CHAPTER-12 Politics of Planned Development

Prepared By (Mushtaq Ahmad Raina, Lecturer HSS Surasyar)

Learning objectives
In this chapter you will be able understand:-

- Planning and five year plans.
- History of politics of planned development in India
- Expansion of state sector and rise of new economic interests.
- Famine and suspension of five year plans.
- Green revolution.
- Political fallouts of the green revolution.

Introduction
After the achievement of od independence in 1947, the government of India decided to follow the path of planning for the rapid development of the country. India inherited a crippled economy with a peasantry steeped in poverty and a stagnant agriculture. In 1950, the planning commission was set up prepare a plan for the most effective and balanced utilization of the country's resources. The central objective of planning in India was to imitate a process of development which will rise level of standard and open out to the people new opportunities for a richer and more varied life. The launching of the first five year plan in 1951 marks the beginning of the era of planning in our country. It was believed that every country would go through the process of modernization as in the west, which involved the breakdown of traditional social structures and the rise of capitalism and liberalism.

PLANNING:-
Planning the process of thinking about organizing activities required to achieve a desired goal. Planning includes the plan, the thought process,action and implementation. Planning means in advance, what to do, how to do, when to do and who should do.
The planning commission of India defined planning as a way of organizing and utilizing resources to maximum advantage in terms of defined social ends.

Objectives:-

- Increase in standard of living.
- It helps in the proper utilization of economic resources.
- It helps for the fulfillment of the basic needs of the society.
- It helps in the removal of social problems like illiteracy, poverty, backwardness etc.
- It helps in the attainment of fixed goal in a definite time period.
- It helps to increase production on one hand and employment on the other hand.
- It helps to reduce the economic inequality.

HISTORY OF POLICIES OF PLANNED DEVELOPMENT IN INDIA

In India the importance of planning was recognized even before the independence. In 1938 Indian national congress established a national planning committee under the chairmanship of J.L. Nehru and the government established a planning and development board in 1944. After independence, the planning commission was established on March 15, 1950 and national development council in 1952.

OPTIONS OF PLANNING IN INDIA AT TIME OF INDEPANDANCE

At the time of independence there were two options of planning and leadership of India was having different opinions regarding the adaptation of any one of the them. One model of the development was the liberal capitalist model and other was the socialist model. Many Indian were in favor of soviet socialist model, these include the communists, thesocialists end even the congress leaders like Nehru. There were few supporters of the American liberal capitalist model. There were debates for the industrializationpreferred on the agriculture and the others supported for the development of agriculture and in particulars alleviation of rural poverty. However there was a consensus on the one point that planning could not be left to private hands and there was a stress on the planned economy.

COMPOSITION AND FUNCTION OF PLANNING COMMISSION OF INDIA

The planning commission was an institution in the government of India, which formulated India's five year plans, among other functions. The planning was formed in 15 march 1950 by the resolution of the government of India with prime minister Jawaharlal Nehru as the chairman. Its composition changes according to the time and desires of the government. The first planning commission consisted of chairman, a deputy chairman and five members. Later it was composed of political and nonpolitical members of nearby 10 to 12 members. On 1st January 2015 planning commission has been replaced by NITI- Aayog.

FUNCTION

- To make an assessment of the material, capital and human resources of the country.
- To formulated a plan for the most effective and balanced utilization of country resources.
- To define priorities and stages of plan and propose the allocation of resources.
- To indicate the factorsthat tend to retard economic development.
- To make necessary recommendation regarding economic conditions, current policies, measures and development programmes.

NITI-AAYOG:-

NITI- National Institute for Transforming India Aayog-Committee:

National institute for transforming IndiaAayog (NITI-Aayog) has been formed on 1st January 2015, that replaces the planning commission instituted in 1950. The NITI-Aayog is designing strategic and long term policies and programmes for the government of India and also provides relevant technical advice to the center and states.

The governing council of NITI, with prime minister as its chairman, comprises chief misters of all states and Lt. Governor of union territories (UTs) and also a vice chairman nominated by the prime minister. Also the temporary members are selected from leading universities and research institutions. These members include a chief executive office, four ex-official members and two partime members.

First Five year Plan (1951-1956):
K.N.RAJ PLAN:-
The first Indian prime minister, Jawaharlal Nehru presented the first five year plan to the parliament of India drafted by an economist K.N.Raj. The first five year plan was launched in 1951 which mainly focused in the development of primary sector. The document of first five year plan reads that agriculture, irrigation and power must have top priority.

The Major Aims of first Five Year Plan Was:-
- To increase food production.
- To utilize available raw materials.
- To correct the disequilibrium caused by 2nd world war and partition.E.g. Influx of refugees, sever food shortage and mounting inflation.
- To build economic overheads such as roads, railways, irrigation, power etc.
- To reduce inequalities in income and wealth.

Second Five Year Plan (1956-1961):-
"<u>Mahalanobis Strategy</u>.":
The second five year plan is based as so called Mahalanobis Model. The second five year plan was launched on 1st April 1956. It was drafted by a team of economists and planners under the leadership of P.C. Mahalanobis. The total amount allocated in public sector under the second five year plan in India was Rs. 4800crores. This plan focused on the development of the public sector and rapid industrialization.
Objectives and Properties:-
- Its emphasis was on economic stability.
- To achieve heavy industrialization like building steel, heavy chemicals, machine tools etc.
- To create employment opportunities.
- To build strong capital base.
- To increase production and technological capability of the economy.
- Besides, the industrial policy of 1956 emphasized the role of public sector and accepted the establishment of a socialistic pattern of the society as the goal of economy policy.

Difference between First Five Year Plan and 2nd Year Plan:
The major differences are as:-
- ✓ The first five year plan laid stress on the agricultural sector including investment in dams and irrigation. While the second one laid the stress on the industrialization.
- ✓ The first plan laid stress on the patience in achieving the goals of development. While as second plan laid stress on quick structural transformation by making changes simultaneously in all possible directions.
- ✓ The second plan was based on 1928 soviet model of "Feldman". While as the first plan was based on "Harrods-Dommar Model".

Third Five Year Plan (1961-1966):
The third five year plan (1961-1966) aimed to achieve self-reliance in food production and industry. It aimed to develop agricultural economy along cooperative lines and diversify the rural economy including non-agricultural activities like fish, poultry, animal husbandry, dairy forming etc. But the indo china war 1962 and indo-pak war1965 etc. exposed the weakness of the country. These conflicts shifted the focus towards defense production. These wars also led to inflation and

the priority was shifted to price stabilization. However many cement and fertilizer plants were also build. Punjab began producing an abundance of wheat.

List of five year plans of India:-

i.	First five year plan-	1951-56	(base on Harrod-Domer Model).
ii.	Second five year plan-	1956-61	(Based on P.C. Mahalanobis Model)
iii.	Third Five year plan-	1961-66	(Called Gadigil yojna)
iv.	Three annual plans-	1966-69	(Plan holiday).
v.	Fourth five year plan-	1969-74	stress on employment, Poverty alleviation (Garibi-Hatao).
vi.	Fifth five year plan-	1974-78	(this plan was prepared by D.P.Dhar).
vii.	Annual Plan-	1978-180	(Rolling Plan).
viii.	Sixth five year plan-	1980-1985	
ix.	Seventh five year plan-	1985-1990.	
x.	Annual Plans-	1990-1992.	
xi.	Eighth plan-	1992-1997.	
xii.	Ninth plan-	1997-2002	(focus was growth with justice and equality).
xiii.	Tenth five year pla-	2002-2007.	
xiv.	Eleventh five year plan	2007-2012	
xv.	Twelfth five year plan	2012-2017	

Plan holiday:

The balanced growth strategy of third five year plan, however led to the low growth rate, high inflation and balance of payment crises. This poor performance of third five year plan, led to the suspension of the fourth plan. It forced the government to have "Annual plans" for the next three years (from 1966-67, 1967-68 and 1968-69). The period was called as "Plan holiday" by critics. The main reasons for plan holiday were the war, lack of resources and increase in inflation.

Famine and Suspension of Five Year Plans

In 1960's the agricultural situation of our country went from bad to worse. The years 1965-67 witnessed severe drought. The war with Pakistan and china led to the recession in the economy. With these threats the famine of north India (1966-67) caused a severe threat to economic planning in India. It caused dangerous situation for the food security in India. Bihar faced crisis in 1967 which raised its death rate.

The famine and the crisis led to drastic change in the country's strategy of planned development. The five year plans were put on hold. This period was described as plan holiday and these were three annual plans for the period (1966-69).

Nehruvian Model of Planned development

Jawaharlal Nehru, the first Prime Minister of India was the most influential leader and was quite influenced by Russian experience of planning. It made foundation of heavy industry as the key stone of Indian economy and aimed to reduce dependence on foreign aid. This model was popularly known as Nehruvian Model of planned development.

Green revolution:

Green revolution in ordinary sense means the great increase in the production of food grains (rice and wheat) due to the introduction of high yielding varieties to the use of pesticides, and to better management techniques. M.S swminathen has been called the father of green revolution in India for his role in introducing high yielding verities of wheat in India.

The agriculture situation in India went from bad to worse in 1960s, due to severe food drought in many parts of the country. This resulted severe food shortage in the country. To cope up this problem the government of India offered high yielding variety hybrid seeds, fertilizers, pesticides and better irrigation at highly subsidized rates, which resulted increase in the agriculture products in India. This increase in the agricultural products is popularly known as the green revolution in India.

Positive Consequences (Economic Effects):-

- It increased the production of major cereals, e.g. wheat and rice.
- It changed the crop pattern in India.
- It increases the growth of local manufacturing sector.
- It made India self-sufficient in food.
- It increases the productivity of food grains in India from two tons per hector in 1960s to six tons in 1990s.
- It also resulted in the government more attention on the farmers and the agriculture sector.

Negative consequences of green revolution:-

- It led to the concentration of wealth in the hands of top 10 percent of rural population.
- It had widened the gap between poor peasants and small formers and rich landlords.
- It had proved beneficial to the medium category peasants.
- It increases the polarization between classes and regions like northern states i.e. Punjab, Haryana, UP who became agriculturally rich but other remains backward.

Major Political fallouts of the green revolution
The major two political fallouts of the green revolution are:-

- Important fallout of the green revolution was that in the many parts, the severe differences between the poor peasantry and the landlords produced conditions favorable for leftwing organizations to organize the poor peasants.
- Secondly, the green revolution also resulted in the rise of what is called the middle peasants section. These were with medium size holdings, which benefitted from the change and soon emerged political influential in many parts of India.

Major outcomes of development in India:-
There were three major outcomes:-

- Economic Foundation:- Planned development laid foundations of India's economic growth, mega-dams like Bhakra Nangal and Hirakud for irrigation and power generation came up. Heavy industries in sectors of steel, oil refinery, manufacturing units were started. Much of the economic progress came due to these foundations.
- Land reforms :- the most important development was in the field of land reforms. The colonial legacy of zamindari system was abolished. This bold act released land from the clutches of a vested class having little or no interest in agriculture. It even reduced the capacity of land landlords to dominate politics.
- Green revolution: - the introduction of high yielding verities of seeds after 1965 and the increased use of fertilizers, hybrid seeds and irrigation led to the green revolution, which provided the increase in food production need to make India self-sufficient in food grains.

White Revolution:

The white revolution in Gujarat was started by Verghese Kurien known as the "Milkman of India." He launched the Gujarat cooperative milk and Marketing federation Ltd., which further launched "Amul". Amul is a dairy cooperative movement involving about 2.5 million milk producers of Gujarat. The Amul success was a unique role model for rural development and poverty alleviation. It was popularly known as white revolution.

Mixed Economy:
A mixed economy is a system where in both public and private enterprises occur. A mixed economic system is a system that combines aspects of the both capitalism and socialism. A mixed economic system protects private property and allows a level of economic freedom in the use of capital, but also allows for governments to interfere in economics activities in order to achieve social aims.
Expansion of state sector and rise of new economic interests:
There are broadly many sources of revenue of states. Tax revenue and states own share in revenues. Grants from the central government and non-tax revenue including forests, irrigation, government enterprises, departmental receipts etc.
Sales tax is now biggest source of revenue. Under Indian constitution, the states were empowered to levy a tax on sales and purchase of goods. State excise revenue is derived from manufacture and sale of intoxicating liquors, drugs etc.
Stamps revenue is derived from the sale of judicial and commercial stamps. The registration fee is charged when documents relating immovable property are registered. The land revenue was the most important source of state revenues particularly in states of Bengal. UP, Tamil nadu and Punjab. In 1938-39 total tax revenue was Rs. 59 crores.

LEARNING OUTCOME:-
After learning the chapter you will be able to answer the following questions.
- What is planning? What are its objectives?
- Trace out the history of politics of planned development India.
- What were the options of planning in India at the time of independence?
- Discuss the composition and functions of the planning commission of India.
- Write short note on NITI-Aayog.
- What ws the first five year plan? What are its objectives and priorities?
- What was second five year plan? What are its objectives?
- Difference between first five year plan and second five year plan?
- Define plan holiday?
- How did famine results in suspension of five year plan?
- What was the Nehruvian Model of development?
- What was the green revolution? Mention positive and negative consequences of green revolution.
- What are the two political fallouts of the green revolution?
- What were the major outcomes of the planned development in India?

Objective Questions:
- First five year plan started from:
  Ans: 1951
- Who is the called the father of Green revolution, who received the Nobel Prize in 1970:
  Ans: Norman Borlaug
- Who is called the father of Green Revolution in India:
  Ans: M.S Swaminathan
- The planning commission of Indian was setup in the year:
  Ans: 1950
- When was the name of planning commission changed to NITI-AAYOG:
  Ans: 1st Jan 2015
- Which plan is based on P.C Mahalonobis:
  Ans: 2nd five year plan
- Which economy India followed:
  Ans: Planned economy