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Performance Excels Plan

FORTUNE has smiled on the country and on those who do the country's economic computations. The progress of our economy during the first three years of the Plan period has exceeded the targets and expectations. Actually if these computations can be relied upon, the per capita income in the third year of the Plan has already exceeded the target set for the entire Five Year Plan period. How did this miracle happen? Good monsoons, yes; but that is only part of the story. It is possible that despite the gloomy forebodings of many, the total volume of investments has been larger than could be judged from the available data. This is a possibility, for what has happened in the non-organised sector, in small-scale enterprises and agriculture, no one knows for certain.

From an independent appraisal made by Professor Malenbaum which was published in an earlier issue of this paper, it appeared that things had turned out much better than was thought at first or even expected. It was possible that the rate of investment in the base year, on which subsequent estimates were made, was itself an under-estimate. It Was equally possible that the estimates for investment were not so very wrong, but the capital output ratios turned out to be lower than had been assumed. That is to say that output increases were larger in the last two years than the use of 3 : 1 ratio, assumed in the Five-Year Plan, would have indicated. Favourable weather condition, the existence of unutilised industrial capacity—these and other factors could account for low capital output ratio, says Professor Malenbaum; but he also warns at the same time that this could only be a passing phase and the present experience could not be relied upon as an indication of the future.

All this is, indeed, a pleasant surprise when we had been constantly reminded that Government expenditure had fallen so far behind the target set in the budget outlays. Centre and the States, that the Plan could not possibly catch up with the schedule. The Centre has all these years more than fulfilled its due share of providing the resources, mainly from consistent revenue surpluses, while the States have equally consistently fallen behind.

The latest Progress Report, on the Plan which has just been issued substantially corroborates Professor Malenbaurn's findings but goes no further in offering an explanation as to how the actual performance of the economy so far has surpassed the Planning Commission's own expectations. In fact it is frankly bewildered. The yield from the known forms of private savings, it finds, has not been going up and there is little evidence of an increased rate of savings in these directions. Nor does it find an increase in public savings as recorded in Government budget or other-visible sources, following increased incomes that must arise from higher levels of production. Provisional data on national income, however, shows a successive increase. The Progress-Report poses a question: Is the rate of investment in the economy going up proportionately and if so, what are the corresponding sources of savings? To these questions, however, it can offer no answer. There are margins of errors, there is the possi-