

CHAPTER FOUR

Economic Planning

This is by far the most comprehensive definition as it describes the anatomy of planning. Central authority like state possessing the powers for implementation does the planning. It is to be preceded by a comprehensive survey of economic conditions, which will point out the defects, and deficiencies of the prevailing economic system. After this survey, definite goals are fixed. The manner and timing, quantitative aspects of achieving these goals are then outlined; finally, the benefits accruing from such action are to be shared for the maximum satisfaction of the largest number of people through deliberate decision, control and direction.

To sum up, planning comprises the following essential features:

1. Predetermined and well defined objectives or goals.
2. .For economic planning deliberate control and direction of the economy by a central authority, e.g., the state.
3. .Optimum utilization of natural resources and capital which may be scarce and labor that may be abundant.
4. The objectives are to be achieved within a given interval of time – 5 years, 7 years, etc.
5. The performance of the economic functions of increasing production ‘maximizing employment and controlling population growth so that production outstrips population growth

▪ Need For Planning in Underdeveloped Countries:

Planning is beneficial for both the developed and underdeveloped countries for the developed countries to maintain or accelerate growth already achieved and for underdeveloped countries to overcome poverty and to raise the standard of living. Unless the underdeveloped countries wake up and follow the planning, they will be left far behind in the race of economic well-being. The following arguments reveals an urgent need of planning in underdeveloped and developing countries:

1. Remove the poverty and inequalities:

The economic vicious circle of poverty arising due to low income, low savings and high propensity to consume, and further lower investment and low capital formation, low productivity, low income and poverty must be broken and it can be done only by planning. Planning is like a shot in the arm which enables a sick person to overcome his sickness. Planning alone can create more jobs and remove the wide spread unemployment and disguised unemployment which is a common feature of underdeveloped countries. It is the sovereign remedy for raising national and per capital income, for reducing inequities in income and wealth, for increasing employment opportunities and for achieving as all round rapid economic development. It is commonly said that the pendulum has swung too wide in favor of planning that it cannot swing back against planning.

2. Development of Agriculture and Industrial Sector:

Planning alone can transform an agricultural and primary producing economy into a more balanced economy with heavy, medium and light industries. Agriculture and industry stimulate production in each other by creating demand for their products .Development of agriculture is also essential to supply the raw material to the industrial sector. Economic planning held in designing the plans of agricultural and industrial sectors of developing economies.

3. Development of Infrastructure:

Planning alone can help an underdeveloped economy to build up its infrastructure- irrigation and power, transport and communication and schools and hospitals. The establishment of these social economic overheads is essential for an all-round harmonious and integrated development. The private enterprise is guided by profit motive and is not interested in these items of social gain.