

**NATIONAL PLANNING, PRINCIPLES  
AND ADMINISTRATION**

1985

**PLANNING COMMITTEE**

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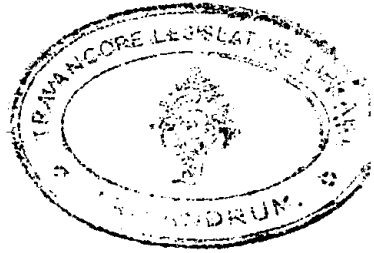
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:  
NATIONAL PLANNING,  
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&  
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by  
K. T. SHAH

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To  
All Those  
MEMBERS OF THE NATIONAL PLANNING COMMITTEE  
and of  
Its various Sub-Committees

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प्रारब्धमुत्तमजना न परित्यजन्ति

**PERSONNEL OF THE SUB-COMMITTEE ON**

**(1) Principles of National Planning**

Pandit Jawaharlal Nehru

Rt. Hon'ble Mr. Shuaib Qureshi

K. T. Shah

**(2) Administrative Machinery for India's National Plan**

Pandit Jawaharlal Nehru

Rt. Hon. Mr. Shuaib Qureshi

K. T. Shah

## PREFACE

The substance of the pages that follow was contained in the Reports of two *ad hoc* Sub-Committees, appointed by the National Planning Committee in 1940, viz:—

- (1) to prepare the leading principles of a comprehensive National Plan; and,
- (2) to outline the machinery of administration necessary to give effect to the Plan in all the various sectors, stages, and regions where the Plan was to come into operation.

Soon after the constitution of these two Sub-Committees, the active work of the National Planning Committee had to be suspended; and it remained in cold storage for nearly five years. The under-signed, however, was authorised by the Chairman of the National Planning Committee, as well as of the Sub-Committees mentioned above, to prepare and circulate a draft for consideration by the Sub-Committee concerned in each case in the first instance, and eventually by the National Planning Committee when it met. Accordingly, a draft for the former Sub-Committee was prepared by the writer, and sought to be forwarded to the Chairman who was then in jail, and could not officially consider it. As at the time there appeared no sign of an early resumption of work by the Planning Committee, the present writer published early in 1943, on his own responsibility, under the title "Principles of Planning" that draft, enlarged and elaborated to be suitable for such a publication. Though the responsibility for that publication is this writer's exclusively, a good deal of this material had either been discussed at the several Meetings of the National Planning Committee which had been held in 1939-40; or arose out of the recommendations of its various Sub-Committees. The Planning Committee, however, has not yet considered the material; and the publication, therefore, rests entirely on the responsibility of its author, who sees no necessity to revise the material in any essential particular.

The material for the Report of the second Sub-Committee mentioned above was similarly prepared by the undersigned for consideration by the Sub-Committee in the first instance, and eventually by the National Planning Committee as a whole. Before, however, that Sub-Committee could take up its reference, or the Planning Committee could function, the

Interim Government appointed in October 1946 a Planning Advisory Board, of which the present writer was a member. One of the terms of reference of that Board was to suggest the administrative arrangements necessary for carrying out the Plan. The Board made its own recommendations, which, however, the undersigned felt to be irrelevant, insufficient, or inadequate. Accordingly, he submitted a Minute to the Report of the Board, and subsequently published that part of the Minute which related to administrative machinery in an enlarged and more elaborate form, under the title "*India's National Plan, Its Nature, Scope and Administration*" in 1947. This was also, needless to add, on the exclusive responsibility of the author.

These two separate publications are now comprised in a single volume, which is made part of the National Planning Committee Series. Like the Reports of several other Sub-Committees which had either not been finalised or not submitted at all, these two must, also, be taken as Reports of Sub-Committees; and, as such, find a fit place in the Series as a whole though not considered by the National Planning Committee in formal sessions. The responsibility for the views expressed in this volume is the present writer's exclusively. He feels persuaded, however, that the basic principles of planning, when they come finally to be formulated by the National Planning Committee, or any other authority set up for the purpose, will not differ materially from those laid out in this volume. They run parallel to the lines accepted and acted upon by all those countries who have framed their own systematic, comprehensive national plans; and may accordingly be said to be reinforced by experience. No plan can really succeed unless it is integrated in all its parts, co-ordinated in all its execution, correlated in all its stages, aspects or items. Nor can a National Plan be effective unless a measure of control, regulation and supervision are enforced to keep all sectors in step, and prevent lopsided growth.

Nor will the administrative machinery eventually established, exhibit fundamental difference from that recommended in this volume. The essence of the machinery proposed assumes that India, though partitioned, will be a Federal Union, in which however strong the Central Government may be, the units will necessarily have a wide margin of local autonomy. Planning, in the sense of a comprehensively outlined programme of all-round growth and development in every aspect and item of the country's economy, must be central. But its execution will equally necessarily have to

be left to the regional authorities, functioning in close co-operation, if not subordination, to the Central Organisation. The latter may advise the Central Authority on all questions of local needs, resources and potentialities; the former must carefully consider, correlate and integrate these into a consistent, comprehensive national programme which will ensure the fullest development of the resources and potentialities of every region, and assure a measure of justice to every individual. The Centre plans; the Units execute. The Centre controls and supervises; the Units operate and administer. The Centre provides financial as well as technical assistance where local resources do not suffice; the Units mobilise, organise and employ to the utmost all local resources in men and material, in order to make the National Plan the fullest success in the shortest time, bringing social justice and economic security to all citizens, and providing the utmost opportunity for self-expression, self-realisation, self-fulfilment to everyone.

A number of semi-autonomous or statutory corporations on a national, or regional plane, may also have to be set up to deal with specific items or sectors of the national economy. These would principally consist of public utilities or social services. But even these bodies will have to be correlated and mutually co-ordinated to prevent needless over-lapping and mutual impediment due to red tapism that is very likely to arise in any large-scale organisation of the type and dimensions necessary in this case. Particular industries may have to be organised into nation-wide Trusts, each controlling, regulating and supervising the particular establishments comprised in it, so as to keep every one of them in harmony with the National Plan. These may receive statutory form, function and jurisdiction.

Notwithstanding the very liberal interpretation of its Terms of Reference adopted by the National Planning Committee, certain important omissions may be noticed by those interested in all-round systematic planning of national economy. Items like the organisation, recruitment, remuneration, discipline etc. of the public services of the country in all departments; or the arrangements for Defence and all that it implies, have had to be necessarily excluded, because, when the Planning Committee started its work, the people of India did not enjoy the Sovereign Statehood which is theirs today. In any effective and really satisfactory scheme of national planning, however—these items would necessarily have to be given their proper place, if only in order to guarantee success of the planned programme and security of national existence.

A radical revision of the legal system, so as to be in tune with the changed environment, will also be necessary, if needless difficulties or obstacles in the way of carrying out the plan are to be avoided. Lastly the entire social system would have to be remodelled, reconditioned, reoriented to enable the fruits of planned development being equally accessible and enjoyable by all citizens of this country. This, however, may be left to be achieved more by unavoidable consequence of the planned programme of development taking effect in every sector than as a positive action by any public authority.

Whether or not the ground-work provided in this volume is eventually accepted, in full or part, the writer believes this will effectively round up the National Planning Committee Series, which has sought to cover all items and sectors of the country's economy, and lay out specific measures for their planned, controlled and regulated development, extension and expansion.

K. T. SHAH.

*15th August, 1948*

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**PRINCIPLES OF NATIONAL PLANNING**



## SECTION I

### DEFINITION, SCOPE AND OBJECTIVES OF NATIONAL PLANNING

Planning has been defined by the National Planning Committee as follows:—\*

“Planning, under a democratic system, may be defined as the technical co-ordination, by disinterested experts, of consumption, production, investment, trade, and income distribution, in accordance with social objectives set by bodies representative of the nation. Such planning is not only to be considered from the point of view of economics, and the raising of the standard of living; but must include cultural and spiritual values, and the human side of life.”

#### **The Essence of Planning is a Simultaneous Advance on All Fronts, and in All Sectors**

The several sectors of the Plan must be carefully co-ordinated. The advance in each must be kept apace, as much as possible, to avoid lop-sided development in any sector at the expense of any other.

To provide the necessary measure of control over its own progress, and to facilitate judging how far the Plan is being realised, a definite period must be laid down in advance, within which the specified goal of planning is reached. For this country, the National Planning Committee has suggested, for this first Plan, a time limit of ten years to attain the objectives defined above.

Because there is incessant development in the science and art of life, no plan, however comprehensive, can or should be a cast-iron frame. The Plan must be elastic, capable of rapid adjustment to advances in science and technique.

The Aims, likewise, of planning have been defined by the Committee to be:—

- (a) The attainment of National Self-Sufficiency for the country as a whole, without being involved, as the result of such efforts, in the whirlpool of Economic Imperialism;

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\* Page 77. Note for the Guidance of Sub-Committees, Handbook I.

- (b) The doubling of the present standard of living amongst the people of India, within a prescribed time limit, say, ten years.

The "standard of living" herein considered, will not only include the provision of adequate food, shelter, and clothing; but also of such social services and civilised amenities as are indispensable and integral part of modern civilised life and work.\*

For working purposes, the "standard of life" for the country as a whole, for any given set of individuals, or for a region, will have to be determined by an expert committee, including medical men, economists, and sociologists. It is possible the "standard" may admit of variation, within a stated margin, from region to region, or group to group. It is wholly undesirable, however, for the variation to be solidified, so as to perpetuate existing class differences, or create new ones.<sup>1</sup>

A basic minimum standard of living, common for the country as a whole, must be guaranteed by the community collectively. It must be evolved out of expert recommendation in every department of life, and realised progressively by the Planning Authority. The basis should be open to variation upward from time to time, if the Planning Authority finds the plan of development adequate for the purpose.

In the term "Social Services" are comprised:<sup>2</sup>

- (a) Education, in all stages and departments, from pre-school to post-graduate;
- (b) Health, including medical and nursing attendance and treatment during illness and convalescence;
- (c) Sanitation, including properly equipped dwellings, places of work and of training, with light, water, and other such primary necessities of a healthful life and efficient work;
- (d) Purveyance of food and drink, including hotels, restaurants, cafes, canteens, etc. Transport and communications are social, economic, as well as cultural services.

\* *Ibid.* pp. 79-80.

1. "The ideal of the Congress is the establishment of a free and democratic state in India. Such a full democratic State involves an egalitarian society, in which equal opportunities are provided for every member for self-expression and self-fulfilment, and an adequate minimum of a civilised standard of life is assured to each member, so as to make the attainment of this equal opportunity a reality." (Chairman's Memorandum, dated 4th June, 1939, p. 74).

2. *cp.* p. 80 Handbook I.

Insurance and Banking, including Credit, may be added to the list as indispensable concomitants of planned economy. Insurance, in a wide, comprehensive sense, will provide an adequate measure of social security against all the known contingencies of modern working life. Banking and Credit are important adjuncts for the proper functioning of the mechanism of production, exchange, and distribution, or consumption within the community, as well as its commerce outside the country.

In the term "amenities of civilised life" are included opportunities and facilities for travel, amusement, including clubs, concerts, theatres or cinemas, museums and picture galleries; recreation, or cultural development of the mind of the citizens. Without these, life, even if easy on the material plane, would be indistinguishable from mere brute existence.

For a proper formulation and working of the Plan, definite norms must be laid down, for the achievement and realisation of such a standard of living. For example:—

- (i) Improvement of nutrition from the present sub-normal level to a standard of an irreducible minimum of proteins, carbohydrates, and minerals, as well as the necessary protective foods, having a calorific value of 2,400 units for an adult worker.
- (ii) Improvement in clothing from the present consumption of about 15 yards on an average to at least 30 yards, *per capita* per annum.
- (iii) Minimum of housing accommodation—100 sq. ft. for every individual, in town as well as in country. This must be furnished with water supply, calculated at a standard *per capita* consumption of 25 gallons per diem; sanitary facilities of corresponding measure; and light,—natural or artificial,—of a standard unit strength.
- (iv) A basic minimum of education, and training of the mind as well as the body, provided freely, compulsorily, and universally, to every child of school-going age, born or living in the community. This must be available to every child for the whole of a prescribed period assumed to be necessary for imbibing a basic minimum of enlightenment to the future citizens of India.
- (v) Organisation and establishment of food supplying stores, restaurants, cafeterias, canteens, or clubs, either by each factory, workshop, or school, on a scale of one such establishment for every thousand

of population, including shopping service, distributive agencies for common necessities, or personal services.

- (vi) Postal and allied facilities for communication should be such that every individual should, on an average, receive or send out ten letters a year; telephone facilities at the rate of 1 call per day per person, at prices within the means of the increased public catered for this purpose. For this there should be a telephone exchange for every 100 sq. miles of territory, or every 100,000 of population, whichever gives the larger number of such facilities. The same, or even a more liberal standard may be prescribed for Radio facilities, as norm of a civilised life under planned economy.
- (vii) Insurance, provided as a Public Utility Service, for all the normal contingencies of a working life. In a properly functioning planned economy, individual life insurance may become wholly unnecessary.
- (viii) Banking facilities should be provided on similar lines, as a national or public utility service, *i.e.*, a bank office, or agent, per every 25,000 of population, or every 500 sq. miles of territory, whichever gives the larger volume of this service.
- (ix) Places providing food and lodging—hotels and restaurants,—as well as work, similarly organised, and distributed all over the land, *i.e.*, 1 for every 1,000 people.
- (x) Similar norms should be laid down for medical and nursing attendance and treatment in sickness or during convalescence.

#### Local or Village Self-Sufficiency

The Plan must be framed on a national basis. The ideal of village self-sufficiency has broken down. Mass production, by power-driven machinery, of all articles of daily use has ousted the local product from the local market. It would, therefore, be utterly uneconomic, now, to attempt in any way to revive the ideal of local self-sufficiency. It has little room in modern economy, and none in the future.

The introduction of Money Economy, likewise, involving cash payment of all dues from the cultivator, *e.g.*, rent, interest, or land revenue, has made the rehabilitation of the village as a self-sufficient unit impossible to restore, and unprofitable to maintain.

On a national basis, even under planned economy, however, production should, primarily, be for use, not for exchange. It was this perversion of regional economy—making production more and more for exchange only,—that has bred economic imperialism, leading to the most destructive warfare in human history. We must avoid this fundamental offence of classical economics, when planning *de novo* our national economy.

The production and distribution of food-supply, and other articles of daily necessity for the village, may, however, be so planned, and rationalised, as to minimise the necessity of import or export from or to neighbouring areas, or outside. This is intended to economise human energy engaged in transport service, and any other accessory of working an economic plan. Import must accordingly, be confined ordinarily, to goods not possible to produce within the locality; and export to goods ordinarily produced in excess of local wants, or as a speciality of the area.

### Provincial Self-Sufficiency

The problem of organising self-sufficiency in an ascending degree,—from the village up to the nation,—will assume its most difficult aspect when applied to the existing units of the Indian Federation, whether Provinces or States.

On the national scale, it is relatively easier as well as desirable to achieve self-sufficiency. In the village scale, it is neither desirable nor feasible to insist upon the ideal of self-sufficiency. In the intermediate scale of a District, Division, Province or State, it may be desirable and practicable, in varying degrees. It must be the task of the Planning Authority—national as well as local,—to achieve the correct degree most conducive to the success of the Plan.

In the case of a province, however, self-sufficiency will be sought by each unit, so long as the ideals of competitive economy persist. Planned economy would be most successful if conceived and devised in terms of this country as a single entity. In a constituent unit, productive effort can proceed satisfactorily as integral part of the Plan, only on co-operative, not competitive lines. In co-operative society, life will not be modelled on the jungle practice; nor the survival of the fittest reckoned in terms of brute force or material value.

The productive resources of each Province, as now constituted, very considerably *inter se*. Each unit would like to make the most of its existing resources, whether explored or unknown.

Given the largest measure of local autonomy, this attitude may involve needless competition, and cause jealousies, as between provinces or states. Those provinces, already more developed, would naturally have an initial advantage, irrespective of their wealth of basic resources; and those less developed would be lagging.

From the national standpoint, the fullest development of all available resources of every unit must be the *sine qua non* of real, effective planning.

The National Planning Authority must, accordingly, scientifically distribute industries; and systematically organise all the different productive resources, in every component unit of the country. No tangible resources of any unit must remain undeveloped.

At the same time, internecine competition must be minimised, if not avoided altogether. Organising co-operative enterprise in every field, under co-ordinated supervision, motivated by the common impulse of collective good resulting in individual happiness, is the only solution.

For the proper development of all local resources, the Planning Authority must also attend to the organisation of *mandies* and markets in every unit; and local exchanges in each convenient area. It must facilitate the largest possible consumption of locally made goods within the same area, and thereby minimise the need for transport, insurance, and financial facilities, or middlemen's services.

By such organisation in each convenient unit, adequate employment will also be found for local labour. The working population in each unit has a primary claim for employment in the development of local resources. This claim, duly met, would help in improving the standard of living, as aimed at by the Planning Committee.

By carefully planning the effective organisation and intensive exploitation of local resources, local requirements, and local opportunities, the Planning Authority will be able clearly to ascertain, which province, State, or regional unit, should be considered to be "deficit" units, and which "surplus" ones.

After such ascertainment, ways and means must be devised to make good the deficit from the common fund; or to bring about the most profitable disposal of the surplus, for the common good in each case. This will effectively promote the progressive realisation of the Plan, whether by developing inter-provincial, or foreign, trade, in regard to such requirements.

For the effective compilation and efficient execution of the Plan, complete co-ordination between the Central Government:

of India, and those of the several units, is indispensable. Similar co-ordination between all organisations or establishments, engaged in working out the Plan, or any part of it, is presupposed.

For this purpose, the National Planning Committee has postulated a federal democratic organisation of the country, with the ultimate sovereignty vesting in the people collectively. The units making up the federation may have the largest measure of local autonomy, consistent with the preservation of the national integrity, and the execution of the Plan.

No distinction need be made, under this conception, in the rights and powers of the several component units, whether States or Provinces, if they are all brought under the ultimate sovereignty of the Federal Authority, representing the people of India.

Subject to the foregoing, provision may be incorporated in the national constitution for the reconstitution of existing units, whether by amalgamation, or by separation. Opportunity must also be allowed for temporary agreements, or combinations, between units for the more effective prosecution of the Plan, or any part of it.

## SECTION II

### PRODUCTION

Increase in the aggregate volume of goods, utilities and amenities, and improvement in their quality, together with their more egalitarian distribution, is the first objective of planned economy.

In considering the success of the Plan from this point of view, and gauging from time to time the degree of its progress, attention will particularly have to be paid, among others, to:—

- (i) The volume and quality of production in Agriculture, including increase in the area of land under cultivation, and new crops; animal husbandry, food stuffs, or raw materials for industry derived from this source; mining and forestry.
- (ii) Large and small scale industries, including new Industries; increase in output; demand for State aid to such industrial establishment.
- (iii) Capital and Labour; its number and efficiency; Trade Unions and their progress.
- (iv) Growth in volume, variety, and efficiency of Public Utilities, Social Services, and civilised amenities.
- (v) Progress in consumption, qualitative as well as quantitative; prices and price-level, at home and abroad, in terms of the local currency unit.
- (vi) Number and size of operations of Co-operative Stores, or of State shops for the sale or consumption of goods.
- (vii) Development of transport, including air, road, rail, and water borne traffic in goods and passengers.
- (viii) Market facilities, establishment of *mandies*, granaries, or other places for storing, grading, and preserving produce to be marketed at convenient opportunity; distribution of shops; and the toll of the shop-keeper or middle-man.
- (ix) Expansion in Banking, as evidenced by figures of bank-branches or agencies; volume of deposits, and the number of accounts; clearing house statistics within given period.



- (x) Insurance, the number, variety, and value of Insurance policies outstanding, including the size of benefits received by the insured, public; social security.

Almost every Sub-Committee of the National Planning Committee has complained of lack of data. Our statistical service has scarcely passed its chrysalis stage. India has never had a detailed Census of Production. No reliable information in regard to all forms of primary production, such as agriculture and animal husbandry, forestry and mining, large and small scale industries, public utilities, social services, or civilised amenities, is, accordingly, available.

Such a Census must, accordingly, be undertaken and compiled as the first pre-requisite of sound national planning.

The existing estimates of the average per capita income made by several unofficial writers vary considerably from writer to writer. These variations are due, mainly, to this lack of data; and, in part, also to each writer's personal prejudices.

On the side of distribution even a rough estimate is almost impossible for the same reason. Scientific data of the kind included in a thorough census of production and distribution would solve this difficulty, and provide a reasonable and dependable background for preparing a comprehensive plan of National development.

In a proper Census of Production must be included, not only production from primary sources,—e.g. agriculture, forestry, mining, or animal husbandry and fishing,—but also large and small scale industries, public utilities, social services, and civilised amenities,—including administration and defence,—all these must be reckoned in categories of productive work, as part of the Plan.

#### **Productive Labour and Forms of Production**

Productive activity, or work under the Plan, should be made compulsory on all adult able citizens. **Industrial or social conscription should be an invariable concomitant of the Plan.** Every worker should be entitled to and receive a remuneration adequate to maintain his health and fitness for work.

Parasites of all categories should be systematically and progressively abolished. No claim should be acknowledged to any share in the "National Dividend", unless the claimant has qualified for the same by productive labour, or recognised social or cultural activity.

Conversely, the right to work, adequately remunerative, and appropriate to the mental and physical capacity, training, or aptitude, should be guaranteed as among the fundamental rights of citizenship.

Children at school or under training; those disabled by age or illness from work; and those incompetent to work because of mental or physical infirmity, must be entitled, as a matter of right, to a share in the National Dividend according to their needs.

Domestic work of housewives must be acknowledged and remunerated as on a par with all other activities under the Plan.

Teachers, physicians and surgeons, nurses and hospital attendants must, likewise, be treated as productive workers under the Plan. The same applies to all those working in the production and supply of all Public Utilities, Social Services, or Civilised Amenities.

Research work, or the work of those engaged in the administrative,—including Defence,—service of the country, must be treated as activities which are part of the Plan, as essential for the very existence of the nation.

The distinction between hand and brain work is plausible and may be necessary to maintain. Care must be taken, however, to see that, in actual practice, this distinction does not degenerate into an engine of exploitation of one class of workers by another.

Differences in remuneration to different categories of workers may be unavoidable, even under planned economy. Given a nationally guaranteed minimum to every worker, and subject to a prescribed ceiling, wage differences between workers may be allowed as inducement to increasing efficiency.

#### What is Productive Activity ?

To facilitate the realisation, by each worker, of the guaranteed national minimum, every worker in any occupation must be required to be a member of a Trade Union, or Professional organisation, appropriate to his work. No worker should be allowed to be engaged in any occupation, unless he is, has been, or is qualified to be, a member of a Trade Union or Professional Organisation.

Freedom of movement from occupation to occupation, or one establishment to another, must be guaranteed.

Trade Unions and Professional organisations must be formed on the basis of the smallest unit of employment,—a farm, factory, workshop, shop, school, house, or hotel.

These primary unions should be linked up, by a federal chain, culminating into national federations of workers, classified according to the principal occupations—*e.g.* agriculture, industry, commerce, utilities, services, or amenities. These categories must be prescribed and scheduled for the purpose by the National Planning Commission.

Inter-Union agreements, or combination for common action to gain common ends, may be permitted.

No dealings affecting workers in any occupation, whether as a category or as a primary unit, should be made by the Planning Authority, except in consultation with their Union representatives. All action resulting from such consultation should be taken through the Works Council,—consisting of representatives of workers as well as managers or directors of each occupation,—of that establishment.

A guaranteed National Minimum must be assured to every worker, and the profit element progressively eliminated. The usual occasions for industrial disputes will increasingly disappear under planned economy. The methods and weapons of industrial warfare, common in unplanned capitalist communities,—like strikes or lock-outs,—should be progressively abolished, and ultimately forbidden.

Any dispute or difference between the unionised workers and the management in any industry, occupation, or establishment, regarding the conditions of work or wages, must be compulsorily referred to arbitration. Definite, permanent machinery must be provided for this purpose by the Planning Authority. Adequate representation should be secured for workers and the management, on such Arbitration Tribunals. A representative of the Planning Authority may act as Chairman of such an Arbitration Tribunal.

Acute economic depression, of the type the world witnessed ten years ago, or violent fluctuations due to the so-called Trade Cycles, must progressively disappear under a properly planned national economy.

On the rare occasions when such a depression occurs, and there is a fall in the volume of work available, the available work should be so distributed as to prevent any fall in the normal standard of living guaranteed to the workers.

## SECTION III

### FORMS OF PRODUCTION

Agriculture may be regarded as the most considerable, and a Key industry of India. It produces more than three-fourths of the material wealth of the country; supports more than four-fifths of the population; and is the basis of the most considerable industries.

The term Agriculture is used here in a very comprehensive sense. It includes not only the actual cultivation of land; but also all subsidiary or "processing" industries.

Agricultural planning for India collectively must aim at national self-sufficiency in regard to food crops as well as raw materials for industry. This must be attained in not more than a decade. The concept of national self-sufficiency may be progressively expanding.

Notwithstanding that India is an ancient land, where agriculture has been practised for thousands of years, there is room for expansion even in the surface available for cultivation. The produce per acre, both in quality and quantity, is, comparatively, very low; and permits of considerable improvement.

There is thus a very extensive scope for planning Agriculture in India. Careful planning would not only increase the yield of the land itself; and thus help to better the standard of living of the agrarian population. It will, at the same time, help to expand the industries of the country based upon Agriculture for raw materials.

Associated with Agriculture, subsidiary to it, or "processing", are many industries, of an equally vital importance, which will be dealt with in the same section. The most considerable of these are: Animal Husbandry, including cattle-breeding, and working up of all the produce from cattle, like milk and milk products; meat; industries based on the hides and skins, bones and hair, etc. of cattle.

Forestry, and industries dependent upon forest produce, fall in the same category; and will be similarly dealt with.

Mining and metallurgy are not only primary industries of key importance; they have a close connection with problems of national defence and security.

### Food-Supply of the Country

The principal articles of diet, obtainable from the resources of each unit, should be carefully considered, with reference to their nutritive value, their place and importance in the standard dietary, prepared by the Planning Authority and included in the prescribed standard of living; their present production in the country; and the ways and means of their improvement in quality as well as quantity.

India's own resources in respect of food-stuffs are abundant, though not fully developed. The variety of its produce in the farm and the pasture, in orchard and in garden, in the rivers and the seas, is inexhaustible. But yield per unit and the quality of the produce afford infinite room for improvement.

The Planning Authority must, accordingly, compile a schedule of available or possible food industries. It must correlate this production to the needs of each unit, as well as of the country at large, as indicated by the requirement of ensuring to every person a standard dietary.

Any deficit in the food-supply of any unit must be considered to be a charge on the produce of the whole country. It must, primarily, be made good from the surplus of adjoining, or other, units within the country.

No article of food, produced within the country, should be allowed to be exported, unless and until the prescribed minimum needed in the country, as represented by the requirements of all units, has been fully provided.

Unless the production of all food-stuffs keeps pace with the other sectors of the Plan,—in technique, equipment, quantity and quality,—an increasing deficit may be caused in some units, or all over the country, by the very success of the plan.

Import of articles of food and drink, which are possible to produce within the country, should be progressively eliminated. The Planning Authority should make known and readily accessible the products of local agriculture within the country. It must also arrange to encourage as well as satisfy the country's demand for the same.

Side by side with the food-supply of the country, and all industries concerned with food-stuffs, the Planning Authority must take steps to organise the industries relating to **drugs and medicines**, needed to keep the human body in health and fitness. These are, also, mostly based on the cultivation of land; and must, accordingly, form part of the Agricultural

Section of the Plan, with affiliation with the Public Service.

### Handicaps on Cultivation

**Exploitation of the Land in India** suffers from a number of handicaps. It must be the special task of the Planning Authority to remedy them.\*

The principal handicaps on the Indian cultivator are:—

- (a) Excessively small size of the average holding, and its scattered character.
- (b) Fixed cash settlement of revenue or rent charge; Absentee Land-Lordism.
- (c) Heavy burden of unproductive Debt; proprietary rights of non-agricultural classes in land.
- (d) Absence of organised subsidiary industry.
- (e) Uneconomic methods of cultivation.
- (f) Defective physical and chemical properties of the soil.
- (g) Insufficiency, irregularity, or uneven distribution of rainfall, or water-supply needed for agriculture.
- (h) Liability to frequent, periodical shortage of food and fodder supply.

#### A. Small and Scattered Holdings

The excessively small size of individual holdings, and their scattered position, is caused and intensified by the Law of Equal Inheritance.

This, the most outstanding of the handicaps, prevents any kind of standard, economic unit being created and maintained. To remedy it, the system of inheritance, tenure, and cultivation of land must be radically recast.

\* The Karachi Congress. Resolution on the Fundamental Rights of Citizenship, laid it down *a propos* of Land Revenue:—

"The system of land tenure and revenue and rent shall be reformed, and an equitable adjustment made of the burden on agricultural land, immediately giving relief to the smaller peasantry by a substantial reduction of agricultural rent and revenue now paid by them, and, in case of uneconomic holdings, exempting them from rent, so long as necessary, with such relief as may be just and necessary to holders of small estates affected by such exemption or reduction in rent, and to the same end, imposing a graded tax on net incomes from land above a reasonable minimum.

Suggestions, made below, and codified in a fundamental Land Law, for the compulsory consolidation of land into collective or co-operative farming on predetermined standard, economic units, may serve as effective remedy for this handicap.\*

Under planned economy, no rights of property or inheritance in any form of National Wealth, e.g., land, mines, forests, rivers, &c., should be allowed. The ultimate property in these forms of wealth must vest in the people collectively. No transfer, sale, mortgage, lease, or any agreement of subinfeudation, or usufructuary management, should be permitted with respect to any such form of Natural Wealth.

During the transition period increasingly rigid restrictions will have to be put on the transfer of landed property from the cultivating owner to any individual or corporation not concerned directly with cultivation. Those likely in any way to circumvent the system of reorganisation outlined here, must be strictly dealt with.

The fundamental Land Law should further provide that all produce, fruit, or increment in value from such lands, mines, forests, &c. should belong to the people collectively.

\* The Faizpur Sessions of the Congress, in December, 1936, passed the following resolution *re.* the Agrarian problem:—

1. "Rent and revenue should be readjusted, having regard to present conditions and there should be substantial reduction in both.
2. Uneconomic holdings should be exempted from rent or land tax.
3. Agricultural incomes should be assessed to Income Tax like all other incomes, on a progressive scale, subject to a prescribed minimum.
4. Canal and other Irrigation rates should be substantially lowered.
5. All feudal dues and levies and forced labour should be abolished, and demands other than rent should be made illegal.
6. Fixity of tenure with heritable rights, along with the right to build houses and plant trees, should be provided for all tenants.
7. An effort should be made to introduce co-operative farming.
8. The crushing burden of rural debt should be removed. Special tribunals should be appointed to inquire into this, and all debts which are unconscionable, or beyond the capacity of peasants to pay, should be liquidated. Meanwhile, a moratorium should be taken to provide cheap credit facilities.
9. Arrears of rent for previous years should generally be wiped out.
10. Common pasture lands should be provided; and the rights of the people in tanks, wells, ponds, forests, and the like, recognised; and no encroachment on these rights should be permitted.
11. Arrears of rent should be recoverable in the same manner as civil debts, and not by ejection.
12. There should be statutory provision for securing a living wage, and suitable working conditions, for agricultural workers.
13. Peasant unions should be recognised.

Rules may be made, under this law, by the appropriate authority, to regulate, from time to time, the distribution of such produce, fruit &c. among the citizens. These rules should be administered by such agencies as may have been established for the purpose.

**The first charge on all produce from land, and other similar forms of natural wealth, must be for the maintenance of the population engaged in such production.** This charge must be calculated according to a prescribed standard of life, guaranteed as a National Minimum to all citizens.

After due provision for needs and requirements of the prescribed standard of civilised life for the people engaged in working any form of Natural Wealth, **all surplus produce, fruit etc., should belong to and be taken by the Village, Taluqa, District or Provincial Council of Agriculture,** in such proportion by each of these authorities as may be prescribed by the fundamental Land Law from time to time. The residue may be taken by the Central Government for use in accordance with the requirements of a pre-determined National Plan. No charges in respect of rent should be permitted to any private landholder.

A reasonable period of transition should be allowed for the gradual abolition of the existing proprietary rights.

After the prescribed transition period, **no intermediary parasites,—Zamindars, Taluqdars, Malguzars, mortgagees, or farming contractors of any sort,—should be recognised.** All rights, title, interest, or privileges, granted, assigned to, or acquired by, any of these classes, should be progressively abrogated. Such compensation as may be prescribed under the National Land Law may be allowed for the cancellation of these rights.

None of these classes should remain mere parasites after the period of transition; and none should be possible to revive thereafter.

Ways and means must be devised to consolidate the existing holdings into standard economic units of land,—considered, scientifically and economically, to be the most suitable for cultivation.

Any form of Natural Wealth or advantage may, subject to their collective ownership by the people, be distributed for cultivation, exploitation, and management among co-operative organisations of the people of each unit.

For the proper, scientific, co-ordinated cultivation of land, as well as for the control and supervision over such cultiva-



tion, a network of local Agricultural Councils,—beginning with the village, and culminating in the National Council of Agriculture,—should be organised, by and under the National Planning Authority. These Councils should be interconnected by a federal chain and work in mutual co-operation.

These Village, District, Provincial, or National Councils of Agriculture should hold collectively, and work co-operatively, such land and other primary sources of production.

Each such Council must prepare, for its own area, a comprehensive, co-ordinated, programme of land cultivation for a given term of years in advance. These unit plans must be comprised and consolidated into a National Plan of Agricultural Development.

The National Plan must be open to revision, if need be, according to any change in technique, any advance in science, or basic conditions affecting cultivation.

The Councils must also be empowered to supervise and control cultivation, irrigation, manuring, harvesting, storing and marketing of crops raised on the land.

They must be constituted on a democratic basis. Representatives of primary units should constitute, in each ascending stage, the hierarchy of such Councils.

The National Council of Agriculture at the top would thus be a really representative body of experienced agriculturists, with proper foresight and vision for a Planned National Economy.

**No cultivation of agricultural land should be permitted, except in accordance with the planned programme of cultivation for the country as a whole, co-ordinating the unit plans of each Province, District, Taluqa, or Village.**

This Plan should have all due regard to the proper adjustment between food crops and industrial raw materials. Fruits, fibres, food-stuffs, and drugs should each be cultivated, with proper attention to the food as well as the industrial needs of the country.

Every adult citizen in a village must be entitled to have access, for purposes of cultivation, to cultivate land within, or belonging to, the village, unless he is provided with alternative work on equal conditions.

Cultivable waste belonging to the village may be included in the parcelling out of the total land for purposes of cultivation.

All cultivation should, ordinarily, be in common, and according to the particular Plan applying to each unit.

Exception may be made by the Agricultural Council concerned, for specific reasons, in favour of particular individuals or families, in consideration of their special aptitude for given types of agricultural work.

Lands must be distributed among individual cultivators, in each primary unit, with due regard to the requirements in respect of crops to be raised in that unit, as also in conformity with the knowledge, experience, and general ability of each such cultivator. Such distribution may be revised at any time. The crop expected from each given piece of land may, likewise, be varied at any time, with due regard to the chemical and physical properties of each such price.

### B. Land Revenue

The reorganisation of the Land Revenue system affects the entire field of agrarian economy in all its departments. A fundamental Land Law, or Charter of Agriculturists, must be enacted as a new basis for planned economy. Below are summarised the main principles which should underlie such a Land Law.

Land Revenue, or rent, in all provinces, is a fixed cash payment. It is utterly independent of variations in the prices of his produce, or of failure of his crops.

The cultivator seldom gets the benefit of rising prices owing to the intervention of a host of middlemen. He is, however, always victimised by falling prices.

Planning must rationalise the Land Revenue system, with a view to assure to each cultivator-family, the guaranteed national minimum.

The main lines for such rationalisation may be epitomised as follows:—

During the transition period Land Revenue should be charged on the basis analogous to the assessment and levying of the direct taxes on income. No other burden on any account, in any shape, should be permitted.

A standard scale of civilised human life, and the corresponding cost of living for an average family, must be prepared in each Province, District, Taluqa, or Village.

**Every cultivator-family must be guaranteed this irreducible minimum of human comfort.**

Under planned economy, no land should be assessed to any tax, or revenue, except after deducting the irreducible national minimum necessary for maintaining human beings in decent comfort.

Pending the complete socialisation of all forms of Natural Wealth, land, &c., held by Zamindars, Taluqdars, Mortgagees, or other similar parasitical exploiters must be taxed at a sharply progressive rate. The tax must be assessed on the produce or income derived from the land &c. No exemption should be allowed from such taxation. A rate of 100% on the surplus of any individual income from this source over Rs. 25,000, or of any family-income over Rs. 50,000, per annum, should be levied.

Any succession to a landed property during the transition owing to the death of the previous owner, under will or intestacy, must be liable to a tax not less than 50% of the capital value of such land. By such means, at most in two generations, private property in land will automatically be ended.

No succession or inheritance should be allowed after the second generation from the present holder.

Ownership of land or other forms of Natural Wealth by Joint Stock corporations or families must be abolished and prohibited.

No land of a value exceeding Rs. 1,00,000 should be allowed to be transferred to private individuals or profit-making corporations.

Any other transfer or alienation of land, by sale, mortgage, lease, or any agreement of sub-infeudation, a heavy Registration Fee must be levied, progressing sharply with each increase in the capital value of the land to be transferred.

Cultivators' co-operatives, or Village Agricultural Associations, liable to such taxation, should be assessed in the same manner as Companies to Income-Tax.

Valuation of the produce of land, with special reference to the assessment of such land revenue demand, should be made with due regard to the level of wholesale prices for the preceding ten years of the principal commodities produced by such land. Allowance should also be made for such permanent changes in national policy as concern the standard of value, the cost of living, the development of industries, or the course of the country's foreign trade.

**Any demand for Land Tax, or Revenue, made against any cultivator, having a produce from land above the irreducible minimum necessary for a standard scale of living, may be paid in kind.**

Facilities may be permitted, at the discretion of the Provincial or Local Authorities, to commute such dues into cash at any given time.

Assessment thus made must be fixed for a period not exceeding ten years.

No payments in kind must be allowed in respect of an Income-Tax charged upon Zamindars, Taluqdars, and other such parasitical elements, nor in regard to Succession Duties, or Registration Fees. All such dues, levies, or taxes should be payable in the ordinary currency of the country.

The Planning Authority must reorganise the monetary system, so as to insure the cultivator against substantial and frequent fluctuations in the price-level of his produce, or the weight of the exactions made from him.

A monetary standard, based upon the commodities value *inter-se*, or labour, would go a long way to achieve this aim of planned economy.

### C. Burden of Indebtedness

Next to the fixed cash settlement of Land Revenue, the most serious handicap on the Indian agriculturist is the crushing burden of unproductive debt.

This burden is intensified by the religious injunctions and the social code of the mass of the people. Positive legislation and active exertion would be needed by the Planning Authority to remove this handicap.

N.B.—Under planned economy, the present problem, in some provinces, of the transfer of agricultural land from classes primarily concerned with agriculture to those not so concerned, mainly due to the exaction of money-lenders, or of cash revenue demands, will not obtain. No legislation will accordingly be needed for that purpose.

Below are given, in outline, the leading principles, which should underlie such legislation, and the administrative machinery required to give effect to the same.

**All debts of agriculturists are immoral and unproductive.**

They must, accordingly, be progressively liquidated with the help of the central national banking organisation, within a period of not more than twenty years.

Any debt of more than ten years' standing, at the time the necessary legislation is passed, on which interest has been regularly paid, should be declared to have been fully discharged. It must be deemed null and void for the future.

In each unit of the agricultural organisation, outlined elsewhere, a Debt Registration Council should be established. No debt against a cultivator should be legally enforceable, unless registered before an appropriate Council. No evidence of such indebtedness should be admissible one year after the enactment of the necessary legislation, except the records of the Registration Councils.

These Councils may be interlinked, *inter-se*, by a federal chain; and integrated with the National Planning Authority.

No debt against an agriculturist should be registered, carrying simple interest at more than 6% p.a.

On any application for such registration, the Council must satisfy itself that the debt is genuine, and that interest has been exacted on it, at any time during the past 10 years, at no more than 6%, in cash or kind, directly or indirectly.

**After a prescribed date, no agriculturist should be allowed to incur a new debt, except through the Planning Authority.**

All agriculturists' debts should be treated as obligations charged on the land. No personal liability should attach to the cultivator. No debt should be allowed to pass on to the heir, or successor, of an existing agriculturist debtor.

The Planning Authority must lay down regulations, prescribing the amount, sources, conditions, mode of repayment or recovery, of any debt needed to be incurred after the prescribed period.

Even during the transition period, private money-lending should be rigorously prohibited. None but the registered and authorised Land Banks, or Co-operative Societies, should be permitted to engage in this business.

All books of account, and records of any debt transaction affecting the agriculturist, should be open to inspection by officers of the Debt Registration Councils, or the Planning Authority.

#### **D. Lack of Subsidiary Industry**

The absence of any organised, subsidiary industry, offering off-season, or alternative employment to agriculturists, is a handicap the Plan is primarily designed to remedy.

In so far as the population now supported by agriculture is in *absolute* excess of the full potentiality of that industry in this country, scientific organisation and intensive development of every suitable industry in the country,—whether those economical to work on modern, mechanised lines, with mass production; or those serving as subsidiary and supplemental

to agriculture,—would rectify this disproportion, and provide an outlay for this surplus.

### Reorganisation of Rural Economy

The reorganisation of rural, or agrarian economy, outlined here, in conformity with the comprehensive National Plan, will help materially to achieve this objective.

The basic features of the prevailing village economy are:—

- (a) a trend towards the ideal of local self-sufficiency;
- (b) predominance of the principle of private initiative, and personal profit;
- (c) lack of co-ordination and adjustment even between the local production and consumption, as evidenced by the scarcity of adequate, up-to-date, marketing facilities;
- (d) absence of adequate, automatic links between the local and national economy.

The first two of these have been already dealt with. The Plan, if it is to succeed, must break down and abolish for ever the ideal of local self-sufficiency. No Plan will or can succeed, which leaves private initiative and the profit motive untouched.

There is a variety of evidence indicating (c). The Plan must deal with all those, e.g., in transport and communications; in the distribution of industries; in the organisation and supply of the banking and credit facilities,—so as to remedy this lack.

The lack of an effective marketing organisation is part of the general problem of the reorganisation of agricultural life in the country as a whole, and in each part of it.

For this purpose, a long chain of Federal Councils, beginning with the village and culminating into the National Council of Agriculture, must be set up all over the country.

The principal function of these Councils, compendiously stated, will be to make democracy,—or government of the people, through the people, for the people,—an actual experience and everyday reality.

This will be an accomplished fact, if these councils work in co-operation with the National Planning Authority for all purposes affecting the daily life and everyday affairs of the people.

The most important of their powers and functions, stated in some detail, will be:—

- (a) to advise in preparing the cultivation plan of the unit for any season, and carry out, or superintend its execution;
- (b) to take charge of the village co-operative, set up for collective or co-operative cultivation of the lands adjoining the locality, whether culturable waste, or land belonging to associated co-operators, or those acquired from zamindars, etc.; and all other forms of production operating in that area;
- (c) to supervise in the harvesting of all crops, produce, fruits, etc., of the lands, and arrange for their storing, grading, transport, and finance;
- (d) to help in the marketing of such produce;
- (e) to help in the working of such produce into finished goods where possible locally;
- (f) to distribute, subject to the guaranteed national minimum, the proceeds of marketing of such produce, etc.;
- (g) to collect the dues of the next higher council in the federal chain; as also to act as agent for the disbursement of expenditure in the locality from the funds of the next higher authority, in addition to its own funds;
- (h) to institute, if and where necessary, a separate committee to look after the local industries, whether village handicrafts, cottage industries, or mechanised, mass-producing enterprise, in accordance with the instructions of the Planning Authority, and subject to the general policy of the National Plan;
- (i) to supervise consumption of all necessaries and amenities, and utilisation of the social services, by the local population, as required by the National Plan; and
- (j) to act as the local executive for the purpose of the Plan, appointing, removing, and supervising all local staff, and supervising or conducting all local services.

As already mentioned, the reorganisation of village life must be among the first tasks of the Planning Authority.

Any reorganisation of the agrarian life in the country must be based on some form of compulsory co-operative association in each unit, federally interlinked.

The Compulsory Co-operative Association, thus formed, will comprise *all* activities of the local population, both in respect of production and of distribution.

All branches, subsidiaries, or auxiliaries of Agriculture must be gradually mechanised, assimilated as much and as soon as possible to large-scale industry. This alone can increase the unit, as well as the aggregate output.

The Planning Authority must set up in every unit an appropriate authority to co-ordinate the standard and quality of the industrial and agricultural products of that unit. The quantities in the aggregate should be similarly co-ordinated, as also all the processes for working up the raw materials needed for the prosecution of the plan, in all branches and at all stages.

#### E. Uneconomic Methods of Agriculture

The prevalence of uneconomic methods of cultivation today is due to social tradition and economic necessity.

With the consolidation of fragmented or scattered holdings into standard economic units, operated collectively or co-operatively; with the elimination of the debt burden and rationalisation of the revenue demand, more economic methods of cultivation will become an easy, though a particular, task of the Planning Authority.

Use of adequate and appropriate manure; employment of modern power-driven machinery; and the careful storing, grading, transport, and marketing of crops, will be more than ever successful in increasing the quantity, and adding to the quality of agricultural produce.

#### Culturable Waste

There is a considerable volume of cultivable land lying fallow in India. If this were properly prepared and brought under the plough, the aggregate produce of land will be very substantially increased.

The main reasons for cultivable land remaining at present uncultivated are:—

- (a) lack of the necessary capital for bringing such land under the plough, and providing it with the necessary water, drainage, cattle, buildings, machinery or tools, and other equipment or appurtenances for making such land economically cultivable;
- (b) absence of cheap, adequate, transport facilities for disposing of the produce of such land, and also for bringing to it manure, etc.;
- (c) the deficiency in drinking water-supply, and of the other amenities of civilised social life, which make it



undesirable for the cultivator to occupy such land in permanent habitation;

- (d) the prevalence of disease-carrying germs, or insalubrious surroundings, which also render such land unattractive for purposes of cultivation and habitation.

Culturable waste land can only be effectively brought under cultivation, and its produce economically disposed of, if all the scattered parcels of culturable waste land are treated as public property, and exploited or developed by the State as such.

The co-operative principle should be applied to the exploitation of land by organising compulsory co-operative farms on such culturable waste lands, to begin with.

These lands must be formed into solid blocks of standard economic size, where agriculture may be conducted more scientifically and efficiently, waste avoided, and production increased. At the same time the habit of mutual co-operation for the common benefit of the community will replace the individual profit-motive.

Cultivable land belongs to the State; and so will ordinarily not offer any obstacle to the institution of such collective or co-operative farming. It should be acquired, where necessary, by the State immediately. Each standard unit should be linked to other like units.

Such co-operative farming should include cultivation of land and all other branches of agricultural work.

In these co-operatives, private ownership of land may continue. The working, however, of such land should be in common. The distribution of the produce should be regulated in accordance with the duly weighted contribution made by each member in respect of land, labour, tools, implements, and cattle required for cultivation. All small and scattered holdings in a given area should be brought into this co-operative organisation.

Where voluntary collectivisation of this kind fails, the Planning Authority may employ compulsive inducement to achieve the objective, and consolidate all holdings into standard economic units suitable for intensive cultivation by power-driven machinery.

During the transition stage, the co-operative organisation of farming may also take the form of restricted co-operation for specific functions, *e.g.*, credit, marketing, purchase of seeds, etc. But the central aim must be to replace the present-day individual farming by the co-operative or collective farm.

Co-operative farming may also be on land acquired on lease by the co-operators from private landowners. Once thus leased, the latter's only interest would be confined to receiving the stipulated leasehold fee.

The activities of such a co-operative organisation should be unrestricted in respect of all operations connected with agriculture. The only difference between this form and the preceding will be; that whereas in the preceding form the land will be brought into the common pool which belongs to the members of the co-operative themselves, in the other form the land would be leased from a private owner.

The State should also maintain special farms, under its direct control and management, for experimental, educational, or demonstration purposes.

Collective farming may be possible, even at the outset of the Plan, and should be tried, wherever the public domain of culturable waste lands, or acquired zamindaris are situated so as to permit of large-scale, intensive farming.

The collective farm—as distinguished from the co-operative or the State farm mentioned above—should be operated in such a manner that, after paying from the produce all expenses of cultivation, including the wages of workers, the surplus, if any, should be applied to:—

- (1) paying the State dues,
- (2) use and benefit of the collective colony,
- (3) and the common services or amenities required by it.

By these means their standard of living will be improved, and provision made by way of reserve against future contingencies.

While these steps are being taken in the direction of collectivisation, large parts of the country may continue under the regime of peasant proprietors, or individual cultivators, at least during the transition period.

Such individual enterprise must be subordinated to the needs of the community. Wherever possible, the co-operative principle should be introduced even in this sector of the national economy to whatever extent feasible.

#### **Financing Agricultural Reorganisation**

The financing of large-scale co-operative, or collective farming, must be effected by public borrowing. The collective credit of the people is security enough for such borrowing. But if more were needed, the land and its produce would provide it in ample measure.

It is not possible to make any definite estimate of the capital needed for this purpose. The following calculation, however, is based on some data gleaned from the existing situation.

Taking Rs. 20 per acre of capital outlay needed to bring the culturable waste land under the plough; and given 200 million acres of such land, the aggregate capital needed for this purpose would be Rs. 400 crores. Add another Rs. 100 crores for cattle, tools, machinery, water-supply and equipment for the same. This makes a total of Rs. 500 crores, which may be borrowed over 5 years.

Similarly, the acquisition of proprietorial rights from the large land-owners in the country,—*e.g.*, those having each 100 acres or more,—may cost, in compensation, anywhere upto 200-250 crores, at the rate of ten times the net annual rental of such parties.

An aggregate borrowing programme of Rs. 750 crores, spread over 5 years, would entirely rehabilitate our agriculture, and increase its produce by at least an equal amount at the end of the 5 years. The loan will thus be most amply secured and easily repaid from this new accession to the country's wealth.

The amount borrowed should be made repayable by equal annuities within a period not exceeding 30 years. In the initial years, this system may involve a net burden upon the public purse. But in the years that follow, as the produce from these lands begins to grow, for the greater portion of the term mentioned above, it should lead to a definite surplus in the hands of the State, as the result of the increasing surplus from the land cultivated scientifically, economically, intensively.

If the necessary capital is not forthcoming on loan by a Local Government, the transaction should be facilitated by the Central National Banking Authority, *e.g.*, the Reserve Bank.

The latter may, if necessary, requisition the aid of its Currency Department for the purpose. The Loan may be granted by the Reserve Bank; and the land brought under cultivation should form security for this special loan. It may be treated as suitable currency reserve in the Issue Department, which should be authorised to issue a proportion of the value of such security as additional Paper Currency.

No objection need be apprehended to such procedure, except perhaps on the score of inflation. This possibility can be easily guarded against. The amount of new currency thus issued should be utilised exclusively for purposes of providing

the capital equipment and other facilities necessary for bringing such waste land into cultivation; or the land brought into co-operative or collective farming by voluntary association, or compulsory expropriation.

There will also be, in addition, the national machinery of price control to guard still further against such dangers.

The provision of suitable mechanical and animal equipment to aid in the process of cultivation and disposing of the crop—including harvesting, storage, &c.,—is part of the problem of organisation and co-ordination, part of planning the necessary capital to solve the main problem of bringing culturable waste land into cultivation.

The same may also be said for providing appropriate working capital, or credit facilities. These must be distributed throughout the land, cheapened, and motivated by a spirit in harmony with the basic idea of the Plan.

The general level of health, sanitation, education, and cultural growth of the population in the rural areas depends, for steady improvement, upon the increase in agricultural production, as also that of the associated subsidiary industries, backed by more equitable distribution of the increased produce thus brought about.

The actual standard of living of the agricultural population requires to be raised by much more than double the existing standard. For, the existing standard is much below even the merest needs of subsistence.

The re-organisation of agricultural production on a basis of compulsory co-operation; redistribution of its produce on an egalitarian basis; and re-employment of the surplus population in other more productive and better co-ordinated occupations, will help to increase the aggregate productivity, remedy the prevailing handicaps, and provide the comforts and amenities of a civilised, social life.

#### **F. Defective Physical and Chemical Properties of the Soil**

The volume and quality of agricultural production is governed, primarily, by the qualities of the soil. Seemingly a matter of natural endowment, it may be safeguarded by appropriate manuring; suitable rotation of crops; and by giving periodical rest to the land.

Conservation and enrichment of the soil must, consequently, form an integral function of the Planning Authority.

The National Planning Authority must provide suitable natural or chemical manure to enrich the soil. It must make

it the special care of the Chemical Industries organised as part of the Plan.

The provision of natural manure is more a matter of organisation of the entire village life,—including the collection and disposal of the human and animal refuse,—than of the larger, technical, industrial planning.

#### G. Insufficiency, Irregularity, or Uneven Distribution of the Rainfall, or Water-supply

This is an age-old handicap of Indian agriculture, which every conscientious government in the past had endeavoured, according to the science of the day, to remedy.

In modern times, large-scale river irrigation to provide an assured and adequate water-supply for agriculture, has made considerable progress.

Irrigation by rivers, wells, or reservoirs should be planned as a countrywide net-work on a national basis, by the Planning Authority; in accordance with a programme, to:

- (a) make up for any lack or deficiency in the rainfall;
- (b) provide a productive source of revenue; and
- (c) protect the agriculturist against famine.

This handicap may also be remedied by an adequate system, not only of irrigation but also of insurance against failure of crops, loss of cattle, or other equipment.

#### Agricultural Insurance

The principal risks of agrarian economy all over the country are:—

- (a) famine, or shortage of food, fodder, and industrial raw material;
- (b) shortage of water-supply, due to a failure or inadequacy of rainfall;
- (c) occurrence of floods;
- (d) pests among crops;
- (e) diseases of cattle and fall in their produce.

**Insurance against famine**, should it occur in spite of these arrangements, **must be on the basis of a national system of contribution.** It must be conducted as a public utility service, directly operated by the State in each unit; and provide relief against the specific risks of shortage of food or fodder; of drinking water; and epidemic consequent upon famines.

A net-work of irrigation works, of proper size and location, should be provided all over the country, to help the entire agricultural land within each unit. These may be financed out of the Famine Insurance Fund, set up specially for that purpose.

The Insurance provision thus made should be compulsory. It must be made a first charge upon the produce of agriculture, after the guaranteed national minimum has been met. It may be set apart in kind, so as to form a reserve; or converted into cash to form a fund to be utilised when any of the contingencies specified occurs.

Insurance must also cover the cattle life, and all the produce from the animal wealth of the country. Part, at least, of an effective Veterinary Service should be provided out of this Fund.

It must provide against the risks of pests, frost, floods, and other natural calamities.

#### Cattle Wealth

Animal Husbandry, including Dairying, is the most important industry subsidiary to agriculture in India.

India is the richest country in respect of the animal wealth. But the yield from cattle, particularly in respect of milk and milk-products, is extremely low. Other products of cattle wealth, *e.g.*, hides and skins,—and industries founded on them; hair, bones, guts, &c., are few, due to relatively backward industrialisation, or obsolete technique.

Industries founded on the by-products of the cattle life of the country,—*e.g.*, meat, hides and skins, leather goods, articles made out of the hair, wool, bones, teeth, tissues, guts, or hooves of animals,—must be organised on a large scale, motivated by power-driven machinery, and conducted as public enterprise.

Meat industry is comparatively unimportant in India, in view of the social and religious customs and beliefs of large sections of the people.

There are several handicaps in the way of the proper development and utilisation of the cattle wealth of the country. The most considerable of these are:—

- (a) lack of proper fodder or cattle-food supply;
- (b) absence of scientific breeding and care of cattle;
- (c) lack of suitable organised industries for the manufacture of articles from the by-products of animal wealth;

- (d) mixing up of the several purposes for which cattle may be maintained, e.g., for the purposes of producing milk and milk products, or for obtaining haulage service, or for meat supply.

The National Planning Authority must remove or remedy these handicaps, and so add substantially to the yield from the cattle wealth.

By far the greater portion of the cattle wealth of the country is useless and burdensome. Arrangements must, therefore, be made for an early liquidation of this portion in the most economic manner possible, without wanton destruction.

Properly planned, part of the surplus cattle wealth may be advantageously utilised for bringing the present day culturable waste under the plough; and so making those tracts more suitable for human habitation.

The remaining cattle must be developed as the useful and productive portion of the national wealth. Its yield must be increased to help the progressive improvement of the standard of living of the people. The village reorganisation sketched above will aid in this task.

Institutions, now devoted to the maintenance of the aged, infirm, or otherwise useless cattle, have vast funds and properties. These must be nationalised, and co-ordinated, to facilitate the most effective use of the resources provided by such institutions, in the aggregate service of the cattle wealth of the country.

### Dairying Industry

Industries concerned with the production and supply of milk and of milk products, especially for the service of large cities, must be regarded as part of the compulsory co-operative mentioned above. Where that is not feasible immediately, they must be organised and conducted as public utilities, under the rigid control and effective supervision of the State.

Similar organisation will have to be provided for the adequate supply of fodder and other concentrated food required for cattle, which would add to the quantity and quality of their yield in respect of milk.

The potential scope for this industry is difficult to calculate. Even with 40% of the present cattle population of India, carefully selected, the milk supply can be doubled if the dairy industry is intensively developed. In the fullness of time, and with the fruition of the Plan, the yield from this source may easily equal 25% of the total yield from agriculture proper.

### Other Subsidiary Industries

An exhaustive list of the by-products of agriculture, forestry, mining or animal husbandry, should be prepared for facilitating the reorganisation of such industries in every unit under the auspices of the National Planning Authority.

Industries founded upon the further working up of agricultural products,—the so called “processing” industries, flour-milling, starch-making, “breakfast” goods, oil-pressing, cotton-ginning, fruit canning, preserves, &c., market gardening, scent or *attar* making, and other toilette industries based on vegetable produce,—are capable of similar expansion or development by proper organisation, in all parts of the country. These also must be organised, mechanised, and operated on a large-scale basis. They should be distributed and located in the several units, in a limited number of spots, preferably transport centres, so as to supply these commodities more economically to the rest of the country.

Industries subsidiary to agriculture, connected with it, or based upon the animal or forest produce, are to be found in every Province. They are mostly in the hands of small individual cultivators, working each on his own in the off-season, or in spare time, without any proper organisation and co-ordination between the several functions leading up to a finished article.

The Planning Authority must accordingly, attend particularly to this branch of the country's wealth, co-ordinate the effort, direct the energy, and increase the yield.

Properly organised and co-ordinated, these industries subsidiary to Agriculture, cattle or forest wealth of the country, will provide very considerable addition to the aggregate national wealth. They will also increase the field for suitable employment in off-season for agriculturists, or to that portion of the population still remaining surplus in agriculture.

Provincial authorities can also lend their aid, through the compulsory co-operative associations, to the further expansion and development of these industries, or such of them as are not possible to organise as modern, mechanised large scale units.

In so far as these industries provide occupation for off-season, they may have to be organised as seasonal industries only. As such, they would be intermittent, and probably uneconomic in their working.



To make them constant, and provide continued occupation for a limited section of the rural population, even after planned economy has come into being, it may be necessary to set apart a certain number of workers in each local unit, specifically as wholtime workers in such industries, under the general authority, control, and supervision of the local compulsory co-operative association.

## SECTION IV

### INDUSTRIES

India, notwithstanding her resources in material, is backward in respect of the development of her manufacturing industries, comparatively speaking. In fact, planning in India was,—and, in many minds, still is,—synonymous with the development of large-scale, modern, mechanised industry.

The National Planning Committee has taken a much wider and more comprehensive view of planning. But it has by no means overlooked or underrated the importance of industry in an all-round, systematic development of the country.

Dealing with such industries, the Committee has made the following classification:—

Defence Industries,  
Key Industries, and  
Public Utilities.

The classification is neither exact, nor exhaustive. But it will serve to crystallise the principles of planned national economy affecting industries.

#### I. Defence Industries\*

1. Fire arms (land, air and marine) and their parts;
2. Munitions, cartridges, explosives, shells, torpedoes, etc.;
3. Tanks and armoured cars, and other forms of mechanical equipment specially designed for military purposes;
4. Warships of all types, including submarines;
5. Military air-craft of all kinds;
6. Gases for warfare and gas-masks.

*Note:—* Warships and military air-craft can also be made in ordinary peace-time establishments.

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\* In regard to defence Industries, it was decided that they must be owned and controlled by the State. Vide Handbook No. 2, p. 17, of the N. P. C.; Note by Chairman summarising the proceedings of the meeting of the Chairmen and Secretaries of the Sub-Committees held on 12-2-40.

## II. Key Industries\*

1. Power Hydro and Thermal—generator;
2. Fuel, coal and fuel-wood, mineral oil, power alcohol, natural gases;
3. Metals, ferrous and important non-ferrous, including winning of ore for them;
4. Industries for the making of machine tools;
5. Industries for the making of machinery and machinery parts;
6. Heavy engineering industries for the building of ships, locomotives, wagons, automobiles, aircraft and the like (vital);
7. Instruments and apparatus—commercial, industrial and scientific (standards);
8. Chemicals, heavy chemicals, fine chemicals including dyes (some vital), fertilisers, and refractories.

## III. Public Utilities

1. Distribution of electricity, gas and other forms of energy;
2. Public transport and communication services;
3. Water-supply;
4. Sanitation.

To this list may be added large-scale manufacturing industries of all kinds, and cottage or small-scale industries deemed expedient to be mechanised, standardised mass producers.

The Committee has reserved banking and insurance for consideration later. They are, however, rather services needed for the proper working of industries than themselves productive industries. We may class them as accessories of planned economy.

This list, the Committee adds, is tentative, which might be added to or varied in future. The line of demarcation is by no means consistent. The Committee has recognised that many peacetime industries are of the utmost importance in

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\* Regarding Key Industries, the majority were of opinion that they should also be State owned, though a substantial minority considered that State control would be sufficient. It was made clear, however, that any control of such industries must be a rigid one, *Ibid.* The Congress Resolution on Fundamental Rights (Karachi Sessions, 1931.) lays down:—“The State shall own or control Key Industries and Services, Mineral Resources, Railways, Shipping and other means of Public Transport.”

war time; and *vice versa*. Except for the authority to own and manage; the Committee has made no material distinction between Defence and other industries. The classification, accordingly, proceeds on a slightly different basis.\*

#### Distribution of Industries: Their Size and Location

Under perfect, scientific planning, the location and size of each industry, or industrial concern, in the country will be determined and prescribed by the Planning Authority, in accordance with the availability.

- (a) of raw materials;
- (b) of sufficient skilled and unskilled labour;
- (c) of the necessary plant and power equipment;
- (d) of an adequate market for the produce.

These factors are not all of equal importance. It would be, therefore, the task of the Planning Authority to strike the correct balance of all these, and prescribe the exactly proper distribution of every industry throughout the country.

This, however, presupposes a clean state, without any vested interests. In an old country, like India, partially developed, many industries have come to be established in the different parts of the land, without any plan, and so without due regard to the factors named above.

Vested interests have thus become established in the several units, which it will take all the sympathy and ingenuity of the Planning Authority to reconcile and harmonise, and make integral parts of the National Plan.

The same sympathy, ingenuity and vigilance will be needed in prescribing the expansion and development of existing industries, as well as in the establishment of new ones.

Several Industries, particularly in the Manufacturing Group, will necessarily overlap as between several Provinces and States.

The most considerable industry of India, Agriculture,—whether as the source of food-supply, or of raw materials for industry,—is common, in most of its forms, to all Provinces and States, as also its accessories, or subsidiaries, and processing industries.

In so far, however, as the output of these industries, already established all over the country, is capable of being absorbed within the boundaries of each unit itself,—whether a Province or a State,—the problem of inter-provincial relations

\* Handbook No. 1, p. 102, of the National Planning Committee.

in regard to industrial growth or commercial relations is fairly simple.

Inter-provincial exchange, or commerce, of commodities should be regulated so as to allow export only of the surplus or special produce of one unit to another; and import only to make up an unavoidable deficit. It must be safeguarded against any kind of unfair, undesirable, or uneconomic rivalry.

To regulate these relations in harmony with the main scheme of planned economy, the Central Planning Authority must include, as part of its organisation, an Inter-provincial and Inter-State Economic Commission.

The functions of this Inter-provincial Economic Commission would be, *inter alia*:—

- (i) to regulate, control, and minimise the scope for competition or rivalry, in regard to production, consumption, exchange, or distribution of the National Dividend, as between the several provinces and states making up the country;
- (ii) to recommend to the National Planning Authority the regions or units within which new industries may be established, or old ones expanded, as part of the National Plan, in order to speed up the realisation of the Plan;
- (iii) to suggest the size of operations in each such industry, and the market to be supplied by it;
- (iv) to recommend to the National Planning Authority the facilities or assistance necessary for the planned growth of the industries mentioned in (ii), in any of the forms enumerated elsewhere;
- (v) to recommend the scope for the development or expansion in any such industry forming part of the National Plan, or under the National Planning Authority's supervision and control;
- (vi) to suggest regulation for the development or speeding up of the Plan in the different regions, with due regard to the supply of raw material, labour, capital, equipment, and any other pre-requisite for the successful development of industries, and of the productive organisation in general, in so far as they relate to each unit or region;\*
- (vii) to offer advice, when called upon by the Planning Authority, in regard to industries and other productive resources, which should be developed on a national scale, with or without a national or local monopoly in the same.

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\* See *Ante*, p. 47.

A carefully planned system of National Economy, may not be able to remove the differences due to limitations imposed by the initial natural endowment. It may, nevertheless, help to soften, by scientific organisation, the force of any such inequalities, and help to assure a prescribed minimum standard of living in the several parts of the country.

Each industry has, at any time, its own appropriate form, or forms, of assistance by the State. And this may vary from time to time. The Planning Authority will have to consider the appropriate forms in each case, after a careful balancing of the advantages and disadvantages of each of these forms, as applied to a given case.

#### Financing of Industries

The financing of industries must be considered to be a national concern—within limits, a national obligation. It must be, normally speaking, provided by the Central National Banking Authority, in such form, and on such terms and conditions, as that Authority may think proper, whether the enterprise in question is to be a public enterprise, or is left in private hands.

The working capital for industry, and other productive operations, must, also, be provided by the Central National Banking Authority. This must be a nationalised institution, owned and managed, in the public interest, as a public utility service, by public servants. It must be authorised to mobilise and direct the savings or capital resources of the country, as well as credit facilities, needed to provide the necessary finance, as and where and when wanted.

It is difficult to estimate, with any degree of accuracy, the capital needs of industrialisation on a nation-wide scale in India today. The Planning Authority may adopt the goal of working up into finished products, ready for consumption, all our own raw materials. Or, alternatively, it may seek at least to develop industries to the point of supplying the whole of India's own increasing demand in respect of those articles. In either event, the programme of industrialisation may require capital to the extent of Rs. 500 crores, at the most. This estimate is based upon the capital invested in existing industries, and co-related to their output. The cost of capital equipment is reckoned at pre-war rates.

As in the case of Agricultural re-organisation, this capital may be obtained from public borrowing, spread over five years, and repaid by equal annual instalments over thirty years. The instalments would be more than borne by the developing industry, as it is likely to be more productive than culturable waste brought under the plough, or existing cultivation recon-

ditioned, rehabilitated, and reorganised. If only it is properly mobilised, and made available for investment, there will be found to be no dearth of the capital needed for such purposes, nor any necessity to borrow it abroad.

Provision of adequate working capital for such expanding industry is only a problem in improved banking service and enlarged credit facilities.

Corresponding to the Central National Banking Authority, for the purpose of financing industries, there must be a Central National Marketing Authority. Under its auspices, the entire system of commerce or exchange, within or outside the country, should be carried on.

If the establishment of any new Industries, suitable by natural conditions, or the development of existing ones to the maximum capacity, is hindered or rendered impossible by a lack of active aid, support, protection, or encouragement by the State, the National Planning Authority will have to arrange for proper protection, encouragement, support and assistance. It must be given in a form, and upto a degree, considered appropriate in each case.

The Fiscal Policy of the country, taken collectively, as also the Financial Policy of aid to industries under the Plan, should be motivated exclusively by considerations of the interest and requirement of this country, and its planned programme of development. The National Planning Authority must formulate a comprehensive fiscal policy in the first instance; and make recommendations for modifications in it, if and when required, to achieve this goal. The same authority must be authorised to carry out the policy.

Industries which are under private ownership, but which are or become of national importance, owing to the scale of their operations, the labour employed, the nature of the commodities or service supplied, or for any other reason connected with the local or foreign trade of the country, its credit or finance, must be put under rigid control by the State. A definite policy must also be adopted for their progressive acquisition by the State and operation as public enterprise.

In every case of acquisition of an established Industry, owned and worked by private individuals, appropriate compensation should be paid to those who have been responsible for initiating, establishing, developing, and working such industries, or who have proprietary rights in those industries.

#### **Monopolies**

Industries, which, without attaining to a degree of national importance for any reason mentioned above, but which never-

theless, result in effective monopoly; and are operated practically without any competition within the country; or which, for their maintenance in a given degree of efficiency and progress, require protection, encouragement, or assistance from the State, must, likewise, be progressively acquired by the State; and operated as public enterprise.

The presence of a monopoly, real or formal, removes the basic justification of competitive individualistic economy, which is supposed to promote efficiency and a more equitable distribution of the resulting wealth.

Industries concentrated in one, or a few, spots will tend to become monopolies. While the profit *motif* prevails, individuals or joint-stock concerns may establish formal or virtual monopolies in various disguises, like the American Trust, or the German Syndicate.

**Private monopolies in key industries or services are dangerous, and must be rigorously forbidden.**

**Public monopolies**,—whether by the National, Provincial, or Local Government,—in such matters **must be the aim of planned endeavour**. Such monopolies may be regional or national; vertical or horizontal.

Even in the hands of the State, its delegate, or representative, monopolies will, however, require to be systematically regulated, controlled, and supervised, in so far as they relate to articles or services of common consumption. This is necessary as much to safeguard the consumers' rights and interests, as those of the producers engaged in such monopolies.

In articles of universal consumption,—like food-stuffs,—no monopoly,—formal or virtual,—should be allowed except on a collective basis.

### Public Utilities

**Industries connected with Public Utilities, and the manufacture of the plant, machinery, or equipment needed for their working, should be conducted as public monopolies, wherever possible.** They must be, under the general guidance of the National Planning Authority, entrusted to the Provincial, State, or Local Governments.\*

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\* Public Utilities, it was decided, should be owned by some organ of the State, such organ being either the Central Government, Provincial Government, or a Local Board. It was also possible to have something of the nature of the London Transport Board controlling such Public Utilities. *Vide Handbook No. 2, p. 17, National Planning Committee; Note by Chairman summarising the Proceedings of the meeting of the Chairmen and Secretaries of the Sub-Committees held on 12-2-40.*



Such industries will include:—

- (i) Production and distribution of all forms of energy, or power, including the sources of such production;
- (ii) Transport and communications services in all branches or forms of those services, including the production of the material, instruments, vehicles, or apparatus needed for the same;
- (iii) Water-supply for human use as well as for irrigation purposes, including the sources of such supply and the means of conveying and distributing such water to the consumer;
- (iv) Sanitation, including the collection and distribution of sewage, or refuse, and the materials, instruments and apparatus needed for the same;
- (v) Maintenance of Public Health, including the means to give effect to precautions against epidemics, as also the necessary drugs, medicines and agencies or institutions for treatment;
- (vi) Education, training and research in all branches and stages, including the instruments, apparatus and equipment needed for the schools, colleges, kindergartens and their laboratories;
- (vii) As connected with the preceding, the **press**, including books, maps, newspapers and periodicals of all kinds; printing presses and their equipment in all respects;
- (viii) Banking;
- (ix) Insurance of all kinds;
- (x) Personnel, or staff, needed for all these several services and utilities.

It may be noted that items (viii) and (ix) in this list may be treated as accessories to the productive organisation under the Plan, rather than Public Utilities.

Similarly, some of the other items, mentioned earlier in the list, may be treated more as social services than as public utilities.

The production and supply of all forms of energy or motive power for industries must be classed as the most important industry of this group. **It must be reserved exclusively for the State in India to operate.** Each such enterprise must be conducted through such Local or Provincial Government as may seem convenient in each case.

Coal production and distribution; the generation and supply of electrical energy; and all other forms of power should be progressively brought under State ownership and management, in all cases where private enterprise in this behalf has become a vested interest.

There is room in almost every Province for the development of appropriate sources for abundant electric power supply, but particularly in units containing mountainous territory with good water-power, or coal.

If the use of electric energy is to be substantially increased to aid in all forms of planned economy, rates and charges now made for that purpose will have to be very substantially reduced.

Electrical energy,—whether produced from coal or water,—must progressively be made a public monopoly. It must be produced in bulk in the different parts of the country, and distribute the same under a co-ordinated system, regulated according to the principles laid down by the National Planning Authority.

India's resources in regard to coal, though not unknown, are yet comparatively slender and undeveloped. Petroleum is much more scarce. Natural gas is all but unknown.

Production and supply of artificial fuel, or power alcohol made out of molasses, or from forest or mineral products, awaits proper scientific investigation, which must forthwith be taken in hand by the Planning Authority.

A National Laboratory must be organised for conducting research, in regard to the sources and methods of fuel and power supply within the country, their development and utilisation, to further the programme of planned economy.

The concrete results of such technical research must be made available to all forms of productive activity, including agriculture, so as to substitute mechanical energy for human or animal energy wherever possible.

### **New Industries**

New industries, deemed suitable in accordance with the natural facilities available in the different parts of the country, geographical and climatic situation, raw materials, power-supply, labour, transport, market, and other similar factors contributing to the success of an industry, together with their actual reaction on the Plan, must be carefully considered and attended to, while laying out the distribution of new, or development of existing industries throughout the country.

**New Industries**, suitable only for large-scale work by power-driven machinery and for standardised mass production, where no private vested interests now exist, must be established and conducted as public enterprise. They should, preferably, be made into public monopolies, to reserve the benefits resulting from their successful establishment and working for the community collectively.

Production of all instruments of the modern transport on land, in air, or by water; or of the different departments of the communications service, provide an excellent example of a vast field, still practically virgin in India, of possible new industries of this type.

### Heavy Industries

Heavy Industries are those which concern themselves with the production of Iron and Steel, and their products; chemicals; industries concerned with the production of equipment for transport services of all kinds; engineering industries in general. Some of these may also be classed as Key Industries.

The necessary raw materials and skilled labour for these industries are not found equally in every province. Industrial enterprise and finance are, likewise, not forthcoming in an equal measure in the several States and Provinces.

These industries are, accordingly, relatively restricted as between the several units. They are mostly under private ownership, usually organised as joint-stock concerns, and operating for private profit.

Comprehensive and effective planning on a national, egalitarian basis will only prove successful, if these industries are owned and managed by some public agency on behalf and for the benefit of the community collectively. If public ownership, and operation of such industries is deemed impracticable, for the time being, they should at least be under as rigid a control and thorough going supervision in all their operations as possible. Provision must at the same time be made for their gradual acquisition and operation as public enterprise, owned and worked by the State.\*

The Planning Authority must keep a constant watch on the emergence of any tendency in these industries to Monopoly,—virtual, if not formal,—by means of trustification, syndicalisation, marketing agreements, zones of action, and the like. Any such tendency must be ruthlessly nipped in the

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\* Cp, para 13, (P. 74 Handbook I) of the Chairman's memorandum.

but; for, the continuance of effective competition is the only justification for leaving such industries, even temporarily, in private, profit-seeking hands.

This tendency is already noticeable in building and transport industries. As the railways in India are already nationalised, or under public control, the danger is not so considerable in that branch of the transport service. Mechanised transportation on road is still competitive, and, therefore, chaotic. But a Shipping Trust, thinly disguised, is already becoming an accomplished fact; while ship-building, automobile production, or air-craft manufacture, offer every promise of being monopolies from the start.

As a principle of fundamental policy, it would be best to lay down that in such fields, where no private enterprise already exists, none shall be allowed hereafter; and the public enterprise in such virgin field shall begin and remain a monopoly.

Interlocking Directorate is a still more conspicuous feature of Indian industrial enterprise. The institution of Managing Agency, controlling and operating industrial concerns, facilitates as well as necessitates this device. A couple of hundred persons seem to be directors in almost 80% of all industrial enterprise in India.

Company Directors in India are chosen, not because of their technical skill, business experience, or personal enterprise; but because of their affinity with Managing Agents, influence in official circles, or, in the last resort, real or reputed bank balance. The device is, consequently, unable to produce the maximum mischief in arresting or restricting competition it is capable of.

\* Nevertheless the danger is there, and will grow apace as these individuals realise their potentialities. The Planning Authority must, accordingly, suggest legislation abolishing the Managing Agency, prescribing the qualifications for Directors, and controlling the operations of all such private enterprise through some public agency, or statutory corporation.

Internal competition among the several establishments in the same industry is the *sine qua non* for private enterprise to continue. Competition from abroad may, however, have to be effectively guarded against in the interests of the Plan itself. The Planning Authority must consequently suggest measures or devices of protection and safeguard for indigenous enterprise wherever exposed to foreign competition

No claim for protection, safeguard, or substantial support to any indigenous industry should be entertained, if it forms part of an international trust, pool, or combine, whose operations are deemed incompatible with the basic aims or working of the National Plan.

No fiscal protection, subsidy, bounty or any other form of substantial aid should be given to any indigenous industry, which, with such aid, is able to dump its wares on foreign markets. Dumping is fundamentally incompatible with the accepted ideal of India's planned economy.\*

Competition by foreign concerns, registered in India, and passing themselves off as Indian enterprise simply by adding the term "India" after their name and style, may be guarded against by appropriate legislative or administrative action, e.g., licensing laws, or administrative permit.<sup>1</sup>

While in regard to Key or "mother" Industries, the claims of each province to develop to the utmost its own resources,—for national, provincial, as well as local reasons,—may be incontestable, a similar claim for developing "Heavy Industries" is not equally sustainable.

New heavy industries may require, not only rigid control and effective supervision by a public authority, while they are in private hands, but also public aid and assistance in a variety of ways.

The Planning Authority must formulate, and, if necessary, the Legislature must enact, appropriate terms and conditions on which aid, encouragement, support, or protection may be given by the State to any such new industry.

A similar policy should also be laid down for the adequate safeguard of existing industries exposed to unequal or unfair foreign competition.

\* p. 79 of Handbook I. "The principal objective of planning the national economy should be to attain, as far as possible, National self-sufficiency, and not primarily for purposes of foreign markets".

1. The following Resolution on licensing was passed:—

"This Committee is of the opinion that no new factory should be allowed to be established, and no existing factory should be allowed to be extended, or to change control, without the previous permission in writing of the Provincial Government. In granting such permission the Provincial Government should take into consideration such factors as desirability of location of industries in a well distributed manner over the entire province, prevention of monopolies, discouragement of the establishment of uneconomic units, avoidance of over-production, and general economic interest of the province and the country. The various Provincial Governments should secure for themselves requisite powers for the purpose, if necessary, by undertaking suitable legislation."

p. 70 Handbook I.

The various forms of Government aid to industries, not owned or conducted directly by Government, its agent, or delegate, may be summarised as follows:—

- (i) Financial aid, which includes,
  - (a) subscription in part or wholly to the capital of the concern; underwriting debentures;
  - (b) guaranteeing to specific industries in a given unit a minimum return on capital invested, if profits are not sufficient to pay a standard return;
  - (c) guaranteeing regular payment of interest as well as capital on debentures; facilitating a liberal credit policy through banks as regards cash credits, overdrafts; and
  - (d) granting subsidies, or bounties,—that is making specific payments, either of fixed sums, or of sums calculated on certain lines, as direct contribution towards the financial success of the industry.
- (ii) Purchasing a fixed quantity, or proportion, of the out-turn at a guaranteed price, calculated to yield a reasonable profit to the enterprise.
- (iii) Provision of free or cheap land as site for factories, workshops, business premises, etc.
- (iv) Giving preferential and specially reduced rates for transport facilities on State Railways, or other means of public transport.
- (v) Fiscal protection, including,
  - (a) protective import duties, specific or *ad valorem*, on competing foreign goods;
  - (b) prohibiting certain classes of imports, either altogether, or beyond a certain quota;
  - (c) exemption from the ordinary duties of raw material, machinery and its parts, tools and instruments, imported for industries forming an integral part of the Plan;
  - (d) levying an export duty on locally produced raw material, to ensure adequate supply of cheap raw material within the country.
- (vi) Training of skilled labour at public expense, to supply the technical personnel needed for the con-

duct of such industries, by maintaining public laboratories for scientific research in the service of industry. This is, of course, in addition to the ordinary system of public instruction common to all citizens.

- (vii) Organising and maintaining a public department to collect, compile, and disseminate statistical and other information necessary on the business side of each enterprise. This department should publish commercial intelligence and comparative statistics, as well as technical, mechanical or scientific information, of use to industries.
- (viii) Legislation providing necessary protection by guaranteeing patent rights to technical improvements, or new processes, machinery, or device; or of the type illustrated by Merchandise Marks Act; or by insisting on Certificate of Origin from countries, imports from which compete with products made at home.

All such protective activity would be progressively unnecessary as the progress of the plan effects a radical revolution in the basis and working of the social system.

- (ix) Labour Legislation, forbidding or restricting strikes, and insisting on compulsory arbitration of labour disputes, to secure continuous employment helping in the success of the industry.
- (x) Negotiating and concluding specially advantageous commercial treaties with other countries to secure advantageous markets abroad for the surplus or special produce of one's own country.

This last will, under a planned world economy, become progressively unnecessary, if principles of international settlement, like those enunciated in the Atlantic Charter, prevail.

### Claims upon Industry under Planned National Economy

The first claim on any protected industry, comprised in the Plan, is to satisfy local demand.\* The volume of such demand must steadily expand in proportion as the main aim of planned economy,—improving the people's standard of living,—is attained.

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\* Cp. Handbook I, p. 79, para 9.

No industry should be allowed to export its products while any part of the expanding local demand remains unsatisfied. If voluntary privation is the price of protecting local industry, plenty should be the reward,—both in quality and quantity—when such protection has succeeded and borne fruit.

Local industry, made part of the Plan, has a prior claim for raw material on local production of the same. No part of locally produced raw material, needed by local industry forming part of the Plan, should be allowed to be exported.

### Limits of Industrial Development Under Planned Economy

There are two alternative maxima to which planned industry may be developed within a country: An industry may be said to have attained the maximum development when, either (i) it absorbs the whole of the raw material needed by it, produced within the country; or (ii) when it supplies the whole of the local demand.

Planned economy can be said to have succeeded only when the demand of the industry (for raw material), as well as of the local market (for finished article) keeps on steadily improving, both in quantity and in quality.

It is the task of the Planning Authority to determine in each case the optimum point of development within the period, and with due regard to all other facets, of the Plan.

Every industry established in the country must form integral part of the Plan. Whether conducted by private enterprise, or by collective agency, it must be subject to detailed regulation, close supervision, and effective control.

To facilitate this regulation, supervision, and control, the Planning Authority must constitute separate National Trusts for each industry spread all over the country, or of groups of cognate industries. In these trusts, private property may remain, if already a vested interest. But it must be rigidly regulated and closely supervised.

Each Trust should function under the Planning Authority. It should be responsible to that body to see that no one industry (or enterprise) progress beyond, or lags behind, the prescribed or permitted rate; and thereby upset other sectors of the Plan; or make it lop-sided as it takes effect.

**It is the essence of planning, that the planned programme is dynamic, not static; elastic, not rigid. There is no satiation point in planned economy, though there may be an optimum. It must, accordingly, be the task of the Planning Authority to**



see that the progress and realisation of the Plan keep abreast of every advance in science or technique, every improvement in process or organisation.

### Key Industries \*

Key Industries are generally of two kinds. Industries, which are the starting point providing the basic equipment of other industries,—*e.g.* making of machines, tools, or plant, needed in industrial development,—are usually called Key or “Mother” industries. Those industries, on the other hand, which are vital to the existence of the nation,—*e.g.* Defence, or armament industries,—are also known as Key or Vital industries. There is a close connection and growing interdependence between these two categories.

**All Key Industries must be state-owned and State-managed.** The profit *motif* must be summarily and completely excluded from the conduct and organisation of every such industry.

Where in any such Key Industry, private enterprise exists, and has created vested interests, these must be bought out, and the industry nationalised, subject to the payment of a just compensation.

The Planning Authority, must decide whether “Key” Industries of either class should be concentrated in a single place, or in as few places as possible; or whether they should be as widespread as the available resources would permit.

The concentration of Key Industries in a relatively few places would be open to the following objections:—

- (a) In times of war such concentration would intensify heavy loss by enemy action.
- (b) Natural calamities, like earthquakes or floods, happening in the regions where such industries are located, may cause disproportionate damage.
- (c) It may result in the elimination of internal competition, or healthy rivalry, as between the several establishments in the same industry in the different parts of the country, which is necessary, even under planned economy, for maintaining a high standard of efficiency, in quality as well as the quantity of production.
- (d) Finally, it may also preclude that all-round development of the country in every part, which is indisputable evidence of improvement in the general standard of living.

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\* Cp. Handbook I, p. 79, para 8.

On the other hand, availability of the requisite raw materials, and the necessary skilled labour, may be effective factors in restricting the choice of location for such industries. It must be the task of the Planning Authority to bring about a happy mean between diffusion and concentration, after giving due consideration to all relevant factors.

#### Consumption Industries

Industries connected with the supply of "Consumption" goods and services,—*e.g.*, the preparation and supply of food, drink, articles of toilette or cosmetics—will necessarily have to be diffused throughout the country. Even though possible to operate on a large scale,—with labour-saving, power-worked devices,—these industries would be, relatively speaking, small-scale operations for the greater part of the country. They would, however, need to be controlled and supervised, in public interest, by some public authority,—*e.g.* a Municipal Corporation,—under the general supervision of the National Planning Authority.

#### Cottage Industries \*

In an estimate of the aggregate national wealth of India, the produce of unorganised, scattered, Cottage Industries is likely to be overlooked or underestimated, both in regard to the value of out-turn, as well as its social utility.

At the present time, Agriculture, in all its branches, accessories or subsidiaries, is an outstanding example of small-scale or Cottage Industry. Notwithstanding the obvious advantage in increased productivity per unit under mechanised agriculture, that vast sector of planned economy will for some years have to remain as a small scale enterprise and Cottage Industry.

The Planning Authority must define and assign the most economical place for Cottage Industries, and prescribe their organisation, operation, control, and supervision.

The Industries which may be safely and economically conducted as Cottage Industries, must be carefully described by the Planning Authority.

As a tentative definition, it was suggested in the Planning Committee that all industries in which the worker works with his own tools, in his own home, and with the aid of his family, or hired labour not exceeding five persons, should be classed as Cottage Industries.

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\* Cp. Handbook I, p. 78, para 6.

The presence of power-driven machinery was not regarded as necessarily a distinctive feature of large-scale industry. Nor was working in a place near one's home considered an exclusive, distinctive feature of Cottage Industry. A combination of two or more of the above characteristics may suffice, at the discretion of the Planning Authority, to include a given industry in the list of Cottage Industries, or not.

By way of illustration mention may be made of the following:—

Industries, or work—

- (a) mainly concerned with repairing or servicing of all plants, tools, machinery, and equipment;
- (b) those concerned with artistic wares, personal service, or skilled craftsmanship;
- (c) those subsidiary to large categories of production, such as agriculture;
- (d) those connected with certain types of recreational activities;
- (e) and those arising out of, or necessitated by, the peculiar social configuration and division of labour, *e.g.*, household work of all kinds mainly for women;

will ordinarily be of a small or cottage scale.

All these, and others of a like nature, are not, fundamentally, incapable of being organised as large-scale, power-driven, mass producing industries, or services. In view of the prevailing public sentiment, however, these may be treated and developed as Cottage Industries in the first instalment of the Plan.

Cottage Industries can be organised and run efficiently with labour-saving devices. Decentralised power-driven machinery can be within the means of local co-operatives. These will increase the output and save effort.

Many old and indigenous industries in several provinces have been abandoned, not in all cases because of the competition of large-scale factories producing machine-made goods. Social changes, following upon the Industrial Revolution, *e.g.*, migration of skilled labour, also account for the discontinuance of many such industries.

These industries, involving skilled workmanship, or indirectly aiding in the more equitable distribution of the National Dividend, can be harmonised with, and made integral part of the planned national market, by suitable division of the field of operations and of markets.

The National Planning Authority can effectively foster or assist the revival of such industries. It can substantially aid in the development and rationalisation of these industries, which still exist, but require sympathetic care, by helping to organise them effectively; by eliminating avoidable competition with the products of such industries by machine-made, mass produced goods; and by providing the necessary Transport, Finance and Marketing facilities.

#### **New Cottage Industries**

**The establishment of new industries on a cottage scale, which are already exposed to competition by machine-made goods, must be discouraged.**

If suitable raw material for Cottage Industries of the categories mentioned above is available in any area, as also the necessary skilled labour and technical experience, new cottage industries may, however, be encouraged, for reasons of social importance or of economic utility. When so established, they must be placed in charge of a special body under the National Planning Authority set up for the purpose.

With these exceptions, agriculture, and all manufacturing industries, utilities, services, or amenities should be organised and worked on as large a scale as possible, as part of the planned national economy. The latest and most efficient machinery, the most scientific technique, the best skilled labour, and rationalised operation, must be the universal rule in all such enterprise. The home and the farm must be mechanised as much as the factory and the workshop; and men as well as women must be saved from mere drudgery in every case where machine can take the place of the human hand, where mechanical or electric energy can be a substitute for muscular effort.

#### **General Policy for the Conduct and Management of Planned Industry**

The public agency, entrusted with the conduct of these enterprises, must be organised in such form, and controlled in such manner, as may be deemed appropriate in each case. The area of operations and scope of activities of such corporation should definitely be prescribed in each case by the Planning Authority. The form of organisation may include a local or national monopoly for a service or commodity.

Similar machinery must be set up effectively to supervise, regulate and control such sectors of planned economy as are, for the time being, unavoidably left in private hands.

The general principles governing the creation and working of such Agency will be:—

- (i) That all enterprises connected with the provision of National Defence, Public Utilities, and Social Services, or civilised amenities, considered vital to the very existence of the community, must be directly owned and managed by the State or its representative,—the Local, Provincial, or State Government..
- (ii) *Secondly*, all Key Industries,—which are vital, or are the basis of other industries,—shall, wherever there is ground to believe that such enterprise, if left in private hands, would be turned into formal or concealed monopoly, thereby avoiding all internal competition, and so endangering the interests of the consumers, or likely to be worked in a manner calculated to impede or defeat the programme of planned economy, must be, preferably conducted as State enterprises.\*
- (iii) Where, for any reason, such direct conduct of a key industry or enterprise by the State or its representative is not feasible, each such industry may be entrusted to a specially constituted public corporation, (like the B. B. C.; or the London Passenger Transport Board). In each case the policy and operations of the corporation must be regulated, supervised, and controlled, including price of the articles or service produced; the provision of reserves; the employment of the staff and labour; the location of that industry, the conditions of its expansion, and all other similar matters which bear eventually upon the prosecution of the Plan, and the degree of its success.
- (iv) *Thirdly*, Industrial enterprise, which requires for its establishment and growth state aid in any form, must, likewise, be under rigid control, regulation and supervision of the State through the Planning Authority, if left in private hands, particularly with a view to see that such aided or protected enterprise does not develop monopolistic tendency within the country, or seek markets abroad at the expense of the domestic consumer, or carry on foreign trade which may involve the community in a struggle for "Economic Imperialism" all over the world.\*\*

\* Cp. Footnote ante, p. 46.

\*\* Chairman's Memorandum dated 4th June, 1939.

If private, profit-seeking enterprise is found, in any given case, unavoidable, it should at least be rigidly controlled in all its operations and activities, and required to conform to the national plan.

**Formal or virtual monopolies under private enterprise should be strictly prohibited and debarred** in the production and supply of all materials, accessories, and facilities, needed for the production and supply of the materials needed for national defence, public utilities, and social amenities. The moment any such enterprise evinces signs of getting under monopolistic organisation, the State should hasten to acquire the same, subject to such compensation as may be deemed just in each case.

All enterprises providing necessities as well as amenities of life, *e.g.*, amusement, recreation, travel or enlightenment,—including theatrical performances, cinema shows, concerts, lectures, art or science exhibitions, museums, picture galleries, etc.—should be State-owned. They may be managed,—whether by the Local Governing bodies, or by Provincial and State Governments, or by statutory corporations specifically created in that behalf. The element of private profit should be progressively eliminated from the production and supply of all necessities, amenities, or utilities.

The production and supply of all the necessary commodities, utilities, services, and amenities, needed to ensure a given standard of life, will involve readjustment of the basis and sources as well as methods of raising Public Revenues, and incurring Public Expenditure.

Public finance would, accordingly, serve as an agency for adding to, and re-distributing indirectly, the "national dividend". Suitable taxation, adjusted to ability, and judicious expenditure, will achieve the double end pending the complete elimination of private property, or personal profit.

The State may, at any time, take over any industrial enterprise, which, though organised, in the first place, by private agency, is nevertheless deemed to be of such importance to the nation collectively, that its conduct can no longer be left in private hands.

The same policy must also be adopted in the case of those enterprises which have developed a policy calculated to avoid internal competition, and establish profit-seeking monopoly for their proprietors.

In each such case just compensation, not exceeding three times the value of the capital invested, may be paid on the recommendation of the Planning Commission.

Any productive enterprise, *e.g.*, Agriculture, which, in the course of evolution, has become intertwined with serious social sores, *e.g.*, absentee landlordism, or fragmentation, must, similarly, be open to be taken over by the State, on the same general terms and conditions as above, and worked as a compulsory public enterprise. Decentralisation in administration will have to be a conspicuous feature of the organisation.

### The Press

The Press in India is concerned with a very limited field of the national revival. The bulk of it is interested only in political developments from day to day. News, and to some extent views, constitute the chief material in the daily or periodical press. Scientific journals, bulletins, reports or other publications, with a view to disseminating information, or carrying on propaganda, is not yet considered an integral part of the public press in this country.

Under a system of planned economy, the National Planning Authority will have to see to it that the publicity and propaganda service, with special reference to the progress of the Plan, must be reorganised, if necessary by public agency.

The interests of consumers in the proper disposal of the output of industries, established with or without State Aid, and conducted as public or private enterprise, must be carefully considered by the National Planning Authority, and duly attended to.

- Such attention would take the shape, principally, of—
  - (a) an effective, universal price control of the commodities and services produced by such industries; and
  - (b) guarantee of their quality and quantity produced.

## SECTION V

### LABOUR AND POPULATION

The interests of workers, employed in any productive activity—agriculture, mining, forestry, industries, public utilities, social services and amenities,—as well as in administrative functions, including national defence, should be carefully attended to, consistent with due regard to the interests of the consumers and of the community collectively.\*

A guaranteed minimum standard of living, including all the amenities and services in the prescribed measure, should be the basis of any remuneration to workers.\*\*

This guaranteed national minimum should be common to the whole country. Such variations as are necessitated by differences in local conditions may affect the excess over the basic guaranteed minimum, but in no case the basis itself.

All individual incomes should, in planned economy, be assimilated to the worker's wage. Any variation in such incomes, even if unavoidable at the commencement, should be progressively reduced. The ultimate, irremovable gulf between the lowest and the highest individual income should not be greater than 1:10.

**As already stated, there must be a universal, unexceptioned, system of social conscription of all adult, able-bodied**

\* See also *ante*, p. 15*et seq.*

\*\* The Resolution, passed by the Congress at its Karachi sessions, in 1931: on the Fundamental Rights of Citizens, lays it down, in regard to the rights of Labour:

2. (a) The organisation of the economic life must conform to the principles of justice, to the end that it may secure a decent standard of living.
- (b) The State shall safeguard the interests of industrial workers, and shall secure for them, by suitable legislation, and in other ways, a living wage, healthy conditions of work, limited hours of labour, suitable machinery for the settlement of disputes between employers and workmen, and protection against the economic consequences of old age, sickness, and unemployment.
3. Labour to be freed from serfdom and conditions bordering on serfdom.
4. Protection of women workers, and specially, adequate provision for leave during maternity period.
5. Children of school-going age shall not be employed in mines and factories.
6. Peasants and workers shall have the right to form unions to protect their interests.



citizens to abolish parasitism of every description, and eliminate exploitation of any individual, group, or class, by another. No one not exempted from work, for some lawful reason, should be entitled to any share in the National Dividend.

The distinction between hand-workers and brain-workers, in so far as it might allow differential rates of wages, or return for labour, should be progressively abolished. Workers of all categories should be placed, progressively, on an egalitarian footing, *inter-se*.

**The right to work must be guaranteed, as a national obligation, to every able-bodied, adult citizen, in accordance with the physical or intellectual aptitude, condition, or circumstances of each worker.**

The mobility of workers from place to place, or from occupation to occupation, must be assured, consistent with the requirements of the plan in any given sector, place, or occupation.

**All workers of every category must be organised into appropriate Trade Union, through whom alone all business relating to labour should be transacted.**

Like all other labour engaged in productive processes, services, or utilities, agricultural labour, whether owning land or not, must be organised into suitable Trade Unions. All Labour Legislation, including that relating to industrial insurance or social security, should, *mutatis mutandis* be made applicable to this class.

The National Planning Authority must submit draft proposals to the national Legislature for comprehensive codes of Labour legislation, marketing, and finance of industries. Suitable administrative machinery should be likewise organised, under the general supervision of that Authority, for carrying out such legislation.

In proportion as new industries are established and existing ones develop, the Planning Authority must arrange to provide, in the required number and quality, technically trained and properly qualified Indian personnel, with the requisite skill, knowledge, and experience in each case for conducting and managing such Industries. For this purpose, that Authority must organise technical education and development research throughout the country. It must, at the same time, provide the necessary institutions, equipment, and instructors, in such a manner as would meet this particular need as rapidly as possible.

Pending the achievement of this objective, the National Planning Authority should be at liberty to engage experienced, or technically skilled, foreign workers, on specific contract for a term of years. Foreigners thus engaged must not only attend to the technical requirements of the newly planned or developed industries; but also train up the requisite Indian personnel in the working of such industries, their plant and machinery, their marketing and other technical managerial matters connected with it.

### Population

There is no dearth of labour in India. On the contrary, the Indian problem is an excess of population over available employment. It must be the task of the Planning Authority to make the volume of work and the number of people able to work correspond.

The State, as representing the community collectively, is vitally interested in the number, quality, and the age-distribution of the population within the country. The mass of the people may, perhaps, be said to be unskilled in modern machinised employment.

The density of population has a vital bearing upon the framing and working of a planned programme of national economy.

The unequal distribution of population in the several regions of the world constitutes a most serious problem of international economy. Any scheme of post-war reconstruction, which overlooks the gravity of this problem, and neglects to provide adequate, effective, outlets for overcrowded countries, is bound to fail because of its own inherent weakness.

Even within a country like India, there may be serious variations in density as between its several regions. Planned economy must provide effective facilities for the internal migration of people. The Planning Authority should even take an active hand in redistributing the population on a more comparable basis, as between the several parts of the country, their productive resources, and other conditions bearing on the Plan.

Existing laws against immigration in any country; or those restricting the right to acquire domicile or naturalisation in a country other than that of one's birth; and any other restriction, impediment, or obstacle on the free movement of population all over the world, will have to be scrapped, if a

sound and durable world programme of post-war reconstruction is to be a reality.

The right to freedom of movement or settlement from country to country must be promised and guaranteed as among the fundamental rights of civilised humanity.

All institutions, having direct bearing on the number and quality of population, or its movement from place to place within the country, must be under the constant supervision of the State. Marriage, family, property relations between spouses or parents and children, must be rationalised; and regulated in the interests of planned economy, in such manner as the appropriate authority may decide.

So long as the system of private property and individual initiative, motivated by the desire for personal gain, lasts, birth control, or deliberate limitation of the size of one's family, must be recognised as a right of individual citizens living together as husband and wife. The State must provide clinics, adequately staffed and equipped, to facilitate the safe exercise of this right under proper supervision.

The State has direct interest in regulating the number as well as the quality of its citizens. With the progress and success of planned economy, that interest is bound to grow. The responsibility for bringing up children, for their care and education, must, consequently, be shared by the State increasingly with the parents.

• All services, institutions, establishments and accessories, required for the birth, growth, nourishment, education and training of children, must be provided at public cost. They must be operated exclusively as public enterprise.

Any scope, now available, for private profit-seeking enterprise in providing or maintaining hospitals, nursing homes, creches, nurseries, schools, or colleges; and in industries concerned with equipping the same, must be progressively eliminated; and, for the future, it must be rigorously excluded and forbidden.

Parental care and affection, and the atmosphere of family life, including healthy rivalry between brothers and sisters, is considered to be a very important factor in the normal mental and physical make-up of a man or woman. Planned economy should, accordingly, preserve as much of these as is not intrinsically incompatible with rationalised individual family, or family life.

The family, however, must yield place, as a social unit, to the individual, under planned economy. For purposes of

work, consumption, or taxation, the individual must, in planned economy, be the basic unit.

The individual must be free to choose the kind and place of work most suitable to his or her mental and physical capacity. He is, likewise, free to form associations and combinations, for purposes of work, living, travel, amusement, recreation, and the like, without prejudice to the fundamental requirements of planned economy.

Marriage must be rationalised. It must be regarded exclusively as a civil contract, with no trace of a sacrament in it. It is a voluntary association of equal individuals, having equal rights in each contracting party to form, maintain, or dissolve the marriage tie. Both parties must share equally the obligations in the maintenance of that bond.

Any aspect of the institution of marriage, which is incompatible with its basic conception of a civil contract, must not be recognised by the State.

The rights of inheritance, and the power to will away property, must be progressively abolished. Heavy death duties, or other forms of taxing the transmission of family property, may serve as efficient instruments for the purpose. Direct legislation prohibiting inheritance, may be impracticable, as it is impolitic, for the time being.

The total population will necessarily be redistributed with the progress and realisation of planned economy, the growth of industries, their accessories, social amenities, and public utilities. The present pressure on Agriculture will, accordingly, be relieved, and the volume of employment in industries proportionately increased.

The exact measure in which redistribution of population should be effected by the Plan is difficult to prescribe in advance. The Plan should, however, aim at bringing about a re-adjustment of the population so as to make Agriculture, with all its accessories and subsidiaries, support not more than half the total population.

The balance should be maintained by Industries (25%), Commerce,—with its attendant services of Transport, Banking and Insurance,—(10%) Social and Public Utility Services (10%); and the general administrative organisation of the country,—including its defence, the executive, judicial, and other public services,—(5%).

A reasonable proportion between the working and non-working population is 2:1. All adults, over 18 years of age and below 60, must be treated as working population. The sick,

the invalid, the infirm, or disabled, will, of course, be exempted from the obligation to work.

Every one of the working population has the right to be provided with work suitable to his or her bodily and mental capacity, technical training, and natural aptitude. **But the right to work is also a duty.** The Planning Authority should, accordingly, bring about a progressive elimination of the idle and the unemployed, if necessary, by legislative enforcement of industrial conscription.

The portion of the population in any given unit, which, though primarily connected with agriculture, has no rights in agricultural land, or its associated or subsidiary occupations, should be given rights corresponding to the ordinary workers' rights in other industries.

In the alternative, such population should be transferred to other sectors of the productive organisation of the country, or to public utilities, social services, or administrative machinery. All these will have to be radically reorganised under planned economy.

The standard of living for the population, thus found employment as landless workers on land, or transferred to other sectors of the national economy, must be the same as that guaranteed to all other classes of workers, however employed, as a national minimum.

Those incapacitated from work owing to bodily infirmity or mental disability should also be included in the safeguard of the guaranteed national minimum. Wherever possible, their infirmities or disabilities should be treated; and work found for them suitable to their condition improved by such treatment.

## SECTION VI

### DISTRIBUTION

The average income in India is distressingly low, however measured. Low as it is, it is not identical with the real income of the mass of individual citizens.\*

The Planning Committee have tacitly assumed the possibility of radical changes of evolutionary development, given sovereign power in the people of India to mould their own destiny. The basic aim of the Plan, in their view, must be the absolute assurance to the masses of the Indian people of an adequate standard of living. Every other consideration,—except, perhaps, that of national peace and integrity,—must give way before the primary requirement of national regeneration and social justice.

The term “adequate standard of living” sounds somewhat vague. The Planning Committee, however, understands by it a certain irreducible minimum of the necessities of life, a progressive scale of comforts and amenities, as recommended by experts in such matters, with clear definition and objective measurement. Indications have already been given, earlier in these pages, of such definition and measurement.

When both production and distribution, together with their ancillaries, have been properly attended to, then only can Planning be comprehensive as well as national.

The unequal system of distributing the national dividend, coupled with the force of social institutions, like the joint family, materially reduces the real *per capita* income of a large proportion of the population. The real income of over 70% of our population is probably less than half the estimated average income. And that is hardly more than Rs. 75 per head per annum,—barely sufficient to provide one meal of the coarsest and poorest kind per head, per day—and nothing else besides.

If distribution in India were rationalised, and placed on an equal footing, (*i.e.*, according to the needs of each indivi-

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\*“Distribution is the vital cornerstone of any planned economy; and evils of industrialisation can and should be avoided if there is an equitable system of distribution. In the national Plan for India a proper scheme of distribution must, therefore, be considered as essential.”

(cp. Handbook No. 1, p. 79 Instructions for the Guidance of Sub-Committees.)

dual), the accepted goal of National Planning,—namely, to double the average income of the individuals,—would be achieved immediately, even with the present production, without further effort. This, however, is a painfully low level. Every effort must consequently be made to raise it by increased production; and still more, by improved distribution.

Unless the methods, as well as the basis, of Distribution are recast in a juster mould, simultaneously with the improvement and development in the productive organisation of the community, the benefit of the Plan would go disproportionately to the possessing or privileged classes,—hardly more than a fourth of the total population.

If we desire that the full benefit of a nationally planned economy should go equitably to every citizen, the basis of Distribution must be radically recast. The share of the passive factors of production—land, or natural resources, and capital, or accumulated, crystallised surplus of past labour—must be reduced to the level needed for the efficient maintenance and reasonable increase of these resources.

The share due to mere ownership must be progressively diminished, till it disappears altogether. So, likewise, the so-called rent of personal ability. The rentier class should have no room in planned economy.

Instead the share of the community collectively must be increased to absorb a good bit of these savings.

Interest,—or return for the plant, tools, buildings, implements and machinery of production,—should be equal to set off the wear and tear of these instruments, and a surplus or reserve sufficient to ensure the replacement of obsolete or uneconomic tools, etc., by more modern and efficient machinery, etc.

It would be the same as what is called Depreciation under the existing system, and Reserve. Depreciation, however, must be calculated on a different basis from the method now obtaining.

The Reserve Fund, similarly, must be equal to keep the productive organisation abreast of the discoveries of science and the inventions of human ingenuity.

Both these must be calculated and provided for the entire productive organisation of the country, and not by particular industries or establishments. They would ensure the formation of new capital, or savings from current consumption, which should be at the disposal of the National Planning Authority to re-employ in the country's productive organisation, or to improve the standard of living of its people, as may

seem best calculated to aid the realisation of the aims and objects of national planning.

The radical reorganisation of the current money economy will help substantially to achieve this purpose. The cash *nexus* must be summarily abolished.

Needless to add **under planned economy there can be no room for any share in the national dividend, called profits of enterprise.** It must be among the first aims of planned economy progressively to eliminate profit and liquidate profiteers. The balance should be devoted to increase and improve the share of labour.

Distribution of the national dividend is, it may be added, materially affected by the provision of the Services and Amenities, mentioned above, free of cost to the recipient. They would be benefits in kind, improving the standard of living; and thereby effecting a silent redistribution of the national dividend.

Even when planned economy has succeeded in establishing a just, equitable, and egalitarian scheme of Distribution, the actual standard of living, prescribed by the Plan, will not improve, unless simultaneous and corresponding attention is paid to consumption. Increased resources, or income, of the masses must be so laid out, by planned processes of consumption, as to procure better food, better clothing, better housing, and a larger measure of all services, utilities, and amenities.

For regulating and controlling, in accordance with the provisions of the Plan in that behalf, Consumption,—qualitatively as well as quantitatively,—an adequate administrative machinery will have to be devised, as integral part of the Planned Economy.

A progressively increasing share, assigned to the State as representing the community collectively, is necessary to carry out the Plan, and maintain the activities and machinery needed for the purpose.

For securing a just and equitable distribution of the National Dividend, as also to improve consumption, specific norms for the standard of living, as defined above, must be laid down by the National Planning Authority.

These standards, or norms, though approximating to one another, and conforming to a National Minimum, may differ from region to region, from age-groups to age-groups. They may vary in accordance with the work or activity carried on



by each individual. They may vary also from year to year, in accordance with the progress of the Plan, and the consequent improvement in the resources available for distribution.

The standard of life, or National Minimum, prescribed by the Planning Authority from time to time, must be guaranteed and made available to every citizen.

A minimum wage must, accordingly, be prescribed, and enforced for every worker, whether engaged in material production, services, or amenities. Employment in all activities deemed essential by the Planning Authority for the very existence of the community; or considered as on a par with productive work, even though not resulting immediately in any commodity or tangible utility, should be treated as on a par with the preceding.

The minimum wage, or the guaranteed standard of living, should be a real fact. That is to say, the purchasing power, supposed to be embodied in the prescribed minimum wage, should not be liable to such variation as to render the real return to the worker less than the nominal value of the money-wage.

No scheme of planned distribution can be called just and scientific which leaves the slightest occasion for destitution. "Freedom from want," is, according to the Atlantic Charter, a distinctive feature of post-war world economy; it must be the corner stone of planned economy in this country.

A beginning seems to have been promised, in this direction, even in the capitalist country of Britain, by what is known as the Beveridge Plan for social security.

The Beveridge Plan of Social Security, framed for a capitalist society, is made to apply to all citizens, irrespective of their private means or productive capacity. Every gainfully employed citizen,—employer or employed,—must make weekly contributions by way of premia. It is a plan, primarily, to redistribute more equally the national dividend, social insurance being regarded as only one of the paths to achieve real progress. Taken collectively, it is a frontal attack, not only on destitution, but also on disease; not only on want, but also on idleness not only on the uncontrollable contingencies, but also on avoidable parasitism.

Every man, woman, and child in India must be guaranteed against want or starvation by planned economy. This assurance must be made a matter of right, and not of any shade of charity. The only condition to entitle any individual citizen to benefit of such insurance must be work, or contribution ac-

ording to capacity, to the national dividend, whether actual or potential.

The Plan must, as already premised, assure to every citizen a basic minimum. This minimum must be available to everyone in want, irrespective of the immediate cause of that want. Sickness, accident, invalidity, widowhood, temporary unemployment, or superannuation, must all be covered by this assurance.

No Plan can have the least hope of success which does not provide this measure of social security. It is intended and designed to encourage individual initiative and self-reliance, not to stifle or suppress it. As this assured minimum is the real minimum, normal earnings may well be in excess of the minimum.

Measures should be adopted, along with this system of social insurance, to enable able-bodied adults to regain their normal place in the planned system, and tide over the temporary want as soon as possible—except in the case of retirement through old age. Thus the temporarily unemployed should be trained for alternative employment; the sick and invalid treated in hospitals, nursing homes and the like, all set up and maintained as public enterprise. Even the mentally infirm or physically disabled can, and should, be found alternative employment suited to their condition. Men and women should all be kept fit for service to the community.

In planned economy much of this effort may be unnecessary, or wear a different garb. The principle of contributory insurance may be accepted. But, if the State becomes progressively the universal employer, there will be not three but only two contributors, the working citizen and the State. The income of the former would be deducted *pro tanto* at the source; while the contribution of the State will, in all probability, come from the general revenue,—the surplus of productive activity taken over by the State for common purposes.

For reasons of prudence, however, and for facility in accounting, it may be desirable for the State to maintain a special separate Fund for this social service, crediting both the worker's and its own contribution to the Fund regularly at stated periods. The management of the Fund must, of course, rest with the State.

In planned economy of the type envisaged here, such classes as habitual criminals, drunkards, wastrels, or prostitutes would be progressively abolished, or scientifically dealt with.

Crime in existing society is a reflex, in a large majority of cases, of the prevalence of private property and the motive of personal gain. These being eliminated, the scope for crime, as we now call it, will be extremely limited. What remains will fall in the domain of pathology or psychoanalysis; and will be treated institutionally or specifically in each case. Measures of social security may have a limited application in such cases.

Other forms of unsocial activity must also diminish as planned economy takes effect. Dipsomania will be classed and treated as disease, like insomnia; thriftlessness will have no room to function. Even prostitution of the present-day professional type must disappear, as the right to work is assured to every woman along with a reasonable return for such work. There is, of course, no need to provide specifically in planned economy for the amateur prostitute, male or female, taking the place of the professional,—except as cases of mental aberration, or physical malformation.

While prostitution continues, however, the same measure of social security should be available to that class as to any other class of workers. For, prostitution is the outcome of social injustice in the past; and this provision must be looked upon as so much atonement.

The only class of workers, now rich in numbers, which has not yet been dealt with, is the professional religious mendicant. This is a hardy germ, difficult to kill. Religion is, at best, an opiate; at worst, a public nuisance. In planned society, the State must be a secular organisation exclusively, having no truck with religion. It must be left as the private, personal concern of each individual, with which the State has no concern,—not even by way of persecution. For, persecution is the water and manure for this plant to flourish ever more. But the practitioners of religion should have no claim upon the national dividend. They may, however, be employed in other social services, like education or public health, on such terms and conditions as the Planning Authority may prescribe.

## SECTION VII

### TRADE

The real place and function of money in a planned economy is dealt with elsewhere. A radical reform in economic organisation, in harmony with the Plan, will involve wholesale scrapping of Money, as it is understood and functions now.

The supreme organ of government, representing the sovereign people, must alone have the power and authority to ordain and manage the country's currency system. The management should be so conducted, as, having due regard to the community machinery for effecting the distribution, or to the service of consumption, will permit of regulating the monetary and credit system so as most effectively to minister to the Plan.

The machinery referred to above comprises State or co-operative shops for the sale of all important requisites of daily life; fixed prices, so regulated as to be in accordance with the purchasing power obtained by each citizen as a guaranteed minimum of living, &c.; Banking, conducted as a public utility service through a central, nationalised bank, radiating by branches, agencies, or affiliations throughout the country.

To secure adequate and sufficient consumption, in quantity and quality prescribed by the Plan, a suitable service of Internal Trade will have to be organised. It must make instantly available the products of national activity in Agriculture, Industry, Forestry or Mining, Arts and Crafts, Public Utilities, Social Services, and Civilised Amenities.

Internal Trade, however, should be so organised and conditioned as to provide for the consumption locally wherever feasible, of the greatest possible portion of the local produce. This is intended to avoid needless intervention of middlemen, to maintain a measure of price-stability, to minimise the strain on the country's transport system, banking service, or currency.

For this purpose, it will be necessary to constitute in the country such regional units,—within each Province or State,—as to facilitate the national organisation of those accessory, indispensable services. These, taken collectively, should afford the greatest scope for consuming the local produce of all kinds within such local limits.

Such units may even override existing provincial or State boundaries. Existing provinces are anomalies, and States anachronisms, which must be rationalised for any Plan to function.

Trade will then be inter-regional. It will consist mainly of the surplus production or the monopolised speciality for export; and, on the import side, supply the deficit in local production as compared to the local demand.

This will constitute the optimum of trading activity found indispensable under a National Plan with rationalised production and distribution all over the country. It must be the aim of planned economy to do away with every avoidable act of exchange of commodities or services, in order to economise national energy.

Trading between such regional units within the country must be free from any impediments.

Foreign trade must be conducted by an appropriate public corporation under the National Planning Authority.

The conduct of all trading operations should be entrusted to a department of each provincial Planning Authority.

To facilitate supervision, regulation, and control by the State, internal trade should be progressively organised as co-operative activity on as large an area as convenient. Regional agreements may be made for this purpose by the local planning authorities concerned, subject to the approval of the National Planning Commission.

The class, displaced from their traditional activity as merchants or traders by such organisation of the country's internal trade, must be absorbed in the conduct, direction and management of the new type of trading machinery, accessory services, and analogous activities, considered necessary by the Planning Authority.

The shop-keeper may be eliminated as parasitical intermediary. Shop-keeping, however, cannot disappear, as it is an integral function of planned economy. It must, accordingly, be organised as a public utility service.

The traditional distinction between Producers and Consumers must be progressively eliminated. There is no natural, or necessary, antithesis between them. All producers are consumers; and most consumers will be actual, or potential, producers. The aged for the past contribution to the national dividend, and the children for their future, must be deemed producers.

A very small proportion of the entire community would thus remain non-producer. It may consist of the mentally or physically disabled. As such, it may be conceded to have claims upon human charity, which a civilised society cannot ignore.

The foreign trade of the country must be a public monopoly, conducted as an integral part of the National Plan. Its conduct must be placed exclusively in the charge of the Central National Marketing Authority, which must be vested with appropriate executive authority for the purpose. This authority must function under the National Planning Authority, and carry out the policy laid down by that body.

On this basis, international trade also will follow the same lines as determine the internal trade, *i.e.*, export mainly of surplus produce or speciality of one country to others; and import chiefly to make up the local deficit. There can, and must, be no room for dumping in a sanely planned world economy.

#### Statistical Data

The existing machinery, for the collection, and publication of useful economic, technical, or scientific information relating to Agriculture, Industry, Commerce, Transport, Banking, Labour, etc., is most inadequate, especially when scientific planning is taken in hand.

The reports, bulletins, periodical publications, of the various departments of the several governments, Trade Unions, Professional Organisations, Chambers of Commerce and other public bodies, and private associations, are now-a-days so compiled and published, as to be always out of date, and generally inaccessible to the public. Arrangements must, therefore, be made by the National Planning Authority for a wider, more popular publicity, and more easy accessibility of such information.

The Planning Authority must maintain in important industrial or commercial centres at least one library, with free access to the public containing all these material.

Private organisations of trade or commerce, (*e.g.*, Chambers of Commerce), industries, (*e.g.*, Federation of Industries), agriculture (*e.g.*, Kisan Sabha, Landlords Associations), transport, banking, or insurance, are interested only in material concerning their own particular line of business. They have no means of co-ordinating this information. Nor are they

interested in making it available to the general public, from which new personnel will be derived for the conduct of planned industry, agriculture, commerce, and the attendant services.

The Planning Authority must, therefore, organise a machinery for instantly co-ordinating such information published from these sources, and making it more generally available.

Legislation regarding patent right, or Merchandise Marks Act, with special reference to technological information or new discoveries, must be brought up-to-date. It must be designed with special reference to Indian requirements, with due regard to the state of infancy through which Indian industry will have to pass.

Basic information,—like that provided by the Geological Surveys, Gazeteers, or by standard works, like Watt's Dictionary of Economic Products of India,—is inadequate and obsolete. The Planning Authority must, accordingly, take immediate steps to bring all such available information up-to-date; and organise adequate machinery to make new surveys and collect fresh data *re*: raw materials, minerals, power resources of each unit, its fauna and flora.\* This may be a part of, or in addition to the Census of Production already suggested.

The information thus co-ordinated and brought up-to-date may, in the first place, relate to a given region, province, or state; a given industry or process. Or it may concern the entire country. In each instance due regard must be paid to the place of the item considered in the scheme of Planned National Economy. The Planning Authority must supervise, through appropriate agency set up for the purpose, co-ordinating and publishing.

The ordinary daily, or periodical, press,—newspaper, weekly or magazine,—must be integrated with the rest of the planned publicity service; and conducted as a public utility.

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\* Quite lately, the Central Government seem to have taken in hand the preparation of a dictionary of raw materials, as part of their Board of Industrial and Scientific Research. The programme promises well; but its fulfilment lies on the lap of the New Delhi War Lords and departmental Deities.

## SECTION VIII

### ADMINISTRATIVE ORGANISATION AND PUBLIC FINANCE

Mention has been made in the foregoing Principles more than once of the National Planning Authority, Agricultural and Industrial Councils, Statutory bodies specially created for certain purposes, Local or Provincial Governments.

The governing principles of the administrative machinery, designed to give effect to the Plan in India, should be:—

- (1) decentralisation in all matters of administrative detail, which are of interest to each province, state, or regional unit;
- (2) institution, for each such province, state, or unit, of a branch, agency, or counterpart of the National Planning Authority, by whatever name called, which should be interlinked *inter se* by some sort of a federal chain.

These counterparts of the National Planning Authority may be subdivided into several departments corresponding to the facets of the Plan, *e.g.*, agricultural, industrial, social services, public utilities and the like;

- (3) special trusts or syndicates, in cases where the preceding organisation is not quite appropriate, set up to operate any particular enterprise, activity, service, or utility;
- (4) The National Planning Authority must be a central, co-ordinating body, which must lay down the governing policy for each facet of the Plan, as well as for the Plan collectively. It must be responsible to the national legislature. The local counterparts of this authority may, subject to the basic legislation of policy laid down by the central legislature, be responsible to their respective local government.

The constitution and functions of these *inter se* will have to be prescribed by a general law setting up the National Planning Administration. The principle governing the creation of such an administration, however, is one of Decentralisation, designed for a democratic Government of India, constituted as a Federation.

As stated elsewhere, the utmost scope for local autonomy will be given to the constituent units, whether States or



Provinces. This will include the right for the units to combine *inter se* to form larger units, or to break up any existing unit into two or more units, more convenient for certain purposes in view. All this, however, would be subject to the provision that national integrity remains unaffected.

There must, of course, be a central machinery for initiating, in broad outlines, the National Plan; and for supervising and controlling its execution from stage to stage. Subject to this, the local bodies or authorities, whether specially created or now existing, will be left with as large a margin of discretion as is consistent with the specific task entrusted to them.

Even in matters of finance, while the Central National Planning Authority must have the last word on questions affecting the basic policy, detailed expenditure may, under certain safeguards and conditions, be left to be managed by the Local Bodies, Provincial Governments, or Statutory Corporations created for the purpose.

While agriculture is sought to be made into compulsory co-operatives, or collective units, for large-scale, intensive farming, the industries are intended to be each made into a Trust. These will reproduce the Federal chain each in its organisation from the smallest unit in any State or Province to the aggregate of the national enterprise in that field. Several mutually supplementary industries may be combined for purposes of co-operative working, whether as local units or as National Trusts.

• Social Services and Public Utilities may, similarly, be combined as National Trusts, or Departments of Public Services specifically organised for the purpose, *e.g.*, Education, Health, Press, Communication, etc.

### Finance

All this would need financing. The basis for Public Finance in the country,—National, Provincial, State, or Local,—will have to be radically recast, in proportion as the Planned Economy comes into operation.

The distinction between the aggregate budget of the community collectively, and that of its governmental organs, is, under planned economy, illusory and misleading. The Governmental Budget must, accordingly, become, in proportion as the plan succeeds, only a departmental budget of the community collectively.

The moment a programme of planned economy is adopted, expenditure on public utility and social services will have

to be very considerably expanded. Resources will, similarly, have to be found, by all the authorities mentioned above, to meet the obligations imposed upon each of them as part of the national programme.

The full extent of possible expansion in the aggregate expenditure on all items of public services and developmental work cannot be accurately estimated at the commencement of the Plan. The existing scales of remuneration for public service, and the conditions of such service, afford considerable room for retrenchment and economy. This the National Planning Authority must immediately set about to realise.

Not all the savings, however, effected in the existing Governmental expenditure would suffice to meet even a fraction of the increasing expenditure that would be necessary because of the adoption of the planned programme of national development.

Certain of the existing sources of Revenue, *e.g.*, the land revenue or revenue from objects, occasions, or acts considered to be undesirable for any reason to be taxed by the State, may have to be recast entirely. The proceeds from these sources may progressively diminish to the point of disappearance. All taxation will have to be basically recast.

Taxation would, consequently, be adjusted not only to replace the loss sustained by the adoption of policy or measures just indicated; but also to meet the obligations and expanded activities which the adoption of the Plan necessitates.

There is room for considerable improvement and reorganisation in the system of taxation now prevailing. Both in regard to the rates of taxation obtaining, and in regard to the variety of taxes, there is reason to believe substantial addition to the yield from such sources of revenue can be made.

Mention may be made, by way of illustration, of a possibly steeper graduation of the existing direct taxes on income and supertax, in the rates of the corporation taxes, taxes on Agricultural Incomes, of Death Duties of all kinds, Sales Taxes, or Excise Duties on commodities of general consumption, which may be pressed into service for meeting the nation's need under Planned Economy.

When, however, all these sources of additional revenue have been explored and exploited, a considerable deficit would remain, if the programme of expenditure suggested above, and the requirements of the Plan, have to be punctually met. Reliance must, therefore, be placed increasingly

on the profits of public or private enterprise owing its establishment and success mainly to the Plan, which may justly be expected to contribute to the further success of the same Plan.

Some of the Public Utility Services, conducted and supplied by the State, may also levy charges in proportion to the service rendered. They may thus be made to provide for their own expansion, as well as a surplus needed for undertaking other corresponding services and activities which are in the interests of the community collectively.

Social Services can, however, never be self-sufficient. They cannot meet the whole, or even a fraction, of the expenditure incurred on their account, from their own resources, e.g., services in regard to Health, Education, or Defence of the country.

On the other hand, Services like Transport and Communications, power-supply, amusement and recreation, higher education, scientific research, etc., may be made to yield, not only a proportionate return to the service rendered, but also a surplus, so as to meet the deficit occasioned in part, if not wholly, by other services, which cannot pay for themselves at all.

If any gulf still remains between the increased expenditure and the expanded revenue resources of the community, such a gulf would be of a temporary character. It will last only so long as the Plan has not come into full working order, and the material results expected therefrom have not yet been realised.

During this period of waiting, use may be made of the national credit, and even of the nationally operated monetary system, to provide for the requirements of the Plan. Precautions and safeguards can, and must, be adopted to see that such methods and devices do not result in any impairment, essentially, of the national economy, or an unexpected frustration of the Plan itself.

To illustrate this, a rough forecast may here be made of the probable financial position of the country after the first stage of planning is ended, say after 5 years.

Many of the sources of public revenues, now very considerable, would disappear altogether, while others, untouched today, may figure much more prominently.

Similarly, expenditure, which is today either stinted or non-existent, may develop at a much faster rate than has hitherto ever been considered likely.

Social Services, again, which today hardly account for 50 or 60 crores, taking the Provincial and Central expenditure together, may absorb 300 to 400 crores. Interest on public debt may add at least another 30 crores to the burden now borne on that account; while capital repayment may absorb an equal amount.

Expenditure on national defence and administration in all departments of the State would also increase, though the basic factors governing such expenditure may be wholly different. The aggregate amount may not be much below 150 crores in normal times, taking the Provincial and the Central administration charges together.

On the revenue side there will, however, be a growing surplus from both Agriculture and Industry, re-organised and re-motivated. This surplus may be relatively small in the initial years, but will increase geometrically as the Plan nears completion even during the first stage. From agriculture alone there is reason to expect a **net surplus** of at least 150 crores per annum at the end of the first stage of the Plan. From Industries, the **net surplus** may be much larger, *i.e.*, in the neighbourhood of 300 crores, per annum, if no room is left for private profit to absorb the surplus industrial wealth created in the country.

The same may also apply to Public Utilities or commercial services, operated collectively as integral part of the Plan. A net surplus from these may be estimated, broadly speaking, at about 50 crores per annum towards the end of the Plan period.

Taking all these together, the aggregate governmental budget of the country, including both the Central and the Units Governments, would be very close to, if not exceeding, 1,000 crores, as against roughly 400 crores of the present-day.

But this amount would, under planned economy, be drawn from an aggregate national wealth of not less than 5,000 crores, reckoned in terms of pre-war prices; whereas the present 400 crores of gross revenues are **deducted** from the corresponding aggregate of barely 2,000 crores.

The former would be a spur and a stimulus; the latter is a charge and a burden. The former is drawn from an expanding enterprise, which it helps still more to expand and develop; the latter presses cruelly as a dead weight upon the restricted enterprise, from the profits of which it is a deduction.

**ADMINISTRATIVE MACHINERY FOR INDIA'S  
NATIONAL PLAN**

## I. NATURE AND SCOPE OF A NATIONAL PLAN

The National Planning Committee has given the following definition of a National Plan in a Note for the guidance of its Sub-Committees:—

“What is Planning? Planning under a democratic system may be defined as the technical co-ordination by disinterested experts, of consumption, production, investment, trade and income distribution in accordance with social objectives set by bodies representative of the nation. Such planning is not only to be considered from the point of view of economics and the raising of the standard of living, but must include cultural and spiritual values and the human sides of life”.

“The fundamental aim to be kept in view is to ensure an adequate standard of living for the masses. An adequate standard of living implies a certain irreducible minimum plus a progressive scale of comforts and amenities.”

“A really progressive standard of life will necessitate the increase of the national wealth five or six times. But for the present the minimum standard which can and should be reached is an increase of national wealth of between two and three times within the next ten years. It is with this object in view that we should plan now”.

“The different sectors of the Plan have necessarily to be co-ordinated. **The essence of planning is an advance on all fronts.** There must be agricultural planning, the object being that the country should be at least self-sufficient as regards foodstuffs measured in terms of the food index given above, and as regards the quantity of raw material this should be raised by a pre-determined percentage. Soil Conservation, Afforestation, grass land management, flood control and river management, and improvement of inland navigation and transport, improvement of livestock and fodder supply, are items in the planned programme which have not yet been taken up systematically. Power development of coal and other kinds of fuel for industrial power also demand planning. More important is the planning of different kinds and types of industries, large, medium and cottage, which alone may effectively mitigate the present pressure of population on the soil. Within a decade the aim should be to produce a balanced economic

structure in which about half the population would depend on agriculture".

"Education, general and vocational, and development research also have to be included in a planned programme. The place and organisation of public services should be in keeping with the requirement of the Plan".

"No planning can succeed if the rate of economic progress is outrun by the rate of increase in population. In the planned economy of India emigration shall not be based on the deliberate policy of developing population so as to create a surplus to settle in other countries; but such surplus may be allowed to emigrate through agreements with other countries with due regard to the rights of such settlers in those parts".

Under this conception, the National Plan would necessarily be a comprehensive, co-ordinated, continuous programme of all round development, proceeding simultaneously on all fronts of production and Distribution of the National Wealth, of material as well as cultural progress. In such a well-knit Programme of all-round development emphasis may vary from time to time on particular aspects or items in the Plan, according to the special conditions, circumstances, or exigency of any given moment. The rate of progress in the several sectors or items, of the Plan should follow predetermined standards; but these may differ from year to year or from item to item. But the basic conception of an all round, simultaneous programme of controlled growth to pre-determined goal in every field and in every item would not be affected.

## OBJECTIVES OF NATIONAL PLANNING

### Certain Limitations or Modifications

This conception of the Planned Programme of National Development must aim primarily at National self-sufficiency. The National Planning Committee has put forward that objective in the following terms:—

**“The principal objective of planning the national economy should be to attain, as far as possible, National Self-Sufficiency, and not primarily for purpose of foreign markets. This does not exclude international trade, which should be encouraged, but with a view to avoid economic imperialism. The first charge on the country’s produce,—agricultural and industrial,—should be to meet the domestic needs of food supply, raw materials, and manufactured goods. But outlets for surplus goods may be explored to meet the requirements of India’s international indebtedness.”**

The objective of a National Plan has been stated comprehensively to be: the attainment of National Self-Sufficiency in material goods, social services, public utilities, and civic amenities, so as to provide a predetermined standard of a full life for the people. That standard will have to be carefully defined. It must include all the ingredients that make for a full life and comfortable living. It must have due regard to the actual and potential resources. This standard of living should be assured to, and be made actually available for, each and everyone.

For this purpose, not only the production of commodities and services, but also their equitable Distribution among the people, must be simultaneously attended to. Law, custom, tradition, or any social institution that stands in the way of such an equitable distribution and readjustment, will have to be removed, remedied, or reformed.

The attainment of such a standard of living would be facilitated by prescribing definite objective norms of development in each field; and these must be attained within a given space of time. One way of prescribing these norms is to fix “Targets,” or specific goals to be attained in each item or aspect of the Plan, so as to achieve in its aggregate the main objective of National self-sufficiency by corresponding attainment in detail. These norms or Targets must be concretely measurable; and



such measurement should be provided by what may be called control figures, intended to help in gauging the rate as well as the extent of the progress achieved at any time.

These norms or Targets themselves must not be looked upon as merely pious intentions. They should rather be taken as imperative injunctions, which the authority charged with carrying out the Plan must be required to comply with. Adequate and appropriate sanctions must be provided, where necessary, to see that they are attained. Necessary and appropriate machinery will, of course, have to be devised to enable these injunctions being duly and fully carried out, in the letter as well as in the spirit.

Since the above was written, India's Debt position has changed radically. Instead of being a Debtor, who must provide an excess of Exports of Commodities and Services over corresponding Imports, she is now a very large Creditor in the international market. But the accumulated credits due to her surplus of Exports over Imports have been frozen in the so-called Sterling Balances amounting to over Rs. 1,650 Crores, and so unavailable for purposes of carrying out the Plan, in so far as it may require excess of Imports from abroad. For the time being, however, our exports continue to be in excess over the imports, though the moment the Plan is formulated and put into effect, its progress may alter that situation radically,—at least in the initial years of planned development. But none of these considerations prejudice the fundamental objective adopted above; and the machinery designed to realise the same.

As already stated the National Plan must bring about an all-round development, within a predetermined period. For this purpose, it must comprise all aspects and every item or ingredient of the National life,—material as well as cultural,—which must be developed simultaneously up to predetermined levels.

The Plan would thus be a common integrated programme of development for the whole country. For convenience of formulation, and facility in proper supervision, or day to day control, it will have to be divided into several sections. But these must mutually fit into and harmonise with one another, making a consistent and comprehensive whole.

While designing this machinery attention must also be paid to the Constitution of the country, with due regard to the division of powers and functions of government as between the Central or Union Government, and the Government of every Unit or component part of the Union. The basic principle of the existing Constitution, under the Government of India Act,

1935, is Federal. But notwithstanding appropriate provisions in that Constitution a very considerable part of the country, comprising a third of the area, a fourth of the population, and a fifth of the total material wealth of India—has still stood out of that arrangement.

The Constitution, therefore, has not come into operation, not only because of the States remaining outside the Government of India, but also because the cardinal principle of Ministerial Responsibility has not been working at the Centre. Meanwhile new ideas have come into being, affecting the unity and integrity of the country, which, if carried out in the Constitution, would inevitably react profoundly on the character of the administrative machinery set up to give effect to the Plan, and the functions of the National Planning Authority established thereunder.

As the National Planning Committee has observed:—

“Before we formulate a Plan of national development, which is likely to cover all branches of material and cultural life of the country, we must be clear in our minds about our objective; and the basic considerations which should govern such a Plan. It is clear that the drawing up of a comprehensive National Plan becomes merely an academic exercise with no relation to reality, unless the Planning Authority or those to whom it is responsible are in a position to give effect to that Plan. If this authority is powerless, or is circumscribed and restricted and its activities limited, it cannot plan.

“It follows, therefore, that the National Authority which plans must have full power to give effect to its planning. An essential pre-requisite for planning is thus complete freedom and independence for the country and the removal of all outside control. This implies that the country possesses in itself full sovereign authority to take any measures, adopt any policies and form any relations with other countries, as may seem best to its governing authority in the interests of the country and its people.

“It is possible that in the event of formation of a world union of free and equal nations, this sovereign authority might be voluntarily limited to some extent by each component unit in the interests of world planning and co-operation. But such a development would not come in the way of national planning. If it takes place on right lines, it might even help the planning within a nation. In any event we need not take this, for the present, remote possibility into consideration.

"National independence is thus an indispensable preliminary for taking all the steps that might be found necessary for carrying out the plan in all its various aspects. It is not even possible to draw up a plan on any other basis. At the present moment it is clear that not only have we in India no national independence, but we are hedged in and obstructed by numerous restrictions, limitations, safeguards and reservations which block our path to planning and progress.

"Our Plan for national development must, therefore, be drawn up for a free and independent India. This does not mean that we must wait for independence before doing anything towards the development of planned economy. Even under existing conditions we must make every effort to adopt all measures and policies which develop the resources of the country and raise the standard of our people. All such efforts, however, must be directed towards the realisation of the Plan we have drawn for a free India.

"The ideal of the Congress is the establishment of a free and democratic State in India. Such a full democratic State involves an egalitarian Society, in which equal opportunities are provided for every member for self-expression and self-fulfilment, and an adequate minimum of civilised standard of life is assured to each member so as to make the attainment of this equal opportunity a reality. This should be the background or foundation of our Plan."

During the war years, the ideas affecting the National unity and integrity of India have made such progress that the latest proposals for constitutional reform have accepted, at least in part, the demand for partition on communal lines. While a Constituent Assembly has been set up, under the British Cabinet Delegation's Statement of Policy and Procedure regarding the transfer of power from the British to the Indian people in the governance of India, it is still doubtful, at the moment of writing, if the constitution that body prepares for the Union and the units, will be agreed to and accepted by all important Parties in the country. The British Cabinet Delegation's Statement provides for a Union of India, in which the States as well as the Provinces are to be comprised, and Tribal as well as Excluded Areas included. But the powers and functions proposed to be assigned to the New Union Government are so restricted, and likely to be viewed with such suspicions or jealousy, that successful and effective Planning on national scale for all India is a matter of real doubt. The only ray of hope is that what may not be provided for expressly in the Constitution may nevertheless be allowed by

negotiation and agreement based on the realisation of the long-term interests of all concerned.

For efficient administration, the programme affecting each region or unit in a proper plan will have to be entrusted to be carried out by appropriate local agency in each case. The aggregate needs of the country and of its people,—both severally and collectively,—in accordance with predetermined standards, must be correlated with or adjusted to the available resources,—actual as well as potential,—so that there is a real improvement in the Standard of Living of the people, individually as well as collectively, as a result of the execution of the Plan.

#### Priorities: A Question of Emphasis

Though the attack on all aspects and items in the Plan must be simultaneous, and properly correlated *inter se*, there may, however, be differences in emphasis on particular items or aspects of the Plan or at different moments. This difference in emphasis may be due to the circumstances at a given moment; or to unexpected emergencies, e.g. a War: or the preparation for National Defence. But this difference in emphasis is not to be mistaken for exclusive concentration on only that aspect or item in the Plan which is particularly emphasised at a given moment. It may be, for instance, that at any given moment, it may be more necessary and important for the Planning country to emphasise the need for Defence Industries as against other industries; or for Heavy Industries producing Capital Goods as against Light Industries producing Consumer Goods. Because of such varying necessity of a given situation, the country may be obliged to devote more energy and resources to the provision of such Defence Material, or Capital Goods up to a given level, than in the case of other industries or consumer goods, as required under the Plan. But that does not mean that the need for other industries or consumer goods is to be wholly ignored, or indifferently attended to over a long term of years. The Plan itself must not, in other words, be based on a perpetual State of Emergency or consist of a list of Priorities.

In fact, in any country, where, as in India, the standard of living in regard to the usual items of consumer goods is, for the large mass of the population, far below any decent level of civilised life, the leeway between the actual standard of living, and that which is taken to be the optimum standard, would have to be made up much more urgently than in another country, where such backwardness does not exist. Even during a period of emergency, wherein special attention is

needed to particular aspects or items in the Plan, effort cannot be slackened to make up for the irreducible standard of a National Minimum in all that ministers to the everyday life of the people. It is only the extra spurt which has to be given to particular sectors or details of the Plan on the ground of emergency that any scheme of Priorities can be accepted and enforced within a planned programme.

Opinion may differ as to the particular commodity more urgently needed than another; or a particular sector to be developed in priority over another. But there can be no difference as regards the comparative urgency of this need; and consequent difference in emphasis on the ways and means of supplying the same.

The essence of a comprehensive Plan is an integrated co-related, simultaneous development in all departments of the national life, and its reaction upon the collective as well as individual life of the people. The Plan must, therefore, not omit not only the provision for national security; but also for the material as well as cultural needs of daily life. In the latter, Social Services, Civic Amenities, and Public Utilities would form at least as important an ingredient as the primary needs of man for food, shelter, and clothing, which are supplied by material commodities.

#### **Adjustment between Human and Material Resources and Obligations**

Under the conception of the Plan given above, proper adjustment between the nation's aggregate resources and its total needs or obligations, will be the main task before the Planning Authority.

On the Resources, or the credit side of the Planned National Budget, so to say, must be included the actual or potential material,—human as well as physical,—with which the planned Development is to be accomplished.

To speak of planning in reference to the human material, the man power of the country, may sound ridiculous. It must nevertheless be taken as an integral and unavoidable item in the Plan. Without proper attention to the quantity and quality—number, education and training—of this material, the entire Plan would be liable to be jeopardised. Ways and means must, therefore, be found, through education and example, for suitably limiting families, and the proper training and appropriate employment of the man-power thus made available, to obtain the highest results in every item of the Plan.

Side by side with due regard to the number, education, training and employment of the man-power of the country, there must also be its adequate organisation. Guilds, Trade Unions, Professional Organisations are all expressions of the same principle, viz., that **Labour must be organised**. The administration of the Plan will be ever so much easier with organised labour than without.

Planning of material resources is much more easy. The need to plan them is far more commonly accepted. An estimate of the actual position in respect of our principal resources in Agriculture and Industry, Mining and Forestry, Services and Utilities, with due allowance for the possible increase and expansion of these by means of known and tried scientific aids, and technical devices, would be an indispensable pre-requisite for a proper Plan on the material side. A proper up-to-date survey of our known and potential Resources is an indispensable condition precedent of scientific planning.

On the obligations side, similarly, would be included the total needs of the country, *i.e.* of its human and animal numbers, as well as of the country as an entity by itself, in accordance with the prescribed norms. These norms must be scientifically calculated and related to consumption by each individual. The wants of man and beast, thus determined, must make full allowance for needs other than primary appetites, *e.g.* for adequate education and health. The needs of the country as an entity, and of its un-born generations, in respect of independence and integrity, peace and tranquillity, are more difficult to gauge or budget for over a comparatively long term. For these matters, depend much more on factors outside the country than on those under the control of the national or local government. Nevertheless the Plan will be neither complete nor fruitful, unless national defence and security are fully provided for as part of the main Plan.

A National Budget, with the two sides of Resources and Obligations, must, accordingly, be prepared as the first condition of scientific planning. Such a Budget must be for a period, during which a given stage of the Plan is to be achieved. This period may be more than one year. It would be best to take it to be five years, as the Plan is a continuous process, constantly creating new reactions, and not aimed at obtaining a static end. In proportion as the Plan is realised each stage will set up conditions and circumstances which are bound to react upon the stage which follows, and substantially modify or re-condition the same. Adequate arrangements must be made for the absorption of the shock as and where and when it occurs.

It will very likely be that, at the initial stage of the Plan being put into operation, the two sides of the National Budget, Credit and Debit,—Resources and Obligations—do not balance. The hiatus must not be taken as irremediable. It is the aim and essence of Planning that the deficit be made good as far as possible. If it is on the resources side, it must be made good by supplement in the shape of foreign imports of material goods, of which we are physically in a deficit as compared to our needs, and for which increased production is impossible at home, nor substitutes practicable. On the Obligations side, the hiatus must be adjusted, by better distribution, or by expediting the predetermined stages of the standard prescribed for that stage, so that greater benefit than originally planned for should be obtained by the individual during that stage.

In this view of the National Budget under the Plan, the public or Government Budget would only be a part or fraction of the total National Budget. This part would consist mainly in a redistribution or readjustment as between the Resources and Obligations, the means to be obtained from and the needs to be provided for certain sections of the community. The means, expressed in money terms is a convenience, which must not be confused with the ultimate reality.

#### **Financing the Plan**

Taking the narrower aspect of financing the Plan in all its items and aspects, its sections and stages, let us note that, from the standpoint of overall Planning, there is no essential distinction between private and public finance. For if the Plan is as conceived in these pages, every item and aspect must be under public control, even if not operated directly by a Public Agency; and as such it would be part of the aggregate national Budget. In any case financing the Plan in its aggregate must not be conceived as if it was no more than giving grants by Central or Provincial Governments, or arranging for the working expenses of an enterprise, Utility or Service, owned and conducted directly by the State or some public Agency.

#### **Private vs. Public Finance**

Under planned economy, Private Finance, as it is now called, is much more important than Public Finance; as it comprises the totality of production in goods and services,—or the aggregate wealth of the community, produced. On the debit side, it concerns the ways and means of effecting a redistribution of the total wealth thus produced, among all the citizens or members of the community, on an equitable, if not equal, basis.

Public finance, or finance of Governments, will include the revenues and expenditure of the Union or Central Government, and of the units, as well as of the Local Governing Bodies,—like Municipalities, District Boards, Village Panchayats, Statutory Corporations, and other similar public bodies. It would deal with relatively a small section of the total wealth produced and distributed among the people of the country; and that, too, on the assumption that free private enterprise continues under the Plan.

Government is, however, an important agency for stimulating and increasing production in all branches, and bringing about an equitable, if not equal, re-distribution of this wealth. This is effected by means of Taxation, supplemented by profits or surplus of public enterprise; rents, etc. of Public Domain; Fees for service rendered, Rates and Fares for Public Utilities conducted, etc; and on the other hand, rendering certain vital Social Services, and conducting Public Utilities, which indirectly, but quite substantially, add to the wealth of the individual, and so improve his standard of living. No mention is made in this, it will be noted, of provision for national defence and security, which, in all probability, will take up the largest slice of public or governmental expenditure for years to come.

The management of the National Credit and medium of Exchange is also an integral part of this branch of Finance, which must be an integral part of the Plan.

Private Finance, on the other hand, includes not only the Budget of the individual citizen, but also Agriculture, Industry, Utilities and Services, as well as of the Bodies set up to administer these services and sources of production.

On the Production side, it should, every year within the planned period, take note of the actual position, and devise ways and means for its progressive advancement to given targets. On the expenditure or Distribution side, similarly, it must arrange for a steady betterment in the distribution of the new wealth, in the shape of increased and improved quality of the goods and services produced in the community, in order to make the actual standard or conditions of living of every citizen progressively better.

The National Budget would thus, under planned economy, embrace the Production of wealth, its Exchange and Distribution in the community, both goods and services.

#### **Money—A Tool or Medium of Exchange**

Finance is generally expressed in terms of money. But money is only a medium, or standard of measurement, used



because of its convenience in working the economic system. It must never be suffered to become its master, much less an end in itself. Its own value is neither fixed, nor absolute, but varies in relation to goods and services in accordance with the efficiency of the economic system as a whole. The price-level can thus be adjusted to any point that the general state of public economy under the Plan may require from time to time.

Money, however, is not the only medium of expression.

A quantitative measurement of material goods produced in the country may be expressed in terms of a common denominator, like the amount of labour units consumed in producing such goods and services.

From the consumers' point of view it can be expressed in terms of some common denominator other than money, like the calories, or standard hours of labour.

Expressing the wealth of the community and the process of its re-distribution in terms of money is thus only one of several ways; only a convenience, not an absolutely reliable method for giving always a correct picture.

#### Summary View of National Wealth Distribution

In terms of money, at the present price-level, the aggregate value of goods and services produced in this country may be reckoned at Rs. 3,500—4,000 crores. Of this Government—Central as well as of the States and Provinces, Municipalities and District Boards,—take about 25%, or roughly Rs. 1,000 crores in round terms. This amount is spent mainly on Defence and Administrative services to the extent roughly of about 50%; on Social Services and Utilities, about 30%; and the balance of 20% for interest on past debts, and incidental obligations.

There may be room for retrenchment or re-ordering in certain items of present day governmental expenditure, e.g. Defence. But the proportional re-allocation within the several Heads of Government Expenditure, or branches of Public Finance, would not disturb the picture of its totality. On the other hand in several branches considerable increase may soon have to be made to make up the leeway of past neglect and bring up the level to that needed under the impulse of the plan.

Under planned economy, however, this picture would be considerably altered. Taking Public Finance, as a section of

the National Budget, it may be considered under the headings of:—

- (a) Central or Union Government, aggregating about Rs. 400 crores.
  - (b) Governments of the component parts of this Union, Provinces and States, or Groups of States, Rs. 400 crores.
  - (c) Local governing bodies, like Municipalities, District or Taluka Boards, Village Co-operatives or Panchayats, Port Trusts, Improvement Trusts, Rs. 150 crores.
  - (d) Statutory Corporations and other public organisations, whether working independently or in co-operation with any Government body, Local or Central—Rs. 50 crores.
- |       |                   |
|-------|-------------------|
| Total | Rs. 1,000 crores. |
|-------|-------------------|

The resources of Governments, Central as well as Local, as the matter stands today, consist of receipts from Taxes, Fees and Surplus or Profit from Productive Enterprises; Rates and charges of Utilities or Services directly conducted by the State or on its behalf. The distribution and assignment of these must be in accord with the Constitution of the country, dividing or distributing functions of Government as between the Centre and the Units making up the Union, and their delegates, the Local Government Bodies or Statutory Corporations.

As the Plan proceeds, the present overwhelming contribution to public revenues from Taxation must be replaced by an equal amount derived from the State Domain or Profits or of Public Enterprise; and that source must be steadily increasing. While Taxation is a compulsory deduction from private wealth, revenue derived from the profits of public enterprise, or rents and interest of public domain, are a share of the new or increased wealth of the community, which such enterprise etc. help to bring about. It would be much more expanding in its yield than taxes; and would be yet no burden to the payer. Wherever possible, Fees may similarly be converted into and correlated to payments for specific service rendered. Certain services, may, however, have to be rendered free, or irrespective of the beneficiary's ability to pay; but the cost of these services, including national defence, maintenance of peace and tranquillity, and the general overhead charges of administration, must be met out of the increasing surplus of public enterprise.

Other services, e.g. provision for Social Security, Health and Unemployment Insurance, should be provided on the

basis of self-sufficiency. They would then be paid for out of contributions from the immediate beneficiaries of these services. Services like Old Age Pensions, Maternity Benefits, etc cannot be made self-sufficient, or on a contributory basis except on the understanding that Superannuation Pensions are only deferred pay, owed by the community to the worker who has put in a given number of working years. Maternity benefits, similarly, must be regarded as investment in preserving and maintaining the race in health and efficiency.

The same may also be said with regard to other Utilities and Civic Amenities, e.g. Communication, Transport, or Power which should be financed in the same manner. Not all the rates, fares, fees or freight charges, can be based on the ability of the traffic to bear the charge. But that portion which can bear should be made to pay for that which cannot.

#### Nation's Budget Under the Plan

Under this arrangement, Taxation would diminish progressively as an important source of public revenue till it disappears almost entirely, and is replaced by profits or surplus from public enterprise and State Domain. While, however, the existing basis of private property and motive-spring of personal gain of the present society remain essentially unaltered, Taxation will have to continue; and be adjusted, in sheer justice, to the taxable capacity, which progressively increases in proportion to the income received or wealth possessed. These are the recognised and reliable indices of taxable capacity.

On the Expenditure side, there would be certain services, utilities or amenities, which will have to be rendered free of charge to the mass of the people, as part of the planned economy, and a means to improve the standard of living of every citizen. This may involve mobilisation of all available labour in the community (Social Conscription), and its allocation to such employment in productive organisation, Utilities, Services, or amenities, as well as maintenance of peace and tranquillity, general administration, and defence of the country. The amount set apart for these may vary from time to time in accordance with the requirements of the Plan.

Government Budget, thus recast or reconditioned, may appear to take a larger amount, in the shape of public revenue, for the Centre, Units, and Local Governing Bodies or Statutory Agencies established for given parts of the Plan. Even if that be so, it would not reduce but improve the standard of living of the citizen in general, as measured in terms of

real income, the goods and services, utilities and amenities, he obtains.

To illustrate this:—

At the present time, out of a total production of India's National wealth, in all forms of goods and services, estimated at Rs. 3,500 to Rs. 4,000 crores, the several Governments or their delegates take about 25% in the shape of taxes, fees, rates and fares etc. Under planned economy, as here envisaged, they may take even double this amount. But even that would not be burdensome if the Plan has taken effect, and the wealth of the country steadily increasing. Out of a total volume of wealth produced under the impetus of the Plan, aggregating Rs. 8,000 to Rs. 9,000 crores five years hence, a deduction of Rs. 2,000 crores may represent a smaller proportion of the total wealth taken up for public services, leaving a much larger volume in the hands of the consumer to spend. Moreover, the amount raised will neither waste, nor drain from the country; but returned to the people in a variety of forms, adding to their wealth directly or indirectly.

Put differently, it would leave much greater volume for spending in the hands of the individual, regulating and controlling the spending in such a manner as to get in return the best terms possible.

Apart from the recurring revenue for current expenditure, there will be considerable and growing outlay of a capital character. This may be provided for from accumulated surplus of the preceding years, or mobilised reserves, or by loans from the public. In the initial years of planned economy, this will bear a very high proportion to the recurring expenditure; and will continue to do so until the planned programme begins to yield results.

The loans, it may be added, need not necessarily or invariably be in the form of money. They may be in the form of labour, which, in the initial years of the Plan, might not be paid to the highest desired level, but which may be paid progressively more and more as the Plan begins to yield results. A part of this rising increment will correspond to the interest on money loan. Loans may also be in the form of mobilised reserves,—the Depreciation and Replacement Funds of individual enterprises—which are made compulsorily available for re-investment in the same or other enterprises, under the Plan. In the final analysis all Loans come from the savings of the people, as these savings are, essentially, nothing else but the surplus of production over consumption. Planned economy carefully conserves them, scientifically mobilises them,

and systematically re-invests them in productive enterprises, Utility, Service, or amenity.

#### **Mobilisation and Utilisation of Savings**

With increased production and a better return to the individual, the latter would be much better able to invest than today. These investments must be directed to further increase in production. The results would be that not only would such loans be self-supporting; but the burden of Interest, such as it may be, would be very much better distributed and more easily borne. All borrowing under the Plan should be co-ordinated, whether by the Union or the Unit Governments, their Delegates or Statutory authorities, or such private enterprise as still survives under the Plan and conforms to it, so that a uniform policy of borrowing and the management of Public Credit be maintained.

Capital outlay of this kind, required in the successive years of the planned programme, may be taken at between 15 to 20% of the total wealth produced. It may progressively diminish in the course of years, till it is standardised at 10%. Its utility in controlling the price level in general, which would be necessary under the Plan, cannot be exaggerated.

Appropriate institutions and instruments to facilitate this programme will, however, have to be devised to take up such savings the moment they are formed; and re-employ them in public enterprises, utilities, or services, forming part of the Plan.

Loans from abroad may be obtained on similar lines; but only for purposes directly remunerative, and should be used only for enterprises forming part of the Plan, owned and operated directly by the State.

If the present basis of our Social System and its motive spring continue, private enterprise would have to be relied upon to make up the deficiency in financing all sectors of planned economy. Here also certain conditions of financing such enterprise as part of the Plan, will have to be insisted upon, e.g. that the enterprise is founded on all the necessary pre-requisites, like raw materials and skilled labour available in the country, that it is pledged to take only a limited profit for the proprietors,—not exceeding say, double the bank rate; and that the balance of the profit or surplus is made over to the State.

#### **Division of Responsibility for Capital Financing**

The proportion of such outlay to be shouldered by any of the agencies mentioned above is equally difficult to lay down

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in advance. Certain general principles, however, may be indicated which should govern their respective share for Capital financing, and current expenditure, or working costs.

(a) For any industry, service, or utility, which is of a national character, and of vital importance to the very life of the people; or which is, so to say, a mother industry on which other industries may be based, e.g. industries concerning National Defence, or the production of machinery, the Union Government alone should provide all the necessary capital finance, and carry on the management of such industries. That is to say, it should provide both the initial capital and working expenses, and take the surplus, or profit, if any, from such enterprise.

The initial capital should be provided out of accumulated reserves, or borrowed funds, or the surplus of successful public enterprise. All capital is, in the ultimate analysis, nothing but the surplus of production over consumption, which may easily be conserved in the form of various reserves. By the same device, these may be kept ready mobilised, so as to be available for utilisation wherever and whenever needed for expanding and improving existing industries, or starting new ones. It must be a distinctive and imperative feature of planned economy to facilitate the formation of such reserves, and their utilisation as and when needed.

(b) Industries, enterprises, or activities, which tend to become monopolies,—largely because of fiscal protection or other forms of public aid,—should likewise be financed, as far as possible by a public authority, whether Central, Provincial, State, or Local. The division of capital financing obligations as between the Central and Provincial, State or Local Governments should follow the nature of the enterprise. If it is predominantly of a local or regional character, it must be financed and managed by the local or regional authority; while if it is of an All-India nature, it must be owned and operated by some central authority.

Enterprises which are regional in location, but national in importance, e.g. mines or Hydro-electric power works, should be governed by a common policy, though ownership and conduct of each such enterprise may be in private hands.

(c) In any case where Government is unable to finance out of its own resources any major industry of National or vital importance; and is, therefore, obliged to have recourse to private capital, such private capital should not be left to do the entire financing, and so command the sole control and

management of all such capital. Government, or some statutory public authority specially appointed for that purpose, must be associated as partners in each such concern.

Provision must further be made in the partnership agreement for the eventual buying out by Government of the private partner's share, on such terms as may have been laid down in each such agreement; and the right must be exercised after a given number of years.

During the currency of the Partnership Agreement, Government must retain the controlling voice in all questions of policy or general management of the enterprise. They must either hold a majority of shares, or at least hold proxies for a majority of shares, necessary to take any important decision of policy.

(d) Any industries of relatively second-rate importance, such as the production of luxury goods,—where private enterprise may under the Plan be left to provide all the necessary outlay for initial equipment, plant and machinery, as well as for working expenses, adequate arrangement must be made for effective public supervision and control. This is necessary to guard against dissipation of the surplus, as well as excessive consumption of such commodities, services or utilities.

(e) Any enterprise or activity financed by private capital, and requiring for its commercial success fiscal protection or other aid from public funds or authority, should be required to submit periodical reports of its working, including its accounts and balance-sheets. It must accept and carry out any suggestions or directions that may be issued by the appropriate public authority as a result of the scrutiny of such reports, etc. It must agree to fix the maximum profits which can be distributed among proprietors, not exceeding 10% per annum on paid up capital. Finally, it must agree to give model or standard conditions for their employees.

### Foreign Capital Under Planned Economy

The following conditions seem necessary to insist upon in respect to Foreign Capital:—

1. In no case of any Key, Essential or Mother Industry concerned with National Defence, Public Utility, or Social Service; or for exploiting the mineral, forest and other forms of natural wealth of this country, should Foreign Capital be allowed to be invested in any form.

2. Any indigenous industry for which capital is provided by private enterprise, must be made to forfeit any benefits, or

special consideration by way of fiscal protection, or financial or other aid, if it obtains the aid of foreign capital.

3. No Foreign Capital should be permitted to be invested, whether in proprietary, partnership or joint stock concerns, for any industry, enterprise, utility, or service in this country, without the previous sanction from Government. All such investment must be subject to Licence specially issued in that behalf. The conditions of such Licence must, in the first instance, be laid down by the National Planning Authority. That authority must also be competent to revise these conditions from time to time, and to enforce the same by means of such inspectorates, special inquiries, etc., as it considers proper and necessary.

4. Foreign Capital, at present invested in any of the essential industries, or for the exploitation of the mineral, forest, or other forms of natural wealth of this country, should be required to obtain a Licence, and conform strictly to the terms and conditions laid down in the Licence regarding periodical reports, publication of accounts or any conditions regarding limited dividends, and the like. At the earliest opportunity these enterprises must be acquired by Government,—provincial or national,—as may seem proper in each case. The Licence necessary for such enterprises must explicitly lay down this condition.

5. No industry or enterprise, whose capital is provided by foreign financiers in any form or to any extent, should be allowed to camouflage itself as Indian Enterprise by adding the word "India" after their normal style and title.

Subject to these guiding principles, initial and working capital may be provided, from time to time, in such proportions by the Central or Provincial Government, Local Governing Bodies, Statutory Corporations, as well as private enterprises as may be deemed appropriate.

#### **Distribution of Financial Resources: Between Central & Unit Governments**

The division of financial resources as between the Provincial or State and Central Governments is difficult to lay down in advance. In general, however, it may be stated that industries, enterprises, utilities, or services of a national character; or coming under the new Constitution within the jurisdiction of the Union Government; or which are entrusted to that Government by specific agreement by any component units of the Union, should be financed principally, if not exclusively, by that Government.



On the other hand, an enterprise, utility or service, which is directly of local benefit, should likewise be financed by the Unit Government; or Local Bodies, under it, or by special Statutory Bodies created for the purpose. If between all these, the Unit Government is not able to finance the enterprise, it may do so in association with private enterprise, on such terms and conditions as may be in conformity with the principles laid down above.

In specific cases of national importance coming within the Unit jurisdiction, the Central Government may make grants for undertaking or working any industry, enterprise, utility or service by a Provincial or State Government, on definite conditions. These conditions include the right of control and supervision to give advice and instructions; to inspect the books of accounts, and, from time to time, to scrutinise the general working, as well as to make suggestions for improvement or correcting any abuses in the actual operation. These must be reserved to the Union Government, to be carried out by the Provincial or State Governments concerned.

The limitation of profit in the event of any enterprise, Utility or Service being financed as regards initial capital by the Government of a unit, or of a local body, in association with any private enterprise, must be accepted and strictly adhered to.

#### **Nationalisation of Banking and Credit**

The institutions providing capital finance, namely Banks, wherever they function,—must be treated and dealt with as public utility corporations. As such, they must be placed by law under the rigid control and supervision of the Union Government, if not wholly nationalised as Public Utility Corporations. The same principle must also be applied to the Instruments of Credits used by Banks and other financial institutions for providing fixed and working capital.

#### **Adjustment between Production and Distribution of National Wealth**

The Plan itself must be comprehensive,—an all embracing programme of National Development. Its progress must, therefore, be simultaneous in all departments of both Production and Distribution of new wealth, as well as in regard to all the intangible means of better living for the individual.

The various aspects of the National Plan must be mutually co-related, so that the progress on every side should be equal

or proportionate and simultaneous. Every clog in the machinery must retain its place, and move forward so as to keep pace.

Similarly, there must be co-ordination as between the several agencies entrusted with giving effect to the Plan. The activities of the several parts of machinery set up for carrying out the Plan—Central, Provincial or Special—should be mutually co-ordinated, so as to avoid overlapping, needless waste of energy, or dissipation of resources. There should be no lopsided development or disbalanced growth in one department at the cost of another; for that would create new problems which may prejudice the success of the Plan. This does not mean the fullest advantage of every scientific advance or mechanical invention, which may result in new technique for saving labour or time, should not be taken. The task of the Planner would, however, be so to absorb the shock of each new discovery and new invention, so to assimilate the changes or inventions, as to cause the minimum dislocation in the existing stage of an organisation or activity.

For these reasons, the machinery for working the Plan must be so devised as to receive and absorb such shocks with the least disturbance, especially if they take the form of causing unemployment. Schemes must be ready to provide alternative use, occupation or investment, on the same if not better scale, to such land, labour, or capital as may be thrown out of employment, for the time being, by any such change, invention or development.

For this purpose it is not enough to concentrate attention only on increasing the volume of material wealth within the country, and pay little or no heed to the more rational, equitable,—if not equal,—division of that wealth, so as to effect a proportionate improvement in the standard of living for everyone, and not merely the average within the country, irrespective of age, sex, civic conditions, or social status.

#### **Standard of Living: Guaranteed National Minimum**

The standard of living, as conceived in the preceding, will include not merely commodities or services, which meet the primary needs of human existence, e.g. food, shelter, clothing; it must also include the intangible,—but nonetheless important,—wants of civilised life. The Social Services of Education, Health, Entertainment or Recreation, for the individual; and Public Utilities, like Transport, Drainage, or Illumination, must not be neglected while framing the Plan. They must be provided *pari passu* with the other items in the Plan, lest man

come to live by bread alone. The standard of living, moreover, must not be merely a mathematical abstraction,—a mere average. It must be a concrete fact, actually realised and realisable by and for every individual in his or her daily life and work.

In the process of executing the Plan in detail, it may be that occasional emphasis may have to be greater on one item or aspect than another. There may, in consequence, be occasional disturbance of the level of employment, and the standard of living in a particular class. These must be considered and treated as temporary dislocations or aberrations; and immediate steps must be taken to rectify them. The executing machinery should, in fact, be such as automatically and immediately to flatten out any such disturbances of the level as soon as it occurs.

### Labour and Capital

(A) **Labour.** For securing the fullest benefit of the Plan, adequate organisation of the Labour Supply, and mobilisation of the man-power of the country, are indispensable. For providing adequate supply of skilled labour in all branches of productive activity,—whether Agriculture, Industry, Forestry and Mining; Trade, Banking, Insurance or Transport Services; Power-supply, Health, Education, or Entertainment,—appropriate training arrangements must be made side by side with providing employment for such trained personnel. Fluctuations in the volume of employment in any particular industry. Public Utility, or cultural activity must be minimised, if the Plan is co-related in all its several items and aspects, and the supply of Labour in each. In case, however, due to specific circumstances of any given moment, or sudden and unexpected emergencies, a substantial change in the volume of employment becomes inevitable in particular directions or activities, means must be found to make these derangements to the minimum extent and duration possible. If at any time work becomes absolutely less in volume, due to technological or other reasons, the reduced volume must be equitably shared among all workers. For this purpose, there will have to be some measure of Social Conscription, providing work for all adult workers in accordance with their aptitude and training, and eliminating parasitism of any kind.

Organisations of labour, whether Trade Unions or Professional Corporations, with their adjunct of Labour Exchanges, Employment Bureaux, Information Depots, etc., must be made compulsory, if only to facilitate the administration of the Labour section of the Plan. Every worker must be required

to join an appropriate organisation as condition precedent for receiving the full benefit of all the Labour Legislation and convention to improve the lot of labour.

The need for trained personnel, however, is no less intense than exacting. It is possible that, in the initial stages of the Plan, trained personnel may not be available within the country itself. In that case, such assistance may be obtained from outside sources so as to tide over the initial difficulty. There is no real reason why such labour should not be attracted. The terms and conditions on which expert foreign labour may be imported have been sketched elsewhere in this work.

(B) **Foreign Capital.** Substantially the same principles should apply to the need, if any, to attract Foreign Capital to complete any section or aspect of the National Plan. Generally speaking, there would be greater objection to the investment of Foreign Capital in any enterprise under the Plan, than to import of foreign skilled labour, because, whereas Labour can be definitely restricted in time and space, Capital is likely to have its influence in unseen ways, and to unfathomable degree.

Foreign Capital should, in the first place, be admitted if absolutely inevitable. The terms and conditions, on which it may be allowed to be invested in any enterprise under the National Plan have already been outlined in an earlier part of this work, and so need not be repeated.

#### **Organisation of Trade**

Though the central objective of the Plan is taken to be the attainment of National-Self-sufficiency, and the consequent improvement of the actual Standard of Living for every individual in the country, that aim cannot be realised, unless the Plan contains appropriate machinery for effecting exchange, or Trade, as between the producer and the consumer.

There is, indeed, no intrinsic opposition, as is sometimes believed, between the producer and the consumer. Every individual is, actually or potentially, both a producer and a consumer. But though there is no such intrinsic opposition as between the consumer and the producer, their mutual benefit as well as the collective good of the community will not be simultaneously promoted, unless there is prompt exchange of surplus produce from the producer to the consumer.

The most important portion as well as aspect, quantitatively and qualitatively, of Trade is that of commerce in commodities within the country as between its several parts

—the Internal Trade. The exchange of commodities and services as between two or more countries is Foreign Trade. This is much less important, in volume, in value, and in its reaction upon the aggregate national economy than Domestic Trade.

All the ancillary services, which help to organise and conduct Trade on sound lines, bringing fair benefit to both parties, e.g. the Medium of Exchange or Money and Currency, and its complement of Credit and Banking; Transport for carrying goods and services from the producer to the consumer; and Insurance, with all the sub-heads of these three important categories of ancillaries, must be carefully regulated as integral part of the Plan. This must be a function of the Union Government exclusively. Similarly, the basic national policy for Trade, and through it, of protecting, assisting, or encouraging indigenous industry,—sufficient at least to provide for the whole of the local market, or use up all locally produced raw materials,—must be carefully attended to if the Plan is to be effectively carried out.

Both for the Internal and for Foreign Trade of the country, some kind of Central control and supervision over that branch and all its ancillaries, is inevitable, in the interests of the proper execution of the Plan. If Trade is made a means for encouraging the volume and quality of production, and thereby improving the level of consumption within the country; or if that section of it which is concerned with exchange of goods and services between this country and another is to bring a fair share of benefit to this country, and not become an instrument of exploiting our material and human resources for the benefit of others, such Central control and supervision are indispensable.

The Central Government must, therefore, be armed with adequate power and authority to control or supervise, if not also to monopolise, at least the Foreign Trade of the country, and to have the sole charge of all its ancillary service of Currency, Credit, Foreign Exchange, and Banking; Tariffs and Transport; Insurance and Communication. A Trade Council must be set up as a part of the National Planning Machinery to deal with all these matters.

In regard to the Domestic Trade, each unit should have its own Statutory Trade Corporation to conduct, control, or supervise inter-unit trade, in close harmony, with the Central Trade Council, and in conformity with the National policy on this subject. An Inter-State Commerce Commission should be added as parts of the planning machinery to help, regulate and co-ordinate this sector of the national economy. The Volume and direction of this trade is hardly understood for

lack of adequate statistics. Full information of this kind should be collected, compiled and published by a special branch of the Trade Council.

### **Cultural Side of the Plan**

**Social Services & Public Utilities.** The last, but not the less important, section of the National Plan is that relating to the cultural life of the people. The Plan will by itself effect a revolution, which will be none the less significant because it will be silent. India has been going through an age of transition, in the social as well as economic field, the magnitude of which is scarcely realised. Many of the oldest social customs and institutions, affecting vitally men and women in their daily life and work, are changing from the bottom. During the last two wars, and because of them, conditions have been changing even more rapidly and radically, with a marked trend to deterioration. People have learnt to ignore or overlook moral values, and considerations in life other than those of a purely material character. Public conscience had become callous, mainly because the government of the country was in foreign hands, which it would be no sin, much less a crime, for anybody to offend. This is a heavy handicap, and will have to be redressed at the earliest opportunity, if the people's own Government, when finally established in power and authority, is not to fare the same way.

### **Social Services: Education**

The most effective means of long-range change in such intangible matters is mass education on sound lines. The Education System must, therefore, be completely overhauled and reconditioned, and must be made to function as an integral part of the Plan. Customs, Laws or Institutions, which stand in the way of a continuous progress on pre-determined lines, would, no doubt, have to be scrapped, modified, or re-adjusted to the new conditions of life created by the successful carrying out of the Plan in all its branches, items, or aspects. A specific section of the Planning Machinery must, accordingly, be devised to stop the growing change for the worse. Education, however, is a Provincial subject where the Union Authorities cannot interfere except by way of advice, suggestion, or financial aid. But by means of agreement the problem of reinstating higher values, as well as more costly research, can be entrusted to the Union Council of National Education, empowered to deal with such matters.

Radical amendment of the laws and customs, social institutions and historic tradition, which may be incompatible with changing conditions, or which lead to a general deterioration, will require to be carried out. It will, finally, need striking example through public agency, to demonstrate and emphasise the need for a new vision, new values, new technique. All the latest devices of the Cinema and the Radio, the Television and the Teleprinter, must be utilised to the utmost to explain, illustrate, and emphasise the national objective, and the need to achieve it in the interests of the individual himself and of the generations yet unborn.

### Health

In the same category of Social Services may be included the Services of Medical Relief and Public Health throughout the country. Like Mass Education, the improvement of Public Health must be considered a form of long-term investment, the return on which may not be in the form of immediate and direct money profit. The saving of working days through avoidance or reduction of illness among workers is as direct a return, measurable in money, as can be found. A proper Health Service, like a sound system of Mass Education, will be of immense help in making the Plan more easily realised, and its chief objective, viz., amelioration in the standard of living amongst the people, more fully achieved. But, like Mass Education, this also is a Unit subject, in which the Union Authorities cannot interfere except to aid, advise, or suggest. A National Council of Public Health, functioning as an integral part of the Planning Machinery, can discharge these duties, and co-ordinate or systematise the Health Programme all over the country, so as effectively to promote and maintain a high standard of public health in the country. The same may be said of all the industries needed to equip a proper Health Service in all its branches throughout the country.

The average expectation of life at birth for the people in India is barely 27 years, as against 55 in the United Kingdom. Infant mortality of children below one year of age is 15 to 20 per cent. as against 5 per cent. or less in other countries. The high rate of mortality amongst women in child-birth is too notorious to need specific mention. The incidence and frequency of epidemics need no emphasis. All these evils must be cured by means of preventive as well as curative medicine. Improvement in diet and better care of the body will, of course, be part of the Plan. It forms part of the Section relating to the Distribution of Wealth and Consumption. But the main-

tenance of an individual in good health and working efficiency must be part of this section of Services and Utilities.

The organisation of an adequate and efficient Public Health Service will emphasise the preventive aspect of disease, by improving such prerequisites to good health as clean water supply, sound drainage, a proper system of vaccination or inoculation against the common scourges of this country. A sufficient Medical and Nursing Service throughout the country, with adequate hospital accommodation and sanatorial facilities, will help to check the spread of the disease, whether epidemic or not, to a very large extent.

The organisation of Medical and Nursing services, as an integral part of the National Plan, must secure properly qualified medical personnel and nursing attendance in every part of the country, and for every citizen needing it. Establishing a well equipped medical unit, with an adequate supply of drugs and medicines, as well as medical and surgical apparatus and instruments, for every 1000 of the population; dispensaries and hospitals and specialised wards in such hospitals; maternity and nursing homes, sanatoria, convalescent homes,—would all go a long way in minimising the incidence of disease, and improving the general stamina and adding to the increase of life throughout the country. The National Planning Committee has given a lead in this regard on the lines suggested above, and the Bhoze Committee has in all essential respects followed suit. To prevent needless waste of available resources, it would be best to organise this as part of the National Health Insurance or Social Security Service, even though it is primarily a unit subject in all its several aspects.

The list of Social Services and Civic Amenities can be very much enlarged, especially if we emphasize the Cultural side of the Plan that they make up. Public Entertainment by spectacles, organised recreation, both physical and intellectual, should be no less an important part of the Plan. The organization of plays, concerts, cinemas, lantern lectures, radio talks, and lectures on cultural subjects form the main items in this section of the Plan adopted in Russia. Nor can we in this country do better than imitate the U.S.S.R. in this regard. This is ordinarily a function of the Local Self-governing Bodies; but their work must be integrated with the main Planning Machinery, and form an integral part of the over-all Plan. In view of the great material importance of this Service, not only to the present but to the succeeding generations of India, it would be better to organise and provide it through public Bodies, such as Municipalities, District Boards, Village Panchayats, or specific Statutory Corporations, established for



the purpose, from which the profit motive is eliminated. With the successful prosecution of the Plan, the problem of employment of labour will disappear; and its place taken by the problem of utilising leisure. Man is not born to be slaving like a donkey all the days of his life. If the saving in labour, which will result from all round planning, mechanisation and rationalisation is not to become a new headache for the rulers, it is as well to begin even now with thinking out ways and means for profitable utilisation of leisure.

### Public Utilities

A similar list of Public Utilities may likewise be added as an integral part of the National Plan. Foremost amongst these Utilities, are the production and supply of Power, whether thermal or electrical, coal or oil, and other sources of energy; Transport, by land (road or rail), water (river or sea), and air communications by Post, Telegraph, Telephones, and Radio; Drainage and Lighting. Essential Services incidental to Commerce or Exchange of Commodities, such as Banking and Insurance, may also be brought in this category.

The supply of the accessories to these Utilities, such as vehicles, will require basic industries to be started in this country. If these Utilities are to be worked in the public interest, without any thought of monetary surplus for the State, or the Public Authority which conducts them, their basic industries, also, must be owned, manned, and worked by Public Bodies or Statutory Corporations, wherein the profit element is likewise rigorously excluded. Otherwise the private owner of these industries will levy a needless toll on public necessity. These may be spread over the entire country in suitable economic units; but an over-all integration into National Trusts for each must be effected, so as to permit of the most economic and best co-ordinated administration.

For the proper working and success of the Plan, it is important that these Utilities—as Services—be founded, owned, and managed as Public Enterprises, conducted by Government directly,—whether—Central, State, Provincial, or Local—or some specific Statutory Corporations in each instance, from which the profit motive is wholly eliminated. Each of these should, again, be linked up with the others of its kind, to constitute a well co-ordinated network of these Utilities all over the land.

## II ADMINISTRATIVE ORGANISATION FOR THE PLAN

For giving effect to all these items and aspects of the Plan, an appropriate and adequate Administrative Machinery will have to be set up. This must be in conformity with the Constitution of the country, defining the powers and functions of the Central Organisation as well as that in the component parts of the country. It must also be adequate to attain the objectives of the Plan. Much of the detailed administration for carrying out the Plan will, under the basic principles of the new Constitution, as now accepted by all Parties, have to be entrusted to the Provinces or the component parts of the Union. A detailed description of the Machinery, deemed appropriate and adequate for carrying out the Plan follows.

### Role of the Centre in Relation to Provincial Subjects

Under the existing Constitution—Government of India Act, 1935,—there is a fairly clear demarcation of functions between the Central and the Provincial Governments. The following paragraphs summarise the actual position fairly accurately.

The Centre has, under the Government of India Act, 1935:—

- (a) a general function, viz: to secure, over the different fields of governmental activity, co-ordination and adoption of common policies.  
This applies, of course, to British Indian Provinces. The Indian States claim to be sovereign entities for their internal administration; and, as such, whatever co-ordination has been effected to bring them into line with the rest of India is a matter of specific arrangement or understanding. In the Union of India now proposed, the States, it is hoped, will become integral parts of the Union; and as such will be automatically co-ordinated in all such matters by agreement or convention.
- (b) various particular functions which themselves constitute to some extent the means (though not the only means) whereby the general function of co-ordination may be discharged.

The particular functions, mentioned above, are:—

- (i) to undertake certain forms of research,
- (ii) to provide for certain forms of specialised training,

- (iii) to furnish technical advice and technical assistance,
- (iv) to arrange for the collation and inter-change of information,
- (v) to control and regulate foreign trade policies, tariffs, banking credit and currency.

(i) **Research.** It is obvious that certain types of research e.g. those likely to be of indirect application, or to involve very heavy expenditure, or to require highly specialised ability or equipment, can most advantageously and economically be undertaken by the Centre. Minor Researches, or those of local importance, may be left to the Units.

A number of Central Research Institutes exist already, e.g. the Imperial Veterinary Research Institute, the Forest Research Institute, and the Malaria Institute. These may be added to, or their work expanded from time to time, in agreement with the Provinces. The several Sub-Committees of the National Planning Committee have made recommendations in this behalf appropriate to each subject; and these can be easily woven into the common fabric of the National Planning Administration.

The Centre should, also, as far as possible, provide for the general co-ordination of research through some Central organisation. Something of this kind is already attempted by bodies such as the Imperial Council of Agricultural Research, and the Council for Scientific and Industrial Research; and further proposals for co-ordination of scientific research have recently been discussed by the Development Board. The Administrative Machinery here outlined deals specifically with this aspect of the Plan in execution.

(ii) **Training.** Certain forms of training are similarly best provided by the Centre, acting for the whole of India, rather than by individual administrations acting independently. The recent schemes of the Education and Labour Departments for providing higher education and training abroad afford examples of what the Centre can do in this field, if not in virtue of constitutional powers, at least by agreement or through delegation. It may also be desirable for the Centre to maintain certain Training Institutions to meet the requirements of poorer Units.

(iii) **Technical Advice and Assistance.** The Centre can most economically make available to Provinces and States expert technical advice, and skilled labour, imported, if need be, from abroad. Two Boards—the Central Technical Power Board, and the Central Waterways, Irrigation and

Navigation Commission—have recently been set up for this purpose, to provide expert advice on the development of Electric Power, for Irrigation and Flood Control. There are also attached to the various Central Departments Technical Experts on Agriculture, Education, Public Health, Road-engineering, Town-planning etc. whose advice is at the disposal of the Units. The Centre alone can effectively organise and maintain a pool of Experts for its own needs in all branches of Technology, but having a margin to meet the requirements of the poorer administrations.

(iv) **Technical and Scientific Investigation** on a high plane of common service to the country as a whole, are best conducted by the Centre. Reports of such Technical Committees in India and abroad should be freely circulated among the Units. It should form a kind of a clearing house of ideas and information, so that the experience gained in one unit may be passed on to others, through a National Bureau of Statistics and Technical Information.

Responsibility for collecting, compiling and publishing statistics, is divided, under the present constitution, between the Centre and the Provinces. The result is overlapping work without any assurance that the whole field would be fully covered. It would facilitate very much the carrying out of the Plan if the responsibility for collecting statistics, and for seeing that there are no gaps in our statistical information, is made a central function by special agreement among the Units, if so desired. A Central Statistical Office is indispensable.

° Much of this position will be altered if and when a new Constitution, for an integral, independent, Sovereign Republic of India is framed in accordance with the principles and outlines laid out in the Cabinet Delegation's Statement accepted in general by all Parties. The Central or Union Government will be restricted to the specified functions of Defence, Communications and Foreign Affairs, together with Finance needed for these. All the other functions of government, including those not specified, will vest in the Provinces; while the States, even when they join the Union, would continue to claim larger latitude in local administration.

#### **Scope for Central Authority in the Union**

The intrinsic advantages of planned development all over the country would, we may be sure, assert themselves and circumvent this excessive restriction of Central Authority. The implications or consequences of functions expressly assigned to the Union, if made integral part of the National

Plan, and managed soundly, will themselves exert a pull which no unit will be able long to resist. In the schematic presentment of the Administrative Machinery appended to this, the items in the Plan coming under these functions have been given their own appropriate machinery. Full provision is made, at the same time for the administration of those other functions which may be delegated to the Union Government by specific agreement with the Units. Corresponding arrangements have also been suggested for the items of the Plan falling under the Units functions; while the authority or influence derived by the Union Government through its rights of co-ordination, advice, or assistance in the shape of funds or experts, will go a long way to make the National Plan an integral arrangement capable of efficient administration, notwithstanding the apparent restrictions of the impending Constitution.

The Centre's general function of securing co-ordination, and the adoption of common policies, is at present derived from its general responsibility for the safety and well-being of the country as a whole. This gives it a direct interest in almost all subjects, even though constitutionally some of them may fall wholly or partly within the provincial field. In certain subjects e.g. Roads and Rail or River Transport, Industrial and Power developments, Forests, etc., it has an obvious interest. In other subjects, also like Agriculture, Irrigation, Public Health, and Education, it cannot entirely disclaim interest. For in certain aspects, these transcend provincial boundaries; and they affect the well-being and hence the ultimate strength of the whole country.

In these subjects, it must be the function of the Centre to aim at co-ordination, especially where un-co-ordinated efforts of individual administrations would be ineffective. The adoption of common policies, so as to prevent conflict between All-India and purely provincial interests, and to promote the general welfare of the whole country, is equally necessary, and must be achieved, whatever the letter of the Constitution, if the fullest development of every Unit is to be accomplished side by side with that of the country collectively.

The Centre can today discharge this function, in respect of subjects like the development of major Industries, minerals, or the regulation of mines and oil fields, by undertaking legislation so as to transfer them from the Provincial field to its own direct control. No such legislation has yet been introduced, though for certain major industries and certain important minerals, such legislation is under consideration. Under

the Constitution now in the making this should be satisfactorily provided for.

#### Advisory Boards and Consultative Councils

Still more effectively, the Centre can help in this direction:—

- (i) by advice, persuasion, and the encouragement of mutual consultation,
- (ii) by use of its greater financial resources,
- (iii) by the appointment or organisation of special Boards, or Corporations, on which the Centre and the Provinces and States concerned would be represented, for handling matters which transcend unit boundaries.

As examples of the possibilities of these, take the formulation and general acceptance of common policies and programmes in regard to food procurement and distribution, where, without such aid, starvation would have been the unavoidable lot of millions.

Advice and persuasion become much more effective if reinforced by offers of special grants. The Centre can today and should always be able to command adequate resources to make its advice more easy of acceptance. For an early carrying out of Provincial development plans, it has already been decided to make substantial Central grants, subject to certain broad conditions, designed to secure, policies and programmes approved by the Centre are followed. That precedent needs to be more widely extended.

The Centre's financial influence may well be used more freely, e.g., by making grants for definite schemes, as was done recently in the case of Grow More Food Schemes, or as proposed in the Bhore Committee's Report. There the Centre is asked to take a definite lead in promoting the development of Health Services through a system of grants-in-aid for approved schemes. This method is particularly advisable and likely to bear good fruit in Agriculture for increasing production and rationalising the entire industry—the largest employer of labour and capital in the country. These grants may be subject to certain conditions, which, being freely agreed to, cannot affect in any way the ideal of provincial autonomy.

Where a subject clearly transcends Provincial boundaries, it is generally agreed that a definite responsibility inevitably rests on the Centre to use its financial resources in order to secure co-ordinated development. The device of special Statutory Corporations for the conduct of special schemes and projects, as proposed in the case of the Fertiliser Factory at

Sindri, should be adopted wherever considerations of National interests predominate. The most obvious and immediate opportunity for its application is in regard to the development of our Waterways which, transcending provincial boundaries, can only be developed regionally.

#### **Planning Machinery and the New Constitution**

According to the latest Constitutional proposals, only Defence, External Affairs and Communications will be Central subjects. Nine subjects from list 1 under the Act of 1935, and all the subjects in the concurrent legislative list, will pass out of the purview of the Centre if these proposals are given effect to literally. The only means then remaining to secure co-ordination and common policy will be by specific agreement and consequent delegation to the Centre of the necessary power and authority, and even financial resources.

The Provinces and States can be associated in a common policy and co-ordinated administration of all the items of a National Plan in other ways, too, than are provided for by the formal terms of a written Constitution.

Assuming that the Plan is a National Plan, intended to attain, within a specified period, a definite goal in all Departments of national life, both material and cultural, its Administrative Organisation must be such as to attain these objectives on a nationwide scale, and in a comprehensive manner, consistently with the Constitution of the Country. It is not to be supposed that, because the Plan is for a definite period, that when that period ends, the Plan is either automatically completed or ended. Planning is a continuous process, which goes on developing and unfolding itself from stage to stage. With changing conditions or reactions, special emphasis on particular aspects or items in the Plan may vary from time to time; but the main objective remains throughout undisturbed. For each stage, moreover, of the fulfilment of the Plan, definite targets or control figures will have to be laid down in advance, so that the progress or success of the Plan may be judged and measured in accordance therewith.

#### **Organisation of Machinery Adapted to Objectives**

Planning, being a comprehensive process of allround and simultaneous development throughout the country, will aim at:—

- (a) Ensuring in every part of the country that all the resources of each such part or region, both material and human, are properly developed, for primary as well as secondary goods, utilities and services;

- (b) Providing the fullest possible employment for all adult able-bodied workers within the country,—whether in Agriculture, Industry, Mining, Forestry, Utilities, Services, Amenities, Trade and Professions, Defence and Administration of the country, in accordance with the capacity, training and aptitude of each such individual,
- (c) Achieving re-distribution of the population, which at present presses unduly heavily upon the soil, so as to bring about a balanced economy throughout the country; with a more equitable distribution between the various sources of production of new wealth, as also the Services and Utilities, Arts, Amenities and Professions, Administration and Defence, making up the totality of the country's life;
- (d) Bringing about a substantial redistribution of the wealth, both material and non-material, of the country so as to secure to each individual a pre-determined irreducible minimum standard of life, meeting all his primary needs, providing reasonable comforts, and ministering to his cultural development side by side with maintaining peace and tranquillity.

For this multiple purpose, the Planning Machinery would have to be so devised as not only to be a Central Governmental Organisation, but in full co-operation also with the corresponding bodies in the units. It must control and co-ordinate the several parts and aspects of the Plan in the different parts of the country; and conduct itself such of the enterprises, Utilities or Services, as are directly within the competence of the Central Government.

#### Co-Operation and Co-Ordination with Units

In the former case the machinery must be so devised as to keep in line the various component parts of the Union, whether States or Provinces, as well as the several items or aspects of the Plan, considered as an integrated programme. This is necessary to avoid any lop-sided development which would emphasise the growth in one part at the expense of the other. The main function of this Central Organisation, in this branch of its work, would be to advise or assist each component part in the endeavours it makes to give effect to the several items and aspects of the Plan relating to it. There would be no direct action by the Central Authority in this branch. The several Boards or Councils, recommended in this outline, will



be included in this part, and be mostly of an advisory or consultative character, and not executive.

All these Boards and Councils may, indeed, themselves be co-ordinated in a Central Advisory Council, which may be charged with recommending the form and extent of the aid needed by each component unit to carry out its section of the Plan. In that Council will sit together the officers or nominees of the Centre and of the Units to consider details of working and problems under the main Plan. This Council will act through appropriate Boards etc., and must be completed by similar machinery in the constituent parts of the Union where the Plan is being actually carried out.

#### Administrative Machinery for Union Functions

As for the direct functions of the Central Government concerning the Plan, it would be necessary to set up for each such task, a branch of the Central Organisation, so arranged as mutually to co-operate without the least delay or obstruction. The several bodies or authorities in the Central Administrative Machinery, set up to carry out each particular Service, Utility, or Enterprise, may differ *inter se* in constitution and function, power and authority, as each would be appropriate to that Service, Utility, or Enterprise; but they will all be integrated into a common machinery.

In this executive sphere, moreover, the several facets of the Plan, in each of these Enterprises, Utilities, or Services, such as Capital or Finance, Labour, both skilled and unskilled, Distribution of the products or services through adequate Transport and Marketing, and ensuring adequate consumption by suitable shopkeeping service and price control, will have to be organised as Sub-Branches of the same.

#### Unit Counterpart

In each component part of the Union, again, there will have to be a corresponding authority or organisation, for giving effect to the Plan for each such unit. This would be, on the local scale of each region,—State or Province, as the case may be,—a replica of the main machinery at the Centre, directly executive in so far as any enterprise, Service, or Utility is that Unit Government's concern; and controlling, supervising and aiding every such Enterprise, Utility or Service, being part of the Plan, which is conducted by some local governing body, like a Municipality, Statutory Corporation, Joint Stock Company, Partnership Firm, or individual.

The actual or administrative organisation in each unit should be, as far as practicable, in conformity with the Central Machinery and corresponding to it. **Pro Forma** details are worked out below, including the conditions on which Central assistance or advice may be given; and the limits within which this advice must be given effect to.

### Planning in a Democratic Federation

The task of Planning in a Democracy is necessarily different from the corresponding task in a Totalitarian State under a Dictatorship. In a Totalitarian State with centralised authority, the entire Plan would be in response to the will of one person, as advised by his chosen experts; and the Machinery devised to carry out that Plan would be in conformity. In all Democracies, on the other hand, the Plan, its basic policy, and administration will have to be considered and approved by the Representatives of the people. And they will inevitably balance a variety of interests and sections, which are bound to be affected by the Plan. The resultant organisation would, therefore, have to be such as to secure due regard to all the interests, sections and regions of the country affected by the Plan, its policy and executive machinery.

In a Democracy, not only must the main Plan, in all its aspects as well as objectives, be previously approved, and its governing policy laid down by the representatives of the people; but the legislation relating thereto will have to be enacted by the Representative Legislature. By this procedure, behind each part of the Plan and its basic policy, there would be the full force of the sovereign People's authority.

This task is further complicated and made more difficult in a Federal Democracy, with distinct division of Sovereign Authority between the component parts and the Union. The Constitution of India, as now envisaged, is bound to have restrictions and limitations, which would make the task of formulating and carrying out a National Plan fundamentally different from that in Soviet Russia, Nazi Germany, or Fascist Italy. India, having accepted the principle of a Federal Democracy for its Constitution with a clear division of functions; and with Responsible Ministry on the British or French model, must needs conform, in policy and objective of a National Plan, to the largest volume of vocal opinion in the country.

### National Planning and States

This country, moreover, consists of a number of Provinces and Backward, or Excluded and Tribal Areas, and a much

larger number of States. Each of these has a varying degree of local autonomy, which will not all be ironed out into a single, homogeneous pattern all at once under the Constitution now in the making. The formulation and execution of a National Plan, therefore, becomes much more complicated than in any other country of like size, population, or potentiality.

It is possible, but short-sighted, to found the Plan upon the existing Constitution, wherein the Central Authority, at least in British India, still possesses a large degree of direct authority and function. It has no overriding power as regards the several Provinces, though the latter have a given measure of autonomy. But that is not the same thing as complete independence or full autonomy. So far, however, as the States are concerned, under the present Constitution they are independent Units for all purposes of their internal administration and governance. In the absence of a specific agreement to the contrary, it would be unwise to disturb the accepted principles of the States' local autonomy. The obvious advantage of National Planning for allround and simultaneous development of every part and resources of the country cannot but persuade these Units to make up by agreement what the fundamental constitution would not compel them to do.

That is to say, if the exigencies of a proper formulation and effective carrying out of a Plan so require, powers, functions or authority may be entrusted to the Central Government, by specific agreement between the Centre and these Units,—whether States or Provinces,—which would be adequate or appropriate to the task of formulating a National Plan and giving effect to the same.\*

#### **War-time Controls—Foundation of National Planning**

The War, which first roused the powers that be to the necessity for a planned development in given directions, has familiarised the people with a vast and intricate system of controls, regulations, rationing, and such other aspects or items of a planned programme, which would make a good primary foundation for a more comprehensive and integrated National Plan. The formulation and working of such a Plan would only be a step forward in the same direction. That step, once taken, will readily induce every Unit,—State or Province,—to join in, without the slightest prejudice to the Constitutional position.

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\*The complication caused by the existence of semi-autonomous States is no longer of any significance since 1948.

It would be unwise, however, to proceed entirely on the basis of the existing Constitution, even though it is not known definitely when, and in what form, the changes now impending would come into operation. The fundamental principles, however, of these changes have been accepted and agreed to by the principal Parties in the country. Without a manifest breach of trust, so to say, these basic ideas cannot be departed from, and the Plan framed despite them. Unit powers and functions cannot be circumscribed, and should not be circumvented. Union powers and functions cannot be extended.

We are, besides, not functioning, in this country, on a clean slate. However much, therefore, one may like, one cannot devise a Planning Machinery which would be ideal from the point of view of a Unitary State and its Universal National Plan applicable to the entire country, its people and resources.

The underlying principle of the impending Constitution, agreed to by all important parties concerned, is to restrict the Central or Union Government to three definitely assigned functions; with a clear injunction that all those functions, which are not specifically assigned to the Centre, shall vest in the components of the Union.

#### **Basis for Agreement between Union and Units' Policy, National, Administrative, Local**

Necessarily the administrative and executive Machinery must be suitable and appropriate. The one guiding general principle for such a Machinery that can be laid down at this stage may be stated as follows:—

The formulation of a Plan, or the prescribing of its fundamental policy in every phase and item of the Plan, should be in the hands of the Union Government. This may be in virtue of explicit function or authority given to the Centre by the Constitution; or in accordance with specific agreements between the Units and the Centre. On the other hand, the actual execution and administration of the Plan in all its several items should be with the Units, singly or in groups,—except in regard to industries, Utilities or Services directly concerned with the functions specifically assigned to the Union. For purposes of co-ordination, the advice and assistance of representative Boards or Councils will be needed at the Centre in each field. As these would be devised after due consultation with the Units, and after taking into full account the needs and possibilities of each Unit, there need be no difficulty in arriving at a clear agreement on such subjects.

It is possible to extend or amplify the three main functions entrusted to the Central Authority of the Union Government on the ground of inevitable implication or inescapable consequence of the specific functions clearly assigned. Just as the necessary Finance for carrying out the three main functions has had to be entrusted to the Union Government; and just as the working out of the details of this financing may involve the recognition by the Units of implications and consequences which are not detailed in the Cabinet Delegation's Statement so also the carrying out of such a very complex task as the Defence of the country under modern conditions of mechanised warfare, or the variety of communications, or intricacies of Foreign Affairs, would lead to many unavoidable consequential duties or responsibilities, charged on the Union Government that have yet to be amplified and made explicit. But the process will have to be by agreement, while making up the New Constitution; and not by the normal exercise of the powers of the Central Government, as it functions under the existing Constitution.

This applies, in the first place, to what is called British India. But the principle would apply with still greater force in view of their history and admitted juridical position, to the Indian States, who have hitherto claimed or enjoyed a much larger measure of local Independence and Autonomy. Ever since the establishment of the British dominion in this country however, the States have been brought more and more into line with the British administrative system and the national economy of India, either by specific Treaty and Agreement, or in virtue of Paramount Power and authority of the British Crown in relation to the Indian States.

But in accordance with the Cabinet Delegation's Statement Paramountcy is to cease. New arrangements will have to be negotiated for the States to join the rest of India, and form a Union of the country as a whole. At that time special conditions, or general agreement, should be made, or a new basis provided; for consultation, collaboration and coordination in the formulation as well as the actual carrying out of a National Plan. This would mean delegation of additional functions in the States, just as much as in the Provinces of India, to the Union Government in connection with or for the purpose of a Plan. Whatever the arrangement, as between the Central and Local Machinery, whether for consultation and co-ordination; or for control and supervision by the Central Authority in the Units; or for purposes of aiding, protecting or encouraging particular Enterprises, Utilities, or Services in the Units,—it would have to be by special agreement, and not by

the simple operation of the Constitution. Such agreements would be all the more necessary, when it becomes a question of an express delegation of additional functions or authority to the Central Organisation.

This is not an impossible task. The country has for years been accustomed to and familiarised with the need for co-ordinated and concerted action in the interests of winning the War. Even after the War, and without its driving force, many a control has remained. The Provinces have agreed for example to let the Centre organise what are called All India Services; and this precedent might be adopted in other directions as well. The States, too, have acquiesced in war-time controls; and would not now demur in principle to the need for co-ordinated growth. The instructions to the Negotiating Committee on behalf of the States and the Resolution on the objectives by the Constituent Assembly do not make this aim unattainable in the least.

The obvious advantages of working on a nation-wide scale, for a country as large and as populous as India, are so vast and varied that it would not require much persuasion for the several component parts of the Union,—States or Provinces,—willingly to come into the Central Administrative Organisation for Planning. Nor would they need any great compulsion to agree to specific delegation of additional functions and authority to the Centre, which, without such a Plan, they may not be prepared to do. However rich any given Unit may be in primary resources for material development or cultural advance, its unaided potentiality would be much smaller than that of the country as a whole, represented by the Union Government. The latter's internal as well as international credit and contacts; its information regarding the requirements and estimate of the possibilities of all Units, are much greater than that of any Unit, by itself, or in combination. Its ability, therefore, to attain such an ambitious objective as National Self-Sufficiency would be correspondingly greater. The Units, of course, making up the Union, will necessarily share in this greater possibility. If need be, they could specifically provide in the Agreement for a just share of the realised advantages coming to each of them. No Unit can by itself aim at self-sufficiency and achieve it in any remarkable degree. The fullest possible development of all the local resources, both material and human; and the most equitable and satisfactory redistribution of the new wealth produced in the country, could only be achieved with the help of the Central Authority. It would not be, therefore, in a Unit's own interest to

keep outside the Union Administrative Machinery for the Plan, and work independently of it.

#### **Diffusion, not Concentration, of Industries**

For reasons less tangible than those of obvious material benefit, namely, adequate Defence of the country and every part thereof, it is also desirable to avoid undue concentration of Industry, Utilities, or Services in any given Unit or Units, however much such Unit may have the initial advantage of an earlier start in the Programme of Development as compared to any other. No Plan will be either accepted or prove really effective, if it does not secure to each component part the best chance for the fullest development of all its potentialities. For a properly balanced economy to be established throughout the country, bringing the fullest possible employment of every able-bodied adult citizen in every part of the country, and the best return for his labour, it is necessary that Industry be diffused all over the country; agriculture and allied sources of new production be relieved of the excessive pressure upon them; and employment varied as well as spread out all over the country.

This would incidentally ensure that, in the event of invasion by any foreign aggressor, or bombing of the industrial centres within the country, the more scattered and diffused the enterprises are,—more widely located in every corner of the country,—the easier it would be to guard against national disaster. For material as well as intangible considerations, therefore, it can be easily made evident to the component parts of the Union that the interests of each as well as of all lie in preparing and working an all-round co-ordinated National Plan for comprehensive development registering simultaneous advance on every front.

#### **Machinery for Centre's Functions**

For functions directly entrusted to the Centre by the Cabinet Delegation's Statement, and the Constitution to be based thereon, together with the inevitable corollaries by way of implications and consequences of those functions, the Union Government will have to devise their own adequate executive and administrative machinery for each such function, and its subsidiaries, coming under the Plan. If and where necessary, the Central Organisation in each such case will be supplemented in each Unit by a corresponding Organisation working directly under the Centre. This machinery need not be exclusively

a Union arrangement; but the primary responsibility would be the Union's.

Another part of the Central machinery will deal with formulating the Plan in the first instance, getting it duly approved, modifying it from time to time as circumstances require, and checking the results. This will also be directly under the Union Government. It may, however, be utilised by the Units to have their own Plans scrutinised and integrated with the all-India Plan.

An ordinary Department of Government, with specified functions, frequently changing because of the exigencies of Ministerial Responsibility and frequent re-grouping of functions, will not be quite appropriate for carrying out a comprehensive National Plan. The inevitable restrictions by codes or regulations, and the red tape inescapable from departmental working, would only make the Plan cumbrous, dilatory, and often defeat the purpose for which it is formulated. A new type of machinery must, therefore, be devised, so as not only to facilitate the taking of decisions quickly, but also the prompt execution of these decisions. This would, of course, be possible only in so far as the Planning Machinery is vested with executive powers to make it both expeditious and effective.

Planning, again, by its very nature, is a continuous process, notwithstanding periodical limits attached. These periods are mere stages, intended to help in gauging the progress of the Plan in execution from stage to stage, and from time to time; and not because, at the end of such stage or period, it is hoped to attain a static position.

No Plan is final, or could be rigid. Every Plan, moreover, if it is well conceived and properly given effect to, would set up its own reactions, and create circumstances, which will call for new adjustments that must be automatically and immediately forthcoming if the Plan is to go on smoothly. The necessity, therefore, to change and adapt the working of the Machinery to the changing conditions developing under the Plan, will also require that the Machinery should be such as not to involve needless waste of time by frequent references and counter-references to superior authorities or co-equal departments.

Another point to be remembered in devising this Machinery is that the administrative system and organisation, set up for carrying out the Plan, would necessarily have to be in accordance with the Constitution that may be in operation in the country and every part thereof when the Plan comes into operation. The Constitution of India is today on the eve of



radical change. The basic principles of that change are universally agreed to. The Machinery must consequently be in full accord with the impending changes.

#### National Planning Commission

All this work cannot be done by a single Department of Government, however considerable it might be in personnel; and whatever the number of its sections. Even if a single Planning Department is deemed appropriate, in actual working, it will have to be split up into more or less exclusive or autonomous sectors. For each group of functions there will have to be a distinct organisation, working out the Plan in its own branch. All these may, however, be under the general authority of the Central Planning Organisation, by whatever name it may be designated. In view of the composite character of the Functions, it would, perhaps, best be styled the National Planning Commission for India. This would have to be a representative body, having on it the representatives of the Centre as well as the Units; and so a fairly large and rather unwieldy machine. For its more active working it may be guided by a central nucleus of three or five members. It must have a non-party chairman, some one of outstanding distinction in the country not connected with Party politics; and its members must be chosen each with an eye to preside over one of the important branches of the entire Organisation. The larger body may be styled the National Planning Commission; and its central nucleus the National Planning Board.

For each important Industry, Utility or Service under Defence, Communications or Foreign Affairs,—the principal functions of the Union,—there will have to be a Central Directorate, or Statutory Corporation, specifically charged with the organisation and conduct of that Industry, Utility, or Service. If there are several establishments in any case, located in the different parts of the country, as provided by the main Plan, these may be welded together or co-ordinated into a National Trust or Syndicate, keeping these various establishments into line as integral parts of the Plan e.g., the National Ordinance Trust; or the Transport Trust, and so on. It is unnecessary to give illustrations at this stage of the arrangement proposed above, since a detailed layout is given in the Appendix.

For its own part of the Plan, each component part of the Union, whether State, groups of States, or Province, must have its own jurisdiction, and all that is comprised therein. This would mean the setting up of similar Trusts or Syndicates in each Unit, also, for the Industries conducted directly as Local

Government Enterprise by the Unit Government; or the Self-Governing Bodies thereunder; or any Statutory Corporation established by the Unit as part of the Plan.

Representative Boards or Councils may also be set up for all those other activities forming part of the Plan, which may be carried out either by the Local Governing Bodies, as falling under the Constitution within their jurisdiction; or by special Statutory Authorities, e.g. Port Trusts; or by Joint Stock Concerns, or Partnership, Firms, or by individuals. The essence of the entire arrangement is: No matter who owns and works, any given industry, Utility, or Service, it must be an integral part of the Plan. As such, it must conform to all the conditions and requirements of the main Plan in regard to Policy, and be subject to the direction, control, supervision, and co-ordination of the Central or Local Government as may be found appropriate in each case.

For certain Services, again, which may be local concerns, but which, nevertheless, are of nation-wide importance, e.g. local Transport, Banking and Currency, internal and foreign Insurance, etc. a National Organisation functioning both at the Centre and in each Unit must be provided as part of the Plan. This also must work in accordance with the basic policy laid down in the Plan, or by the National Planning Authority.

Services and Utilities, again, like water-power, inland Navigation, University Education, and Research Institutions of the highest count, Roads and other means of local Communications, should be worked, under agreement, as part of the Plan under the joint authority of the Centre and of the Unit in each case. This will help to maintain uniform policy and co-ordinated operation of each such Service or enterprise, without prejudice to local autonomy or national integrity.

#### Procedure to Establish National Planning Machinery

There are three ways in which an adequate and efficient Administrative and Executive Machinery for carrying out the National Plan can be established:—

(a) By specific Legislation of the Union Government, not only as regards the Functions entrusted under the Constitution directly to the Union Government; but also in accordance with Agreements expressly made for the purpose with the Units, wherever the Constitution renders that course necessary. Similar Legislation will also have to be reproduced in the various Units concerned.

(b) By Executive Orders setting up the Machinery, and obtaining an indirect sanction or approval of the Legislature by getting it to vote the necessary supplies.

(c) By the natural process of evolution, convention, or ad hoc arrangement on each matter as and when it arises.

#### (a) Normal Evolution

The last may be the easiest; but it is the least desirable. It is not deliberate planning, but just accident. In these days of rapidly growing political consciousness among the people, the voter, or his representative in the Legislature, will naturally be jealous of the sovereign authority of the Supreme Law-making Body of the Country, which would also be entitled exclusively to vote the funds necessary to carry out the Plan. It would naturally resent being turned into a mere rubber stamp. It would, therefore, be a good policy to conciliate the sovereign Legislature in advance, by making it pass special legislation establishing the Planning Authority and machinery, defining its powers and functions, and sanctioning the necessary funds.

#### (b) Executive Order

Evolution of the machinery by convention or usage might be possible where there is already at work some machinery. In the present case, the purpose itself being new, and the idea of a nation-wide comprehensive Plan being still in its infancy, there are few traditions, customs, or precedents to guide us in working out appropriate conventions, or depending upon the normal growth and development of the factors actually at work.

The second alternative of establishing the machinery by Executive Order is easier and less cumbrous, or dilatory than the Legislative method. The point however, made already regarding the jealousy with which the voter or his representative in the Legislature views such Executive action, unconsidered previously by the Legislature, ought to be conclusive against any reliance on this method for providing suitable machinery both adequate and efficient, for the comprehensive purpose in view.

In a Democratic State, moreover, with Responsible Ministry, the Supreme Executive, the Cabinet, may not maintain continuity of policy in any identical form under the varying fortunes of Political Parties. For a Plan to yield satisfactory results on every side in every part, however, continuity of policy is indispensable. Finally the evolution of a Machinery

by executive arrangements only would be lacking, in the ultimate analysis, that cachet of popular approval and sanction, which is indispensable for its continued and successful functioning. It would lack not only legal authority, but also sufficiency of funds over a given period.

### (c) Legislation

(c) As already premised, planning is a long term programme. The funds, therefore, needed, from time to time, to give effect to the several items under the Plan, would be both considerable and continuous. Without suggesting that the Legislature exclusively entitled to vote supplies, should abdicate their authority in this regard so far as the Planning Machinery is concerned, it may yet be that by clear convention or general consent, the funds needed for giving effect to the Plan should be available every year, in the same manner as the so called Consolidated Fund Services are provided for under the British Constitution. But this may not happen if the machinery is a creation of Executive Orders only.

Specific Legislation, therefore, remains the only sure means for setting up an adequate and efficient machinery to give effect to the Plan. Such legislation, both at the Centre and at the Units, would necessarily involve very general issues of basic policy. It would, therefore, be desirable, in the first place, to put the outline Plan forward in the shape of a direct appeal to the people at the time of a General Election, and in the form of certain categorical propositions so as to secure the all important sanction and initial approval of the representatives of the sovereign people. The appropriate legislation would then only be a question of technical drafting.

It may be that there is general agreement on all sides in regard to the Plan in broad principle; but there may be differences in detail; or on particular aspects of the Plan; or in regard to given features of the general policy governing it. If the main objective is generally approved by the people, the differences in regard to policy or any particular feature, item, or aspect, of the Plan, may be provided for by compromise in specific Sections of the legislation when it finally comes into being. But the first step would have been taken, namely, the seal of popular approval in general principle.

The same would be true of the reproduction of such Legislation in each Unit, in so far as the authority, function or jurisdiction of that Unit is concerned, or that portion of it applying to such Unit.

Where Central or Union Legislation is passed following specific agreement, the Agreements on each piece of Union or Common legislation would be based, in particular cases or given items or aspects of the Plan, on popular support and authority. For each such agreement would have been negotiated, in the first instance, by representatives of the Centre as well as the Units concerned. The Legislation following would be no more than giving precise effect to such negotiations.

#### **Outline of Legislation**

The contents of such Legislation may next be considered in outline.

The main legislation should not only lay down the central idea that there should be a nationwide Plan for all round development, but also the Machinery at the Centre and in the Units designed to carry it out.

So far as the formulation of the Plan itself is concerned, the Legislation should contain Schedules or Appendices giving details of the several sections in which the Plan is framed, as well as the control figures, prescribed targets, or measured rate of progress in each case. These may change from time to time, according to the circumstances and exigencies of the moment; but the fundamentals will remain.

#### **Details Provided for by Regulations**

The Law, however, would only enunciate the principle of there being specific targets or control figures. It will leave a margin of discretionary authority to the Supreme Executive, charged with the responsibility for giving effect to the Plan, to permit variations from the predetermined forms of progress or development, on condition that the same be reported to the Legislature, together with such explanation as may be deemed proper and relevant to account for the variations. On this report such action may be taken by the Legislature concerned as may be deemed necessary and sufficient for guarding against any needless aberration.

#### **Central Machinery**

The actual form and working of the Machinery will constitute the next important section of this Legislation. A Central Department or Authority, called the National Planning Commission, or any other title that may be found appropriate, must be set up at the Centre. It will have several branches or sections, with subsidiaries in each including Trusts; Syndicates, Commissions, Statutory Corporations, etc. The function

of each subordinate Authority, Body or Corporation must likewise be prescribed in this section of the Legislation, to avoid conflict between co-ordinate bodies, eliminate overlapping jurisdiction, and minimise red tape.

A **Pro Forma** List of the specific Bodies, Authorities, or corporations, that would be necessary in each item or section of the Plan, is given in the Appendix.

As such Legislation will be reproduced in all essential particulars in the Units, the Organisation would be fully balanced, and will have universal effect throughout the country.

Another section of the Legislation should include provisions for securing duly qualified personnel, with authority to make rules for their recruitment, remuneration, discipline, etc., and co-relating such activities as are part of the main Plan.

#### Finance for the Plan

The Legislation will, next, provide for adequate finance to give effect to the Plan. Planning being a continuous process, its administrative machinery will have to be flexible, so as to adapt itself from time to time to changing conditions and circumstances. Many of these will be set up by the actual carrying out of the Plan itself. But the Machinery cannot be revised or reconditioned every time a given change, occurs, or an unexpected development takes place. From the very start it must be devised so as to be capable of meeting and adjusting itself to these changes.

It is unnecessary to say whether such Legislation will be for a given period or permanent. The Plan itself may, no doubt, be for a definite term of years. But that is merely a stage marked in advance in the continuous process of all-round development. It should not affect the basic Legislation which lays down the Plan, and provides the Machinery needed to carry it out.

If and when it should become necessary to revise or amend the Legislation, the same Authority which passed the first act would be competent to revise, amend or alter it and make it more suitable or appropriate to the new conditions.

#### National Council of Industry

For purpose of Financial aid, Fiscal Protection, expert advice, etc. to any productive Enterprise, Utility, or Service, a Central National Machinery, like a permanent Tariff Board, would be inevitable. This would *suo motu* investigate any

claim for help, advice, assistance, protection, or encouragement to any enterprise; recommend the form in which such aid, assistance or protection should be given; and lay down the conditions on which such aid, etc. should be afforded. It would likewise be desirable to empower the same authority to see that those conditions are duly enforced and fully carried out in every day practice. There would be many other items in the programme of planned development, which may all be integrated and mutually co-ordinated in a National Council of Industries; and another of Agriculture and allied occupations.

#### **Inter-State Commerce Commission**

An Inter-Unit Commerce Commission; a National Road and River Board; a Union Electric Grid; a Central Council of Research for Industrial, Agricultural, Commercial, or Financial matters; and other machinery of the kind, will have to be simultaneously instituted, as integral part of the National Planning Machinery, and required to keep all parts and items of the Plan in step, so as to maintain an allround rate of progress as laid down in the control figures of the basic Plan.

#### **Structure of the Planning Machinery**

Let us next consider the form and structure of the Administrative and Executive Machinery designed to give effect to the Plan.

The Machinery may be divided into two principal parts:—

1. Formulation of the Plan, and
2. Administration of the Plan.

##### **(1) Formulating the Plan**

On the formulative side, initially, the ground would have been prepared by some such Body as the National Planning Committee, or the National Planning Commission. The Plan thus prepared would necessarily be in broad outline, though it would inevitably concern every section and department of the country's life, both material and cultural.

The outline Plan, however, would need details to be filled in every case and every particular. This can be done later by Experts working in the several Branches, each on his own, or in consultation, at the Centre as well as in the Units, as the case may be.

When these details have been filled in, and a complete Blue Print prepared,—complete in all items, aspects, stages, specifications and requirements, for each Enterprise, Utility or Service,—it should be reported to the Legislature, together with a demand for grant of funds estimated as required for

carrying out the Plan. This would provide a second occasion for the Legislature to give its reaction on the subject.

The formulative process, however, is not ended when the Blue Print has been prepared, approved, and financially provided for. By the very nature of a Plan functioning in a living society, there must be constant change, which cannot but affect more than one part of the Plan. Due note must be taken of such change and growth; and the parts of the Plan affected must be adjusted from time to time even within the period described at the first stage of the Plan; so that the original Plan should not get out of joint because of these developments. A special part of the Planning Machinery must, therefore, be set apart to take care of the new conditions and circumstances affecting the Plan as a whole, and include the same so as to integrate them with the main Plan, and adjust or adopt the Machinery to the required purpose. New developments in science or technique may also render necessary alterations in the Plan, which must also be the concern of this part of the Machinery to deal with. They must be given effect to without fundamentally disturbing the main Plan.

Finally this part of the Machinery, which may be styled as the **Planning, Research, and Formulation Section**, will function mainly at the Centre. But it must have its counterparts and prototypes in the Units, so that every local peculiarity, development, or reaction, initially not fully taken into account, may be properly dealt with. Any unexpected occurrence or special emergency may likewise be attended to as much as the change and developments of a more generic and abiding character mentioned above.

## (2) Administration of the Plan

On the Administrative side proper, the National Planning Commission will have a much larger part, dealing with every one of the enterprises, Services, and Utilities, Institutions or Concerns, which are comprised in the principal functions of the Union Government. Others, which have to be worked in consultation and co-ordination with the Union and other component parts, so that the entire Plan may function simultaneously in every part of the country, as a carefully integrated organisation would also come under this part of the Machinery for consultation, co-ordination, advice, or assistance.

In the Units, therefore, this part of the Machinery will have to be reproduced under appropriate nomenclature, so that the local side may be equally attended to. This would solve the grave constitutional difficulty of reconciling the utmost possible



local autonomy with no less urgent need for national integrity and administrative efficiency, with special reference to the Planned Programme of Development.

#### Union Functions under the Plan

In regard to each of the functions coming within the Jurisdiction and authority of the Union Government, there would have to be a large number of industrial enterprise, not all of them concentrated in one place. There will also be Utilities and Services, working in all the several parts of the country as well as at the Centre.

#### (A) Defence: Direct State Enterprise

The National Planning Committee has given the following as the list of Defence Industries, which must be owned and managed directly by the State:

- (1) Firearms (Land, Air and Marine) and their parts.
- (2) Munitions, cartridges, Explosive shells, Torpedoes, etc.
- (3) Tanks and armoured cars and other forms of mechanical equipments especially designed for military purposes.
- (4) Warships of all types, including submarines.
- (5) Military Aircraft of all kinds.
- (6) Gases for warfare and gas masks.

N.B. Warships and military aircraft can also be made in ordinary peace time establishments.

Defence, the most important of the Functions to be entrusted to the Union Government, is a highly composite Service. Under modern conditions, it would necessarily comprise a large number of industrial enterprises, with numerous establishments in each such industry scattered all over the land; as well as their concomitant Public Utilities and Services. There is, strictly speaking, no part or activity of modern people's life, which cannot be connected in some way with the requirements of the National Defence; or which would not have to be pressed into services if adequate provision is to be made on this account. This is a very wide connotation, by no means unjustified, of the requirements of organised national defence for a country like India. Even if we limit the term to the absolutely minimum of armament, or equipment for modern defence, large numbers of industries will have to be brought under this section and wored as part of the integral National Plan.

Full mobilisation of man-power to provide for adequate National Defence by land, air, or sea, should likewise be a part of the National Plan. It includes also what may be called the

human side or the Labour Problem of the country in general; and, as such, it would need special attention as part of the Plan and its administrative Machinery. The Labour section would indeed be among the most considerable of the Machinery in a democratic State.

The Industries, Utilities and Services, coming under Defence, will also have their significance in normal peacetimes. **But whether for peace or war, these must all be wholly nationalised**, i.e. owned, manned, and controlled by the Central Government as collective public enterprises. But, in many cases, in this group, there are already established vested interests of private individuals,—both Indian and alien,—which must at once be taken over by the State, with or without such compensation as may be deemed adequate and equitable. In no case should there be left a trace of private profit in these. No room must be left for competitive, individualistic enterprise, seeking profit for the proprietor, even at the cost of the community.

#### Central Control, Supervision and Regulation

In other cases not directly owned and worked by the State, Central control, supervision and regulation may be necessary. These must be exercised by an experienced national authority. This condition must be laid down as the *sine qua non* for allowing any such industrial Enterprise, Utility or Service to remain in private hands, as being only remotely or indirectly concerned with the organisation of National Defence.

#### (B) Communications

The other large group of Union functions is Communications.

There is no list of communications industries prepared by the National Planning Committee or any other authoritative body. The term itself lacks precision, since it may be used for communications proper,—limited to Post, Telegraph, Telephones, Radio and the like; or may comprise also Transport Services of all kinds. In any case this also must directly be state owned and state worked, as the Post office already is.

If we take this to include all means of Transport also, together with the industries providing the vehicles and other equipment, this function would include a large number of industries. Even apart from the various forms of Transport Service—by Road, Rail, River or Sea,—the Industries and Services falling under Communications will make a respectable list. The Post Office is a composite term which requires for its proper equipment and operation, a number of industrial

enterprises. These also, must be owned, manned and worked as National Concerns or Public Utilities, by the Union Government. The principle must, in fact, be clearly enunciated that, under a proper Plan, there would be little room for competitive, profit-seeking individualism; and that what there is to start with must progressively diminish. It must be forbidden altogether in Defence Industries of all kinds, all Mother Industries, all Utilities and Services. And if it is not absolutely forbidden in other fields, it must in every case be rigidly controlled and constantly supervised, so that the unsocial profit motive shrinks and shrivels and sheers off altogether in a short while.

The third function of the Union,—Foreign Affairs—does not directly involve the conduct or control of any industry, utility or service. Its reaction on the country's foreign and domestic commerce is indirect. Its contact, therefore, with the national planning machinery is somewhat remote.

#### **National Trusts and Syndicates**

In general, however, it would be best to organise each Enterprise, Utility, or Services, coming under the Union functions, as a Public Trust or National Syndicate for the whole country, with authority to work in every part thereof. Each such Trust or Syndicate may comprise a number of establishments scattered throughout the country. The local or immediate management of each of these must be vested in the Manager appointed for each establishment. But every such management must function as part of the main Plan; it must conform to the general policy affecting the concern as laid down by the Central Board of Directors for each such Trust. The Trust, in its turn, will have to conform to the policy laid down in the Basic Plan, as provided for in an Act of the Legislature. Should any item in these be operating in any Unit at the time of the commencement of the Plan, independently of the main structure, e.g. a Non-Ferrous Metals Works, or an Automobile Plant, or an Aircraft Factory, it must needs be brought under the main system and conform to its common policy.

#### **Personnel: Director General**

On the personnel side, at the head of the entire Machinery, there should be a Director-General of National Planning. He would be the Chief Executive Officer, responsible for the entire administrative system and execution of the Plan. All parts, sections, Trusts, Syndicates and Management will be under him, as also all controllers, consultants, inspectors, auditors, and advisers, as well as Directors.

This is a Central or Union Government Officer who would have direct power and authority on all concerns coming within the Union Functions; but only controlling, supervising, or consultative and advisory powers and authority in all concerns coming under the Units functions, or those delegated to the Union by express agreement.

It would be inadvisable to make this office a political prize for a member of the Party in Power, as it requires a continuity of policy and specialised experience which politicians ordinarily do not possess.

In view of the importance of Planning as a National Enterprise, it may be as well to keep this organisation directly under the Cabinet as a whole, and not make it the responsibility of any single Minister. This, however, is a matter of detail which may be settled as found convenient under the new Constitution when it comes into operation.

Whether or not the Director-General is himself responsible to the Government as a whole, or the responsibility on the political side for the proper functioning of the administrative machinery is entrusted to a Member of the Cabinet for each section or item coming under the Union functions, and forming part of the entire National Plan, there must be a separate Directorate for each enterprise, utility, or service, organised as a national concern under the Plan, presided over by a Chief Director, and governed by a Board of Directors. The Chief Director should be assisted on the executive side by such assistant or Deputy Directors as may be deemed proper and necessary in each case.

#### **National Council of Direction**

The Chief Directors of the several enterprises, utilities and Services comprised in the Plan should form a general Council of Direction under the presidentship of the Director-General of Planning to consider problems of policy arising from the execution of the Plan. It would be desirable to leave details of administration in each case to the Director or Directors concerned; or even to the Manager of the particular establishment whom that detail concerns.

#### **Deputy and Assistant Directors**

In the Provincial Section of this part of the Plan, there may be Deputy-Directors for each such Enterprise. The Deputy Director must be vested, on the unit scale, with the same powers, functions, and authority, and charged with the same duties and responsibilities as the Director on the national scale.

The Directors and Deputy Directors will be concerned with the general direction and basic policy in relation to that part of each Enterprise, Utility, or Service placed in their charge.

#### Financial and Technical Advisers

The Directorates will have to be assisted on the financial as well as the technical side, by technical and financial experts conversant with the technical and financial needs of each such Enterprise, Utility or Service. Such experts should be permanent, whole-time Public Servants, *ad hoc* consultants, remunerated by lump sum fees on each occasion need not be barred.

Within each Trust, Syndicate, or Committee of control, the advisory or expert technicians should also form part of the respective Directorate, with frequent consultation with their Provincial counterparts of the same.

#### Management of National Trusts

Though the all-over finance of the Plan would be included and provided for by a direct itemised grant by the Legislature incorporated in the National Budget, the Finance Department should have the right to audit and otherwise supervise the expenditure as well as receipts from the operations under the Plan, i.e. from the Enterprises or Services. The Reserve Bank would, of course be intimately connected with initial financing and working expenses of each such Trust. **Needless to add that Bank, if not the entire Banking System of the country, must be a Nationalised Institution functioning as integral part of the Plan.**

#### Control & Supervision Over Private Enterprise

For purposes of control, supervision, regulation, inspection and the like, over the Private Enterprise, still surviving and coming within the scope of the Plan, there must be adequate auditing, controlling and inspecting personnel. They must have clear codes of regulations to guide them in the discharge of their respective duties. They should be attached to each Directorate separately. So long as private, profit-seeking enterprise remains in any part of the Plan, there will have to be an adequate and highly qualified Inspectorate, as such personnel will have to discharge important duties with the utmost efficiency.

The foregoing outline of administrative machinery has been sketched with reference mainly to the Central or Union Government. It must be reproduced, *mutatis mutandis*, in every Unit so as to complement the Central Machinery in all essential particulars.

### State Aid to Private Enterprise

If private enterprise continues in other sectors of the Plan, the State may also be associated in partnership with such private enterprise forming integral part of the Plan. In that event the State must reserve all its rights of control, supervision, audit, inspection, etc. of the enterprise.

Alternatively, the State may guarantee the private entrepreneur:—

- (a) a stated minimum return on the capital and labour invested;
- (b) or agree to purchase at pre-determined prices stated output by way of encouragement;
- (c) afford protection and fostering care in other forms, like fiscal duties, Merchandise Marks Act; Financial Facilities, etc.
- (d) licensing conditions;
- (e) economic freight rates on the National Transport System;
- (f) expert technical skill, specially imported, if necessary, on public account, and loaned as consultants or technicians to such private enterprise; or
- (g) provide free scientific statistical, or other information, making the enterprise a success;

all this need not be confined to industry only.

One or more of these forms of State aid to industry etc., should be made available in a manner and degree found adequate and appropriate to achieve the end in view.

Exactly what proportion this section of financing the planned economy of the country would be of the total wealth produced, or produceable in a given term, is difficult to estimate at this stage. Such as it is, however, it would not be an unbearable burden, and will support itself, if the condition is universally insisted upon that such enterprise must be productive of a net surplus within a given period.

Estimates of the Capital Finance needed for carrying out the Plan, particularly in regard to the non-recurring Capital Expenditure, would have to be based on past experience of similar ventures, or present conditions. Neither of these, however, is altogether reliable for making such calculations which may differ materially from the actual figures when finally realised.

Notwithstanding the difficulty of making such estimates, attempt must be made to prepare such estimates. Due allowances must, of course, be made for the possibility of variation on account of factors outside the control of the Indian autho-

rities, e.g. changes in Price-level or international Exchange, or Scientific discoveries, or mechanical inventions affecting these calculations. The Plan, being necessarily a long-term arrangement, would be very much exposed to such factors, which may falsify the estimates quite adventitiously.

Other semi-independent sections of the administrative structure may also be mentioned in this connection.

Every new Industry, Enterprise, Productive Organisation, Social Service, or Public Utility, forming part of the Plan, would require some sort of State aid or assistance, without which it may not be able to make good. Considering that this country has lagged far behind in modern industry, science, and technique, as well as mechanical equipment, every venture in any relatively new field in this country would be exposed to the danger of failure through foreign competition from more advanced rivals, if there is no support or assistance to indigent enterprise by the Government of the Country. This is the only explanation of the continued industrial backwardness of India, comparatively speaking, notwithstanding great natural resources, viz. the indifference, if not antagonism, of the British Government in India towards the fullest possible development of the natural resources of this country.

To eliminate this handicap, it would be necessary to include, even in planned economy, which would not immediately be a wholly socialised economy, a section, which would investigate every claim for such assistance; and recommend to Government the form and extent to which the assistance may most fruitfully be accorded.

#### **Permanent Tariff Board**

The country is already familiar with such agency in the shape of the Tariff Board, which would serve this purpose if properly modernised. It has hitherto been set up as an *ad hoc* body, charged with the consideration of specific claims for protection or assistance to a given industry. For this device to be really effective, and follow a continuous line of uniform policy, it should be made a permanent item in the administrative structure of the Plan.

Such a modernised, permanent Tariff Board should not be confined only to the investigation of the claims of any specific industry, utility or service. Nor should it be required to act only on the initiative of Government or those concerned with the Industry, etc. It must be able to move of its own accord; and recommend such aid, protection or encouragement, as, after full investigation of all relevant factors, seems adequate and appropriate in its judgment.

The several forms of State Aid to Industry, which have been used, with varying success, in other countries, in their programme of industrial development, may be summarised as follows:—

- (a) Fiscal protection, in the shape of protective duties on goods imported from abroad which could also be made at home, but not at a competitive cost without such assistance; or export duties to secure adequate quantity of cheap raw material, coal, etc., at reasonable price available at home.
- (b) Direct Financial aid in the shape of bounties, subsidies, subventions, calculated and awarded on a prescribed basis.
- (c) Assistance in securing the necessary capital by taking shares, or guaranteeing interest or dividend on the share capital, under stated conditions and circumstances and for a given period.
- (d) Providing skilled labour and expert advice by importing, if and when necessary, foreign experts and technicians to help in setting up and demonstrate the working of any such Enterprise in the first instance.
- (e) Collecting, compiling, interpreting and supplying information periodically relating to each such Industry, Utility, or Service, whether from within the country or from abroad, in the shape of statistics, fiscal regulations, trade treaties, and the like.
- (f) Maintaining educational, training, and research institutions, at public cost for preparing workmen skilled in technique and the scientific basis of each such Industry, Enterprise, Utility or Service.
- (g) Negotiating and making appropriate Trade Agreements with foreign countries, so as to secure the necessary raw materials, mechanical equipment, market, or any other requirement or facility for the successful building up and working of any such enterprise, etc.
- (h) Granting exemption from taxation for a time.
- (i) Giving economic railway rates and freights, or transport charges and advertising facilities so as to economise in the cost of production.
- (j) Organising and regulating central markets, and arranging for storage, grading, standardising, etc., of the commodities entering into trade.
- (k) Passing suitable legislation to facilitate proper industrial organisation, in the form of Joint Stock Corporation, Co-operative Society, or Collectivised Organi-



sation, with adequate safeguards for Patent Rights, Merchandise Marks, and the like.

- (1) Allowing concession in respect of free land for sites, etc.

A single organisation may not prove equal to deal with all these varied forms of State Aid to Industry; judge of the adequacy and appropriateness of the aid granted in each case; and recommend a proper measure to the Government for the continuation of such assistance. This is no great difficulty; for such an organisation, once established, will be entitled to ask for and receive expert advice and guidance in each such matter. Such an organisation must, however, be a Central machinery, available for consultation and advice to any Unit where a given enterprise, utility, or service needs such aid.

#### Conditions of Assistance

In so far as any Industry, Enterprise, Service or Utility, seeking public aid in any of the forms mentioned above, is in private hands, definite conditions must be laid down, so that the private proprietors of such Enterprise, etc., do not make profit for themselves at the expense of the community as a whole.

For instance, no Industry, or Enterprise, receiving public aid in any form, should be allowed to make and distribute any profit amongst its Proprietors exceeding a certain percentage on the capital at work, say, 6%.

No such Enterprise, again, should be allowed to organise or form part of a virtual monopoly, whether formally so described or not; nor should it form part of a world Syndicate constituting a monopoly.

A third condition may be that its accounts and working operations should be open to inspection and audit by qualified officers deputed by the Central Organisation from time to time. Any criticisms or suggestions made as a result of such inspection or audit must be immediately attended to.

The basic principle of all these conditions is that public assistance cannot be rendered to private enterprise, working for individual profit, without some condition, so as to ensure its working also for public benefit as a whole, and as part of the Plan.

The Tariff Board or Advisory Council for State Aid to Industry, must be part of the general administrative machinery set up for carrying out the Plan. Even if it is an independent body, it must have constant contact with the National Planning Organisation and act in concert with it.

The most effective Planning would, of course, be under a wholly socialised economy, eliminating completely any private enterprise in any field. Given, however, the conditions of India at the present, it seems unlikely that a wholly socialised economy would be accepted by the vocal public opinion represented in the National Legislature. It would, therefore, be inevitable that some sector of our National Economy remains in private hands, which would need some form of public assistance to make each item coming under it a success. The success of items in this group will, no doubt, be judged on a commercial basis, namely making a net surplus of money return over money costs. This is not a just criterion; but even so, the aided enterprise must be part of the Plan, and work in consonance therewith.

#### **National Board of Strategic and Scientific Information**

In addition to the Advisory Council of State Aid to Industry, there would also have to be another body concerned with organising and conducting or supervising and collating scientific research, mechanical improvements, technological development. Ordinarily this work would be conducted in the Educational and Training Institutions, the Universities with their Research Departments. These bodies, however, are accustomed to function as independent units, more or less in isolation from one another. There is no integration or co-ordination in their Scientific Research. Nor is that Research directed to any specific pre-determined objective. It must be, therefore, part of the functions of the Planning Machinery to see that Scientific Research and Technical Advance are properly co-ordinated, and made to function for pre-determined ends in a comprehensive Plan. This may be achieved by Central supervision and general control over the Universities, whose local autonomy must, of course, remain unaffected. More easily it would be secured by direct Central arrangements for scientific research and technological developments, in National Institutions specialising in particular fields, e.g. the Institute of Sugar Technology in Cawnpore, the Iron and Steel Research Laboratory at Jamshedpur; the Lac Research Institute at Ranchi; the Indian Institute of Science, Bangalore, and the like. These must be Union Institutions open to every part of the Union. The Research Budget under the Plan will not be mere doles to workers; it will be a very substantial and carefully integrated part of the entire Budget for the whole Plan.

These two sections may form part of the general Planning Machinery like the permanent Council of Industries, or stand

by themselves. However set up, they must remain in constant contact and co-operation with the Planning Machinery.

#### National Council of Price and Wages

A third Department of this kind consists of a Price Control Machinery to regulate and stabilise Prices of all commodities and Wages of all workers.

Exchange of commodities and services, or Trade, is as integral part of National Economy as Production, and Distribution of the wealth produced. Though the National Plan aims at national self-sufficiency, it cannot dispense with Trade, —internal or international. Any Plan, therefore, which claims to be comprehensive, must pay due attention to the Trade sector of the National Economy.

#### National and Inter-unit Trade Council

The Inter-Unit Trade Council or Commission may operate independently or through the Central Planning Administration. Its functions include: regulation and control of the trade between units, organisation of markets, or exchanges; grading and storing and movement of commodities; standardisation of weights and measures; credit and foreign Exchange.

The internal trade of the country would be primarily the concern of the Units, and not so much of the Centre. But it would function most effectively only if it is organised by agreement as a National Service.

#### National Monopoly of Foreign Trade

A separate National Syndicate, entrusted with a monopoly of Foreign Trade, or at least complete control over it in all its contents and direction, together with the indispensable accessory of Shipping, Road, Rail or Air Transport; Insurance and Foreign Exchange, Tariffs and Trade Treaties, is absolutely necessary, as part of the National Planning Machinery. Foreign Trade particularly, even if it will not be as important in volume as Local Trade, is fraught with the greatest possibility to undo the whole work of Planning, if it is not controlled at the source, and made to function in harmony with the Plan.

With these adjuncts, the Administrative Machinery would be more or less complete; and would serve to carry out the Plan in all its parts and aspects. If at any point it shows a lacuna, experience will indicate the best method of filling it in, and making the Machinery complete and sufficient.

The Organisation sketched above is set out in a schematic form in Appendix I.