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B.A. Economics  
B.A. Part-3  
Paper-5  
Topic - **Economic Planning : Objectives and importance**  
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### **Economic Planning:**

Economic planning is often regarded as technique of managing an economy. When the structure of an economy becomes complex and subject to rapid change and transformation (due to population growth, discovery of resources, industrialisation, etc.) some sort of advance thinking becomes necessary to resolve that complexity and to prepare the economy for those changes. Such preparation is called **planning**.

Most often that not an economic plan is regarded as a programme of action. It may also be taken to mean an instrument for regulating a free private enterprise economy. The regulatory measures may vary from country to country.

They may leave either too much or too little a degree of freedom to private enterprise. This may hamper the working out of the plan. Many plans leave their programmes incomplete because they hesitate to exercise their regulatory functions. They are little more than a list of public development projects.

Many other plans perform their regulatory functions with such seriousness and severity that their programmes of action are completely jeopardised. In such planned economies any sort of enterprise ceases to exist. The correct plan is one in which a comprehensive and consistent programme of action is sought to be implemented by carefully harnessing enterprise for the success of the plan.

It should be noted that a plan is just a programme of action, it is not a guarantee for action. In short, a good plan is one which makes adequate provisions for and ensures that its targets are properly fulfilled.

### **Objectives of Planning:**

The objectives of planning are many and varied. These aims are not the same for all countries, not are they same for the same country at all times.

Some major objectives of economic planning are:

- (a) An improvement in the standard of living of the people through a sizable increase in national income within a short period of time;
- (b) A large expansion of employment opportunities for the removal of unemployment and for creating jobs and incomes;
- (c) A reduction in all types of social, economic and regional inequalities;
- (d) An efficient utilisation of the country's resources for faster growth;
- (e) Removal of mass poverty within a definite time limit through land reform, employment creation, and provision of educational and medical facilities;
- (f) Attainment of self-reliance by reducing dependence on foreign capital and foreign aid.

### **Importance of Planning:**

The importance of planning lies in the fact that it is an instrument through which important socio-economic objectives, unrealisable under free private enterprise, are likely to be effectively realised.

*In an underdeveloped country like India these objectives may be broadly grouped as:*

- (a) A higher rate of growth than was being realised in the absence of the plan;
- (b) A greater degree of economic equality than was possible under free enterprise;
- (c) Fuller employment opportunities for the growing labour force of a country; and
- (d) Larger provisions for capital formation as one of the principal instruments for accelerating the rate of growth.

In the language of **Gunnar Myrdal**, "A main element of every national development plan is a decision to increase the total amount of investment, aimed at raising the productive powers of the country, and to procure the capital formation necessary for this purpose."