

## B. Planning and its Impact

There was consensus on one point that the **government should plan for development**, not the private sector. In fact the **idea of planning** as a process of rebuilding economy earned a **good deal of public support in the 1940's and 1950's all over in the world**. The experience of great depression in Europe, the inter-war reconstruction of Japan and Germany, most of all spectacular economic growth against heavy odds in the Soviet Union in the 1930s and 1940s contributed to this consensus.

Generally, it is assumed that the big business entrepreneurs are averse to the idea of planning. Contrary to this, **a section of big industrialists came together in 1944 and drafted a joint proposal for setting up a planned economy in the country**. It was called the **Bombay Plan**.

After the Independence, the **Planning Commission was set up in March 1950** by a simple resolution of the Government of India. It has an advisory role and its recommendation become effective only when the Union cabinet approves these. The scope of the resolution by which Planning Commission was formed:

1. Every individual should have the right to an adequate means of livelihood.
2. Material resources of community their ownership and control should served the common good.
3. Economic system should operate in such a way that use of 'means of production' and 'wealth' should not result in well being of particular community and to the detriment of the society.

As in the then U.S.S.R [United Soviet Socialist Republic], the **Planning Commission of India opted for five year plans**. It was argued that five years plans had the advantage of permitting the government to focus on the larger picture and make long term intervention in the economy. This entailed preparing a detailed plan for all income and expenditure for the next 5 years. Accordingly the budget of the central and all the state governments was divided into two parts:

- **Non 'Planned' Budget** – This is spent on routine items on a yearly basis.
- **Planned Budget** – This is spent on a Five year basis as per the priorities fixed by the plan.

### The First Five Year Plan (1951-1956):

The draft of the first five year plan and the actual plan document was released in **December 1951**. People from all walks of life-academics, journalists, government and private sector employees, industrialists, farmers, politicians etc. discussed and debated the documents extensively.

Based on the **Harrod-Domar Model**, the first five year plan (1951-56) sought to **get economy out of the vicious cycle of poverty**. The prominent young economist **K.N. Raj** that India should **"hasten slowly"** for the first two decades as a fast rate of development might endanger democracy. The First Five Year Plan **addressed mainly the agrarian sector** including investment in **dams and irrigation**. Due to the bitter Partition, Agricultural sector was hit hardest and needed urgent attention. Huge allocations were made for **"Modern Temples of India"** like the **Bhakhra Nangal Dam**. The First Five Year Plan also **focused on land reform** for the country's development. One of the basic aims of the planners was to **raise the level of national income**. Basic level of spending was very low in the 1950's. Hence planners sought to **push savings up**. Due to the efforts of the planners, **savings did rise up and that rise continued till the Third Five Year Plan, but later it declined sharply**.