- 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

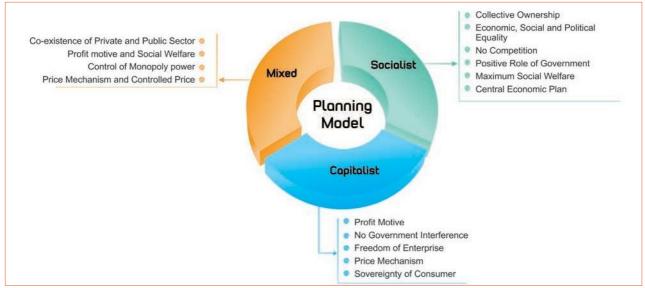
- The pricing process under socialist planning does not operate freely, but works under the control and regulation of the central planning authority.
- Production of goods is generally governed by the preferences of consumers and available consumer goods are distributed to them at fixed prices.
- Under 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.

9

# Industrial Sector and Infrastructure

#### **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