

Planning is Dead. Long Live Planning!

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The Prestige of Planning in India and the World

It is easy to forget that the project of planning was something that captured the imagination of the Indian and world public for more than a generation. Indian planning generated tremendous interest because it represented a project of transforming a poor agrarian country through democratic means, in what was hoped might be a short period of time, into a country which was much more prosperous and in particular that would be able to provide much better for the well being of its people.²

The widespread acceptance of the project of planned development in India resulted in part from its larger prestige in the world at the time of India's independence. One source of this prestige was the perception that there had been successful planning experience in other countries, most especially the Soviet Union. Most do not think of the Soviet Union today as a great developmental success, but it was thought of as such by many at the time, and its example as a result reverberated around the world --including seemingly capitalist countries of considerable and growing means such as the United States.³ Well into the 1970s, the Soviet experience continued to be presented as one of successful planned development (for discussion of such arguments see e.g. Dobb (1963) and Nove (1977)). The role of planning in capitalist countries was also given a significant impetus by the importance given to centralized administration during the Second World War in most countries. A planned economy was also assumed by many to make less likely the seemingly irrational results produced by an 'anarchy of capital' during the Great Depression or at least to offer a hope of moderating the fluctuations of a capitalist economy. Even Joseph Schumpeter, who cast a critical eye on such claims, saw the increasing role of bureaucracy as a now permanent fixture of economies.

The seminal development economist Arthur Lewis published in the 1940s *The Principles of Economic Planning* which was written for the Fabian society in the UK

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² The representation of Indian planning in popular media including children's books testifies to this. See e.g. Loudon, C. and G. (1953) or Dhar (1973).

³ This was evident for instance in the Progressive Party platform of 1948, which stated that "Public ownership of these levers will enable the people to plan the use of their productive resources so as to develop the limitless potential of modern technology and to create a true American Commonwealth free from poverty and insecurity."

and concerned arguments for, and against, the use of a planning apparatus in a project of democratic economic management and transformation. (Harold Laski and others who influenced a generation of developing country leaders, scholars, and managers, were notable enthusiasts for this endeavor⁴). The French planning apparatus established after the second world-war represented perhaps the most comprehensive such project in a capitalist country although other countries (notably the Netherlands) also put in place some of the mechanisms and rhetoric of planning. The Indian adoption of planned development took place therefore in a global context. *If* there was a mistake involved, it was a widespread one. Of course, planning in India was also taken to contrast with the lack of intentional development serving the Indian people in the colonial context, shaped as it was by an uneven playing field between British and Indian interests. For this reason, even Indian capitalists accepted the need for some variety of planning (evinced most famously by what came to be called the Bombay Plan⁵).

Planning, Technocracy and Democracy

Saith (2008) has recently written about the Cambridge economist Joan Robinson and her relationships to India and China respectively. It is well known that she was enamoured with China's People's Republic and in particular the Cultural Revolution and indeed some think of this as a black mark. Saith brings out that Robinson's view, perhaps wrong, was that there was a deeply democratic experiment taking place in China, whereas her view of India's development path was that it was much too technocratic, and a result ultimately reflected elite political preferences as to what should or should not be done (for instance in reference to the redistribution of assets such as land) or the management of production generally. Indian economists such as Sukhamoy Chakravarty and others enjoyed great prestige because of their technical knowledge of mathematical models concerning how to bring about a staged transformation of the country. These in turn were part of the intellectual background for the "license-permit Raj", which had rather greater justification in theory than it did in practice. Chakravarty and others came to understand over time the importance of politics to determining the efficacy of economic plans, even if they did not determine fully how to cope with it.⁶

The enthusiasts for the recent abolition of the planning commission have come from a rather different point of view than did Joan Robinson, but they have in common with her a view that it proved more impediment than aid to development. Although there were certainly very good reasons to criticize India's development performance for long phases, to view the Planning Commission as having been synonymous with misguided state interventionism and excessive top-down controls is too narrow, as it both neglects the substantial debates which happened within the

⁴ See e.g. Laski (1943).

⁵ Brief Memorandum Outlining a Plan of Economic Development for India, 1944.

⁶ See e.g. Bardhan (1984), Chakravarty (1987, 1993), Jha(1980), Raj (1973).

Planning Commission over time and the possibilities for as well as record of reform of its role (e.g. in allocation of resources) to comport better with a decentralized market-oriented economy, without its outright abolition.

One can view the shift from the Planning Commission to the Niti Aayog as a rebranding exercise, but it is not that. The planning commission's role and responsibility in India for having inordinate influence over so-called plan expenditures, which were a major component of the government of India's investment program and over a number of other associated decisions is part of what has been rejected by those who favour more decentralized and market oriented paths. Indeed, it has been the subject of contestation for some time.⁷

The Planning Commission was intended to provide a systemic view of the development process as well as to be an important decision-making centre. Its abolition will inevitably mean that such powers as it had will shift toward other hands and these will not necessarily be those of the NITI Aayog, which expressly disavows certain prior roles.

There is reason for worry that in India as in many other countries in effect, the transition which is being implemented will lead not to abolition of powers (e.g. to control expenditures) but to their being vested elsewhere, in particular in the finance ministry or in the financial markets, which are still less transparent and less accountable. The Niti Aayog's express aim is to give the prerogative to India's states to take entrepreneurial development measures. However, it also confirms the implicit element of competition among states to gain the favour of the private sector.⁸ The democratic aspect of Indian public decision-making on matters of development very likely has not been augmented.

A Systemic View?

There is a continued need for a systemic view of the development process. The planning process in India was not intended to involve top-down decision-making but rather to provide for a process of conveying information and project proposals in both directions between central and state governments. In this respect, the concept "cooperative federalism" which has been associated with the Niti Aayog is not obviously inapplicable to the Planning Commission.

The advocates of the NITI Aayog have argued that it will shift power to the states, sharing and aggregating information on decisions and lessons derived from the states or coordinating central and state governments' actions in relation to particular purposes. It remains to be seen to what extent it will in fact bring about

⁷ See e.g. Singh and Singh (2011) on the historical debate on the determination of the respective roles of the Planning commission and the Finance Commission.

⁸ See e.g. Bajpai, Sachs and Varshney (1999).

such a shift but there remains a requirement, in some contexts pressing, for coordination.

There are spillovers in the consequences and actions taken by individual units. In the past, in the earlier frame of comprehensive government planning for development, the strategy of import substituting industrialization was very much conceived of in terms of the rationing of scarce resources by the central government and its authorities, which would determine how to best use those resources, whether foreign exchange, domestic savings, or human resources. Such a view has diminished appeal. However, there are other spillovers in the consequences of actions, across time, across states or regions, and across sectors and it can be important to take into account the interdependencies that result. One obvious case involves climate change. India may not yet have a sufficiently coherent policy with respect to climate change and in particular with respect to how to transform the Indian economy so that fewer pollutants which generate climate change are brought about (in contrast, perhaps to China, which despite its status as a major emitter has taken some steps in that direction). This is a matter of vital interest for India as it is going to be on the “receiving end” of climate change, for instance due to the delicate nature of the monsoon, on which hundreds of millions of people depend.

Rist (2008) refers to the current moment in which development is thought of in terms of the development goals (such as the Millennium Development Goals and now the Sustainable Development Goals) as being a period in which development is “in shreds” due to the thematic balkanization of developmental concerns which it represents. In this approach, everyone’s agenda is made reference to but there is no systematic conception of what development as a concept means let alone a reference to how these goals are to be achieved. In particular, there are goals, but there are no plans. Rather, there is a fond hope that the aggregation of decentralized actions will bring about comprehensively desirable results.

An illustration of the inattention to systemic considerations and its consequences is provided by the reported approach of the NITI Aayog to the raging debate in India on poverty estimates. This has become a highly politicized subject, which it wasn't previously. Whereas in the past India was thought of as having some of the best defined and estimated poverty statistics for a developing country, today there’s a free for all and two different government constituted committees have been unable to bring any real order to the debate. Media reports suggest that the NITI Aayog now proposes to do without poverty estimates altogether. How an entity that is intending to retain a comprehensive view of the development process is going to do without statistics on something as important as poverty is difficult to conceive. It is hard to rationalize such a decision except on the view that it is sufficient to focus on growth since all other good things are assumed, axiomatically, to follow from it. The impression that is given is of a willingness to “fly blind’ because of the authority which is being given to certain preconceived ideas over evidence-based analyses.

From Decision-Making Body to Think-Tank?

Was the abolition of the planning commission inevitable as a result of market-oriented reforms? The impetus for the abolition of the planning commission's role in resource allocation decisions, which had become increasingly formal, had been growing. Accordingly, the decision to eliminate the institution altogether as against changing its role still further appears to have been decided upon because of the powerful rhetorical signal it sent of an intended change in direction. However, a number of elements of the supposed substantive contrast appear overblown. In particular, the idea that the NITI Aayog will be a "Think Tank" presents much less of a contrast to the Planning Commission, given the latter's long and very distinguished history of collaboration with thinkers of diverse stripes and its provision of a setting for debates, often of a very forceful kind, between different points of view, than it might seem.

Debates taking place under the aegis of the Planning Commission over the future of the Indian economy concerned basic issues of economic direction relating to the role of markets, private enterprise and free trade. The parties to these debates included such eminent economists with opposing views as Milton Friedman and Joan Robinson.⁹ The idea that there will now be a think tank where before there was once just an operational entity acting on a given ideology seems quite overdrawn.

The Centres of Power

It will be interesting and important to observe whether and in what ways power shifts between organs of government, central government and states, as well as between government and private sector in subsequent years, in part as a result of the adoption of a more "presidential" style of government and in part as a result of a greater role assigned to the private sector and market disciplines. It is crucial to underline that it is a matter of good sense and responsibility to define a budget and ensure that expenditures are in accordance with intentions and circumstances. Often, however, other agendas are pursued in the name of fiscal probity, often by finance ministries, which are typically preoccupied with short-run financial considerations as contrasted with developing a sufficiently sizable as well as coherent investment program for long-term development.¹⁰ In recent years, the Planning Commission in India came much closer to promoting an agenda that favoured private sector and financial interests than had been the case in the past. That's also true for other entities, such as the Reserve Bank of India, which has recently been pursuing greater independence and the adoption of inflation targeting as a policy -- at the very moment that it has become much more controversial in the rest of the world because of the recognition of the role that such policies may have played in asset price inflation prior to the crash of 2008, and the consequent

⁹ See e.g. Dasgupta (1965), Engerman (2003), White (2012).

¹⁰ See Sen (2014).

advocacy of the need for central banks to be involved in ‘macro-prudential regulation’ and to take asset market fragility as an explicit concern. One of the lessons that appears to have been learned from the 2008 crisis around the world is that one has to have a more modulated approach to the central bank independence and goals, but this message does not appear to have been much heard in India. The modernization and democratization of planning, for instance eliminating the role of the planning commission in expenditure controls and orienting it much more toward ideas creation, could have been accomplished without eliminating it altogether as a centre of gravity within the governmental constellation.

In the Netherlands, the Bureau for Economic Policy Analysis (known in Dutch as the Central Planning Bureau although it has never actually undertaken central planning) was formed in 1945 and had Jan Tinbergen as its founding Director and most important early figure. Every time there is a general election the Bureau produces detailed estimates of the cost of major political parties’ program to enter into the democratic debate in the country. Recently a Dutch economist I met said to me that progressive economists of the Netherlands disapprove of the Bureau’s approach because it uses only one model and the left wing party’s program always ends up the most expensive, so they would like more model diversity! That would be an interesting further step but in the first instance it is notable that the Bureau’s role is to fuel and to inform the democratic debate in the entire country. This is a worthy role.

Does China Offer an Example?

The National Development Council (NDC) of China has been an explicit reference point of the proponents of the NITI Aayog. However, there are major differences. There is nothing comparable to the NDC in India and it is hard to see how there could be without significant changes to the structure of India’s democratic polity. The current government’s call to “Make in India” which has been echoed by Raghuram Rajan of the RBI in his call to “Make for India” both implicitly involve a call to emulate China because India’s growth pattern has not been manufacturing centred and has not been greatly employment generating.

China has developed successfully while adopting eclectic policies (“Capitalism or Socialism with Chinese Characteristics”) and having no evident governing theory. This contrasts with the perspective of those promoting the NITI Aayog, which seems rather more committed to a highly particular theory. The focus of the government is preeminently on attracting private investment flows, to the country and to propel a competition among states to provide enabling conditions for these flows. This emphasis in turn leads to a focus on the discourse of “sound finance”, of “getting out of the way” and of “enabling” private investment. Much as these ideas have an important role to play, this focus leads to inattention to many of the other important considerations that ought to be present in defining and executing a development strategy. The role of the Planning Commission was precisely to bring in the range of relevant concerns and to ensure their place in the long-term economic strategy of

the country. Having an eye toward the coherence of policies and their cumulative effects remains relevant even in a development strategy that gives a central role to the market. Are we presented with old wine in new bottles? We can hope: it is better this than that the old wine is altogether thrown away.

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