Chapter-3

Politics of Planned Development

The Third Challenge : Economic development.

This challenge was tougher and more enduring.

Key Questions of economic development.

- What were the key choices and debates about development?
- Which strategy was adopted by our leaders in first two decades and why?
- What were the main achievements and limitations of this strategy?

Ideas of Development

'Development' has different meaning for different sections of people.

- Process of modernisation involved:
  - Breakdown of traditional social structures.
  - Rise of capitalism and liberalism

Also associated with:
- Ideas of growth.
- Material progress.
- Scientific rationality.

Two Models of Modern development

Liberal-Capitalist. → USA and Europe → Less Supporters

Socialist model. → USSR → More Supporters.

• Wh

- What was the primary responsibility of the government?
  → Task of poverty alleviation and social and economic distribution.

Planning
↓
Main Consensus
↓
Development could not be left to private actors.

Bombay Plan

→ In 1944 a joint proposal drafted by big industrialists for setting up a planned economy in the country

→ Common misconception

→ Big business entrepreneurs are averse to ideas of planning: they seek an open economy without any state control in the flow of capital.

⇒ **Early Initiatives**

↳ (i) India adopted the soviet model of five year plans.

(ii) Government prepares a plan document for the next five years, outlining income and expenditure.

Budget

- Non-plan → Routine yearly expenditure
- Plan → Spent accordingly to the priorities fixed by five year plan.

Advantage :- Allow government to focus on the bigger picture and make long term intervention in the economy.

1) **First Five Year Plan (1951-56)**

↳ **Focus** :- Agrarian sector.

- Major investments in dams and irrigation

Aim :- To get the Country out of the Cycle of poverty.

2) Rapid Industrialisation (Second Five Year Plan).

↳ Drafted by team of economists under P.C. Mahalanobis.

- Emphasis :- heavy industries (steel, machinery, railway etc).

* Key Features

- Protected domestic industries through high tarrifs on imports
- Created a favourable environment for both public and private sector industries.

- Goal: "Socialist pattern of society".
- Turning point towards industrialization

→ Challenges faced

↳ • India was technologically backward and had to import technology.

- Possibilities of food shortage increased as resources shifted from agriculture
- Some wanted to focus on agriculture-related industries than heavy ones.

Other Key points.

- Agriculture was severely hit by partition and needed urgent attention.
- Land reforms were seen crucial for agricultural development.
- Planners aimed to raise national income by increasing savings and investments.
- Bhakra Nangal Dam was one of the major large scale projects.

Left	Right
• Strongly supports state-led planning, strict regulation of private business and extensive control over key industries	• Favors economic liberalization, privatization and believes private enterprise is the best driver of growth