

THINKING NATIONAL, ACTING LOCAL

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Vibrant vector illustration is showing a teacher and adult students in the middle of the process of facilitating learning. On the bottom part of the illustration there are students and teacher; above them there are different speech bubbles randomly filled with different elements/icons related with education, learning and teaching. Those elements are: light bulb for new knowledge and ideas; gears and wheels for thinking and processing; question mark for questioning; magnifying glass for looking the right solution or to look closer to the problem; brain for thinking and intelligence; speech bubbles for communication ect. Illustration is nicely layered.

The attack by the [SARS-CoV-2 virus](#) has highlighted, once again, both the bad shape of the Indian economy and the precariousness in the lives of millions of people. Citizens have been ordered to stay in their homes to prevent the pandemic. But many have no homes. They are being urged to wash their hands frequently, when many do not have access to enough clean water to drink. The public health system is woefully inadequate. GDP growth rates may have been good for sometime. But many systems in the country are fragile.

National planning, by whatever name it is called (Planning Commission or NITI Aayog), has failed to produce all-round development of India's economy so far. An all-round plan for recovery from the pandemic is required. As Einstein said, "you cannot solve intractable problems with the same thinking that produced the problems". Therefore, it is time to consider the weakness in India's national planning.

Any planning institution in a federal and democratic system faces two basic challenges when it comes to performing a long-term role — a constitutional challenge, and the challenge of competence.

The fundamental issues a national plan must address, such as the condition of the environment, the shape of the economy, and pace of human development, need consistent action over decades. Therefore, policies must continue beyond the terms of governments that change in shorter spans in electoral democracies. Moreover, if the planning body does not have constitutional status independent from that of the government, it will be forced to bend to the will of the latter. Planning in China does not face this disruption.

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Short-termism in policymaking is a weakness of electoral democracies everywhere, as citizens of California have realised. California is suffering from great environmental stress. Its vaunted public education system has been underfunded for years. A group of concerned citizens in California, convened by the Berggruen Institute, formed a Think Long Committee. They studied the systems of governance in many countries and examined how long-term planning fits in them. China, whose remarkable economic progress can provide some lessons for planners everywhere, received special attention. With their insights, they have proposed a few changes to constitutional structures in California.

Debates have begun amongst economists about the inefficacy of long-term planning in India and the performance of NITI Aayog. They say that planning is weak when planners do not have the powers to allocate money for national priorities, which NITI Aayog does not have. They forget that the Planning Commission had such powers and yet was considered ineffective in bringing about all-round progress.

Moreover, they glide over constitutional issues in granting powers to institutions that allocate public money in democracies. A fundamental principle of democratic governance is that the power to allocate public money must be supervised by elected representatives. Therefore, a planning body that allocates money must be backed by a constitutional charter, and also accountable to Parliament.

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India's national planning process must address the constitutional relationship between the Centre and the States. In India's constitutional structure, elected governments in the States are accountable to the people. They are expected to improve human development, create infrastructure, and make it easy to do business in the State. They must manage their financial resources efficiently and balance their budgets. Constitutionally established Finance Commissions determine the sharing of Centrally raised resources with the States. What then is the role of a national planning commission?

Indeed, this was the question that several State Chief Ministers had raised during the UPA-II period.

States who were becoming self-sufficient in their resources questioned the value they were getting from their interactions with the Planning Commission. They said the Commission was out of touch with their ground realities and had little experience of how to get things done to produce outcomes. Moreover, it was becoming apparent that the model based on which the Commission seemed to be forming its advice was inadequate.

Whether a planning institution allocates money, or advises others how to, it must have the necessary competence. A national planning institution must guide all-round progress. It must assist in achieving not just faster GDP growth, but also more socially inclusive, and more environmentally sustainable growth. For this, it needs a good model in which societal and environmental forces are within the model. Economists who have been advising policymakers do not have comprehensive models of socio-environmental systems. Their models are inadequate even to explain economic growth, because they have not incorporated the implications of economic growth on inequality, for example, which has become a contentious issue.

An economy is a complex system, which sits within an even larger and more complex system of human society and the natural environment. The globalisation agenda has been driven by an economic agenda, with policies promoting global trade and finance to maximise global economic output. It has paid too little attention to the impact of the 'GDP agenda' on the well-being of communities where employment declines when production moves to lower cost sources elsewhere. Or to the total environmental impact of global supply chains. Now the system is reacting and stalling globalisation.

A feature of complex systems, in which all the parts are connected, is that the system cannot be healthy if any part becomes very sick — even if the others are in robust health. Even if all other organs in a human body are functioning, if one fails, the whole body dies. Therefore, a healthy global system must help its weaker members to become stronger. Another feature of complex systems with many interacting forces is that the forces combine in unique ways in different parts of the system. For example, the conditions of livelihoods, the natural environment, and infrastructure, combine in different ways in different localities and States. Therefore, systems solutions must be local too.

These insights into systems structures, as well as considerations of democratic governance in

which governance should be devolved to national governments, and, within them, to State governments, and even to the third tier of city and district governance, have implications for the role and competencies of a national planning institution for India. It must be a systems reformer, not fund allocator. And a force for persuasion, not control centre. Because its role must be to promote local systems solutions to national problems.

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