The Indian and Chinese Plans

Similarities and Differences

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Comparative studies of the Indian and Chinese Five Year flans hare usually brought them out either as contrasts, reflecting the totally different philosophies and attitudes which are supposed to underline them or as broadly similar blue-prints, embodying the aspirations of two peoples who hare a great deal in common.*

This is an issue on which the statistical data at our disposal and the knowledge of actual conditions in China are both too meagre for any judgment to be more than guess-work.

But from whatever little one can make of the information that is available on the Chinese Plan for a comparative analysis, it would appear that the differences between the two plans are not so much in their structure or in the relative magnitudes of what is proposed to be achieved as in regard to certain supporting policies.

LET us first consider the similarities. In so far as international comparisons between standards of living have any meaning, it is perhaps a reasonable assumption to make that the per capita levels of consumption and income reached by 1952 in China were more or less on a par with those in India in 1951 Though there are considerable differences in the estimates about China's agricultural output, it is fairly certain that the amount of foodgrains available per person was greater in China than in India. But. on the other hand, the availability of cloth and of other consumer goods like sugar was obviously very much less. Some estimates of the per capita income in China in 1952 have placed it at about 10 per' cent lower than the per capita income in India in the same year, and this may well be a correct appraisal, but in view of the numerous unknowns in the comparison no serious difference is perhaps made if we assume that it was actually about the same in both countries, With a population of a little under 600 million people, this would give for China a national income of over Its. 1.5,000 crores in 1952 in terms of Indian currency.

The total outlay on the Chinese Plan in its first year has been estimated at about 8600 million yuan, which works out at the current exchange rate to about Rs 1600 crores. This, however, includes expenditure of a, recurring character on various items, and it would appear that the outlay on capital construction proper was not more than about 60 per cent of this amount i.e., about Rs 960 crores. On the other hand, it excludes investment on private account which, in the context of the Chinese Plan, could not have been more than a. fifth of the public investment, so that the total investment in the economy in that year may be placed at around Rs 1150 crores This works out to less than 8 per cent of the national income.

Investment Targets Not Higher

By 1955, the rate of outlay on the Chinese Plan was 50 per cent higher than in 1953, and by 1957 it is expected to be stepped up still further. But. the national income will also go up alongside, and it is therefore unlikely that, by the end of the Plan period, the rate of investment in the Chinese economy will be very much higher than about 11 to 12 per cent of the national income.

These estimates, it will be obvious, are based on somewhat heroic assumptions, and must be treated with caution. .Nevertheless, they suggest two conclusions which we may accept at least as tentative hypotheses. One is that the rate's of investment that are being attempted in China in its First Plan are considerably lower than those aimed at in the Sovient Union in the nineteen twenties, and lower than even those attempted and realised in the countries of Eastern Europe in the period after the Second World War. The other is that the targets in regard to these over-all rates of investment in China's First Plan arc not significantly higher than those which are proposed in India's Second Plan.

It is not only the targets in regard to the over-all rate of investment that are similar; the expected increases in total national output are also not very much larger in China. At first, sight this may seem to be not correct, -since the estimated increase in national income in India in the period of the Second Plan is only about 25 per cent while the anticipated increase in the combined output of agriculture and industry in China in the course of its First Plan has been placed at about 43 per cent.

But the industrial output which has been taken into account in the estimate for China appears to cover-only the output of factory enterprises, and, in addition, the weightage given to industries in the index of total output, seems to be based on the gross value of their output and not on the net value added as Is the case in India. Both these are likely to give the estimates of the changes in total output, an upward bias. Our guess about the basis of computation of these indices is borne out by the fact that, if we impute to agriculture and industry in the Chinese estimates a weight age of 3 : 1, and apply this to the estimates of the increases in output in each of these sectors (23.3 per cent in agriculture and 98 0 per cent in modern industry), we get an increase of 43 per cent in the total output which is the same as the official estimate.

Share of Factory Industry

The 'share of modern factory enterprises in the Indian economy is obviously no smaller than in China. If, therefore, we were to give agriculture and industry the same weightage of 3:1 to the Indian estimates of increases in output, the over-all increases in output would work out as follows:

in percentages)	First Plan	Second Plan
Increase in the output of agriculture and allied pursuits ..	18	18
Increase in the output of factory enterprises ..	43	64
Increase in the total output of agriculture and industry ..	24	30

With a larger weightage to industry, as would be justified in the Indian case, the increases in total output would appear to be even larger. This means that the actual difference between the planned increase in China over the period of its First Plan and the increase expected in India during the Second Plan is not really as large as may seem at fist sight

The estimates that are available in regard to the targets for specific commodities support this conclusion,

Thus the planned increase in the output of foodgrains in China is only a little over .13 per cent as compared to about 15 per cent In India. In the case of cotton piece-goods, the amount available in China was to begin with far .smaller than in India (the *per* capita availability being perhaps only about a third) and so the planned increases are also larger, but considering the initial disparities the difference is still not very enormous as will be seen from the fact that the planned increase is 24 per cent in India as against about 55 per cent in China. In regard to the output of producer goods also, while there are differences in particular items, the broad orders of magnitude of the planned increases are very much the same.

No Full Employment in China

Apart from these similarities in regard to the targets of investment and output there are several other features in common between the two plans. For instance, it has been made clear in China, as in India, that despite the progress expected as a result of the plans, the problem of unemployment will continue to be serious, ''It will still be impossible", says the Report on the Chinese Plan, ''to completely eliminate unemployment, a legacy of old China, and to make full use of surplus labour power The solution of these problems will demand continued effort in the periods of the Second and Third Five Year Plans".

Slow Pace of Socialist Transformation

It is also clear that the fear of aggravating the position in regard to Unemployment has affected many policies in China as in India. To cite one instance, the Chinese have decided to go slow with the nationalisation of retail trading for fear of the numbers that would be thrown out of employment.. This will be obvious from what the Report on the Chinese Plan has to say on the subject.

"With regard to the socialist transformation of commerce, after the winter of 1953 the volume of trade handled by private retailers was cut rather sharply as a result of the somewhat too rapid increase, in certain places, of the volume of retail trade handled by State trading organizations and especially co-operatives. Readjustments have since been made. In order to maintain the business of private retailers, small traders and pedlars in urban and rural areas, the State has temporarily stopped the increase or suitably reduced the retail .sales of all state trading organizations and co-operatives in cities and towns where their volume of retail trade increased to an excessive degree . - - All cities and towns should, taking local conditions into consideration, work out what should be the proportion between the volume of state and privately run retail sales in each trade, which will not only stabilize commodity market pricey but also maintain the business of private retailers".

Similarly, the Chinese Plan places almost as much stress on hand and household industries as the Indian Plan. 'Local industry and handicrafts in our country play an Important part in supplying the needs of production and of everyday life of the urban and rural population. During the past few years, because of defects in planning and other reasons, some branches of local industry made the mistake of expanding production blindly, thus adding difficulties to the organization of industrial production in the country as a whole. But in general it is right to actively promote local Industries. In the future, too, in accordance with the requirements of the state plan and the policy of serving the needs of agricultural production, we should continue to make proper use of local industries and handicrafts. Some areas and certain departments underestimate the role of local industry and handicrafts In the national economy and therefore do not guide and help them actively or systematically. This is obviously wrong, and must be corrected''.

In regard *to* medium and small enterprises, the Report on the Chinese Plan says that since they "can be built and put into operation in a comparatively short time, bringing quick returns on investment and adding to our productive capacity, they not only play an Important role in increasing supplies of industrial products and supporting agricultural production but also constitute an indispensable factor in increasing accumulation of funds and in supporting and assorting construction or the big priority projects''.

Strategic Hold of Public Sector

What then are the differences between the two plans? The first important difference, as one should expect, is in the relative roles of the public and private sectors, But it is possible to exaggerate the share of the public sector in China, For small-scale enterprises form such a large proportion of the existing units in production and trade that the share of the public sector is not often as large *as* would appear from the published statistics which relate to the ownership of the more modern medium and large-scale enterprises, It is clear, however, that one consideration is always kept in mind in China, namely that of securing in the hands of the State as large a proportion as possible of the enterprises which are likely to be in a position to earn large profits as the rate of investment increases. .Apart from the ideological objective of "socialist transformation", this; is designed to provide the financial resources for investment and to gain control of the economy at strategic *points.*

It would be wrong, however, to assume that the profits from State enterprises account at present for the bulk of the finance available to the Government or even that they are adequate to avoid the need for deficit financing in China. For it would appear that the total tax revenue of the Government in *China in 1953* was equivalent to about Rs 2200 crores fat the current exchange rate), which works out to about 15 per cent *of* the national income. Though defence expenditure accounted for about two-fifths of this, it is probable, in view of the relatively low administrative expenditures In other fields, that investment of the order of at least 5 per cent of the national income was being financed from taxation. Also, more than an eighth of the total tax revenue was derived from the agricultural grain tax,

Countering Inflation

As regards deficit financing, *it* would appear that there have been gaps between the Income and expenditure of the Government fairly regularly, though these have been concealed in various ways such as by taking credit for the surpluses of previous years. Thus, in 1954, despite a loan of the equivalent of Rs 150 crores that was raised, there was a gap between total revenue and total expenditure of about Rs 330 crores,. It is, therefore, not unlikely that this method of finance supports investment of the order of 1½ to 2 per cent of the national income as in India, though it is difficult to be very sure or precise about this.

But even if there is no deficit financing, investments of the order contemplated must be expected to generate inflationary pressures. One of the important differences in the Chinese Plan compared to the Indian is *in* the measures designed to prevent an inflationary rise in prices. It is clear, for instance, that this is the main purpose or the nationalisation of wholesale trade, which does not, figure at all in the Indian Plan but is a very integral part of the Chinese programme. With the gradual stepping up of investment, and the failure of 'harvests, the Chinese economy appears to have felt the beginnings of inflationary pressure towards the "middle of 1953. In November, 1953, therefore, the State stapted planned purchases and supplier of foodgrains, and later followed this with similar operations in cotton and cotton textiles as well as in edible vegetable off "There Is no doubt", says the Report on the Plan, "that these measures are an important guarantee, of fulfilment of the Five Year Plan by the .state and conform to the immediate and long-term interests of the people. The implementation of this policy will, of course, bring about a certain change in the way of life of hundreds of millions of people and a reorganization of supply and distribution. During the first few years of this great reform, it is very difficult to ensure that there are no shortcomings in the way it works out. But we must realize that our positive achievements are the main part of the picture".

It is also obvious that there has been as much hostility in China to the idea of State control over distribution as in India. For the Report goes on to say that "there are some people who have adopted an attitude of doubt or even opposition to the policy of planned purchase and supply of grain. Some, seizing on certain defects in our work, deny the tremendous achievements made in carrying out this policy. They fail to see that on the whole the situation is good", The policy of nationalisation of wholesale trade has, therefore, been adopted in China, not without opposition, nor without an appreciation of the difficulties and limitations, but primarily for the. reason that it has been found to be the only way of preventing speculation and inflationary rise in prices. The relaxations in regard to retail trading, which we have referred to earlier, confirm this impression.

Investment Priorities Different

There is also one other significant difference between the Indian and Chinese Plans. It is in the distribution of investment and in regard to certain priorities in investment. For, though both of them emphasize the development of producer goods industries, and steel also figures prominently in both, the allocation In the Chinese Plan for industries producing machines is considerably larger. There is provision not only for industries producing tractors, power generating equipment, and various types of metallurgical and mining machinery, but also for the production each year of equipment necessary for setting up an integrated iron and steel works. "When the two heavy machinery plants . . . which begin construction in the present five-year period are completed, they will be able, according to their projected capacities, to produce every year a complete set of iron smelting, steel-making rolling mill and coke oven equipment for an integrated iron and steel works with an annual capacity of 1,600,000 tons of steel". In the Indian Plan, there was originally a provision of obout Rs 150 crores for such industries, but it has *been* cut to around Rs 32 crores in the final draft

Matching this emphasis on machine-making industries is the conspieiously lower priority given to transport in China, Railways, In particular, account for a much smaller proportion of the total proposed investment. This is despite the fact that China has, to begin with, a railway network less than half as extensive as India. The greater attention given in India is usually sought to be explained with reference to the proposed expansion in the output of coal and steel. But not only is the targeted increase in steel in China almost as high as in India, but the proposed increase in the output of coal is twice as high, being 23 million tons in India and 50 million tons in China. The real reason for the difference between the two plans in this regard is that, just as residential construction and such other requirements are usually discouraged in a period of searcity, the Chinese Plan is based on a very much lower priority being given to passenger traffic than is the case in the Indian Plan.

This could have been considered merely as a difference in the conception and structure or the two plans, if the targets in each ease were internally consistent. We have no means of testing the internal consistency of the Chinese Plan, particularly because there is almost nothing known about its foreign exchange aspects. But it is clear that the Indian Plan is heavily dependant on external aid to cover its direct foreign exchange requirements. It is also clear that the railways account for nearly half of these requirements and that, even if the necessary external assistance for this Plan is forthcoming, the relatively small allocation given to machine manufacturing industries will make the process of industrialization for some more years to come as heavily dependant on external aid as now. Since there is no assurance about external aid either for the immediate future or for the years to follow, the priorities in this regard in the Indian Plan cannot be interpreted as based on anything more firm than a somewhat Micawber-like hope that something is bound to turn up.

Allowing for all the assistance that China may be receiving from the Soviet Union, and the unpredictability of the aid that India may get from the West, it is difficult to escape the impression that the Chinese Plan shows far greater awareness of the implications of the targets that have been set, and willingness to face them, than one is able to detect in the Indian Plan. As a pencil sketch of what .should be done the Indian Plan undoubtedly compares favourably with the Chinese and, as a model built on detailed statistics and carefully worked out input-output ratios, it may be even technically superior on a point or two. But as a programme of action, it does not have the claws and the teeth for coming to grips with the problems which it will necessarily have to face.

This is not. to suggest that the Chinese Plan has not its own weak points and share of unsupported beliefs and aspirations. As for difficulties in implementation, it is already becoming clear that the impetus which the Chinese economy received from land reforms, immediately after the Revolution, is rapidly running out, and that the increases in consumption on the part of the small peasants are tending to *dry* up the marketed surpluses necessary for industrialisation. The implications of this have been brought out forcefully in a report on agricultural co-operation submitted by Mao Tse-Tung in July, 1955: "As everyone knows, the level of production of marketable grain and industrial raw materials in our country today is very low, whereas the state's demands for these items grow year by year, Therein Pes a sharp contradiction. If, in a period of roughly three five-year plans, we cannot fundamentally solve the problem of agricultural co-operation, if we cannot jump from small-scale farming with animal-drawn farm Implements to large-scale farming with machinery — which includes state-sponsored land reclamation carried out on a large scale by settlers using machinery . . ., we shall fail to resolve the contradiction . . . In that case our socialist industrialisation will run into formidable difficulties".

Time alone will show to what extent the gigantic movement that has been initiated in China for the formation of agricultural co-operatives will deliver the goods. But at least one thing is clear. In a country in which there arc no vast virgin areas to be, brought under cultivation as in the Soviet Union, and where by intensive cultivation the yields per acre are already among the highest in the world, large-scale mechanised farming will have a hard ask producing the surpluses necessary for industrialisation, while feeding, at the same time those who are displaced by the mechanisation and the twelve million additional human beings who, by the natural growth of population, have to be provided for each year in China. One would hove expected, in the face of this enormous problem, at least a token recognition of the need to make a beginning with family planning. but that would be weak-minded, and obviously even hard-boiled Marxists must have their share of illusions to cling to.