

Course- Indian Economy Econ(H)221

Lecture 8: Economic development and planning



Economic Planning

- Planning relates to answering the economic questions of – what to produce? how to produce? for whom to produce? where & when to produce? whom to allocate the produce and how to allocate it, etc.
- There are a number of definitions and these relate to the major ideas as given in the following definition by H.D. Dickinson;
- “The making of major economic decisions – what and how much is to be produced, and to whom it is to be allocated by *conscious decision of a determinate authority*, on the basis of comprehensive survey of economic systems as a whole”.

Economic Planning . . .

- National Planning Committee, India (1939) gave the following broad definition: Planning, under the democratic system may be defined as the technical coordination, by the experts for consumption, production, investment, trade and income distribution, in accordance with the life.
- Planning Commission: Planning involves the acceptance of a system of a clearly defined system of objectives in terms of which to frame overall policies,, formation of strategies for realization of ends defined, Working a rational solution of problems, ... an attempt to coordinate means & ends

Economic Planning . . .

- Planning means a process of realising well defined goals by optimum utilization of available (scarce) resources.
- The process involves;
 - Ascertaining of resource base (own and that can be acquired)
 - Setting up of the objectives
 - Planning for meeting the objectives
 - Coordination of different agencies to implement the sub-plans
 - Monitoring & evaluation of the work done (progress)
 - Learning and further planning for growth/ development/ welfare of the society.

Economic Planning . . .

- Planning thus can be said to be;
- A process: of doing (& re-doing) something
 - Having well-defined goals
 - An effort to optimally utilize available resources
- Nature of planning modules could be
 - Micro or Macro
 - Can be economic or social or ecological in nature
 - Can relate to any sub-set of the major goal or set of goals
- But basis of all planning is optimum utilization of scarce resources.

Economic Planning . . . Types of planning

➤ Imperative planning Vs Indicative planning

- **Imperative planning** is also called as directional or target planning

Basic features of imperative planning:

- Numerical or quantitative targets of growth (e.g. Length of road to be constructed, number of hospitals/ schools to be opened, million tonnes of food to be produced (within a given number of years))
- Control of the *state* of ownership rights of resources (hence possibility of meeting targets more)
- Almost no role of the market (i.e. no private participation in the process – e.g. the old command economies - old China, USSR, Poland, etc. presently all are diluted ones)

Economic Planning . . . Types of planning

- Indicative planning- When the planning became more of national planning process

Basic features of indicative planning:

- Economies following indicative planning were the mixed economies .
- Worked with the market system
- Setting up of both numerical targets and also the indicative developmental targets (though most of these plans are to encourage or discourage the private sector).

Economic Planning . . .

- Today, there are mostly mixed economies and the development planning is of indicative type.
- In the mixed economic system also the planning can be;
 - Regional or National
 - Centralized or Decentralized
 - Short term or Long term
 - Economic or Developmental

Thank you

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