

- ❑ There is no comprehensive planning in capitalism.
- ❑ In this model, the government does regulatory work to avoid recession and inflation and to prevent monopoly.
- ❑ Government works towards raising the standard of living of people.

Planning in a Socialist Economy

- ❑ It is based on a central plan.
- ❑ There is a central command for planning, which formulates and executes plans for the entire economy.
- ❑ **Key Points**
 - The pricing process under socialist planning does not operate freely, but works under the control and regulation of the central planning authority.
 - Production of goods is generally governed by the preferences of consumers and available consumer goods are distributed to them at fixed prices.
 - Under socialist planning, consumer choice is confined to the choice of socially useful commodity which planning authority deems fit to produce and to provide to people.

Planning in a Mixed Economy

- ❑ This system of planning contains the features of socialist and capitalist economies.
- ❑ It is free from all the problems of both capitalist and social economic planning model and it has all the good features of both socialist and capitalist economies.
- ❑ Planning in a mixed economy is not comprehensive like in a socialist economy.
- ❑ In this set-up, the economy is bifurcated into public and private sector for the purpose of economic development.
- ❑ **Key Points**
 - The public sector works under direct control of the government, which regulates its production and distribution. Budgeting is done for important sectors like health, defence, education, etc.
 - The private sector manages its production and distribution, but it is also under state regulation so that public interest can be protected.
 - The state gives subsidies to the industry and also to the common man. The state can nationalize any industry in the larger public interest.



Planning Commission

- ❑ It was a non constitutional and non-statutory body which was set up by a resolution of the Government of India in 1950.
- ❑ Jawaharlal Nehru was appointed as the first Chairman of the Planning Commission.

- ❑ The Prime Minister of India used to be the ex-officio Chairman of the Commission.
- ❑ There was no fixed tenure for its members and Vice-chairman.
- ❑ There was no account of qualification for its members as the government at the Centre appointed its members according to the government wishes.

Industrial Sector

Industry refers to the economic activity concerned with the processing of raw materials and manufacture of goods in factories. Economic development cannot be achieved by a country without developing its industries. These provide employment to a large labour force and contribute significantly to the total national wealth/income.

Brief History of Modern Industries in India

- ❑ Machine age in India began with cotton, textile, jute and coal-mining industries in the 1850's. However, all the industries that existed in India had a very stunted growth till India gained its independence.
- ❑ Most of the modern Indian industries were owned or controlled by British capital. Foreign capitalists were attracted to Indian industry by the prospect of high profit.
- ❑ At the time of independence, the economy was underdeveloped with agriculture contributing to more than 60 per cent of the GDP and most of the country's export earnings.

Industrial Policy of India after Independence

- ❑ Post its independence, India decided that the industrial sector should be the prime moving force of the economy.
- ❑ The main thrust of the industrial policy was on removing regional imbalances and diversification of industries.
- ❑ **The industrial development can be divided into two phases:**
 - **First Phase (1947-1980):** The government successively increased its control over various economic sectors.
 - **Second Phase (1980 – 1997):** The government took measures to liberalize the economy between 1980 and 1992. The liberalization process became more pronounced and focused after 1992.

Industrial Policy Resolution, 1948

- ❑ It declared the Indian economy as a mixed economy.
- ❑ Responsibility for the development of basic industries was given to the public sector including all arms/defence production, atomic energy and management of railways.
- ❑ Small-scale and cottage industries were given importance.
- ❑ Restrictions were imposed on foreign investments.
- ❑ Review of the policy after 10 years.

Industries (Development and Regulation) Act (IDRA), 1951

- ❑ It was enacted in pursuance of the Industrial Policy Resolution, 1948.
- ❑ It provides for:
 - Necessary means to the Central Government in order to implement its industrial policy;
 - A licensing system to regulate planning and future development of new undertakings; and
 - Regulation and development of important industries as mentioned in the Act.

Industrial Policy Resolution, 1956

- ❑ It laid down the basic framework of Industrial Policy.
- ❑ **It was based upon:**
 - **Second Five Year Plan:** This plan tried to build the basis for a socialist pattern of society.
 - **Mahalanobis Model of Growth:** It laid emphasis on heavy industries.
- ❑ **It classified industries in three schedules:**
 - **Schedule A:** 17 Public Sector Industries, strictly under the Government control.
 - **Schedule B:** 12 Mixed Sector (i.e. Public & Private) Industries.
 - **Schedule C:** Only Private Industries.
- ❑ It provided for compulsory licensing of industries in India, all schedule B and many of the schedule C