Origins of India’s Economic Planning

What is the issue?

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- The Bombay plan was considered to be the first blueprint for India’s economic planning.
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- Soon after Independence, the plan was neglected by the political parties and by the business class due to various reasons.
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What is the brief history of India’s economic planning?

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- Indian industry and manufacturing came of age during World War II as it became an important supplier of material to the colonial government and played a crucial role in the war effort.
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- Indian industry supplied a range of products for the war effort including iron and steel, coal, cement, textiles, small armaments and even armoured cars.
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- India became the eighth most industrialized nation globally.
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- By then Jawaharlal Nehru was attracted to planning and the Soviet model of development since his visit there in 1927.
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- In 1936, the Indian National Congress formed the National Planning Committee to release detailed blueprint of an economic plan for independent India.
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How Industrialists formulated the Bombay Plan?

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- The Bombay Plan was formulated in 1944, by India’s top industrialists including JRD Tata and GD Birla, with the help of a few economists.
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- The industrialists themselves were a variegated group with some having close links with the Congress (Birla, Thakurdas and Lalbhai).
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- Though they were close to Gandhiji they did not endorse his politics of mass mobilization.
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- But despite their differences, they were united in their opposition to Nehru’s ‘socialist’ style command economy model.
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- The Bombay Plan envisaged a major role for the state in the economy and the need for a central planning authority.
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- Group of industrialists advocate such a wide-ranging role for the state in the economy as in the 1940s the intellectual climate in the West was in favour of extensive state role in the economy.
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- The Indian industrialists also believed that they did not have the financial muscle to take up large-scale investments, and hence the state had to step in.
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What are the highlights of the Bombay Plan?

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- **Economic Development -** The Bombay Plan had envisaged the doubling of per capita income within a period of 15 years.
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- It also went into great detail over the sectoral allocations, the funding aspects and about reducing income inequalities in society.
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- The major aspect was their focus on social and human development and called upon the state to provide universal healthcare and primary education.

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- The makers of the Bombay Plan also realized that for extensive state control and drastic reduction of inequality some curbs on personal liberties were inevitable and were willing to live with that.
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- **Agricultural recommendations -** The Bombay Plan did not advocate major land reforms, (neither did the official Five-Year Plans for that matter).
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- But it did call for abolishing the Zamindari system, which it felt led to absentee landlordism, and advocated the Ryotwari system.
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- It also laid great stress on cooperative farming.
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What are the impact of the Bombay plan with five-year plans?

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- **Convergence -** There was a great deal of convergence between the Bombay Plan and the official Five-Year Plans adopted after independence.
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- The extensive role for the state, the strong emphasis on basic and heavy industry and the 'mixed' economy model were some of the areas of convergence.
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- **Divergence -** The Bombay Plan gave great emphasis on social and human development.
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- In this, the Bombay Plan authors were real visionaries and the country paid a huge price in the official Five year Plan neglect in these areas.
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- Despite the considerable areas of convergence, there was no acknowledgement by the Planning Commission of the Bombay Plan.
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Why Bombay Plan was neglected by political parties?

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- The reasons behind the negligence of Bombay plan are entirely political the Congress' main rival in the 1950s was the Communists.
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- So both Nehru and the Congress were reluctant to admit that they were influenced by the business class as that would have given fodder to the Communists to attack them.
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- Logically speaking, the Communists should not have had any problems with the main proposals of the Bombay Plan extensive state control of the economy, thrust on human development and cooperative farming.
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- The Communists were steadfast in their opposition to the Bombay Plan and the contradiction remained a source of serious discomfort to the Congress.
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Why did business class distance itself from the Bombay plan?

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- The business class, soon after independence got the sense of how widespread the extent of controls under Nehruvian socialism was going to be.
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- By the time the Second Five-Year Plan was implemented, according to most of the businessmen were thoroughly disillusioned as they were groaning under the excess of controls.
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- Some like the Tata's turned bitter critics of Nehru and even started funding the libertarian Swatantra Party.
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- Others like Birla decided to work with the system and tone down their criticism, giving rise to 'crony capitalism'.
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- The groups that gamed the system and flourished due to lack of foreign competition were deeply nervous when India ushered in reforms in 1991.
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Source: Business Line

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