterprises, to the national income has been quite low: 1.2% in 1955-56 to 4.1% in 1977-78. According to Desai and Bhagwati, "The public sector has not generated the expected surpluses of investment and growth."²²

On the basis of the ineffectiveness of various instruments of public policy designed to achieve Socialistic Society, it is contended as in the words of Koshal:

The objectives of India's socialistic society which has been influenced on ideological ground has remained more or less a decorative piece in the government's pronouncements, and hardly perennial in all the plans. Even after twenty-five years

20. Gunnar Myrdal, *op. cit.*, p. 66.

21. B. S. Minhas, *Planning and the Poor*, New Delhi, S. Chand and Co., 1974, p. 10.

22. Padma Desai and J. Bhagwati, *Socialism and Indian Economy*, Paper Presented at the 1974 Meetings of the American Economic Assoc., p. 4.

of independence and twenty-three years of planning, we have not made any significant progress towards the objective of a socialistic society.²³

Some critics call India's Socialist Society nothing more than a mixed economy in which the public sector has taken over those functions for which private enterprise do not have sufficient resources.²⁴ In this sense, India's Socialist Society is grounded more or less in pragmatism. Minhas has, however, strong opinions against India's practice of socialism:

Let us, however, try to see what Indian socialism has turned out to mean in practice. The socialistic intentions of independent India were pitted against the out-moded attitudes of a strongly feudal and caste status-conscious society, which has been unwilling to accept the rigorous code of private as well as public behavior implied in the concept of socialism.²⁵

A great deal of constructive effort is needed to enforce the redistributive measures already enacted, introduce changes in the pattern of ownership of means of production and also to remove the outmoded attitudes of a "strongly feudal and status conscious society" which stand in the way of socialistic principles.

c. Persistent Poverty

Alleviation of poverty has consistently been one of the major objectives of five year plans, yet several studies of the incidence of poverty have indicated that the proportion of population under poverty line has increased or at best, remained constant. Ojha computed the magnitude of poverty during 1960-61 and again in 1967-68 on the basis of consumption expenditure to buy a certain amount of essential caloric intake.²⁶ For 1960-61, he estimated that 184.2 million persons in rural areas (51.82% of rural population) and 6 million urban dwellers (7.6% of urban population) lived below poverty line. On a national basis, Ojha estimated 190 million

23. Koshal op. cit., pp. 144-45.

24. A. H. Hanson, *The Process of Planning*, London, Oxford University Press, 1966, Ch. 12.

25. Minhas, op. cit., p. 10.

26. P. D. Ojha, "A Configuration of Indian Poverty in A. J. Fonesca, edited, *Challenge of Poverty in India*, Delhi, Vikas, 1972, p. 40.

persons (44 percent of total population) below poverty level. According to Ojha, "compared to 1960-61, the nutritional deficiency widened considerably in the rural population in 1967-68.²⁷ As compared to the figure 52.0% of the rural population in 1960-61, 70% of the population was found to be below poverty level in 1967-68. More or less similar conclusions were arrived at by Dandekar and Rath.²⁸ About 40% of the rural population i.e., about 160 million persons in 1967-68, subsisted at a level of living which is nutritionally highly deficient in terms of caloric intake. In the urban sector, about 50% of the population was estimated to be below poverty level. Thus, according to Dandekar and Rath, in all, about 200 million persons in 1967-68 were below the poverty level. Bardhan²⁹ also estimated that percentage of rural population below poverty line had increased from 38% in 1960-61 to 54% in 1968-69. The Planning Commission is cognizant of the continuing abject poverty. According to the Planning Commission, "Economic Development during the two decades since the inception of planning has resulted in sizeable increase in average per capita income... yet large numbers have remained poor.³⁰ The Draft Sixth Five Year Plan (1978-83), has estimated the figures of 47.85% and 40.71% as percentage of the rural and urban population respectively below poverty line in 1977-78.³¹ How do we explain this dilemma of "sizeable increase in per capita income" and "persistence of poverty." According to the Fifth Plan, "One reason for the failure of planning to make a major dent on poverty has been the inadequate rate of economic growth.³²

In our view, the fault lies first with the inappropriateness of the strategy applied and secondly with the ineffectiveness of the measures designed to alleviate poverty. Efforts to reduce inequalities in income and wealth distribution by mere emphasis on increase in rate of growth in

27. *Ibid.*, p. 41.

28. V. M. Dandekar and N. Rath, "Poverty in India—Dimensions and Trend," *Economic and Political Weekly*, Jan. 2, 1971.

29. Pranab K. Bardhan, "On the Minimum Level of Living and the Rural Poor," *Indian Economic Review*. Vol. 5, April 1970, pp. 129-136.

30. Draft Fifth Plan, *op. cit.*, pp. 14-15.

31. Govt. of India, Planning Commission, *Draft Five Year Plan 1978-83*, New Delhi, 1978, p. 3.

32. *Ibid.*, p. 6.

a society with unequal distribution and private ownership of the means of production, are not likely to succeed without first altering the pattern of ownership. The closest we came to changing the ownership pattern was to legislate "ceiling on ownership of land" and conferring ownership rights on the tillers of lands, but the laws in this respect were observed more in defiance than observance. According to the Draft Sixth Five Year Plan (1978-83), "the concentration ratio of assets (mainly agricultural land) owned by rural households increased from 0.65 in 1961-62 to 0.66 in 1971-72. The poorest 10 percent of rural households owned only 0.1 percent and the richest 10 percent owned more than half of the total assets in 1971-72 as well as 1961-62."³³ The Planning Commission, thus, concludes that "up to the 60's the land reform measures had no visible impact on the distribution of rural property."³⁴ The remarks in the Fourth Plan that, "the process of development might lead, in the absence of purposive intervention by the State, to greater concentration of wealth and income,"³⁵ seem to support our contention above, but the purposive intervention referred to by the Planning Commission, have been rather "soft measures" (e.g. licensing anti-monopolies legislation, progressive taxation, ceiling on land ownership; security of tenure to cultivators).

These measures alone would not change the pattern of ownership of the means of production, essential for reducing maldistribution of income. Another policy measure designed to reduce poverty was to provide employment opportunities especially in the rural areas. The failure to achieve this objective also contributed to the persistence of poverty among large mass of Indian population.

d. Failure in Manpower Utilization and Unemployment

In a labour abundant economy like India, another major determinant of economic growth and welfare of the general population, is the proper utilization of manpower. The Indian economy from the very beginning of planning, has been beset with serious unemployment problem. Each five year plan devoted considerable attention to explain the gravity of unemployment situation and contained proposals for solution of the problem as one of the major objectives

33. *ibid.*, p. 12

34. Fourth Five Year Plan, *op. cit.*, pp. 14-15

35. Draft Five Year Plan, *op. cit.*, p. 3.

of planning in India. A review of the employment pattern since 1950 shows the disquieting fact that there was more unemployment at the end of each plan than at the beginning, as shown in Table 3.

Table-3

Unemployment and the Five Year Plans

(in millions)

	I Plan 1951-56	II Plan 1956-61	III Plan 1961-66	Annual Plans 1966-69
1. Labour force at the beginning	= 185.2	197.2	215.0	229.0
2. Net addition to the Labour force	= 9.0	11.8	17.0	14.0
3. Back log of unemployment at the beginning of the plan	= 3.3	5.3	7.1	9.6
4. Total (2+3)	= 12.3	17.1	24.1	23.6
5. Additional Jobs created	= 7.0	10.0	14.5	1.4
6. Back log of unemployed at the end of plan : 4-5	= 5.3	7.1	9.6	22.2
7. Unemployment as percent of labour force	= 2.9	3.6	4.5	9.6

Sources : Reserve Bank of India, Reports on Currency and Finance, 1969, 1970, 1975.

It will be noted from line 7 that the rate of unemployment was successively higher at the end than at the beginning of each plan. Though the Planning Commission stopped releasing estimates on unemployment in 1969, but commenting on the employment situation after the Fourth Five Year Plan, the Planning Commission remarked, "... it would appear that employment generation has not kept pace with the growth of labour force. The situation of unemployment among educated and technically qualified persons also continue to cause concern."³⁶ Recently the Planning Commission has presented estimates of unemployment in the Draft Sixth Five Year Plan (1978-83). Unemployment estimates have been classified into three

categories (i) Chronic Unemployment: measure in numbers of persons who remained unemployed throughout the year; (ii) Weekly Unemployment: number of persons who did not find even an hour of work during the survey work; and (iii) Daily Status Unemployment: measured in person days or person years or persons who did not find work on a day or some day during the survey week. The estimates for these three types of unemployment in 1973 were 1.60%, 4.33% and 8.34% of the respective labor force respectively.³⁷ Assuming similar rates of unemployment in March 1978, the Planning Commission has estimated chronic, weekly and daily status unemployment at 4.37 million, 11.20 million and 20.56 million respectively. Though these ratios of unemployment in India may be comparable to other developing countries, but the absolute number of persons unemployed, according to the Planning Commission, "... is staggeringly large, and larger than in any country in the world for which any statistics are available."³⁸ As already pointed out earlier, unemployment among educated persons has assumed serious proportions. 10.21 percent of graduates and engineering diploma holders were unemployed in 1977-78. If present trend continues this rate likely to increase to 15.0 percent in 1983.³⁹

IV. Some Explanations for Failures

How do we explain these failures of planning in India? Few important explanations may be offered in this connection.

a. Crisis of Implementation

The most important cause of poor performance is the lack of implementation of most plan policies, whether aiming at creating employment opportunities or distributive measures including land reforms. An analysis of various economic policies indicates a wide gap between targets and achievements; the proclaimed high sounding goals and their actual attainments; promises to the masses and the actual distribution of the benefits from plans. Various views have been expressed on the causes of this lack of implementation. To Bhagwati and Desai, it is,

37. Draft Five Year Plan, (1978-83), op. cit., p. 81-82.

38. Ibid., p. 82.

39. Ibid., p. 84.

"merely a symptom of the attitudes and habits . . . it reflects a certain lack of empiricism in the Indian make up, which typically leads to intentions being confused with action."⁴⁰

(1) Bureaucracy: Alliances with Vested Interests

Several commissions and committees appointed by the government blamed the bureaucracy including the civil service, which seriously lack the knowledge of technical tools and skills for economic management. The ill equipped bureaucrats were charged with implementation of the plan policies including management of government commercial and industrial undertakings. The bureaucracy is also accused of serving the interests of the ruling classes and being apathetic towards the needs of the underprivileged. In their political alliances for economic power, bureaucrats seem to support the vested interests of land owners and industrialists, rather than act as the faithful executors of plan policies. Commenting on these alliances, Gunnar Myrdal remarks, "Measures designed to aid the lowest strata in the population have ordinarily been poor enforced, if at all."⁴¹

(2) Administrative Constraint

According to Hanson, the slack in implementation of plan policies is due to administrative structure of Planning Commission and working of the federalism in the Indian political set up. The Planning Commission is an advisory committee, it merely recommends the plan to the central government, which in turn, transmits it to states for implementation at state and local levels. This dichotomy in plan formulation and its execution by numerous administrative units at state and local levels stand in the way of proper implementation.

(3) Rigid Social Structure

The kinship and hereditary relationships based on caste system and social factors continue to dominate the Indian society especially in the rural sector. Traditionally, the owner-

40. J. Bhagwati and Padma Desai, *India : Planning for Industrialization*, London, Oxford University Press, 1970, pp. 5-6.

41. Gunnar Myrdal, *op. cit.*, p. 762.

ship of means of production including land vests in higher castes and dominant social groups and the labor class including agricultural labourers come from lower social classes. Consequently, it is difficult by the economically and socially weaker classes to achieve their rights granted under various plan provisions. According to Minhas, socialistic intentions of independent India, "were pitted against the outmoded attitudes of a strongly feudal and class conscious society, which has been unwilling to accept the rigorous code of private as well as public behavior implied in the concept of socialism."⁴² The Planning Commission is cognizant of this sociological factor and explains the problems of implementation of land reforms measures:

When there is a pressure on land and the social and economic position of tenants in the village is weak, it becomes difficult for them to seek the protection of law. Moreover, resort to legal process is costly and generally beyond the means of tenants. Thus, in many ways, despite the legislation, the scales are weighed in favour of the continuance of existing terms and conditions.⁴³

Beyond the problem of implementation, another general reason for poor performance is inappropriate plan strategies adopted. Various development strategies implicit in Indian plans include: (a) Industrialization: Emphasis on heavy and capital goods industries; (b) Growth orientation; (c) Socialistic society and growth of the public sector; and (d) Self reliance. As already explained, the premises of these development strategies were that industrialization, especially heavy industries involving huge investments would stimulate growth, which would create employment opportunities sufficient enough to absorb the labor force. The socialistic policies including land reforms legislation, progressive income tax, growth of the public sector, regulation and control of the private sector, would somehow direct the benefits from economic growth towards the economically weaker sections of the society. In rejecting these premises Bhagwati stated, "Experience has now shown that these premises of our policies have

42. Minhas, op. cit., p. 10.

43. Govt. of India, Third Five Year Plan, New Delhi, 1961, p. 229.

been either misguided or inadequate or unrealistic in our political framework. In short, a serious restructuring of our policies is called for.”⁴⁴ How could huge investments in capital intensive large scale and heavy industries ease unemployment in a labor abundant economy ? How could the benefits of economic growth accrue to economically weaker sections in an economy with concentration of ownership of means of production in upper classes ? These are some of the crucial questions that need to be seriously considered while reconstructing future economic policies.

44. J. Bhagwati, *India in the International Economy*, op. cit., p. 4.