



Economy Lecture 2 Planning

Economic planning is, “the making of major economic decisions—what and how much is to be produced and to whom it is to be allocated by the conscious decision of a determinate authority, on the basis of a comprehensive survey of the economic system as a whole.”

Types of planning

Imperative Planning - The planning process followed by the state economies (i.e., the socialist or communist) is known as the imperative planning. Such planning is also called as directive or target planning.

Indicative planning -unlike a centrally planned economy indicative planning works through the market (price system) .

History of planning

1. **National Planning Committee**, set up in 1938

2. **M. Visvesvaraya. Plan**

Ex-Dewan of the Mysore state, M. Visvesvaraya in his book *The planned Economy of India*, published in 1934, he outlined his ideas of state planning were an exercise in democratic capitalism (similar to the USA) with emphasis on industrialization—a shift of labour from agricultural to industries, targeting to double the national income in one decade.

3. In 1934, a serious need of national planning was recommended by the Federation of Indian Chambers of Commerce and Industry (FICCI)

4. **The Bombay Plan** was the popular title of 'A Plan of Economic Development for India', which was prepared by a cross-section of India's leading capitalists. The eight capitalists involved in this plan were Purshotamdas Thakurdas, J.R.D. Tata, G.D. Birla, Lala Sri Ram, Kasturbhai Lalbhai, A.D. Shroff, Avdeshir Dalal and John Mathai.

5. People's Plan (1945)

People's Plan (1945) was drafted by MN Roy. It gave equal importance to both agriculture and industries. This plan was for ten years. It recommended nationalization of all agriculture and production.

6. Gandhian Plan (1944)

This plan was drafted by Sriman Nayaran, principal of Wardha Commercial College.

It emphasized the economic decentralization with primacy to rural development by developing the cottage industries.

7. Sarvodaya Plan (1950)

Sarvodaya Plan as drafted by Jaiprakash Narayan. This plan itself was inspired by Gandhian Plan and Sarvodaya Idea of Vinoba Bhave. This plan emphasized on agriculture and small and cottage industries. Five year plan

8. Planning commission

in March 1950 the Planning Commission (PC) was set up by the government by a Cabinet Resolution.

Important details regarding the composition, legal status, etc., of the PC were as under:

- (i) An extra-constitutional (i.e., non-constitutional) and non-statutory body .
- (ii) An advisory body to the Government of India on an array of issues of economic development.
- (iii) A 'think tank' on economic development with the Prime Minister as its ex-officio Chairman.
- (iv) Had an open provision for the number of its membership other than six Union Cabinet Ministers

Five years plans

1st Five year plan(1951-56)

It was based on the Harrod-Domar model.

focus was on the agricultural development of the country.

Achieved growth rate of 3.6% (more than its target growth rate 2.1%)

2nd Five year plan (1956 to 1961)

Target Growth: 4.5% Actual Growth: 4.3%

based on the P.C. Mahalanobis Model.

Focus was on the industrial development of the country.

3rd five year plan

Target Growth: 5.6% Actual Growth: 2.8%.

This plan is called 'Gadgil Yojna'

The main target of this plan was to make the economy independent and to reach self active position of take off.

Due to china war and Indo-pak war, this plan could not achieve its growth target.

Three Annual Plans (1966- 69): Plan Holiday

Emphasis on agriculture during the Annual Plans.

Green revolution started: Usage of high-yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation

4th five year plan(1969 to 1974)

Target Growth: 5.7% Actual Growth: 3.3%

objective of this plan -

growth with stability

progressive achievement of self reliance.

During this plan the slogan of "Garibi Hatao" was given by Indira Gandhi.

5th five year plan (1974-1979)

Target Growth: 4.4% Actual Growth: 4.8%.

top priority was given to agriculture, next came to industry and mines.

plan was prepared and launched by the D.P. Dhar BUT was terminated in 1978 because of Janata government.

Outcomes After promulgation of emergency in 1975, the emphasis shifted to the implementation of Prime Ministers 20 Point Programmes.

Rolling Plan (1978 – 80)

This plan was started with an annual plan for 1978-79 and as a continuation of the terminated fifth year plan

6th five year plan(1980-1985)

Target Growth: 5.2% Actual Growth: 5.7%.

The basic objective of this plan was poverty eradication and technological self-reliance.

It was based on investment yojana, infrastructural changing and trend to growth model.

Economic Liberalization was introduced for the first time in India during this period.

Family Planning was implemented for the first time in India.

7th five year plan (1985-1989):

Target Growth: 5.0% Actual Growth: 6.0%.

Objectives-

self- sufficient economy

opportunities for productive employment.

First time the private sector got the priority over public sector.

Annual Plans:

Eighth Five Plan could not take place due to volatile political situation at the centre. So two annual programmes are formed in 1990-91 & 1991-92.

8th five year plan (1992-1997):

Target Growth 5.6 % Actual Growth 6.8%.

Top priority was given to development of the human resources i.e. employment, education, and public health.

During this plan Narasimha Rao Govt. launched New Economic Policy of India.

9th five year plan(1997-2002):

Target Growth: 6.5% Actual Growth: 5.4%.

Focus of this plan was "growth with justice and equity".

It was launched in the 50th year of independence of India. Focus areas of the plan It assigned priority to agriculture and rural development with a view to generate adequate productive employment and eradicate poverty.

10th five year plan (2002-2007):

Target Growth rate : 8 % Actual Growth : 7.6 %

Plan aims to double the per capita income of India in the next 10 years.

It aims to reduce the poverty ratio 15% by 2012.

Extensive afforestation measures, by planting more trees and enhance the forest and tree areas to 25% by 2007 and 33% by 2012.

Decrease in the Maternal Mortality Ratio (MMR) to 2 per 1000 live births by 2007.

Access to potable drinking water cleaning of major polluted rivers.

11th five year plan (2007-2012):

Target Growth 9 % Actual Growth 8%

Prepared by the C. Rangarajan.

Theme was "faster and more inclusive growth".

Objectives of the plan:

Reduction in unemployment(to less than 5 % among educated youth) and headcount ratio of poverty (by 10 %).

Improvement in sex ratio, forest & tree cover, air quality in major cities.

Ensuring electricity connection to all villages & BPL households (by 2009) & reliable power by end of 11th Plan.

Providing broad band connectivity to all villages by 2012.

12th five year plan(2012-2017):

I. Its growth rate target is 8%, real growth rate 7%

Theme is "Faster, More Inclusive and Sustainable Growth". IV.

Government embraced 25 targets.

NITI Aayog:

Government scrapped Planning commission and in its place it has introduced NITI Aayog.

NITI Aayog composition:

- ✓ Prime Minister of India as the Chairperson.
- ✓ Vice-chairperson to be appointed by the PM.
- ✓ Governing Council comprising the Chief Ministers of all the States and Lt. Governors of Union Territories.
- ✓ Experts, specialists and practitioners with relevant domain knowledge as special invitees nominated by the Prime Minister.
- ✓ Regional Councils formed to address specific issues and contingencies impacting more than one state or a region.

