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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-

sibility of larger investment than is recorded in statistics; of a passible shift of investment from the organised to the non-organised sector; of a more favourable capital output ratio. Finally, there are the two good monsoons, " exogencus influences " which the report cannot incorporate in the theoretical structure" of the Plan.

How does the increase in income affect the employment situation? To that, again, there is no answer—only hints and guesses, guesses flatly contradicted by such statistical evidence as the Planning Commission has been able to muster. While no one can fairly blame the Planning Commission for being off in its estimates, or for its failure to tackle imponderables more successfully, one is constrained to note its lack of respect for its own work and for the public. With hand-picked economists to advise it, the Planning Commission still uses a yard-stick that has been proved faulty beyond repair *viz,* the Economic Adviser's Whole-sale Price Index; it insults common sense by tagging to this index that statistical monstrosity—the All-India Cost of Living Index and in its half-hearted probings into the vital question of unemployment, it reels out data that will not bear examination. True, the Plan professedly aims at promoting capital formation and building up the capital base of the economy, not at providing more employment Nevertheless, to put on record that the incidence of unemployment is highest among middle classes in Travancore-Cochin and to say at the same time that 73 per cent of the male unemployed in that State are either illiterate or just literate is, to say the least, neither enlightening nor self-consistent.

To sum up, the progress report makes it abundantly clear that the happy results, which so far exceed what could he expected from the planned investment, could not have been secured by the deliberate steps taken. In fact, the financing aspect of the Plan has run so consistently counter to the essentials of development financing that one is almost tempted to conclude that the happy result has been achieved inspite of the planning. Resources have been systematically withdrawn by the exchequer and not fully utilised. Monetary policy has failed to create the conditions favourable for initiating development. If, inspite of all this., the economy has gone on expanding, all the credit goes to the resilience of the Indian economy and to its rural sector. The performance of the latter must be a pleasant surprise and an eye-opener.

Monetary Fund and World Bank

THE attitude of most of the countries to convertibility of their currencies is similar in some ways, though not in all, to their attitude to disarmament. Each is willing to follow, if others go ahead, but no one is prepared to take the step first. The Annual General Meeting of the World Bank and the Monetary Fund is therefore made an occasion for member countries to ventilate their individual grievances, genuine or fancied, to tight out their private feuds and to tell others what to do. South Africa wants the price of gold to be raised as an essential condition for resuming convertibility. Australia wants the US to remove " the ugly spectre of subsidised exports " which hits her below the belt. The British Chancellor of the Exchequer used the Washington platform to hold out the attractions of the London money market for raising sterling loans, taking the opportunity to impress upon the 'World Bank the necessity for drawu its resources also from nondoll countries which run a persisters surplus in their balance of payment The Indian Finance Minister but up India as a creditworthy position, fit to receive foreign capital but unwilling to ask for it.

The main ' sue, however, for which the financial heads of the member countries met was never directly raised nor thrashed out. The Commonwealth formula of " collective convertibility" was echoed by France which urged European countries to move collectively towards convertibility.

And yet, the countries whose representatives met in Washington are in a better position today to take the plunge than at any time since the war. The dollar shortage nominally disappeared in 1953; most of the countries could balance their dollar accounts for the year, moderately assisted by import restrictions, of course, without the help of the economic aid which they received from the United States in dollars. Why then this hesitation? The situation is made more curious by the offers from the Monetary Fund, repeated this year with far greater assurance, to reimburse those countries which ran into payments difficulties as a result of freeing their respective currencies of exchange restrictions. No country showed the slightest eagerness to respond to this generous gesture; they were scarcely prepared even to consider the offer seriously on its merits. Had they been willing to do so, a realistic discussion would have ensued of the magnitude of assistance that would be necessary from the Monetary Fund for the member countries to venture on convertibility. More light would have been thrown on the attended risks of this dreaded step. There are reasons in plenty to suppose that the Fund's offer of help, though far more generous than before, is still too inadequate to assure the countries which may be considering the step, that they would not get into trouble. Apart from inadequacy of standby credit, the Fund is in no position to assure the member countries of effective help, if other countries stiffened restrictions against them while they removed theirs, in pursuance of free convertibility. To the extent that lurking fear on both grounds, of inadequate help from the Fund and hostile action by other countries, holds back those who are hesitating to take the plunge, the situation is comparable to that of disarmament.

The analogy, however, ends here. Even though there may be countries who have no hostile intentions against others and would be glad to be left alone, few countries in the world today art; free, or are willing to take the risk of exposing their domestic economies, trusting to the adaptability of their respective economics, to changing world forces. The movement has too long been away from rather than towards international equilibrium.

Consequently, there is a game of blindman's bluff whenever their