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**STATE MARKET AND PLANNING  
CRISIS OF CO-EXISTANCE**

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## PREFACE

Centre for Multi-Disciplinary Development Research is a social research institute in a moffusil area of Karnataka. It is one of the national level research institutes, sponsored by the Indian Council of Social Science Research (ICSSR), New Delhi. The Centre aims at undertaking analytical studies of conceptual and policy significance on the socio-economic and cultural issues using multi-disciplinary perspectives and micro level information.

As a part of its publication programme the Centre has initiated a CMDR Monograph series and also publications based upon the research studies completed at the Centre.

We are happy to present this monograph 12<sup>th</sup> in this monograph series. The monograph entitled "State Market and Planning Crisis of Co-existence" proposed to examine the roles of the state market and planning in the present context of micro economic management in India. The role of the state and the role of planning assume a different meaning in the context of

liberation, privatization and globalization of the Indian Economy. The policy makers have been constantly clarifying that in the context of Micro-Economic Management India is not giving up its basic characteristic as a mixed economy aiming at socialistic pattern of society. It is necessary to examine in this background of past changes in the micro economic staging. The refined roles of the state market and planning.

The Centre expresses its grateful thanks to the author of this paper Dr. V.R. Panchamukhi for a comprehensive and insightful analysis of this topical theme. The text of this monograph is based upon the lecture that the author delivered in the Annual Conference Bengal Economic Association and at the Centre for Multi-Disciplinary Development Research.

It is hoped that the contents of this monograph would provoke researchers to further analytical work on the role of different institutional structures in the face of past changing economic environment.

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## STATE, MARKET AND PLANNING CRISIS OF CO-EXISTENCE\*\*

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V.R. PANHAMUKHI\*

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I have chosen for my address a subtle theme on the question of the roles of the State, Market and Planning in the current task of economic management in India for rapid economic development. I have captioned my theme as “State, Market and Planning-Crises of Coexistence”, and in this title itself, I have hinted that among the several crisis of principles, - the crisis of coexistence of the three main legs, so to say, viz State, Market and Planning (SMP) of the Tripod of Development. At one end of the spectrum of issues, we have the question as to whether each one of these entities, - viz State, Market and Planning – has any meaningful existence in the process of development. At the other end, we have the question as to whether all the three can meaningfully coexist then the immediate corollary is the question as to what is the optimum mix of the three components at the various levels- national, regional and sectoral, and also at the international levels. We should also raise the question as to whether each one of these can stand on its own-, and sustain the stability of the tripod of development.

These questions that I have raised are not only very simple ones but also very familiar ones. There is nothing new in them. But unfortunately at the present juncture, when there seems to be some apparent shifts in our paradigms of development and development strategies, these questions have become basic and have assumed a place of special significance. The purpose of my address is to remind ourselves of these basic issues before it is too late.

At the outset, we must put our conceptions of the State, Market and Planning in proper perspectives. There is lot of confusion on the basic premises of the meanings of each of these term. Most often the term “State” is identified with the central planning system of the erstwhile socialist countries. There is often an over-simplified assertion that the socialist countries have collapsed and the conception of socialism has also ended with them. Further, it is argued that the role of the State has diminished with these developments. All these are grossly erroneous statements of the fact. Firstly, the terms “State” has its own meaning independent of the socialist

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models of development. Further, the philosophy of socialism referring to the imperatives of equity, social justice, support of the deprived sections of the society, inter-temporal, inter-governmental and inter-space parity in the opportunities for development ext. are all different facets of the concept of socialism and these principles and values are cherished not only in the so-called socialist paradigm of development but also in the growth processes envisaged under the regimes of capitalism. The disintegration of the erstwhile USSR and its socialist block cannot be interpreted to mean total erasing of the concept of socialism from the dictionary of economic science. Perhaps, what has collapsed is the approach of excessive centralization of decision-making in the hands of a few political bosses without developing a decentralized mechanism of economic signals and responses. Thus, the objectives still remain sacrosanct, while the instruments adopted in the erstwhile socialist countries have been discredited. Our search should therefore be directed towards a proper package of instruments which enable us to achieve the cherished objectives.

The purpose of the digression given in the previous paragraph is to resurrect the concept of the State from the midst of the common misconception of identity between State and socialism. It is also meant to decline the debate on the role of the State from the puzzling collapse of the erstwhile USSR.

What is the meaning of the term “State” as is relevant for our debate ?

“State” is essentially a Socio-Political institution with specified norms and objectives which are largely determined by the Socio-Political processes in which framework this super institution is set up. In a clean and pure democratic set up, “State” is not an individual but it is the consortium of several individuals or several institutions, whose behavior is governed by the aforesaid norms and objectives.

The terms Market or Market forces, as used in common parlance, refers to an environment of “free for all”. How disastrous it would be for the people and the society, if “market” were to be devoid of any rules or norms for the behavior of the entities participating in it ! It is unfortunate that the recent tomado of “market fundamentalism”- if one may coin such a terms-through out the world, is in effect trying to sweep off all norms and values of human- behavior from the market and convert the “Market” into really “market” is used as a metaphor for competition in either the economic or political sphere. The market for votes and the interaction between the economic and the political processes that it envisages are also covered in this conception. Secondly, Market is understood as a distinctive mechanism of social individual choices in economic exchanges operates in a framework of liberty. Thirdly, the term “Market” is used as a synonym for capitalism – an economic system embodying varying degrees of free

competition, with distinctive features of private ownership of productive property, and exchange of goods and services through contracts—all of which is guaranteed by law. Finally, “Market” is defined as a system of economic exchanges with minimal regulations. In this sense, mercerization means deregulation of various types.

These four typologies of the conception of “Market” are picked up from the literature only to bring out the point that there is lack of clarity in what one is advocating when one is pleading for more of “Market” in any economic system. Of course, a “Market Fundamentalist” may take the easy course of saying that he means all the four types of conceptions when he advocates mercerization of the economic system. But we should recognize that this simplistic approach would break down the moment we realize that there are varieties of market segments – markets for goods, market for factor, including labour markets, markets for services and markets for different regions and different sections of the society categorized by income levels, social strata, etc. There are also different degrees of private ownership of one societal segment might jeopardize the competitive with perfect flow of information being nearly impractical, different things for the ultimate goals of efficiency and economic development.

If we consider the market segments in the international economic space along with those in the national economic space, then

we get almost infinite mixes of market types which make the analysts baffled about the nature of the market which they have in mind. I feel there is no sound analytical framework which provides insight into the implications of a system in which different typologies of Market coexist in a given national and or international economic space. Market distortions in one market segment may generate multiplicity of distortions in the other market segment and any unilateral initiatives to clean up a particular market segment from its distortions, may require simultaneous similar initiatives in regard to the other market segments. Thus mercerization of the economic space cannot proceed sequentially. Inter-temporal and inter-space process of mercerization will have to be worked out in a simultaneous interaction model framework.

Notwithstanding the complexities of the concept of the Market and that of mercerization listed above we could agree that mercerization means more scope given to the market forces.

As the third component of the Tripod of Development, we have the concept of “Planning”. Thanks to the initiatives of Shri Jawaharlal Nehru and Professor P.C.Mahalanobis, India launched itself on the path of planned development. What is meaning by Planning ? In common parlance, Planning, means, advance decision making on certain decision variables with a view to achieving some desired objectives. Professor Jan

Tinbergen, gave to us a very systematic framework of planning models, which distinguish between four types of variables, namely, Target Variables, Instruments Variables. The structural relationships among these variables and an objective function to be optimized described the policy model as against the analytical models. Viewed in this way, importance of planning in all decision making processes becomes obvious. It also suggests that planning in some form or the other is implied at every stage of decision making. However, when we talk of planning in the present debate, we mean planning at the national level which embraces multiple dimensions of the economic activities at the various levels. Sectoral allocation of the desired objectives of growth in the national income and stipulated sectoral composition of final demand. The Broad structural allocation will have to be further split into projects and investment schemes at the decentralized levels. The essential philosophy underlying the approach of Planning has been very elegantly and clearly spelt out by Professor P.C.Mahalanobis, - the architect of planning in India, in the following paragraphs :

*“I may explain why I have been using the phrase ‘operational research’ in relation to planning in India. Our aim is to solve the problem of poverty, that is, to find a feasible method of bringing about a continuing economic development of the country. It would be*

*necessary to use much scientific and technical knowledge and also to organize continuing research at various levels for this purpose. But research is not our primary objective; the aim is to solve our particular problem. When a practicing physician gives a medical treatment to a patient he uses much scientific knowledge and may even do some research, but the treatment given is not primarily for purposes of research. The distinction is important. In my view our studies also have the primary aim of solving a particular problem (and not of doing any theoretical research for its own sake). This is why I have used the phrase operational research in the present connotation. We are speaking of India and suggesting methods which we think are practicable under Indian conditions. I shall be naturally glad if our work is of help to any other country. But it has not been our intention to formulate any general theory which would be universally applicable to other countries.*

I have tried to set up a conceptual frame-work which would be of help for practical purposes; and I have used certain statistical methods to solve our problems. I do not think that the models have any permanent value of their own. I have used them as scaffolding to be dismantled as soon as their purpose has been served.

There is, of course, much need of theoretical thinking and researches; but so far we have been primarily concerned with practical issues, that is, with operational (as distinguished from theoretical) research.”

The above paragraphs bring out that planning is essentially a process and not an event. The emphasis in planning is on solving the problems and the methodology of planning has to be geared to this objective. Though, Professor Mahalanobis is more known in the academic and the policy circles for his two-sector and four-sector models of planning, it is interesting to note that Professor Mahalanobis himself did not consider the model itself as the complete skeleton, flesh and the soul of the planning process. It is ironical that the subsequent growth literature on planning in India became more obsessed with the methodology and the models of planning rather than with the problems of development which require to be solved. We have, therefore, to be clear in our mind as to what we are referring to when we talk about Planning. Are we talking about the methodology and the models of planning? Or we talking about the methodology and models of models of planning? Or we talking about the process of planning which implies a constant monitoring of the emerging problems of development and the alternative solutions that are feasible? Let me clarify that the process of planning that I am talking about is not just the implementation of the contents of a plan. By the process of planning, I mean the

continuous diagnostic process of a physician, who is always keen to understand the diverse facets of the ailment of the patient and who is also alert with the latest literature on diseases and medicines and who uses his intuition and wisdom to link his knowledge on disease and medicines with his understandings of the ailment of the patient. Viewed in this way, the process of planning becomes a more profound exercise than even the process of implementation of the plan. Further, the methodology or the model of planning becomes a somewhat minor component – though an important one-of the planning exercise.

Unfortunately, the literature on planning that grew by leaps and bounds after the initial Mahalanobis model of planning has been concerned more with the methodology and the model of planning rather than with the process of planning, as described above. In my view, the process of planning should have received much more attention than the methodology or models of planning. Of; course, I would not like to underrate the importance of technical debates on the methodology or the models of planning. What I have in mind is to emphasize the need for a techno-economic group constantly monitoring the emerging problems of development in the context of the ever changing national international economic scenarios. After this first Stage of the identification of the problems and their prioritization, in the inter-temporal and spital context, the appropriate methodology

and models of planning should be formulated for working out package of policy instruments for achieving the desired objectives.

In my view three distinct components of planning should be recognized. Firstly, the plan for the sectoral allocation of the resources as envisaged in the plan document prepared by the planning commission. Secondly, the choice of policies-trade policies, monetary and fiscal policies, exchange rate policies, the budgetary policies etc., which are such as to generate the desired responses of decisions at various disaggregated level in the economy. Third component is one of constant monitoring of the responses of micro-level decision-makers to the sectoral allocation of resources and to the package of policies and bring out correctives, both in the process of planning and in the choice of the policy instruments. All these three components should be viewed in an integrated framework and they constitute planning in their totality.

In our system of planning, as it has evolved over time, one tends to feel that there is not much of coordination between work of Planning commission and the policy initiatives taken by the various economic ministers. No wonder, that we get very little reference to the plans in the budget documents. Further, in so far as the responses of the plans in the budget documents. Further, in so far as the responses of the economic actors are

directly linked to the policy-instruments, the planned targets are rarely achieved.

In our conception of planning many misgivings also have entered over time. I would only illustrate this point by referring to the problem of decentralized planning as against the centralized planning. We have recognized, way back in the late 60s that planning should not adopt just the top-down approach, but it should be essentially the reverse of it. Though this feature of decentralized planning has been recognized on paper, the approach adopted in practice has been rather a funny one. The essential message of decentralized planning consists of involving the economic actors at the grassroots level in the decision making process and also in the implementation of the planned schemes. However, what happens in practice is the following: Much of the initiative for the formulation of the projects at the decentralized level is taken by the Yojana Bhavan in Delhi. Decentralized planning then becomes the decision for the decentralized-disaggregated economic actors taken at the aggregate level by centralized agency. Of course, I am aware that I am not hundred percent factually correct when I say this. Because, in practice many of these decentralized project proposals do originate from decentralized economic actors. However, my point becomes clearer, when we observe that the capabilities of planning and the planning machinery continue to be very poor and inadequate at the level of the different



States and also at the decentralized districts or panchayat level. Decentralised planning would not yield the desired result unless the planning machinery at the decentralized level is properly strengthened.

Another point about decentralized planning is worth making. Often decentralization refers to only the disaggregation of space into smaller units. For instance, a Panchayat may be regarded a decentralized unit at the lowest level of the purposes of decentralized planning. However, if you take the various stages of decision making, decentralization should be made according to the various types of decision that we have to consider. For instance, for decision on consumption, an individual consumer is the disaggregated decision making unit. Similarly, an individual trader, industrialist, farmer, a teacher, a house wife, a banker, a village moneylender, are all decentralized entities of decision making. We should conceive of separate decision models for these different classes of decision making entities. For instance, we should have a decision model for the trader community. We should have a decision model for a farmer. We should have decision models for a village house wife and a urban house wife separately. Thus with the recognition of these diverse processes of decision making – with a separate objective function and decision variables identified in each case – have a situation of a large number of decision models classified according to the categories of the decision models. This

categorization may also include different societal and professional classes, such as economically backward classes, farm labourers, industrial labourers, etc. After conceiving such diverse decision models. One type of integration is to aggregate the micro level decision models into a group decision model. At the second level we have to work out the integration of the different decision modes for the conflicts and complementarities in the different interest groups and the final national model for the national plan very much depends upon the manner in which these conflicts and complementarities are taken care of in the process of planning and also in the methodology or the model of planning as we described earlier.

One may wonder that what I have been trying to say is a very simple and familiar story. But my predicament is that planning, as is done in the country or the literature on planning with which we are familiar, does not seem to explicitly recognize these points. Hence I just thought that I should briefly digress on these issues when we are reflecting on the concept of planning as such.

Coming back to the mainstream of our theme, we should not raise the following basic question:

Firstly, what has been the nature of the framework, in regard to the role of the State, Market, and Planning so far adopted in India since the 50s? Secondly, what have been the lessons that we should draw.

Based upon our own experiences and the experiences of other developing countries to the extent that they are relevant to us? Thirdly, how far the present euphoria for mercerization is based upon sound rationale and economic theory? Is it correct to envisage that Market can deliver the desired results without State? Finally, what kind of synthesis of the State, Market and Planning, we should aim at with a view to deriving maximum returns to our reforms process in the country?

Indian model of development strategy adopted since the 50s has been a unique one. In fact it is a pity that we are not feeling proud of our own model of development paradigm and we are showing some sort of enthusiasm to discredit and discard our own model. 'Indian model of development strategy has been one of the golden synthesis of the State, Market and Planning. Our mixed economy paradigm in which public sector and the private sector co-exist and planning State-Market synthesis in which the state interventions and the role of market are suitably blended in the planned manner, are, in a way, India's contributions to the theory of economic development in the developing world. It has been our age-long colonial legacy that has given to us an attitude of maximum self-negation. Our culture of accommodation and desire to learn from others has now been proving as a negative characteristic leading to maximum self-denial. While the world literature has been talking about the issue of the market versus state, we, in India, had

adopted from the 1960's, the paradigm of the State and the Market and superimposed on this State-Market framework the cloak of planning. The world is also now moving towards such a synthesis. It is this synthetic framework that has sustained us in the past 40 years and I personally feel that after all our tribulations of the recent past, we will finally settle down to this synthetic framework. It should be noted that the Prime Minister has been speaking about the "Middle Path" in the recent Davos meeting and also during his recent address in England. The point I am trying to make is that we should be feel proud of our synthetic model and we should do everything to clean it up in all possible ways and to ensure that it gives the desired results, instead of throwing it out in search of a new one- like throwing the baby with the bath water. There is a proverbial saying that the distant mountain top always looks very smooth.

In the debate of the State versus Market, we come across many puzzling combinations. There is an advocacy that we should have a Market-friendly State. There is also a plea that we should have a State incorporated like Japan-incorporate or Korea-incorporate, meaning thereby that the State functions in total harmony with the business community. There is also the recognition that the interdependence between the State and the Market should be explicitly recognized in any choice of our development strategies. The Social Market Economy paradigm of the Nordic countries

is being strongly advocated by the Wiseman of the World Bank, which suggest that the State should function as only a facilitator of development by providing infrastructure facilities and other support mechanisms without directly participating in the economic activities.

The objective analysis of the experiences of the development strategies of many developing countries has been providing many new questions of analytical and practical importance. At one time the miracle of Japan and the success of the East Asian NIES were attributed to the free play of the market forces. In this early literature originating essentially from the World Bank and the capitalistic intellectuals these perceptions were perhaps promoted by a desire to assert the supremacy of the Market approach over the Central Planning approach of the then socialist bloc. Since market protagonists now believe that the approaches of central planning and socialism have been discredited, the supremacy of the market approach has been established and there is now no fear of any new challenges in this regard ironically, however, the recent literature on development and development strategies – largely coming in the late 70s and 80s has been boldly asserting that the State has been playing a very crucial role in making the Market behave in a manner best suited for the national interest of these economies.

The East Asian success has been analyzed in the frameworks of a Free Market Theory (FM), a Simulated Free-

Market theory (SFM) or a Governed Market theory (GM). The Free Market theorists have argued that the State intervention was largely absent and that the state provided a suitable environment for the entrepreneur to perform their functions freely. The Simulated Free market theorists have argued that the crux of the Korean example was that the active intervention of the State has been aimed at applying moderate incentives which are very close to the relative prices of products and factors that would prevail in a situation of free trade. It is argued that the government was, as though, simulating a free market. In other words, the government was trying to adopt a sort of a neutral policy regime so that the State tries to eliminate the distortions that exists in the various market segments. As against these two approaches, the Governed Market (GM) theory of East Asian success tries to provide a very penetrating insights into the motives and the content of the behavior of the State in these economies. I cannot help extensively quoting from some authors who have these interesting insights.

Parvez Hasan's writing on South Korea reads as follows :

*“The Korean economy depends in large measure on private enterprise operating under highly centralized government guidance. In Korea the government's role is considerably more direct than that of merely setting the broad rules of the game and in influencing the economy*

*indirectly through market forces. In fact, the government seems to be a participant and often determining influence in nearly all business decision”*

Edward Mason and associates also underline the role of State and Planning in governing the market. They write as follows :

*“The rapid economic growth that began in South Korea in the early 1960s and has accelerated since then has been a government directed development in which the principal engine has been private enterprise. The relationship between a government committed to a central direction of economic development and a highly dynamic private sector that confronts the planning machinery with a continually changing structure of economic activities presents a set of interconnections difficult to penetrate and describe. Planning in South Korea, if it is interpreted to include not only policy formulation but also the techniques of policy implementation, is substantially more than “indicative”. The hand of government reaches down rather far into the activities of individual firms with its manipulation of incentives and disincentives. At the same time, the situation can in no sense be described in terms of a command economy”.*

It is interesting to note that the Vice-Minister of the Japanese Ministry of

International Trade and Industry (MITI) has to say on the government initiatives in Japan to promote rapid industrial development and competitive advantage in the international market.

*“The MITI decided to establish in Japan, industries which require intensive employment of capital and technology, industries that in consideration of comparative cost of production should be the most inappropriate for Japan, industries such as steel, oil-refining, industrial machinery of all sorts, and electronics... From a short-run, static viewpoint, encouragement of such industries would seem to conflict with economic relationalism. But, from a long-range viewpoint, these are precisely the industries where income elasticity of demand is high, technological progress is rapid, and labour productivity rises fast. It was clear that without these industries it would be difficult to employ a population of 100 million and raise their standard of living to that of Europe and America with light industries; whether right or wrong, Japan had to have these heavy and chemical industries.. fortunately, owing to good luck and wisdom spawned by necessity, Japan has been able to concentrate its scant capital in strategic industries”.*

Chalmers Johnson has sketched out a model of the Capitalistic Developmental State, meaning thereby that the

developmental objective of the State prompted to adopt policy interventions which would enable to State the influence the behavior of the market. Another author-Henry Rosovsky had written that “Japan must be the only Capitalist Country in the world in the which Government decides how many firms should be in a given industry and sets out to arrange the desired number”.

In this debate on the role of the State, even in a capitalistic framework, verities of models have been identified. The relevant distinctions are democratic versus authoritarian and pluralist versus corporatist states. The United States is described as an example of a pluralist democracy in which the interest groups are voluntary associations freely influencing the State policy to suit their interests. Korea and Taiwan are described as examples of authoritarian corporatism. Australia and Switzerland are captioned as democratic corporatist element to suit its own interests from time to time.

The analysis of the experiences of the many countries of the world described very briefly earlier, brings out two important perceptions. Firstly, there is no singly universally valid model of state versus Market Secondly, the State has to govern the Market instead of the State being dictated by the Market. In the light of these perceptions let us see what has been the paradigm of development strategies which India has been pursuing.

It has been argued that a fully commercialized society requires a coercive

state. In fact, in the recent literature on the strategic trade policy, it is eminently brought out that in a predatory competitive situation the State is forced to adopt strategic response, which go beyond the received economic rationale. It is argued that interventionist policies of the State are required not for promoting a liberal economic environment but for resisting the pressure of the devilish market forces that are let loose by the unscrupulous market operators.

For want of time, I will not be able to delete further on this issue of synthesis of the State and Market. It is now very clear that the State and the Market. It is now very clear that the State and the Market should co-exist in any process of development and the governance of the Market by the State will have to be the responsibility of the planning process.

The problems of the State governing the Market and the modalities of doing this effectively and purposefully is a subject which deserves the attention of the researchers and the policy makers. While I do not intend to dwell upon this issue in greater detail I would only like to emphasize that the framework of this governance will have to be based upon certain cherished values relevant for each country's situation. I am specially singling out this issue because the recent Commission on global Government set up under the chairmanship of Mr.Ingvar Carlsson, Former Swedish Prime Minister has been values which are based upon some pre-conceived notions about economic ideologies. The

Commission talks about free markets, liberalization, privatization as the values of optimum governance ! One should very strongly dismiss this kind of conception of values to be universally applicable in all stages of development. In fact the very notion of values as universally applicable refers to certain norms of human behavior which would enable the individual and the society realize their common goals without much problems of mutual conflicts and dangers of hastening the advent of catastrophe. The State should govern the Market by spelling out the values for its own behavior and also for the behavior of the market. For instance, avoidance of predatory competition is a value to be imposed on Market preservation of ecology and clean environment is yet another value to be cherished both by the State and the market. Creating a bureaucratic set up which functions speedily and without corruption is a value to be adopted by the State. Thus I feel that the country should debate the profile of values that need to be inculcated at various levels of economic behavior.

Since these values will have to be ultimately accepted and practiced by human beings the topic of state governing the Market takes us to be important subject of human resource development. I must hasten to add that by the term human resources development I do not mean the development of technological skill, entrepreneurial and managerial abilities etc. What I have in mind is the inculcation of values in the human resources in the State

and in the Market who ultimately constitute these entities. I am reminded of the thesis that Japanese industrial culture comprises of three values namely Commitment. Competence and consistency-three Cs which are to be essentially inculcated by the Japanese human resources. Indian traditional literature abounds in the enunciation of many such values. For instance the Isavasya Upanishad proscribes that all resources belong to the society and each member can claim only his legitimate share from this national pool of resources. The Kautilya Arthashastra provides a very interesting insight into a value based State and the Market paradigm. It states that national welfare can be realized only by the value based human resources; The national resource can be put to optimum use only if the State functions in a proper way; The State can live up to its expectation only when the politicians and the bureaucrats display an attitude of sacrifice and selflessness; This kind of attitude can be imbedded only when there is orderly environment of modesty, respect for the elders, appreciation of good work etc; This kind of value-based order can be realized only when education and higher knowledge are given their due place of importance.

This very interesting integrated chain of cause and effect relationship brings out all the principles and values that are required to be cherished by the State and the market and also in the great task of the State governing the Market. Reminding the entire nation about the advantages of values does not mean sermonizations. The leaders

of the State and those of business should live the life of values which in turn would have far reaching effects on a value-based system of governance in the country. It is here that the role of planning becomes important our Yojana Bhavan should address itself to these new challenging tasks to reiterate its relevance and to make its presence felt in the midst of dubious complexities that surround us.

I feel that the recent reforms process in India should be viewed as an exercise in chopping off the deadwood that has grown on the State and also on the Market over time in the Indian economic space. This deadwood has taken many manifestations. In the case of the State, it has manifested itself in the form of excessive growth of bureaucracy and deep rooted edifice of vested interests, both within the State and in the Market place. Corruption has been the enviable concrete bridge between the State and the Market, while all over function-driven linkages have been thrown to the background. The complexities of the policy system have made the policy instruments irrational and counter-productive in the sense that the objectives are not realized by the very policies which were adopted for achieving them. All this implies tremendous wastage of scarce national resources. Hence, policy reforms are required to chop off this deadwood from the policy system. Imperatives of this kind of reforms in the Indian policy regime

were recognized way back in the seventies, when many Committees and expert groups had extensively deliberated on them and made many far reaching recommendations. However, the forces of the vested interest have been so powerful that this heavy deadwood still continues today. The reforms process should target its bold and revolutionary initiatives to this limited task of cleansing up the policy interventions. The task should be very clearly identified and laid out-Nothing more and nothing less. I feel that all the talk about mercerization, globalization, privatization etc. is adding confusion to the complexity of the situation, whereas there is need for greater clarity in regard to the objectives and the instruments of the reforms process. The co-existence of the State and the Market or the appropriate blend of the State and the Market to suit Indian conditions will have to be worked out in our Annual or Five-Year Plans and the later is the task of the Planning Commission in Yojana Bhavan in Delhi and also that of the state level planning bodies. In recent days, we are getting the impressions that the planning process and the tasks of the planning bodies are becoming increasingly marginalized under the much publicized euphoria of the miracles of the market. I hope that the Nehru-Mahalanobis legacy of the golden blend of the State, Market and the Planning would be restored to its legitimate glory before it is too late on our national scene.

