

CLASS – 11

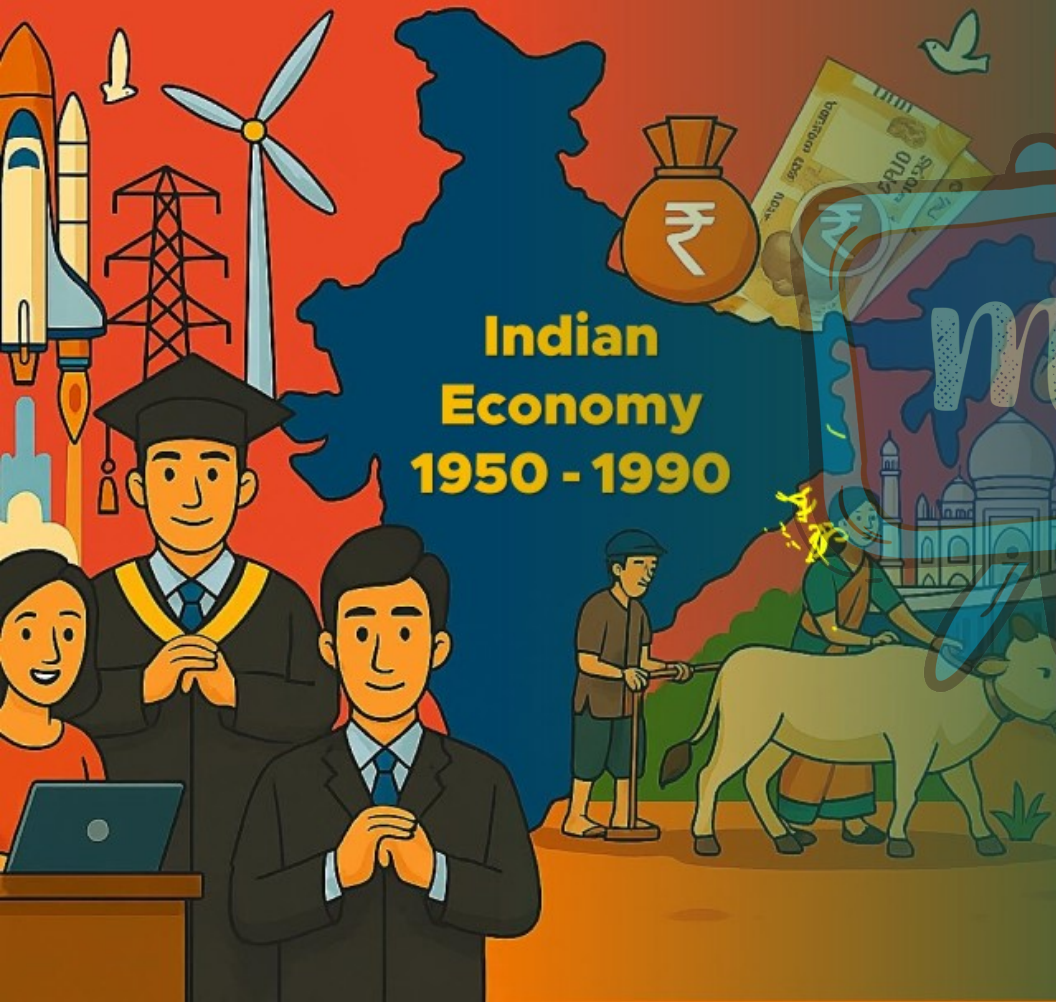
ECONOMICS

Indian Economy Development

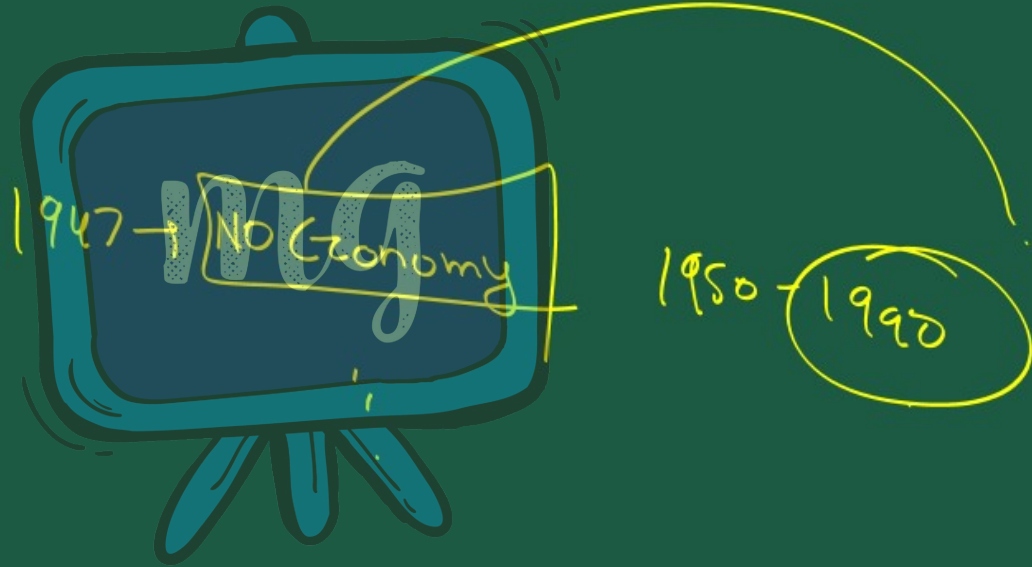
CH-2 : Indian Economy
1950 – 1990

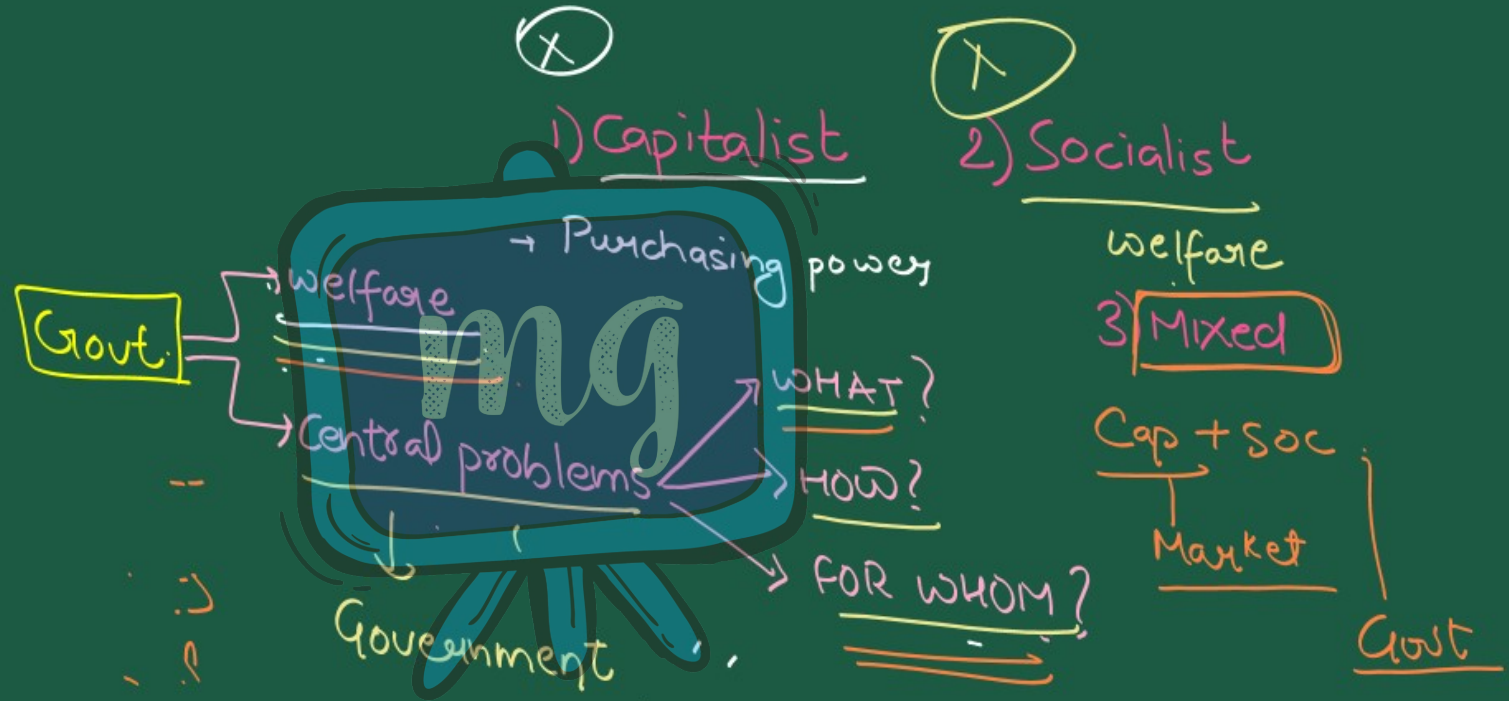
Part – 1
Economic Planning in India
after Independence

Vaishnavi Agrawal



1. Economic Planning in India after Independence
2. Objectives of Planning Commission India
3. Policy making for Agriculture sector
4. Policy making for Industry and Trade sector





INDIA AFTER INDEPENDENCE

- The leaders of independent India had to decide, among other things, the type of economic system most suitable for our nation.

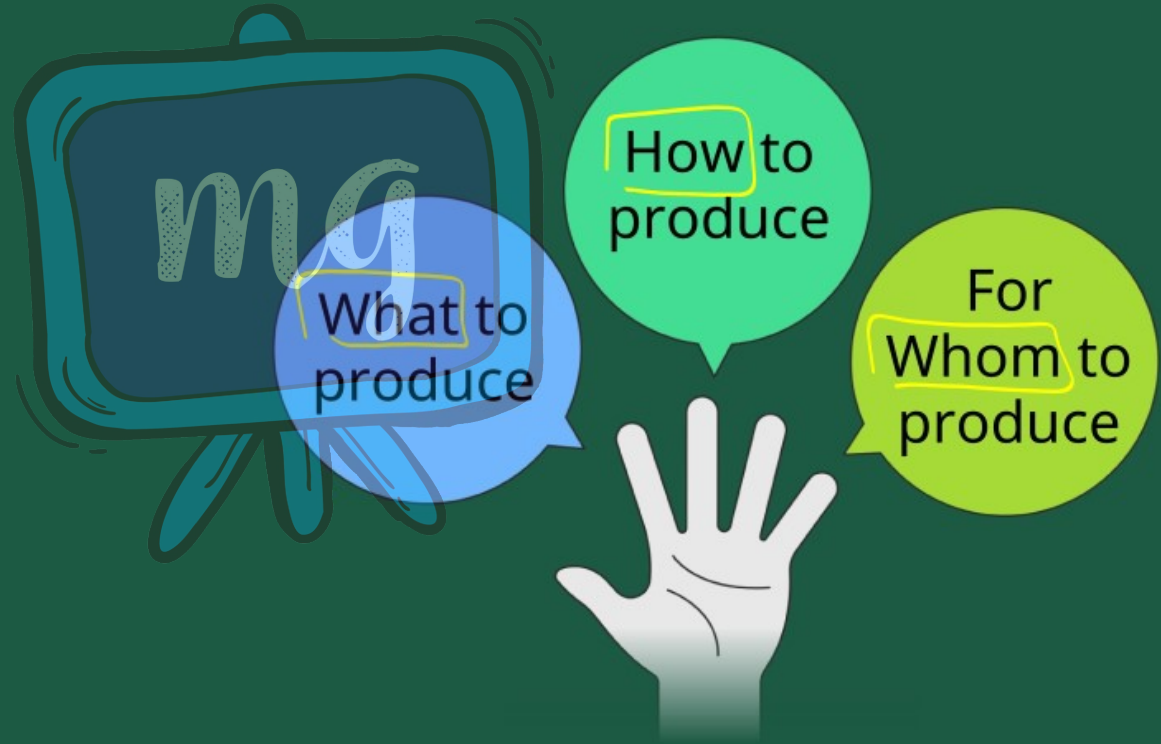


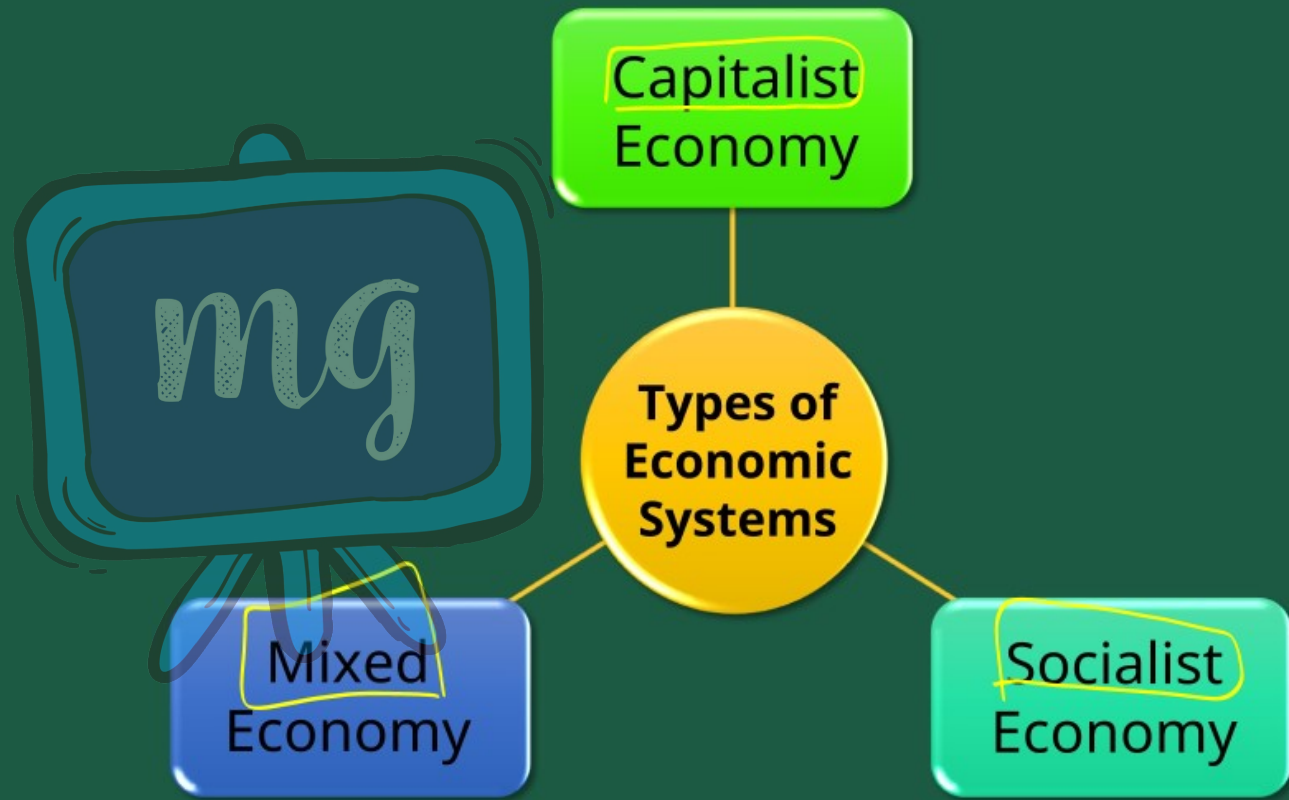
Economic System :

- ▮ A system which would promote the welfare of all rather than a few.
- ▮ System by which all central problems are solved.



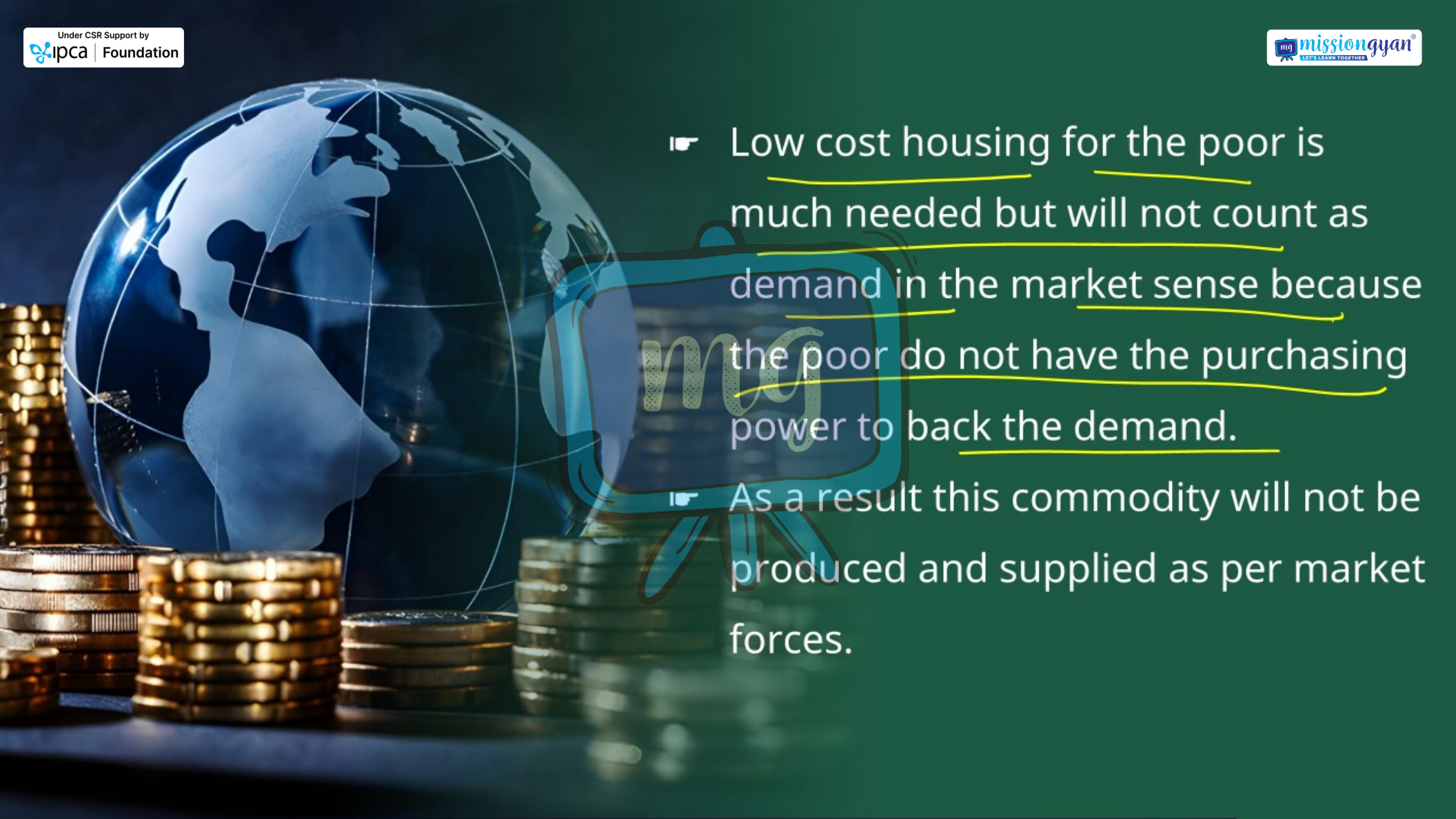
CENTRAL PROBLEMS






CAPITALIST ECONOMY

- ▮ The goods produced are distributed among people not on the basis of what people need but on the basis of **Purchasing Power**—the ability to buy goods and services.
- ▮ One has to have the money in the pocket to buy it.

- 
- ▮ Low cost housing for the poor is much needed but will not count as demand in the market sense because the poor do not have the purchasing power to back the demand.
 - ▮ As a result this commodity will not be produced and supplied as per market forces.




- Such a society did not appeal to Jawaharlal Nehru.


- It meant that the great majority of people of the country would be left behind without the chance to improve their quality of life.

SOCIALIST ECONOMY

- The government decides what goods are to be produced in accordance with the needs of society.
- It is assumed that the government knows what is good for the people of the country.



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- ▮ The government decides how goods are to be produced and how they should be distributed.
 - ▮ In principle, distribution under socialism is supposed to be based on what people need and not on what they can afford to purchase.

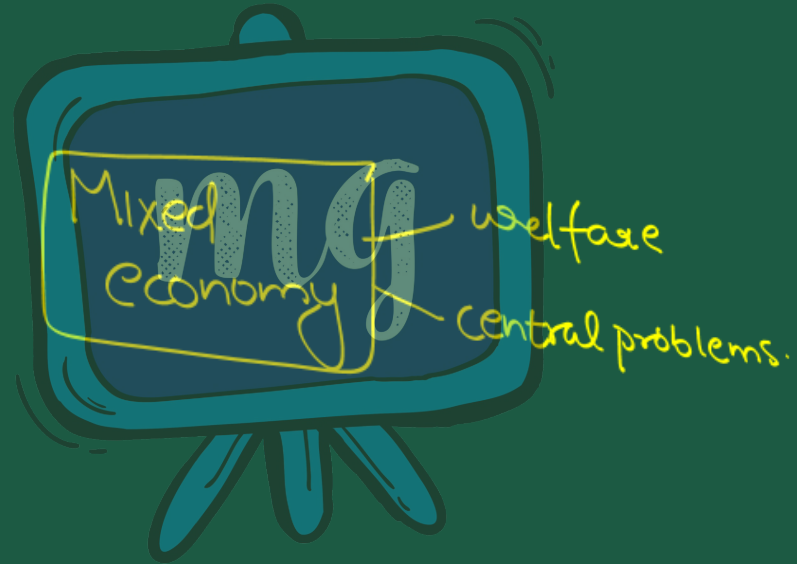
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- ▮ Unlike under capitalism, for example, a socialist nation provides free health care to all its citizens.
 - ▮ Strictly, a socialist society has no private property since everything is owned by the state.

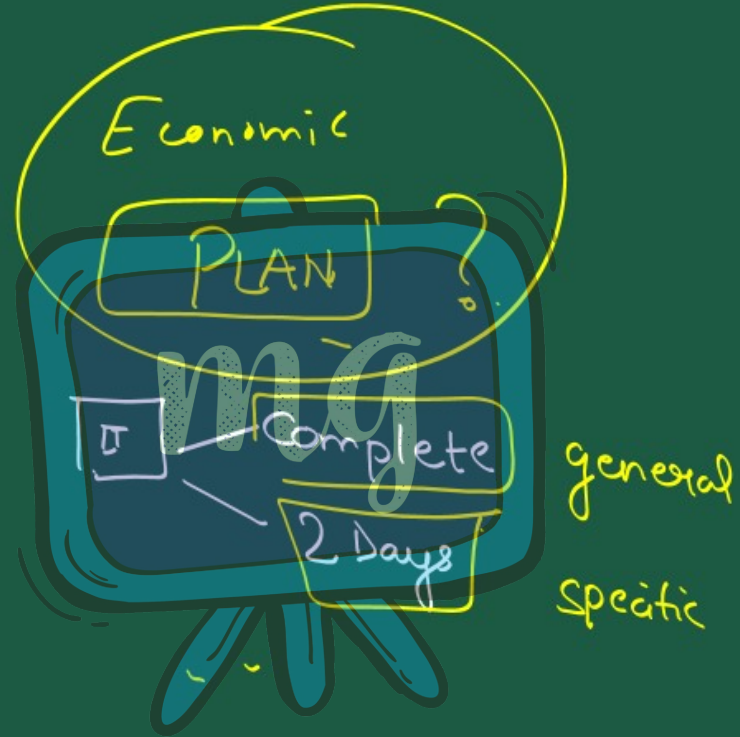
MIXED ECONOMY

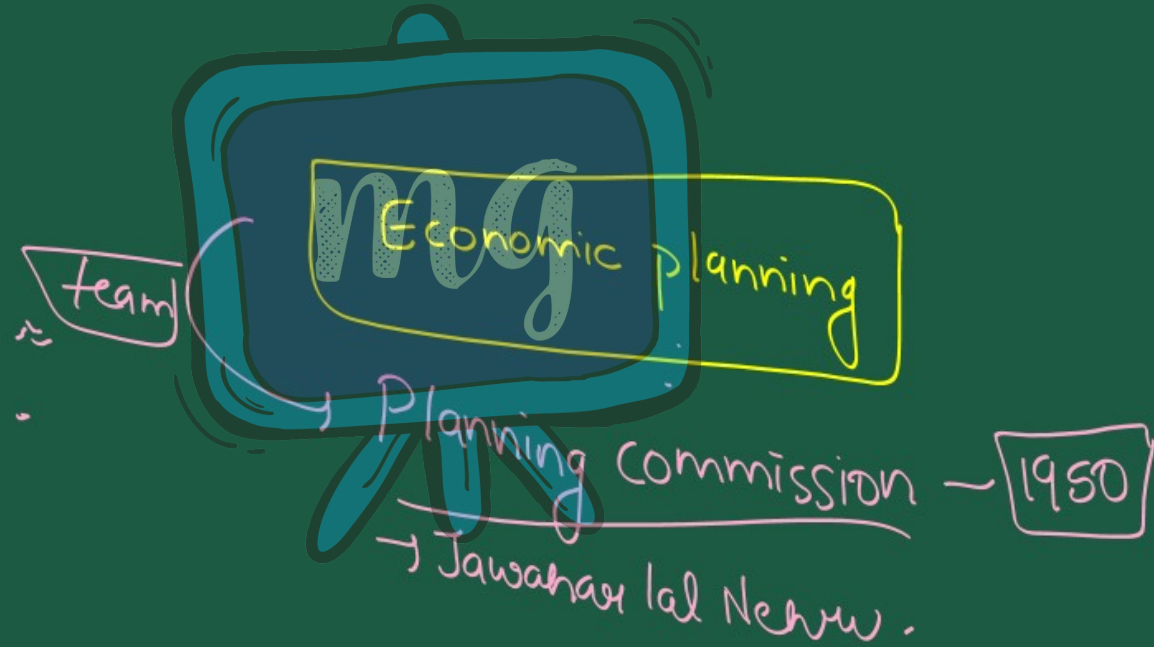
The government and the market together answer the three questions of what to produce, how to produce and how to distribute what is produced.

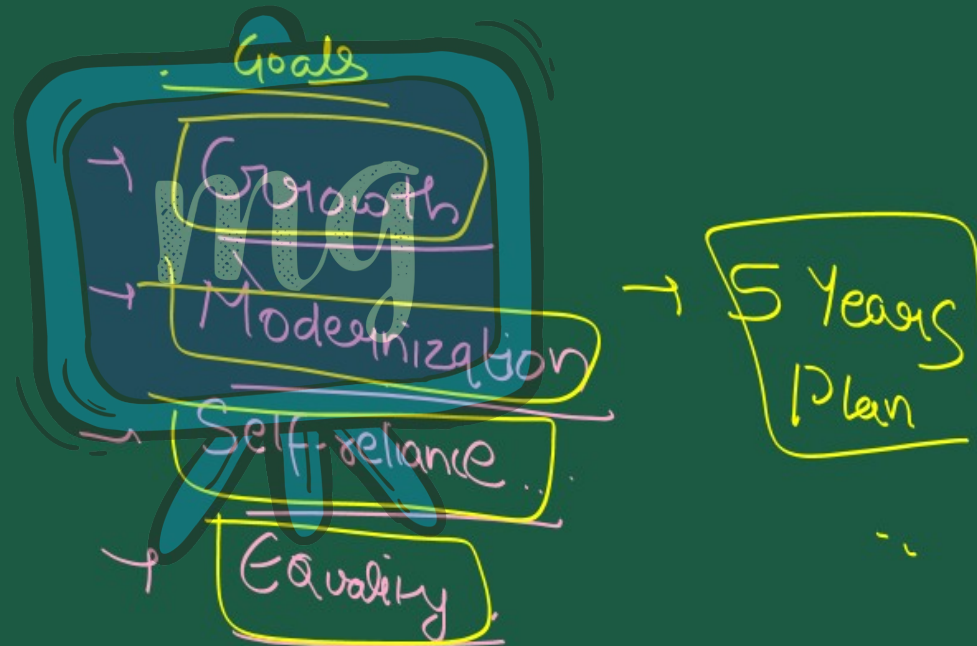


- ▣ The market will provide whatever goods and services it can produce well.
- ▣ The government will provide essential goods and services which the market fails to do.






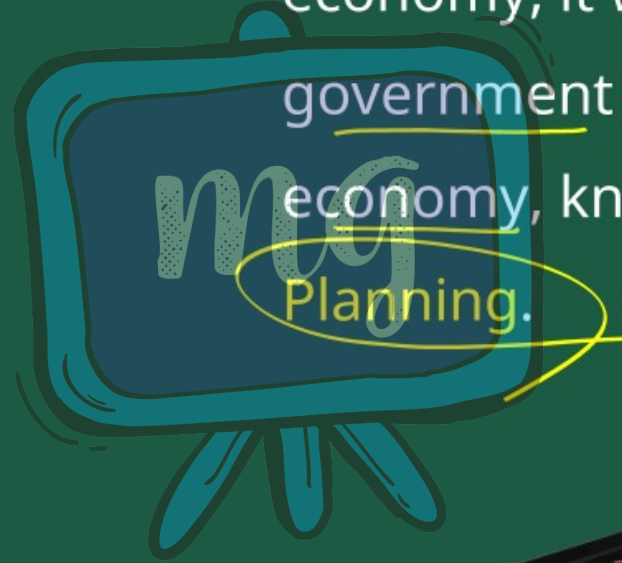




WHAT IS A PLAN?


- 
- How the resources of a nation should be put to use.
 - Plan includes some general goals as well as specific objectives which are to be achieved within a specified period of time.


- For the development of the Indian economy, it was necessary for the government to 'plan' for the economy, known as **Economic Planning**.




ECONOMIC PLANNING

It is defined as making major economic decisions (what, how, and for whom be produce) by the conscious decision of a determinate authority, based on a comprehensive survey of the economy as a whole.

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- The industrial policy resolution of 1948 and the directive principles of the Indian constitution assigned a leading role to the public sector.
 - Private sector was also encouraged to be part of the plan efforts.

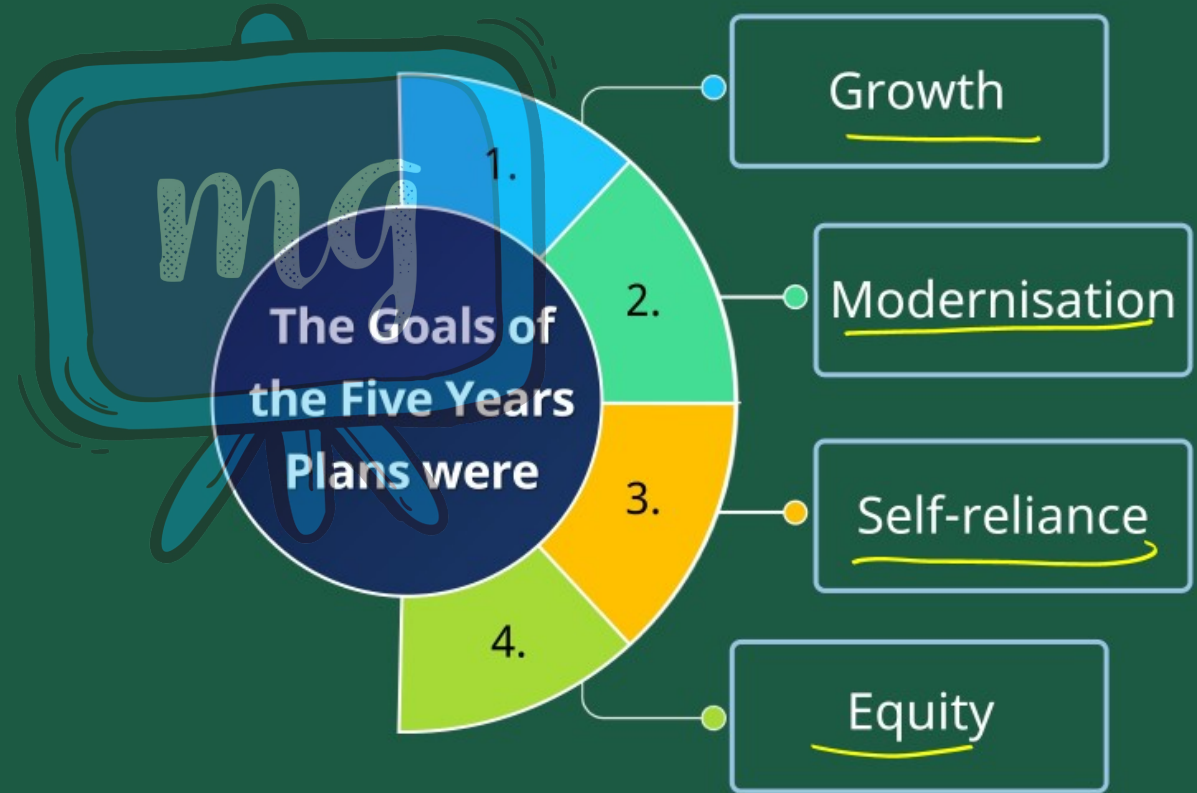
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- ▮ To made economic planning effective, the government of India set up the **planning commission in 1950**, with the Prime Minister as the chairman.
 - ▮ **Jawahar Lal Nehru** was the first chairman.



▮ The purpose of the commission was to carefully assess the human and physical resources of the country and be prepare the plans for the effective use of resources.

▮ The planning commission fixed the planning period at five years that began the era of five-year plans.

GOALS OF FIVE YEARS PLANS



- Due to limited resources, a choice has to be made in each plan about which of the goals is to be given primary importance.
- The planners have to ensure that, as far as possible, the policies of the plans do not contradict these four goals.

FIVE YEAR PLANS IN INDIA

1st Five year plan (1951-1956)

- Focus on Agriculture, Irrigation, Electricity. PRIMARY $\rightarrow 70\% - 75\%$
- Based on Harrod-Domar model.

2nd Five year plan (1956-1961)

- Focus on rapid Industrialisation.
- Based on PC Mahalanobis model.

3rd Five year plan 'Gadgil plan' (1961-1966)

- Green revolution was started.
- Aim was to make India 'self reliant' and 'self generating economy'.
- Focus on Agriculture and Industry.
- Reason of failure India - China war, India - Pakistan war, unprecedented drought.

Plan holiday (1966-1969)

- ✧ 3 separate plans were prepared
- ✧ Focus on Agriculture and Industry.



4th Five year plan (1969-1974)

- ▮ Aim growth with stability and progressive achievement of self-reliance.
- ▮ 14 banks were Nationalized.
- ▮ Focus on Agriculture.



5th Five year plan (1974-1979)

- Main objectives 'Garibi Hatao' & 'Self Reliance'.
- Focused on Poverty.
- Prepared plan was terminated in 1978 when Janata party government rose to power.

Rolling holiday (1978-1980)

✧ There were 2 sixth plans.

✧ Janata party government lasted for only 2 years.



6th Plan (1980-1985)

Focus on Increase in

- ✦ National income.
- ✦ Modernisation of technology.
- ✦ Population control through family planning.



7th Plan (1985-1990)

- Focus rapid growth in food grains production, Increased employment opportunities.

✦ Two annual plans (1990-92)



Food



Fuel & Light

8th Plan (1992-1997)

Focus on Human Resource

Education, combat bad economic
situation.

9th Plan⁴ (1997-2002)

Focus on Social justice, Equality.



Healthcare



Clothing



School



INEQUALITY

10th Plan (2002-2007)

- Focus on Eradication of Regional Unbalance.

11th Plan (2007-2012)


- Focus on Inclusive Growth.

12th Plan (2012-2017)

- Focus on Faster, Sustainable and Inclusive Growth.



FEATURES OF ECONOMIC POLICY PURSED UNDER PLANNING

- 
1. Heavy reliance on Public Sector.
 2. Regulated development of Private Sector.
 3. Protection of small scale industries.
 4. Focus on Saving and Investment.
 5. Protection from Foreign Competition.
 6. Focus on Import Substitution.
 7. Restriction on Foreign Capital.

LEARNING OUTCOMES



- 1 | Establishment of Planning Commission
- 2 | Five Years Plans



1

When did India launch its first Five Year Plan?

☒ A 1947

☒ B 1951

☒ C 1956

☒ D 1961

2

Which Five Year Plan emphasized
import substitution industrialization?

- ☒ A First Five Year Plan
- ☒ B Second Five Year Plan
- ☒ C Third Five Year Plan
- ☒ D Fourth Five Year Plan



3

What was the main objective of the Planning Commission?



A To promote private sector growth



B To achieve rapid economic growth and development



C To reduce poverty and inequality



D To promote foreign investment

4

Who was the first Chairman of the Planning Commission?

☒ A

Jawaharlal Nehru

☐ B

Indira Gandhi

☐ C

Rajendra Prasad

☐ D

Sardar Patel