

Economic Planning



Objectives of Planning

Objectives of the Economic Planning

Here we will discuss the objectives of economic planning with reference to mixed economies and under-developed countries:

- ❖ ***Efficient Utilisation of resources:*** The most essential function of economic planning is to ensure the best use of given resources within the country
- Maximum social benefits can only be ensured when the available resources are allocated and utilised in the most efficient manner
- In the market economy, there are wasteful expenditures in the form of selling costs
- All this can be undone by the government through effective planning

Market imperfections and Price distortions

- In market economies, there are certain market imperfections and price distortions both in commodity market and factor market
- These distortions rise because of institutional arrangements
- In the organised money market the rate of interest is kept artificially low or inexpensive credit facilities are provided
- While on the other hand, in less organised money market or in agriculture market, the ROI is extraordinary high. This situation also creates price distortion
- These market imperfections can only be corrected by efficient economic planning

Greater opportunities

- The most common benefit that any democratic country enjoys is that the greater market opportunities are and should be provided to the producer and consumers
- But this can be handicapped because of two reasons
 - A. Limited life span of an individual
 - B. Limited resources at the disposal of an individual
- It is the duty of the modern government to provide greater resources at the disposal of individuals

Maximisation of National Income and Raising Living Standard

- It is the responsibility of modern state to maximise the national income and raise the standard of living
- It can only be ensured when the government correctly addresses the economic needs of the country and takes desired actions in economic planning

Full Employment

- In economically advanced countries, the government's aim is to provide full employment
- All modern governments have, in fact, underwritten employment
- If they cannot provide work, they have to give doles
- Unemployment is the biggest by product of any capitalist society
- The government can redistribute labour and create more work opportunities for both private and public sector

Equitable distribution of income

- Economic planning is the most powerful tool of equitable distribution of income
- The price-mechanism rewards people according to the resources they possess but contains in itself no mechanism for equalisation of the distribution of those resources
- Therefore, there is a wide gap between haves and have-nots. Shocking economic inequalities are a marked feature of an unplanned economy
- Reduction of economic inequalities is now the avowed aim of a modern welfare state and is impossible without the instrument of economic planning

Public oriented goals

- In market economy, only those goods are produced whose demands are backed by money offers
- As a result the production of public goods / services, including health, research and education, old-age benefits, poor houses, orphan houses, clean water, sewerage and drainage, free entertainment, art and culture, historical assets, wildlife, forests, security, and defence, are altogether ignored or very less attention is paid
- It is planning which distributes the resources between present consumption and future consumption, social development and economic development, etc
- As a result the goals of planned economies are more welfare and public oriented

Price Stability

- In under-developed countries, because of low productive capacity, low savings and investment, and traditional set up, the price starts rising very sharply, and its impact on the developing society is very deep
- In order to eliminate the adverse effects of price instability and business fluctuations, the government comes forward and play a vital role in creating a favourable economic condition
- This can only be done through wise economic planning

Larger savings and investment

- The ultimate task of any finance ministry is to boost up the savings and investment, esp. foreign investment
- In UDCs on one hand there is a vicious circle of poverty, while on the other, there is an operation of international demonstration effect
- More stable and viable economic growth planning may motivate the investors in investing and thus increasing the level of employment in the economy

Provision of Social Services

- In UDCs, the provision of social services forms an important objective of planning. In the fifth five year plan, two important objectives were:
 - A. Development of *rural areas* through various programmes and policies along with widespread extension of social services such as schooling, health and clean water facilities
 - B. Easing of *urban* problems like water supply, sewerage and drainage, electricity, gas supply, housing and transportation facilities, etc.

Aid to victims of catastrophe

- The granting of assistance and the organisation of relief to victims of natural catastrophes, such as flood, earthquakes, tsunamis, tropical storms, drought, etc. are the main the responsibilities of any government

Thank You