



Make planning fashionable again

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Make planning fashionable again-The withdrawal of the Indian state from economic decision-making has had consequences on industry

- Economic planning is not considered fashionable today.
- Nevertheless, contemporary economic debates will have much to gain by revisiting the ideas on planning, championed in particular by Jawaharlal Nehru.
- As is well known, India under Nehru's leadership inaugurated a strategy for industrialisation of the country in the early 1950s.
- This involved the setting up of public sector units (PSUs) in diverse areas of manufacturing; research institutions in cutting-edge technologies of the time such as space and atomic energy; and centres of higher learning, including the Indian Institutes of Technologies (IITs).
- All of these by a poor country, which was still struggling to find its feet amidst the multiple blows it had to endure during the early years after Independence.

Challenging the orthodoxy

- By consciously entering into sectors such as machine building and nuclear research, which needed capital and technology more critically than labour, India was also challenging a deeply held orthodoxy in economic theory.
- During the colonial period, the British government in India had indeed been putting the theory of comparative advantage into practice — to the disadvantage of most Indians.
- The programmes launched in India from the 1950s onwards to build indigenous capabilities in capital- and technology-intensive sectors, despite the general poverty of the country, became a model for other developing and Third World nations.
- The debates around Indian planning provided a fertile launching pad for the evolution of development economics as an important sub-discipline.
- It will only be reasonable to argue that the foundations for India's

diversified economic base had been laid during the planning years.

- The successes that India enjoys today in the information technology and knowledge-intensive sectors owe much to the research and educational institutions that were built during the early decades.
- At the same time, however, planning did very little to remove the hurdles to the growth of agriculture and small-scale industries.
- India's commitment towards development through planning had begun to diminish from the early 1990s itself — much before the Planning Commission was formally dismantled in 2014.
- The disregard for planning and the general withdrawal of the state from economic decision-making have had important consequences on Indian industry.
- India is today one of the largest markets in the world for a wide range of goods, whether passenger cars, mobile phones or food products.
- Despite the emergence of such a large domestic market, the record of Indian manufacturing in absorbing the large labour reserves in the country remains abysmal.

Planning in a globalised world

- Planning is not incompatible with markets and globalisation.
- On the contrary, a developing country trying hard to stay afloat amidst the turbulence of a global economy requires more, and not less, guidance thorough industrial policies.
- The successes achieved by East Asian countries such as South Korea in manufacturing are, to a great extent, the result of strategic planning over several decades by their governments.
- The employment challenge that India faces — close to 15 million waiting to be absorbed in the industrial and services sectors every year — is possibly bigger than that faced by any other country (except China) in the world.
- What India requires are technological advances that create new economic opportunities and absorb — not displace — labour.
- India's research institutions and our PSUs should engage in the creation and dissemination of such technologies.
- And, for all these, planning should be brought back to the centre of our economic discussions.