Economics [SEM 5]
Strategy of Planning

INTRODUCTION :-

- Economic planning in a country is always guided by definite strategy. The strategy of planning also subjected to considerable changes in the entire planning process. It involves selection choices like development of agricultural sector or industrial sector, public sector or privet sector involvement closed economy or open economy model.

MEANING OF STRATEGY OF PLANNING :-

- The objectives of the policies are fulfilled in definite time period, method of implementation etc. are decided is called, as strategy of economic planning. “
- Generally solution of economic problems of any country depends on what kind of policy has to formulated is called strategy of planning.
- According to Dr. J.J.Anjaria , there are five aspects of the strategy of planning.
- Size of the plan
- Pattern of investment
- Mobillity of resources
- Policy for plan
- Policy regarding foreign capital

PRINCIPLES OF STRETEGY OF PLANNING :-

- Balanced growth
- Unbalanced growth
- Stretegy of big push
- Balanced growth :- The theory of balanced growth was developed by Schumpter. According to prof. Nurks "the poverty and market are the basic vicious circle in the less development economies.

Limitations :

- must be available. These conditions are not simple in the developing economies.
- Unbalanced growth :- Prof. Harshman has advocated for the theory of imbalanced growth. "The planned imbalanced technique adopted in the planning procedure is called imbalanced growth strategies." The less developed economy should adopt forward or backward effect technique, under this procedure other industries will develop in an automatic manner.
- In the country where the capital is scarce then in order to have a quick economic development, huge capital is required. Thus, the capital become a computable to the labour.
- According to Mr. Flaming, it is necessary that certain conditions must be satisfied e.g. capital at reasonable rate, the increasing returns to scale and the labour force Strategy of big push :- Prof. Rosestein Rodan has given the theory of big push and Harvey Lebenstein has given the critical minimum effort theory. According to the first theory an economy needs big push to uplift the structure and to get the advantages of economies of scale whereas the second theory explains the two forces prevailing in the economy as negative factors and positive factors.

Important aspects of Prof. Rodan’s big push theory is as under :
Indivisibility of production function :- According to economist Rodan, the issue faced by underdeveloped country is limited resources.
Investment in SOC must be made before making investment in direct productive activities.
It requires huge amount of investment .
It can’t be imported .
It lasts for a longer period of time and it is irreversible.
The investment in social overhead capital takes time to generate returns and its impact in the economy is not immediately or directly visible.
Indivisibility of demand:- According to the economist Rodan , demand of many products is interrelated. It means that if government develops one industry, it will lead to development of other industries automatically.
Indivisibility of savings :- Supply of saving and industrial development is indivisible factor. This is because amount of savings plays important role in capital formulation. A specific amount of investment can be made in the presence of specific savings .

Q.2 DIFFERENCE BETWEEN MRTP ACT AND COMPETITION ACT
MRTP ACT:-

- Time period: It was long term enactment When passed: It was an old enactment, passed in 1969 now it has been repealed.
- Having complex provisions.
- Objectives: Its objectives were to check monopolistic, restrictive and unfair trade practices.
- Solution: for administration of this act, Monopolies and Restrictive Trade Practices Commission (MRTPC) was established.
- Flexibility: it was not flexible or was rigid.
- Based: it was based on pre- economic reforms.
- Penalty: No penalty
- Prohibition: Dominance of enterprises was prohibited.
- Completion: registration of agreement was compulsory.
- Autonomy: it had very little administrative autonomy.

COMPETITION ACT 2002 :

- When passed: It is a new enactment, passed in year 2002, it has taken over MRTP Act.
- Time period: It is compact and simple enactment, composed of only 66 sections.
- Objectives: Its objective is to promote competition and to restrict anti-competitive agreement.
- Solution: For administration of this Act, competition commission of India (CCI) is established.
- Flexibility: It is flexible.
- Based: It is based on post economic reforms scenario.
- Penalty: Very strict penalty provision.
- Prohibition: In competition Act, dominance is not prohibited.
- Completion: In this act, registration of agreement is optional.
- Autonomy: CCI has relatively more administrative autonomy.

Q.3 Distribution system of finance between centre-States in India

Introduction :-

India is a country of federal finance. According to article 268 to 300 of constitution of India, there is a clear cut explanation about the distribution of responsibilities and sources of revenue between the centre and states. In Indian federal finance structure, there are three lists: 1. Central list 2. State list 3. Concurrent list. After allocating these resources by states.

India is a federal finance country. According to article 268 to 300 of the constitution of India, the distribution is made between the centre and the states for function and financial resources. The powers are given to the centre and the states for framing their laws in those matters which are given to them

Federal system in India:-

- We check the federal system of India in two matters;
- Allocation of functions:-
- List of function of central government:-
- The central government has been given the responsibilities of total 97 in India like defense, nuclear power, railway, aviation, water tran potation, air transportation, post and telegraph, foreign trade etc.
- List of function of state government:-
- The state government has been given the responsibilities of total 66 matters in India like like law and order, police, justice, public health, education, agriculture etc.
- Concurrent list:-
- The combined list of centre and states list includes 47 matters like economics and social planning, social security systems, industrial disputes. Looking at the distribution of functions between the centre and the states, it is said that the centre has less responsibilities compared to the states

Distribution system of financial resources between the centre and the states:-
Centre list:-
The contribution of India makes a clear division of power between the union and the states.
Taxes on income other than agricultural income
Excise duties
Custom land
Rates of stamp duties on financial documents
State list:-
The following are the power given to the states for imposing and collection of taxes in 7th schedule of Indian constitution and power to use the money collected through laws are given.
Land revenue
Taxes on agricultural income
Taxes on land and buildings
Toll tax capitation tax
Taxes on professions and trade

Concurrent list:-

- The following matters are included in joint list.
- The central government imposes stamp duties on medicines and cosmetics but these taxes are collected and used by state government.
- Since 1957 instead of imposing sales tax the centre imposes additional excise duties on cloth mill, sugar and tobacco. Its income is completely distributed on the basis of guarantee of farmer sales tax income in the state.

Grants-in-Aid:-

As important welfare and development function are entrusted to the states, gap between their revenues and expenditure have to be corrected through transfer of resources from centre.

Loans:-

The states are authorized to raise loans in the market but they also borrow from the central government which gives the latter considerable control over state borrowing and expenditure.

Provision for finance commission :-

Under the Constitution of India, it is compulsory to appoint Finance commission every five years in relation to changing financial condition between the centre and states.