

CHAPTER FOUR

Economic Planning

Chapter Four : Economic Planning

- Objectives
- Meaning & Need of Planning
- Types of Economic Planning
- Planning in Mixed Economy

• Objectives:

The study of this unit will enable us to

- Understand the meaning of Planning
- Understand the Need of Planning
- Understand the types of Planning
- To study the planning in Mixed Economy

- **Introduction:**

Economic development has been closely linked with planning. Planning has become a craze in modern times, especially in underdeveloped and developing countries. The idea of planning acquired a tremendous support after the end of World War II when advanced but disrupted economies had to be rehabilitated and the underdeveloped economies were fired with the ambition of rapid economic development.

The idea of planning was not kindly taken up in some countries by some people. It was perhaps due to the fact that planning came to be most actively associated with socialist economies. Hatred of socialism was most actively transferred to planning too.

But such unreasoned opposition to planning has now almost vanished. Even in capitalist countries, where the economy is governed and directed by market incentives, planning are being practiced more or less in one or the other sector of the economy. About 20% of the American economy may be considered as planned because to this extent current resources are controlled and disposed of by the State.

Although the distinction between planned and the unplanned economy is there, yet planning has been universally accepted and the planned sector is expanding almost everywhere. For the underdeveloped countries, desirous of accelerating development, planning is sine qua non of progress. As Robbins says, "Planning is the grand panacea of our age" It is no longer a forbidden fruit.

The concept of economic planning attracted the attention of most of developing countries since its first experiment made by then soviet union in 1928. Since then number of countries in various forms adopted it. For having enough understanding of the concept, it is felt essential to study its basic doctrine.

▪ Meaning of Planning:

The term “planning” is now so much in common use that it seems to be unnecessary to define it or to explain its meaning. In fact, it is not possible to give it any precise or universally acceptable definition. There is no unanimity among political thinkers and economists about the concept of planning. As Raymond Burrows remarks, “Planning as a modern panacea is as perplexing to a pedant as it is popular to a protagonist.”

▪ Definition of Economic Planning:

It is rather difficult to give a concise definition of economic planning with a fair degree of precision and acceptability to one and all. Hence different economists have defined economic planning in a variety of ways by keeping in mind the goals to be achieved and the techniques for achieving them. Apart from stating that planning is a method, a technique or a means to an end, the end being the realization of clearly set targets, we discuss the number of definitions which in their totality convey the full meaning and content of economic planning

Mrs. Barbara Wooton defines it as "Economic planning is system in which the market mechanism is deliberately manipulated with the object of producing a pattern other than which would have resulted from its own spontaneous activity."

Herman Levy defines it as "Economic planning means securing a better balance between demand and supply by conscious and thoughtful control either of production or distribution."

Dr. Dalton says, "Economic planning in the widest sense is the deliberate direction by persons in charge of large resources of economic activity towards chosen end"

Lewis Lorwin defines a planned economy "as a scheme of economic organization in which individual and separate plants, enterprises and industries are treated as coordinate units of one single system for purpose of utilizing all available resources to achieve for maximum satisfaction of the people's needs within a given time"

National Planning Commission of India- "Planning under a democratic system may be defined as the technical co-ordination, by disinterested experts, of consumption , production , investment, trade and income distribution, in accordance with social objectives set by bodies representative of the nation. Such planning is not only to be considered from the point of view of economics and the raising of the standard of living but must include cultural and spiritual and the human side of life."

H.D. Dickinson defines economic planning as below:

“ Economic Planning is the making of major economic decisions what and how much is to be produced, how, when and where it is to be produced, and to whom it is to be allocated by the comprehensive survey of the economic system as whole.”