

## **Economics Class 13**

5th August, 2023 at 9:00 AM

### **LONG TERMS GOALS CONCERNING PLANNING (09:05 AM)**

- **Challenges in Achieving Long-Term Goals**
- **1. Elimination of poverty**
- Economic growth was not inclusive.
- Failure of trickle-down theory.
- Poverty is a multi-dimensional concept focusing on social exclusion, Gender equality, political rights, access to education and health care and also ensuring social security.
- **2. Economic growth**
- GDP growth was achieved at the cost of a high trade deficit and fiscal deficit.
- India's growth process was Capital-intensive rather than labour-intensive growth.
- Lack of inclusive growth.
- Over focus on PSU-led growth model.
- **3. Self-reliance**
- India was dependent on other countries w.r. t. food security (PL480), foreign aid, and importing capital goods and technology and therefore self-reliance was one of the most important objectives of India's five-year plan.
- Currently, self-reliance is a partial success as India depends on other countries w.r.t. oil, manufacturing technology etc.
- India was successful in achieving self-reliance, especially wrt food security, less dependence on foreign aid, increased forex reserves and development of indigenous technology.
- **4. Unemployment**
- Stagnation of the manufacturing sector.
- Stringent labour laws.
- No specific focus on skill development.
- Over-tertiarisation of the Indian economy.
- Inefficient taxing system or inefficient fiscal policy.
- Excessive concessions to MSMEs turning them into dwarfs (10 years of existence but less than 100 permanent jobs).
- **5. Reduction in income inequality**
- Improper implementation of govt schemes.
- Excessive marketisation of basic services like primary health care and education.
- Over-emphasis on the industry over agriculture.
- Failure of trickle-down theory.
- Failure of second-generation reforms.

### **FIVE-YEAR PLANS (FYP) (10:16 AM)**

- **The handout will be uploaded for the same.**
- **First FYP (1951-56)**
- It was based on Harrod-Domar Model.
- Community Development Programme was launched in 1952.
- Renowned economist K.N. Raj was one of the main architects of this plan.
- Focus was on agriculture, in view of the large-scale import of food grains and to achieve food security.
- **Second FYP (1956-61)**
- It was based on the Nehru-Mahalanobis Strategy.

- Focus was on rapid industrialisation, self-reliance and investment in heavy capital goods industries.
- **Third FYP (1961-66)**
- Its aim was to make India a-
- Self-reliant and
- Self-generating economy
- **Focus was on both-**
- Heavy Industrialisation and
- Food grains production
- **Fourth FYP (1969-74)**
- Based on the Gadgil strategy with a main focus on growth in agriculture in order to enable other sectors to move forward and progress towards self-reliance.
- The first two years of the plan saw record production. In the last three years, however, did not meet the target due to poor monsoon.
- **Fifth FYP (1974-79)**
- It was prepared by D.D.Dhar.
- It proposed to achieve two main objectives:
- Poverty eradication (Garibi Hatao) and
- Attainment of self-reliance.
- **Refer to the handout for more details.**

## **TYPES OF ECONOMIC PLANNING (10:44 AM)**

- **Imperative Planning**
- It is also called authoritative planning by direction or command
- There is one central authority that decides all aspects of planning
- It is generally practised in a socialist economy.
- **Indicative Planning**
- It is also called induced planning.
- Flexible in nature.
- Govt. acts as a facilitator to encourage the private sector's role in the economy (8th FYP).
- However, Govt. regulates the private sector to achieve specific targets.
- **Rolling Plan:**
- Under it, every year, 3 new plans are prepared and acted upon.
- 1. Plan for the current year which includes the annual budget.
- 2. Plan for a fixed number of years (3 to 5 years) which is revised every year as per the requirement.
- 3. A perspective plan for 10-15 to 20 years.
- It was introduced by Janta Govt in 1978.
- There is no fixation on dates w.r.t. commencement and the end of the plan.
- **Perspective planning**
- Planning for a long-term period (15-20 years) but not one plan for the whole period.
- It is implemented through five-year plans and annual plans.
- NITI Ayog has adopted this type of planning.
- **Core plan**
- The planning authority requests the state to submit its projected revenue estimate.
- This helps to prevent states from diversion of funds from the priority sector.

## **FIVE-YEAR PLANS (CONTINUES ) (11:15 AM)**

- **Refer to the handout.**

- **6th Five-year plan**
- Focus was laid on-
  - Increasing national income,
  - Modernisation of technology
  - Ensuring a continuous decrease in poverty and unemployment.
- **Seventh FYP (1985-90)**
- Focus was laid on-
  - Rapid growth in food grain production,
  - Increased employment opportunities and
  - Productivity within the framework of planning
- **Eighth FYP (1992-97)**
- The policy of Liberalisation, Privatisation and Globalisation (LPG) was undertaken.
- Structural reforms were adopted and the country's economic growth model was reoriented.
- **Ninth FYP (1997-2002)**
- Priority was also given to agriculture and rural development.
- Swarnajayanti Gram Swarojgar Yojana (SGSY) launched in 1999 and Pradhan Mantri Gram Sadak Yojana (PMGSY) started in 2000.
- Privatisation of public sector units was started in this plan while dis-investment began in the previous plan.
- **Tenth FYP (2002-07)**
- The main objectives were:
  - **Reduction of:**
    - Poverty ratio by 5% points by the end of the plan period.
    - Gender gaps in literacy and wages by at least 50%.
    - Decadal rate of population growth between 2001 and 2011 to 16.2%.
- **Eleventh FYP (2007-12)**
- Plan was launched amidst the emerging Global Financial Crisis (2008).
- The major highlights of the plan were:
  - To increase-
    - Overall GDP growth from 8% to 10%.
    - Agriculture sector growth to 4%.
- **Twelfth FYP (2012-17)**
- The plan aimed at:
  - Achieving growth of 4% in agriculture.
  - To reduce poverty by 10% points.
  - To achieve faster, more sustainable and more inclusive growth.
- The Twelfth Plan was the last plan of the Planning Commission. In 2015, NITI Aayog was set up to replace Planning Commission.

**TOPIC OF NEXT CLASS- FIVE-YEAR PLAN (TO CONTINUE)**