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The New Development Strategy - An Appraisal

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I

The Draft Five Year Plan 1978-83 announces not only a new Plan, but also a new Strategy of Development. This was to be expected. After all, the initial documents relating to the Fifth Five Year Plan had spoken of the "historic inevitability" of a new plan strategy (of a direct approach to reducing poverty) because the Plan was being formulated "by a Government that had won a massive mandate from the people" both in the parliamentary elections of 1971 and the State elections of 1972. And the Draft Five Year Plan 1978-83 has been formulated on behalf of a Government which brought about India's peaceful revolution (al though only its first stage) and won a massive mandate from the people in 1977 in return for the promise to provide freedom and bread in a new socio-economic order. The new Plan is part of the effort to usher in the new era. There is, thus, "historic inevitability" about the New Development Strategy.

According to the Draft an effective strategy for development requires that :

- (a) The objectives to be achieved are clearly formulated, and where there are multiple objectives, they are ranked in order of importance and if objectives conflict, the trade-off between them should be determined.
- (b) Resource allocations are made to subserve the priorities indicated by the objectives and these allocations are backed by appropriate economic and social policies.
- ((c) The selected strategy is pursued consistently over a period of time sufficient to establish its success or failure.

Following this preamble, the objectives themselves are spelled out as follows:

... The principal objectives of planning should now

be defined as achieving within a period of ten years:

- (i) the removal of unemployment and significant under-employment;
- (ii) an appreciable rise in the standard of living of the poorest sections of the population;
- (iii) provision by the State of some of the basic needs of the people in these income groups, like clean drinking water, adult literacy, elementary education, health care, rural roads, rural housing for the landless and minimum services for the urban slums.

While the Five Year Plan 1978-83 will aim to achieve these objectives as far as possible, it is stated also that they should be obtained while achieving a higher rate of growth of the economy than in the past, moving towards a significant reduction in the present disparities of income and wealth and ensuring the century's continued progress towards self reliance.

The Draft Plan's objectives are very clearly stated indeed, but there is hardly anything new in them except, perhaps, an explicit recognition, long over due, that "growth" per se will not be and cannot be the aim of planning. And the reasons for it are also indicated:

It has generally come to be realised that the concept of growth rates as a measure of economic development has considerable limitations. The rate of growth measures the expansion of the size of the economy over a particular period but not necessarily its development potential for the future nor does it measure the welfare of the masses of people, since it is unrelated to the distribution of the national income as between different classes While it is true that a mere rapid expansion of the economy will generally make it easier to increase the welfare of the poor, it is not necessary that the allocation of resources required to reach the highest achievable rate of growth of the economy at any point of time will be optimal from the point of view of the desired distribution of income.

Whether the de-emphasis on growth per se constitutes a departure from old strategies, in particular the strategy of the garibi hatao Draft Fifth Five Year Plan is a moot question, but the

main features of a new strategy are not to be sought in a statement of aims, because, again as the Draft rightly points out:

These aims - implicit in all our plans, but more explicitly stated in the later formulations of our development strategy are universally accepted by the Indian people; they are the achievement of full employment, the eradication of poverty and the creation of a more equal society.

If the goals themselves are universally accepted, the strategy must be appraised in terms of a more detailed specification of their implications and of the manner in which they are to be approached and achieved. One of the main weaknesses of planning and of economic policy in general in our country has been to confine strategy which is essentially related to the nature of operations to a mere statement of goals, particularly long terms goals. Obviously, there can be no strategy without a statement of goals but a strategy limited to an articulation of goals is vacuous.

For an appraisal of the "New Development Strategy" we must, therefore, look for details. And here there are some welcome departures in the Draft. Of these the most striking is the assessment of India's economic development during the quarter of a century of planning, with which the Draft begins, and which leads to the candid conclusion that "the most important objectives of planning have not been achieved" and that "the most cherished goals seem to be almost as distant today as when we set out on the road to planned development". The details of this assessment are important.

First, over a period of a quarter of a century a stagnant and dependent economy has been modernised and made more self-reliant, but the number of unemployed and underemployed are still very high and more than 40 per cent of the population today lives below the poverty line. Secondly, agricultural output has risen throughout the period, but per capita agricultural production has remained stagnant. Thirdly,

India's industrial capacity has been expanded and diversified with capital goods production showing impressive increase and the country becoming self-sufficient in all consumer goods. Along with these the concentration of economic power has increased more rapidly. Also the pattern of industrial development that has emerged reflects the structure of effective demand, which in turn is determined by the distribution of income. An unduly large share of resources is thus absorbed in production which relates directly or indirectly to maintaining or improving the living standard of the higher income groups. Fourthly, the development of agriculture and modern industry has stimulated the growth of banking, insurance and commerce. But the major beneficiaries, especially of the banking system, have been the wealthier part of the population in both the urban and rural areas, and the vast majority have barely been touched. Fifthly, while the infrastructural facilities for production and in services like education and health have increased, much of the benefit from these have accrued to the relatively affluent sections. Sixthly, although industrialisation has proceeded rapidly, unemployment still remains a large problem and the hope expressed in the revised Fifth Plan that at least the increments to the labour force could be absorbed in gainful employment has not been realised. Seventhly, although output has increased, poverty and inequalities of a staggering nature still continue. On the basis of the basic nutritional norm, 48 per cent of the people in rural areas and 41 per cent in urban areas, together constituting a massive 290 million are reckoned to be below the poverty line in 1977-78. Also, the analysis of consumption expenditure shows that in 1973-74 the lowest 20 per cent accounted for 9.5 per cent of total consumption in rural areas while the highest 20 per cent accounted for 38 per cent. For urban areas the corresponding figures were 9.2 per cent and 40 per cent. Similarly, it is now documented that the bottom 20

per cent of rural households each having less than Rs.1,000 of assets account for less than 1 per cent of rural assets, while the top 4 per cent with asset-values of Rs.50,000 or more own over 30 per cent.

The Draft Plan's assessment of the past is, thus, not in terms of the usual planning exercises of appraising the target achievements of the preceding periods, but essentially in terms of the responses of the economic system and its components to the plan efforts. This is as it should be. For, in an economy that is not totally planned, an evaluation of planning cannot be solely in terms of its direct impact. What is important is the impact of planning on the system as a whole. Does planning give the economic system the sense of direction that social policy, as spelled out in the goals of planning indicates? This must be the basis of evaluating of the performance of the past, or of the strategy for the future.

II

With these preliminary observations we can turn to the specifics of the new strategy itself. They consist of four major shifts: from non-agricultural activity to agriculture; from large scale industry to village and small scale industry; from urban centres to rural areas; from the non-poor to the poor. These shifts are thought necessary because each one is desirable in itself and also because overall they contribute to the main objectives of the Plan, particularly to its thrust on employment generation.

We shall first make an assessment of the sectoral shifts themselves. Regarding agriculture, the Draft says:

This sector will receive the highest priority, special attention being to the uplift of the small and marginal farmers and the landless labourers,

especially the scheduled caste and scheduled tribe families. The strategy for crop production will be to increase the area under irrigation, gross cropped area and cropping intensity and ensure larger application of inputs. This will be backed by improved agro-economic practices for higher efficiency through development and propagation of better seeds, a strengthened extension system, assured availability of credit and improved facilities for marketing storage and processing. Land and tenancy reforms and consolidation of holdings, an important pre-requisite to good water use, will be vigorously pursued. A policy of optimal land use will be adopted, involving integrated watershed management which covers measures for flood control, drainage, reclamation and reshaping of land, mixed cropping for marginal land and a silvipastoral approach for areas with low rainfall. Special attention will be paid to increasing the area under oil-seeds, pulses and cotton, and the continuance of price incentives.

What is envisaged, therefore, is a programme informed by a noble social philosophy of support to the weaker sections, and to be carried out through technological improvements, institutional changes and economic incentives. Of these the emphasis is clearly on the technological aspect, in particular on increasing irrigation facilities and on mixed farming in an effort to create a viable economy of peasant farmers whose present economy is subsistence farming with marginal investment. The accent is also on what is referred to as a "comprehensive approach", not only incorporating technology, institutions and services, but also area level planning to recognise local needs and utilise local resources.

The shift from large-scale to village and small industries is seen as a logical implication of attaching the highest priority to tackling the problems of employment and poverty and providing minimum needs. It is also related to the broader social philosophy for it is stated: "Experience shows that people are anxious to become self-employed and work hard provided they are given the requisite assistance financially

raw materials and guidance in areas like marketing and technology". The shift from large to small scale productions is to be achieved by restricting the investment in the large, by reserving areas of production to the small, by the deliberate direction of science and technology into the service of the small and through a coordinated programme of fiscal and other measures.

The shift from urban to rural areas, again, is partly a reflection of the overall social philosophy underlying the Plan, but mainly a corollary of the emphasis on agriculture and village industries. Further, considerable emphasis is given to the development of rural infrastructural facilities and to stimulate economic activity in the rural areas.

The shift from the non-poor, of course, has become the main plank of our socio-economic policies in recent times, at least as far as intentions go. From time to time we have also been discovering "sound economic" arguments to support these intentions. The garibi hatao Draft Fifth Plan, for instance, rigorously demonstrated how a shift of expenditure from the top 30 per cent to the bottom 30 per cent would reduce the demand for imports and thus contribute significantly to our cherished economic objectives of self-reliance. Now that a reduction in imports is not particularly necessary and the poor continue with us in large numbers, a new economic argument has been supplied to do good to the poor. The calculation this time is that the consumption of the poor gives support to labour intensive technology so that "every million rupees of consumption transferred from non-poor to the poor will generate 20.2 additional person years of employment". It is expected that shift from non-agriculture into agriculture and from large scale industry into small scale industry will naturally bring about a shift from the non-poor to the poor also. Further there is the Revised Minimum Needs programme. The Fifth Plan's list of basic needs to be provided

through public expenditure, viz., supply of drinking water, provision of house sites for the homeless, village access roads, elementary education to the rural poor, provision of rural health services, extension of rural electrification, environmental improvement of slums and nutrition for the undernourished - is to be extended to include adult education also.

For the New Strategy, thus, there is a clear formulation of objectives and there is no apparent conflict among them so that questions of trade off do not immediately arise. In appraising the strategy, therefore, the next question is whether "resource allocations are made to sub-serve the priorities indicated by the objectives" and whether "these allocations are backed by appropriate economic and social policies". Both these aspects have been touched upon in the Draft. The former is based on the formal consistency model, details of which are not contained in the Draft. However, it is pointed out that in building the model particular care was taken to see that the model served not only to indicate the overall sectoral relationships, but also to achieve the specific objectives of the Plan.

Thus:

In building the model particular attention was paid to the analysis of production possibilities and input requirements in agriculture. The employment objective was reflected in the special treatment of certain labour intensive village and small industry section and the detailed calculations of employment generation. The requirements of goods for consumption were estimated separately for rural and urban areas, and for the poor and non-poor, so that the implications of the development strategy for production planning are fully taken into account. The requirements of goods for investment allowed for the new pattern of investment outlays.

The results of these exercises are reported in the Draft in terms of production targets for a large number of sectors, the allocation of outlay among the sectors, the overall financial resource position

etc. In the absence of the details of these technical exercises it is not proper to attempt to evaluate them. In any case, it is reasonable to assume that the Planning Commission has at its disposal adequate expertise and computational facilities to produce a set of numbers which are at least consistent with the objectives spelled out.

But, as the Draft itself admits the weakness of planning in our country has not been primarily lack of internal consistency of a technical nature. After all, the Second Five Year Plan had a brilliant strategy and an internally consistent programme to bring about full employment in the country within a decade or sooner. And the garibi hatao Draft Five Year Plan made a solemn pledge to banish poverty from this land and to curb the consumption of the top 30 per cent to level up the incomes of the bottom 30 per cent. It also produced a sophisticated model and generated a mass of figures to show that it can be done, in terms of arithmetic, at least.

To crucial issue, then, in a New Development Strategy is not its objectives for they are only re affirmations and specifications of universally accepted goals; it cannot be the internal consistency of its technical calculations, for that can be easily produced. The economic and social forces available to implement it are the key factors in understanding and evaluating a development strategy.

Here again, the Draft is quite explicit about what needs to be done to achieve its main objective.

In a developing economy the instrument of taxation alone is ineffective in reducing disparities in income and property. Therefore, a variety of other redistribution measures are necessary. These should influence, first of all, the existing distribution of assets, particularly agricultural land, urban real estate and corporate property. Secondly, public sector operations should steer the distribution of essential commodities, infrastructural facilities and social services in

favour of low-income consumers.

Thirdly, on the production side, the share of small farmers and small industry enterprises in institutional credit and in the supply of material inputs needs to be increased, and their access to technical and marketing assistance improved.

Fourthly, policies which minimise unemployment should be expected to reduce inequalities.

And, finally, the rural and urban poor have to be organised. Their vigilance alone can ensure that the benefits of various laws, policies and schemes to benefit them do produce their intended effect. Thus in addition to fiscal measures, narrowly defined, a redistribution bias has to be built into the whole spectrum of production, distribution and employment policies and in the organisational effort of official and non-official agencies.

This is indeed a correct and a brave statement. But what is its status? And whom is it addressed to? Is it the advice of an expert Planning Commission whose role is solely advisory to the government whose responsibility is to convert words of wisdom into deeds of action? Is it one organ of the State telling another what needs to be done. Or is it wishful thinking about what needs to be, but cannot be done?

A reading of the section in the Draft dealing with Distributive Justice will show that these questions are very important indeed. For instance, when the Draft points out that on the basis of the NSS statistics potential surplus land available for redistribution would be 29.58 million acres, but that officially estimated surplus was only 5.32 million acres, surplus taken over by government just 2.10 million acres and the area actually distributed only 1.29 million acres, where is this message to register? Or, when it is pointed out: "It is well known that the concentration of corporate property has increased during the last decade" and that: "Given access to

credit on similar terms small farmers and small producers in many industries are able to have productivity and cost comparable to those in large units, but such access is denied by free market forces" what are the analytical and policy implications ?.

The Draft's reasoned assessment that "the most important objectives of planning have not been achieved" is not only a judgement on past planning and policies but an indication of the manner in which our economic system functions. The assessment is not that owing to some technical error the economy came to suffer, but that the planners and policy makers failed to give the system the kind of direction it was to receive on the basis of proposed goals. Hence the statement that a stagnant and dependent economy has been modernised, but unemployment and poverty are still very high. An honest paraphrase of that statement has to be that the benefits of the growth, modernisation and diversification of the "economy" have gone to a few while the many are still unemployed and hungry. If what happened was counter to the declared intentions of planning, it must be inferred that there are forces in the system that propel it along different courses. For all its good intentions, careful calculations and bravado the weakness of the New Development Strategy is that it has not bothered to locate these forces and suggest how they are to be dealt with.

III

An appraisal of the New strategy from this perspective is necessary to see whether it will become effective or whether it will be just one more writing on the waves. The phenomenon of the growing affluence of the few accompanied by the continuing misery of the many is related to the actual manner in which what the Draft

calls the product mix and technology mix questions are determined in the economy. The Planning Commission may give the correct advice on these matters, but anybody who is familiar with the working of the system knows that it does not take its orders from the Planning Commission or even from the policy makers. In fact, as pointed out earlier, the Draft itself recognises what the effective engine of growth has been in the past. The relevant passage runs as follows:

The pattern of industrial development that has emerged obviously reflects the structure of effective demand, which is determined by the distribution of incomes. An unduly large share of resources is thus absorbed in production which relates directly or indirectly to maintaining or improving the living standards of the higher income groups. The demand of this relatively small class, not only for a few visible items of conspicuous consumption but for the outlay on high quality housing and urban amenities, aviation and superior travel facilities, telephone services and so on sustain a large part of the existing industrial structure.

If it is not the Planning Commission but the structure of effective demand determined by the distribution of incomes that actually decides the allocation of resources in the system, it is hardly surprising that Plan priorities get neglected and distorted. The determination of the product mix question by effective demand based on income distribution is not confined to the industrial sector; rather, it is the law of operation of the system we have. Where there is demand, goods will be produced no matter what the national priorities are. By the same token, where there is no effective demand goods will not be produced whatever may be the social urges in this regard. In sum, the rich will have what they want produced for them; the poor will not have what they need provided for them. This is the innate logic of our economic system. And since as incomes grow wants grow also,

not only more goods, but also more variety of goods and more refined goods will be produced for those who can afford them. National accounts will show all these as the achievements of "the economy" and the Planning Commission will, in turn, quote the figures as evidence of the progress registered thanks to planned development. But when the Commission announces that from now on the product-mix question is going to be determined by the Commission or the Government one is entitled to ask how.

The technology-mix question is but a close correlate of the product-mix question. It stands to reason that in an economy with abundant human resources labour intensive technology is more suitable provided the objective is the utilisation of these resources in production. But it also stands to reason that in an economy where the private accumulation of non-human resources is the guiding principle, only techniques that yield the highest surplus to the owners of non-human resources will be adopted. Private accumulators can have no commitment to the "national" objective of the full utilisation of the labour force available in the country, although they may not be averse to it if it can be achieved as a byproduct of their own drive for accumulation. But if a choice has to be made, it cannot be a matter of surprise that they opt for the product-mix and the technology-mix that yield the highest returns to their resources. This, again, is the innate logic of the system. And it is this logic that is manifested in the statement in the Draft that between 1961 and 1976 investment in the modern factory sector increased by 139 per cent, output by 161 per cent, but employment only by 71 per cent.

The actual working of our economic system which the policy makers are trying to influence through planning can be

understood only in terms of the working out of this logic at any given time and over a period of time. A simplified and stylised version of the essence of the economic changes that have come about in our country from the colonial period right to our own times, including the post-independence planning era may help to appreciate the development dynamics of the system. The pre-colonial economy of the country can be depicted as a surplus-generating, but essentially non-accumulating system. It was characterised by inequalities based on economic and non-economic factors, but also had many conventional methods to ensure that the limited basic needs of all members of society were met. Western colonial enterprises brought into this system the accumulative drive on the basis of which those who had command over non-human resources augmented their resources by extracting, step by step, the surplus potential of the system. The consequences of this process were the breaking down of conventional arrangements to meet the basic needs of the members of society, concentration of non-labour resources in the hands of the few who came to have an increasing hold over the working of the system as a whole, and the precarious existence of those who had little or no ownership of non-labour resources. From then on the logic of the system ensured that the product mix of the economy was determined by the growing wants of those with command over resources and that the technology mix served their accumulative urge. The accumulators were not all in this land, neither were they exclusively outside. But because a large share of the accumulation was siphoned off to the metropolis, the momentum of change within the country was slow. And yet the process itself led to an unequal distribution of affluence among the few and an equally unequal distribution of poverty among the many. Inequality in distributive shares and increase in inequality over time because of unequal accumulation, both based on the unequal distribution of "initial" endowments are essential features of the system of private accumulation.

Notwithstanding "social" decisions to the contrary, what has been happening since independence is essentially a greater internalisation and intensification of the same process as documented by the Draft Plan itself. The unfolding of the same logic is seen in its clearest forms within the industrial sector of the economy. The many features of the industrial development of the past three decades, by this time well known, and reflected in the Draft itself, can be picked out as confirming evidence of the process. There is, first, the expansion and diversification of the industrial capacity. It is a fact that production in practically all branches of industry has increased making the country self-sufficient in many of them and that a much wider variety of goods are being produced now. Both these are natural consequences of a strengthened accumulative drive. There has been, along with these, a greater capital intensification of production which is also part of the same drive. Production reflects the structure of effective demand in spite of all efforts to turn it in other directions, which too is a reflection of the system's propensities. There is the phenomenon of the assets of the bigger corporations increasing more rapidly than of the corporate sector in general. This, again, is but a characteristic of the system of private accumulation. And now there is the fear that the expansion of industry is being slowed down by the narrowness of the market. This is a further aspect of the system manifesting itself perhaps sooner than we had anticipated. In all these, the course of development has followed the predictable propensities of an economic order based on the principle of private accumulation in spite of the professed aim of the Planning Commission and the Government to steer the industrialisation of the country along very different routes. Not only that. It is now admitted that whatever might have been the intentions of the policy makers, many of the policies, in effect, have only contributed to the strengthening of the natural propensities of the system. The Draft's chapter on Industry and Minerals candidly, but rather naively, admits this when it says:

The growing capital intensive nature of industry and relatively high corporate tax rates have increased the dependance of the organised private sector of financial institutions. This has meant that the role of financial institutions in financing new ventures has grown substantially. Increasingly, therefore, the agencies which determine the pattern and structure of industrial growth are the term lending institutions rather than the Industrial Licencing Committee which at best can play a negative role.

The Draft's review of past industrial development and government's role in it gives many more instances of this kind which suggest that planners have not fully understood how the system functions. A couple more of these may be cited. In spite of the special role given to the "small man" in our planning at least from the Second Five Year Plan, the Draft now says: "The organised industrial sector does present several disturbing features. One of the more disturbing of these features is the relative decline in the growth of the small scale sector as compared to the medium and large sector." The small scale sector's share in industrial production in terms of value added was 19.5 per cent in 1968, but came down to 16.1 per cent in 1975-76. By contrast, of course, the big have become bigger, particularly the large industrial houses. Of this the Draft says: "To some extent this was the result of the Government's own policies which restricted the areas of growth of large and foreign companies to capital intensive industries on the grounds that the smaller entrepreneurs would not be able to raise the resources or possess the requisite managerial and technological competence to handle efficiently such large investment." The draft holds the government's licencing policy responsible, partly at least, to high industrial costs also: "high costs have sometimes been a direct outcome of the Government's licencing policy. When the demand was large enough to sustain only one plant of an economic size, several plants with sub-optimal

capacities were licenced in the name of diffusing ownership and preventing monopolies." It would appear also that according to the Planning Commission some of these policies will have to be reversed in the interest of healthy industrial growth in the future. For instance: "It is recognised that a modest rate of growth is a necessary precondition of industrial health and if these large and foreign houses are not to fall sick such growth may have to be considered. In socio-economic terms what is important is that the economic power they wield is not used against the public interest." In short, if in the past we failed to drive industry according to our plans, we must now drive it along its own path!

IV

It is this recurring urge to be "realistic" in planning - of which several sections of the Draft, particularly the chapter on Industries, speak with unconcealed fervour - that raises the question whether the New Development Strategy will have any chance at all against the powerful propensity of the existing order. We must once again go back to the "four shifts" of the New Strategy and appraise them "realistically" to see what impact they will have on the system.

It is possible that there will be a shift into agriculture because there are powerful forces within agriculture that have now enough hold over the levers to bring this about. But what is to be the product mix resulting from this shift? Total food grains production is to increase from 121.0 million tonnes in 1977-78 to between 140.5 and 144.5 million tonnes in 1982-83. Even if the higher figure is taken, the per capita availability of food grains in the country will increase only from 0.53 kg-per day now to 0.57 per kg per day five years from now! Obviously, we do not propose to produce food to feed our hungry millions. Much greater emphasis is put on the production of oil seeds so as to achieve self-sufficiency in edible oils.

This does not have to be interpreted as a perverse preference for the rich man's diet against the poor man's. The product mix is determined in the internal consistency model via demand projections and the "realistically" estimated demand for food grains in 1988-83 even after transfer of incomes from the rich to the poor, is only 140.48 to 144.48 million tonnes and the projected supply beautifully fits in with it. The prominence given to oil seeds is also justified by a similar consistency calculation. But if the poor do not have enough food to eat there is still hope, for the allocation on animal husbandry and dairying in the Five Year Plan 1978-83 is double that of what it was in the Fifth Plan 1974-79.

So much for the decision about the product mix. What about the technology mix ? If the new strategy relies so heavily on minor irrigation, that is, on ground water to be brought up through pumpsets etc., who are to be the real beneficiaries, although the agrarian strategy of the new Plan is dedicated to the small and marginal farmers ? And if the market forces are to be used to provide incentives, who will have the upper hand in the agricultural sector ? In all this, it does not take much effort to see the Planning Commission and the Government responding to "realities" when the time for implementation comes.

In the industrial sphere the realities are likely to be of the same kind. If nothing extraordinary takes place during the next five years the planners will be able to congratulate themselves on the prolific growth of small scale units - of the modern variety - in industry. The fact is that the growth of small scale production units is another manifestation of the expansion and diversification that comes about in industrial production. It has a technological and an economic aspect. Technologically, small scale units become ancillaries to larger units producing spare parts or specified items.

In an economic sense small scale units become subsidiaries to larger

ones because for market they will become totally dependent on the larger ones for whom they produce. In this sense large industrial units themselves will "reserve" many areas of production to the smaller units, and may not mind it if the Government or the Planning Commission wishes to claim credit for this progressive measure. But whether the share of the small producers in the value added in the industrial sector will go up in the process of expansion is very doubtful indeed; but this is an issue that may not figure prominently in discussion for a while.

As for the village and household industries the story will be different. The efforts to boost up their production, if taken seriously, will immediately create the realistic problem of lack of demand. The chapter on Village and Small Industries in the Draft gives the impression that the main problem that they face is the non-availability of credit, and some attention has been paid to ways of improving their credit facilities. On the demand side there is the facile assumption that the products of these industries will find a market in Government departments and public sector undertakings and that such purchases will be adequate to absorb their production. But it has frequently been shown that any attempt to increase production of handloom cloth, for instances, runs into a glut problem (except to the extent that there is a foreign market for these products) and subsequently to a subsidies problem. Both these will force governments to reexamine the whole programme when the stage of realism is reached.

To expect a shift, from urban areas to rural areas via the emphasis on decentralised production, therefore, is somewhat far fetched. The Draft insists also that "the natural tendency of entrepreneurs to go where infrastructure is strong, markets are close and various services are readily available cannot be ignored." This is realistic enough. If so, with the growth of large scale industries, the increase in the number of small scale units of the modern type, and even any organised and large scale expansion of

"villages" and household industries also will only lead to greater concentration of economic activity in the urban areas. This does not mean that there will be no investment in the rural areas. On the contrary, there is likely to be a pump priming approach to rural investment partly because powerful forces in the rural areas stand to benefit by it, but also because inspired by several learned international agencies we have come to believe that a drooping economy can be revived through creation of purchasing power in the rural areas. More about this is in the next section.

Finally, then, the shift from the non-poor to the poor. No such shift has taken place in the past and there is no reason to think that any will take place. This is not to say that the poor will be completely neglected. In the political economy of our country that stage is long past. Some land to the landless will be given, some drinking water schemes will be taken up; some welfare schemes will be adopted. But all these will be done to the extent that they can be accommodated through the public finance apparatus that we have. However, the income, consumption and accumulation of the richer sections will continue to increase. And, thus, to be realistic the new Plan will benefit all sections of society as a national plan is expected to do.

This assessment of the likely shape of things to come must not be taken as disagreement with some of the Draft Plan's ideas of how to tackle the problems of the Indian economy. There can be no doubt that the twin problems of mass poverty and chronic underutilisation of the vast human potential of the economy can be solved only by going through a stage where the mass of the people are involved in the production of the basic goods -- particularly food, clothing and shelter -- that are required for them. Only a process of that kind will ensure that the product mix is what is

really required by and for the vast millions in this land. Only a process of that kind will ensure that the technology mix is what utilises to the maximum not only human labour but also human creativity. But far greater changes than what our policy makers are willing to bring about will be required for such a situation to become a new reality.

V

In this concluding section we shall take a second look at the Draft Plan's strategy, not as a strategy to usher in a new pattern of development which it certainly will not do, but to meet the pressing needs of the system as it functions now.

The basic premises on which the Draft Plan is built are some new opportunities and some new problems. The opportunities are the steady achievements of the past which give the planners the feeling that the Indian economy has arrived somewhere. And so:

In the next stage of the evolution of the Indian economy, planning must be geared to attack the unsolved problems of poverty, unemployment, inequality and structural backwardness more directly and effectively. As a result of development so far, the saving capability of the economy has increased. An adequate stock of technological skills is available. A strong and diversified industrial and infrastructure base has been built up. And in parts of the country agriculture is also highly advanced. The task now is to utilise these human, material and financial resources for a new pattern of growth in furtherance of the goals of full employment and distributive justice.

It may be recalled that the preparatory document of the Fifth Plan also expressed similar views and claimed that "the economy has now reached a stage where larger availability of resources makes it possible to launch a direct attack on

unemployment, underemployment and poverty, and also assure adequate growth".

But our plans have seldom been attempts to make use of new opportunities. Each plan has attempted to deal with a contemporary crisis. And the Draft Five Year Plan 1978-83 is no exception. The crisis in its formative stage is two fold, and one does not even have to read between the lines to locate them.

The first of these is the unemployment problem which has been with us always, but whose dimensions and implications have become "seagoggingly large," to use the expression from the Draft itself. The Draft refers to different approaches to the measurement of unemployment. The first is its estimate of the chronically unemployed, estimated to be 4.4 million persons in 1978 out of a labour force estimated to be 265.3 million, both arrived at from the 1971 census calculations. It also refers to the NSS estimates of the "weekly unemployed" of 10.1 million persons in 1973, and on that basis 11.2 million persons in 1978. It also reports the person-day employment estimated as 130.0 million days per week in 1973, equivalent to 18.6 million persons being unemployed on a typical day. Assuming the person-day unemployment rate to be at least as much as in 1973, unemployment in March 1978 is estimated to be 20.6 million person years, 16.5 million in the rural areas and 4.1 million in the urban areas. This figure, admits the Draft, is "larger than in any country in the world for which any unemployment statistics are available".

The Draft also takes note of the fact that employment in the organised sector (including plantations, mines, manufacturing, utilities, public services and all reporting units in trade and transport) absorbs just above 11 per cent of the current annual increase in the labour force, the remaining 89 per cent being forced to hang on, for sheer livelihood, either on agriculture or

some form of informal activity. Similarly it is estimated that even if organised industry were to grow at the rate of 6 to 7 per cent a year - considerably higher than what has been happening in the recent past - it would absorb only 0.3 per cent of the labour force annually.

This is the problem that the Plan is proposing to tackle, and it may appear natural, almost inevitable that the solution to the problem is to create employment in agriculture and in the informal sector. And as has been noted already the investment pattern suggested in the Draft, in agriculture and in the small scale and village industries, and the proposal to shift consumption from the non-poor to the poor all have the overriding employment objective. But by the Draft's own reckoning these are, at best, short term palliatives which have to be viewed against the "historically unique fact" that in our country over the last six decades the share of agriculture in the work force has not diminished at all. It was 73 per cent in 1921, 73 per cent again in 1971 and 73.8 per cent in 1971. Not only is this contrary to the development experience of the advanced countries, it is unlike what has been happening in some of our Asian neighbouring countries in the past decade - Afghanistan, Bangladesh, Cambodia, Malaysia, Nepal, Pakistan Sri Lanka, Thailand and many others in all of which the share of the labour force in agriculture has come down. So the employment strategy of the Plan cannot be a long term development strategy. In the long run the employment question cannot also be divorced from the productivity question, and the activities of the informal sector characterised by extremely low levels of labour productivity will have to be replaced by more productive enterprises. To the extent that this is the case, the New Development Strategy is no development strategy at all, but a desperate effort to do something - just about anything to create some jobs.

There is an even more desperate aspect in the Draft Plan document. This is the demand crisis which one senses all through its pages, starting with the statement on the very first page that "the further expansion of industry is limited by the narrowness of the market. As a result, further import substitution of consumer goods or capital goods cannot, at the current level of demand, afford any great impetus for continued industrial growth." The theme then pops up frequently, sometimes in the most unexpected places. It turns out that the employment creation about which the Draft speaks so eloquently is an indirect way to stimulate demand by putting purchasing power into the hands of a larger section of the population. It turns out too that the rural development programme is another way to boost up demand. It is stated: "Accelerated rural development and small industries programme will redistribute purchasing power and relax the demand constraint on industrial growth." Also : "The large step-up in public sector outlay contemplated will, it is expected, contribute to a growth of demand." Even the minimum needs programme has demand creation as one of its unconcealed objectives. All these are clearly expressed in a passage from the chapter on Industry and Minerals: "The broad strategy (of industrial growth) is based on the premise that the big increase in investment that is proposed in employment intensive activity like agriculture and allied activities, irrigation and in infrastructure like power and roads, and minimum needs like water supply, health, primary education and housing will stimulate the demand for a wide range of mass consumer, intermediate and capital goods."

This is not only the Plan's strategy of industrial growth, it is the essence of the Plan's development strategy. The planners have been quick to grasp that, paradoxical as it may appear, the major constricting factor in the development of the Indian economy along the path that it has been taking so far is the limitation of the domestic market. Export promotion and diffusion of purchasing power

internally are the remedies they have for this malady. Could it be that the New Development Strategy of the Plan is only an attempt to achieve the latter in the name of the universally accepted social aims of the Indian people and of the poor who are always to be with us ?
