

Role of Government in Economic Planning and Development

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Introduction

- Economic planning is the main activity of modern welfare states and developing economies.
- Economic planning is a process in which set objectives of economic development are desired to be achieved in a given period of time.
- Economic planning ultimately achieve the goals of economic development through a holistic approach by the government considering socio-economic and politico-geographical factors of the country.

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- **Economic development**, the process whereby simple, low-income national economies are transformed into modern industrial economies. Although the term is sometimes used as a synonym for economic growth, generally it is employed to describe a change in a country's economy involving qualitative as well as quantitative improvements. The theory of economic development—how primitive and poor economies can evolve into sophisticated and relatively prosperous ones—is of critical importance to underdeveloped countries, and it is usually in this context that the issues of economic development are discussed.

Importance

- Emerging need of welfare state.
- Public expectations of old colonial countries.
- Socialistic approach.
- Avoiding capitalism.
- Emergence of development administration.
- Lack of capital and over population.
- Advancement in scientific field.
- International trade and other issues.
- Theory of 'big push'.

Role of the Govt.

- **As a policy maker-**

- All the economic policies are framed by the govt. **Policy makers** undertake three main types of **economic policy**:
Fiscal policy: Changes in **government** spending or taxation. **Monetary policy**: Changes in the money supply to alter the interest rate (usually to influence the rate of inflation). **Supply-side policy**: Attempts to increase the productive capacity of the **economy**.
- In India Industrial policy is the main component of economic policy.

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- **As an economic planner-**
- According to *Prof. Dickinson*, economic planning is the making of major economic decisions by a determinate authority on the basis of a comprehensive survey of the economy as a whole. Such decisions include what and how much to produce; how, when and where it is to be produced; and to whom it is to be allocated.
- The erstwhile Planning Commission' of India(now (NITI Aayog) has been the main body of economic planning.

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- **As an entrepreneur-**
- Public Enterprises are the example of government's role as a businessman. Thinking of government as entrepreneur is a unique lens through which to view a subset of government actions. The lens is not a template for an evaluation of government policy; rather, it is a characterization that underscores the government's purposeful intent, ability to act in new and innovative ways, and willingness to undertake policy actions that have uncertain outcomes.
- Nationalization of private undertaking and creation of central or state or joint public companies and corporations are the example.

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- **As an infrastructure builder-**
- Every sector of economy is basically dependent on main or basic things like- transport, communication, energy, water, fuel, irrigation, mining and raw materials etc. The Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Infrastructure sector includes power, bridges, dams, roads, and urban infrastructure development. India was ranked 44 out of 167 countries in World Bank's Logistics Performance Index (LPI) 2018. India ranked second in the 2019 Agility Emerging Markets Logistics Index.

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- **As a vehicle of Social welfare and as change agent-**
- The societies of developing countries are mainly suffering from human development problems like- poverty, illiteracy, poor health, sanitation and unemployment etc. The government grows into a new role of leadership, management and facilitation of the social change. The main key is the building and stabilization of a inter-organizational network to include, activate and focus the different stakeholders. Constitutional and legal instruments are fulfilling the concept of welfare and administrative state.

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- **As a motivator or economic promoter-**
- The government intervenes in the economy in four ways. First, it produces goods and services, such as infrastructure, education, and national defense. Second, it transfers income, both vertically across income levels and horizontally among groups with similar incomes and different characteristics. Third, it taxes to pay for its outlays, which can lower economic efficiency by distorting behavior. Finally, government regulation alters economic activity. The economic effects of regulation are the most difficult to measure, in terms of both costs and benefits, yet they cannot be neglected because they can be interchangeable with taxes or government spending. India's '**Start up**' move is an example of motivation and promotion by the govt.

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- **As a controller of economy-**
- Every government wants to control its economy in a planned way .A **planned economy** is "an economic system in which the government controls and regulates production, distribution, prices, etc." whereas a **command economy** necessarily has substantial public ownership of industry while also having this type of regulation.
- Government controls economy by various economic policies, legislations, orders, M.o.U. with public enterprises, monetary regulations, various types of permissions and license, minimum pricing and labour rates, taxation and legislative, judicial and ministerial control mechanisms.