

CHAPTER I
REGIONAL PLANNING : THEORY & STRATEGY

1. **INTRODUCTION :**

Panchayati Raj Scheme is considered to be an instrument of implementing development planning at the micro level of district economy and thereby to contribute to the upliftment of the rural areas of the district. Though the strategy of regional planning is of recent beginning the Panchayati Raj System started in this country since late 50s and early 60s already created the necessary foundation and institutional agency for regional planning with district as a unit of planning. The Panchayati Raj System with its three-tier structure - the village Panchayat at the village level, the Panchayati Samiti at the Block or Taluka level and the Zilla Parishad at the district level has to play a strategic role in the rural reconstruction programmes under the strategy of regional planning. Hence, before we analyse the Panchayati Raj Scheme proper it is better we understand, by way of background, in general terms, the concept and strategy of regional planning.

2. **NEED FOR REGIONAL PLANNING :**

Different regions of a country are at different stages of socio-economic development. Some are highly developed, some are developing, some have high potentialities of development while others are in the depth of underdevelopment. "Like the natural topography, the cultural topography also has its peaks and valleys and plains and plateaux. There are areas which are full of life and vitality; there are also areas which are dilapidated, deserted, stagnant and poverty-stricken".¹ Just as there are income disparities among the individuals and groups there are spatial or areal disparities in the socio-economic development in a nation. Economic development of a nation may lead to widening rather than reducing these spatial disparities. India bears testimony to this statement. In India after about three and a half decades of development planning and even after the growth

1. R.P. Misra in "On the concept of Region and Regional Planning" in Regional Planning : concepts, Techniques, Policies and Case Studies (Ed. R.P. Misra), Prasaraṅga, The University of Mysore, 1969, P.5

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of national income and the per capita income the regional disparities have widened. Myrdal's theory of circular and cumulative causation² may explain the persistence of areal disparities by arguing that an area is poor because it is poor, but the fact remains that such disparities in no way less than the income disparities, are harmful to the overall national progress. Unless remedial measures are taken to drag the depressed economies of the underdeveloped regions out of their sloth they are likely to threaten the overall economic development of the nation.

It is in this context the regional planning assumes an important role. There will certainly be no two opinions on the point that there should be national approach to economic planning, but, at the same time it should also be admitted frankly that mere national approach to planning and development, devoid of regional considerations, will not do justice to all the constituent regions, in respect of economic growth. And hence, there should be no hesitation in accepting that areal or regional approach to planning is a sine qua non of the overall development of the economy. However, so far, unfortunately this aspect of planning and development has been neglected. For several years region and space remained a neglected dimension of the theory and practice of economic development. Public policy on planning and development has been so far emphasising the choice of sectors and sub-sectors deserving priority for investment of scarce resources. It is only recently realised that regional considerations in the investment of scarce resources are as important as the sectoral considerations. In recent years, regional planning has become a subject of serious public concern. Developing countries are showing interest in regional planning, which is reflected in their economic plans in which emphasis is given on the problems of the backward regions of the economy and the regionalisation of the national economic progress.

2. Gunnar Myrdal "Rich Land and Poor : The Road to Prosperity". New York; Harper, 1957.

The need and significance of regional planning has been aptly brought out by the United Nations, "Regional Planning would provide the most suitable frame of reference for a balanced integration of development projects of national significance and those based on local initiative. Such comprehensive regional planning would apply to the development of metropolitan areas, to areas in which natural resources are being developed, as well as to rural reconstruction programmes and to the location of industries"³.

3. MEANING & OBJECTIVES

Regional Planning is a deliberate and organised process of development of a region or regions, which, in its course, brings out the development potentialities of each region, and, taking into consideration the limitations of both human and material resources within each region, suggests strategies for their development, so that the nation as a whole can attain a higher level of economic well-being. Different regions of a country are differently endowed in respect of factor endowments; they also differ in respect of infrastructural facilities; there are also differences in wants, felt-needs, desires and aspirations of the inhabiting people. The national plan prepared from the Capital may not be suited to these factor-endowments of different regions and may not be able to fulfil the aspirations of the people. The regional authorities are, therefore, given the authority to frame the plan for the development of their regions in the context of the availability of resources in their respective regions, their problems and the aspirations and ambitions of the people in the regions.

The main objective behind regional planning is to bring about the development of the region in a systematic and planned manner. Regional authorities are best suited to assess the potentialities as well as the problems of the region. Under regional planning, therefore, the central government devolves its power of plan formulation, decision-making and plan implementation to the regional authorities. Of course, the general policy

3 U.N. "Housing, Building, and Planning, Nos 12 & 13, "Regional Planning". New York : U.N. Deptt. of Economic & Social Affairs, 1959. P.1

and framework of planning is laid down by the central government and the regional authorities have to remain within the limits laid down by the central government. Thus, regional planning is opposed to centralised planning in the sense that it is a process of regional decentralisation of the planning process in respect of formulation, implementation and supervision of a national plan.

Another objective of regional planning is to reduce the regional imbalances in the economy. Basically there are differences in different regions of a country due to different factor endowments, natural conditions and resources, etc. Further, under the aegis of national development planning these differences are likely to be widened leading to grave disparities among the regions. These disparities, if allowed to grow, are bound to have harmful effects on the economic development of the nation as a whole. Under regional planning a country is divided into regions and regional plans are prepared and implemented, which contribute to the development of the backward regions and thereby reduce the gap and disparities between the regions. Regional Planning by concentrating on regional development helps to narrow down these regional disparities and thus tends to strengthen national unity. Under regional planning resources are allocated under the overall national plan by the central government to different regions on the basis of and in proportion to the population and the backwardness of the region highly populated and more backward regions getting a larger share of the aggregate plan allocation. This contributes to the rapid economic development of those regions and reduces the regional imbalances and disparities. It thereby contributes to the balanced regional development.

Regional planning is further motivated by the rapid overall development of the national economy. It secures the most efficient utilization of productive resources of the regions of a nation, which are functionally integrated, and brings about their overall development. It treats each region as a part of the system of regions which form a nation and by concentrating on the all-round development of each it contributes to the economic deve-



lopment of the nation as a whole. In this sense, regional planning is an integral instrument of national planning and an indispensable instrument of national economic growth.

However, if regional planning is to secure these objectives and perform positive function it has to be properly related to economic and social development at the national level. It cannot be separated from the broader concept of national economic and social development. The prevailing national economic and social conditions impose a broader framework with which regional planning has to be consistent. Regional planning, in other words, has to be undertaken within this broad framework of a national plan. Regional Plan and regional development programme should not only be consistent with but also contributory to the national economic interest and planning. M. Dutta Chaudhari and Louis Lefebvre have succinctly brought out this aspect of regional planning.

"There is no regional development possible without at the same time affecting, in one way or another, the development of the nation as a whole.- Therefore, to the extent there is a concept of nationhood which is being adhered to by the component regions, regional planning must be undertaken within the framework of a national plan. If a national plan does not exist, a regional plan or development programme must still be undertaken in such a way as to contribute to rather than detract from national interest as defined by the central government or by the political process"⁴In spite of regional planning with regional plans for different regions cohesion, compactness and uniformity in economic planning in respect of the whole nation must be maintained. For this the central government and the central planning authority must lay down a national policy and framework of planning. But for such a broad national policy and framework there will be utter mess and the regional imbalances far from being reduced will go on widening.

Another aspect of regional planning it that is should be of a compre-

4 M. Dutta-Chudhari and L. Lefebvre. A Short Summary of Regional Development in South-East Asia : Experiences and Prospects, UNRISD/69/C44

hensive nature and should take into consideration inter-sectoral problems as well as the mutual relations between different patterns that emerge in the process of economic development. The comprehensive nature of regional planning and the regional policy pursued thereunder implies that regional policy is not confined to the problems of economic growth, but it also includes problems of social development. Thus, regional planning is not devoid of social objectives, which are, on the contrary, as important concern of it as the economic development. This has led John Friedmann to define regional planning as ".....regional planning is the process of formulating and clarifying social objectives in the ordering of activities in supra-urban space".⁵ Thus, 'economic development and social development in the regional approach are therefore the main subjects of regional policy'⁶.

The third aspect of regional planning is that it is concerned with both allocative and innovative functions. The distinction between these two types of functions is well brought out by J. Friedmann⁷. Regional Planning is concerned with allocation of resources and also contributes to the promotion of socio-economic and techno-managerial innovations.

Besides, regional planning while aiming at the promotion of the growth of the region contributes to the amelioration of the environment of the region making it better for its inhabitants.

5. J. Friedmann in "Regional Planning as a Field of Study" in "Regional Development & Planning A Reader (EDs. J. Freidmann & W. Alonso) P.64.

6. Committee for Space Economy and Regional Planning, Polish Academy of Sciences, Warsaw, 1969, "Goals in Regional Policies and objectives in Regional Planning (contribution to the discussion based on the Polish experience)".

7. J. Friedmann in "A conceptual Model for the analysis of Planning Behaviour", Administrative Science Quarterly, Vol. 12, Nr. 12, September, 1967.

4. CONCEPT OF A PLANNING REGION :

One of the most formidable problems of regional planning is the adoption of the suitable concept of region and the demarcation of planning regions. There are various types of regions in a country and we can have as many sets of regions as the criteria adopted for the purpose of regionalisation. The concept of a planning region must be such as to be useful as operational concept for demarcating planning regions and for implementing regional plans. Of the various types of regions the functional regions appear to be most suitable for regional planning. But there are certain difficulties in adopting this concept in underdeveloped countries. Firstly, in such countries central or metropolitan regions/places are quite few and most of the areas are marginal or non-regional areas. Hence, while adopting the concept of functional regions and demarcating planning regions every care will have to be taken that such areas are not left out. Secondly, under-developed economies are dual economies with few monetised sectors and market oriented centres and the rest of the country being non-monetised and barter-based. While in the case of the former functional regions can well serve the purposes of regional planning in the case of the latter any search for functional regions is meaningless. In view of these difficulties in underdeveloped countries, planning regions will have to be so demarcated as will take care of both developed and less developed parts. As regards the size of such regions, it will have to be determined with reference to the problem to be dealt with. For the problem or problems of development will have to be tackled at the most appropriate level. And hence, we will have to resort to regional planning at different spatial levels. Such an approach will ensure the full development of the potentialities of even the smallest unit in the planning region and narrowing down of the areal differences in economic development within that region.

When considering regions for planning we have a set of different types of functional regions, macro regions and micro-regions forming a hierarchy and corresponding to each type and hierarchy we can have a regional plan. For example, we have regions of the first order, macro-functional regions which correspond, in the case of India, to states. Then we

have regions of the second order, meso-functional regions, which are metropolitan or river valley regions. Thirdly, within these regions, there are regions of the third order, micro functional regions, which correspond to the administrative areas of a State. Lastly, we have the locality as the area of planning, micro area, which is the fourth order region and comprise a village or a group of villages or a town. Corresponding to these hierarchical regions we can have four tiers of regional plans in a country like India. They are : i. Macro-regional planning, ii. Meso-regional planning, iii. Micro-regional plans, iv. Local planning.

The problem of the concept, choice and demarcating planning regions is a complex one and assumes great analytical as well as practical significance.".....the demarcation of regions itself must be considered an analytical variable"⁸. The planning authorities have to choose the concept of region and also the methods and indices of the demarcation of regions. "It may be observed here that since the regional economic analysis is primarily concerned with the study and solution of practical problems, the approach towards the delineation of regions must be functional, no single scheme of regional classification can claim universal validity"⁹.

5. RESOURCE DEVELOPMENT REGION :

Once the concept of functional region is accepted, regional plan for the region will have to be based on the concept of resource development region. Regional plan will have to be determined by taking into consideration the development potential of the region. For, the economic activities in a region are determined by the extent to which people of the region exploit the available resources and overcome the hindrances put forth

8. H.S. Perloff, "Problems of Assessing Regional Economic Progress", in Regional Income, Studies in Income and Wealth, Vol 21, National Bureau of Economic Research, Princeton, 1957, P.39.

9. A.K. Singh "Demarcation of Planning Regions", in Regional Planning-Concepts, Techniques, Policies and Case Studies, Ed. R.P. Misra, Prasaraanga, The University of Mysore, 1969. P.88.

by the natural environment. Therefore, the analysis of the problems and the programmes for the development of a region must be based on the consideration of its resource potential. The Planning Commission in India has based regional planning in this country on this concept.

Lastly, in determining the planning regions the administrative considerations play an important role; especially the micro-level and local planning will have to work within the framework of the administrative boundaries and political boundaries. In fact, the ideal is that the administrative boundaries follow the planning of regional boundaries. But, in practice, this is difficult to secure because, firstly, administrative boundaries are permanent, and if administrative boundaries are to follow the planning region boundaries it would involve a reshuffling of administrative boundaries, which is likely to meet considerable opposition from one group/party or the other. Similarly, such reshuffling will be a costly affair too. As against this, adaptation of the existing administrative set-up for the purposes of planning would mean a lot of administrative and financial economies. The planning region boundaries are not permanent, since economic planning is a dynamic process it cannot be bound by a permanent area. Thus, for these reasons, "any scheme of regions to be of use should be adapted to the administrative framework which has minimum boundary anomalies"¹⁰. A planning region at the micro levels and the local levels will have to work within the framework of administrative boundaries. In India, for these reasons, district has been adopted as the unit of regional demarcation and regional planning by the Planning Commission"¹¹

10. L.S. Bhat, 'Regional Concept and Planning Regions with Special Reference to Planning in India' in *Regional Planning, Concepts, Techniques, Policies and Case Studies*, Ed. R.P. Misra, Prasaranga, The University of Mysore, 1969, P.73.

11. "Resource Development Regions and Divisions of India", Planning Commission, Government of India, New Delhi, 1964.

6. STRATEGY FOR REGIONAL PLANNING AND DEVELOPMENT :

1. Problem of regional allocation of resources :

With regional considerations in the national economic development, decisions have to be taken not only on how much of a scarce resource shall be allocated for a given project or purpose but also on where this investment or allocation shall be undertaken. But for the spatial viewpoint in allocation of resources the analysis of economic development remains incomplete. "The decision of where to locate a new project is as important as the decision to invest in it".¹²

The policy of regional development has to face the problem of regional development in its two aspects. Firstly, it has to tap and bring out the potentialities of development possessed by the regions and contribute to development of each. Secondly, this regional development has to be consistent with the overall development of the national economy. This implies that the policy of regional development should contribute, at least in the long-run period, to the mitigation of regional imbalances and bring about regional development in a balanced manner. Thus, the policy of regional development has to answer the problem of development of different regions as its immediate objective, and the problem of balanced regional development as its objective in the long-run.

The problem of regional development is essentially a problem of regional allocation of resources and investment activity. Economic development in general and regional development in particular depend upon efficient regional allocation of resources and efficient pattern of regional location of investment projects. The rationale behind this is : The surplus available for investment during any single period is the residual, i.e. what is left after providing for the requirements of current production and consumption. If we could save some amount of our output which is now being used up as current requirements of production by saving on transportation

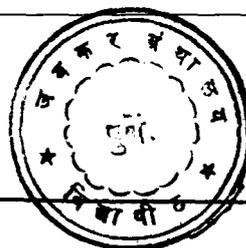
12. John Friedman & W. Alonso : Regional Development & Policy : A Reader, Introduction. P1

and by efficient location, the surplus available for investment would be larger, and consequently the rate of growth of the economy would be larger. Regions would also benefit as investment projects for which the regional economy is best suited are located in them. Thus, the generation of this surplus which leads to regional development and national economic development depends upon the efficient allocation of resources regionally and efficient geographical location of investment and economic activity.

Regional allocation of resources and location of a project may be considered from two view-points. It may be considered from the viewpoint of what is best for the project itself, that is, from the consideration of maximum returns to investment on it. Or, secondly, it may be viewed in the broader context of national policy and programmes for regional development and sustained economic development. These two considerations may suggest different patterns of allocation of resources and different locations for the project. The planners will have to take the decision on allocation and location that will strike a balance between these two considerations.

In this context a set of criteria may be laid down to guide the regional allocation of resources and investments. The first criterion is the criterion of national integration. In big underdeveloped countries regions are not sufficiently interrelated and hence their main concern during economic development is to establish a common ethos and an interdependent national economic system. "Such countries look upon their development as a process leading to the progressive internal integration of their national territories"¹³. Hence, regional allocation of economic activity should contribute to such integration. Secondly, regional allocation of resources must be guided by the principle of sustained national economic growth. Sustained growth of the nation as a whole must be the main concern of regional choice of investment; for, regions of a nation cannot make progress when

13. Friedman & Alonso. Ibid P.5.



the national economy as a whole stagnates. For this purpose regional allocation of investment should be such as to generate opportunities for further growth of the national economy. The third criterion is that of efficiency. It suggests that new projects should be undertaken in such regions where they will be effectively operated and will not require sustained subsidies for their survival. Lastly, there is the criterion of inter-regional balance, which implies that regional allocation of resources should maintain, and not upset a balance between regions in the levels of living. Of course, these criteria cannot be said to have equal values at all times but each of them will have to be assigned different weights in different situations. However, as they comprise the major considerations relevant to developing economies they will be highly useful in making decisions on efficient allocation of resources regionwise.

In deciding on regional investment allocations in the light of the above criteria the growing or increasing three dimensional interdependence in the economy must not be lost sight of. As economy develops integration of national territories also progresses leading to their interdependence. This interdependence is three dimensional : intersectoral, inter regional and intertemporal. Due to this interdependence the efficiency of regional allocation of resources and regional location of investments must be considered not in an isolated manner, but in an intergrated manner. Efficiency in the regional location of projects can be secured by comparison of various feasible locations of each project and by assessing the total impact of each pattern of location on the whole economy from the development point of view. For the economic development of the nation as a whole and for the regional development it is absolutely essential that in any programme of development the efficiency of geographical location of investment must be considered in an intergrated manner together with such other aspects of economic development as intersectoral allocation of investment, rate of capital formation, administrative feasibility of the development programme, etc. For example, the decision whether a particular steel factory in a region is more economical than the one in another region should not be based on the partial equilibrium analysis. It should not be based, in other words, on the consideration of the two

factories in isolation but it must be made after duly considering the interdependence between all the regions for all products and also considering this interdependence over time. When considered in isolation, for instance, a steel factory located in region X is found to be more economical than the one in region Y, yet because of heavy transportation costs may turn out to be more economical to operate the factory in region Y and carry steel to region X and to other regions. Or, it may be possible that the steel factories in both regions X and Y may be operated (even though the factory X is more efficient) in order to have an efficient programme of economic development for the two regions together.

In developing economies the problem of regional allocation of resources becomes more complicated because of the transitional nature of the economy. In such economies during the early period of industrialisation and economic development investments and economic activities are concentrated in a few centres or regions. These centres grow so tremendously that the remaining parts of the country are relegated to a secondary, backward, lagging and the peripheral position. Thus the picture that emerges of these developing economies which may have reached a 'near take-off stage' is this : On the one hand there are a few giant growth centres or metropolitan areas that act as the principal foci of economic activity and on the other there is an extremely primitive hinterland of lagging regions and immature urban complex. Thus there is a deep-seated disequilibrium in the national pattern of regions. The peripheral regions are generally dominant elements, partly because of their magnitude and partly because of some of them having a high growth potential. In course of time, the growing centres, fed as they are on the resources, both human and material, from the lagging regions, acting as they are as suction pumps, experience and enjoy rapid, sustained and cumulative growth; and claim larger shares of national resources both for financing their ever-increasing growth and for relieving their concomitant pains of growth in the form of slums, traffic congestion, shortages of essential services like water, power, means of transport, etc. The lagging periphery also, in course of time, wields pressure on government to turn the development policy in their favour and direct resources to them. Thus they also claim the scanty

national resources in order to establish growth centres in them, to create investment avenues and to initiate their development.

Thus the governments of developing economies are in a fix : Whether to yield to the pressures of the lagging regions or to encourage the growth of the already grown regions. They find themselves, in other words, in a dilemma : whether to adopt the policy of dispersal of investments so that every region will get its fair and due share or to adopt the policy of concentrated investment at the leading centres. The former is consistent with social equity and economic egalitarianism the latter with rapid growth of production and national income. Again, the former bestows immediate and instant benefits the latter postpones them to a future date!

Policy makers on regional planning and development tread in no way on a smooth path. Their task is formidable. They have to weigh these conflicting considerations against each other and frame a strategy of regional development that would meet the claims of the growing centres and at the same time fulfil the aspirations of the lagging periphery, contributing thereby to the regional development in particular and the overall economic development in general. Before we understand this strategy let us consider the guidance provided by theoretical framework on this issue.

7. THEORETICAL FRAMEWORK :

As stated earlier, regional or spatial dimension of the problem of economic planning and development was overlooked for a long time. Correspondingly there had been a lack of conceptual and theoretical framework within which policy formulations and strategies could be attempted. With the realisation of the significance of regional planning attempts have been made to build up theoretical frameworks with which practical solutions to regional imbalances can be sought. The pioneering work was done by such thinkers as Von Thunen, Weber, Losch and Christaller when they postulated location theories.* Similarly contemporary thinkers like Isard, Garrison, Berry and others have done the empirical research. Trade theories

* During the last several decades there has been a growing interest in location theory in developed countries and recently in developing coun-



were also interpreted to offer solutions to the problem of regional imbalances. But these studies contribute more to the formulation of sub-theories of regional planning and development than to the formulation of a general theory of regional planning. Three reasons are responsible for the failure to develop a general theory: i. lack of required data, especially at the regional levels, ii. lack of understanding of the process of regional growth; iii. and lack of knowledge and availability of methodology in handling the various variables.

It is widely held that the theoretical base for regional planning is derived mainly from the locational and trade theories. In fact, the two theories are closely related. The interrelationship between the "pure" Theory

tries of the world. Building on the pioneering works of Thunen, Weber, Losch, Palander and others, a number of economists and geographers have extended the analysis to apply to a wide range of problems and have attempted to synthesize location theory with other fields of economics. For example, refer E.M. Hoover's Location Theory and the Shoe and Leather Industries and the Location of Economic Activity, Bertil Ohlin's Interregional and International Trade; Walter Isard's article "Transportation Development and Building Cycles", in Quarterly Journal of Economics, LVII(November, 1942) PP.90-112.

It was Walter Isard who demonstrated the unity of Weber's theory of the location of the firm with the classical economics of substitution analysis, and an awareness developed of other problems of location and regions beyond the scope of the theory. Consequently scholars have turned elsewhere, and significant contributions to location theory have become rare.

After Weber the location theory received refinements at the hands of later writers. Due to the deficiencies and limitations of the theory the theory of the market areas was developed, which is, in a sense, the culmination of the theory of the firm. The theory of market areas is important in two respects. Firstly, it gave impetus to the formulation of a new theory by Walter Christaller and August Losch, the Central Place theory. It was formulated mainly, by Christaller as a purely general deductive theory designed to explain the size, number and distribution of towns for reasons which also made it the theory of urban trades and institutions. Secondly, the theory of the market areas is implicit also in the modern theories of regional development such as Perroux's growth poles.

It is now held that the central place theory of Christaller and the market area theory of Losch provide a more satisfactory theoretical framework for regional planning, especially in homogeneous areas. Besides, the

of International Trade, i.e. the comparative costs doctrine and the Location Theory has been widely recognised. Even the assertions to the effect that the International Trade Theory is only a part of a General Location Theory, as, for example, made by Bertil Ohlin, have been accepted by the authorities on International Trade Theory. Prof. Gottfried Von Haberler states, "the non-monetary theory of international trade has occasionally been identified as a type of location theory as for example by Ohlin. This is correct in a formal sense, since it is one of the major goals of the theory of Foreign Trade to explain "international division of labour" or in other words, the geographical location of various lines of production"¹⁴.

Location theorists have also brought out the same point when they assert that trade and location are the two sides of the same coin and that "1) location cannot be explained without at the same time accounting for trade and 2) trade cannot be explained without simultaneous determination of locations"¹⁵.

Marshall was so much impressed by the trade aspect of growth that he said, "the causes which determine the economic progress of nations belong to the study of International Trade"¹⁶. It is now widely accepted

modern trend is also to intergrate the central place theory with the general location theory and the general systems theory of Brian Berry and Von Boventer. The theory, however, suffers from certain major defects, as pointed out by M.F. Dacey (in "A Probability Model for Central Place locations", *Annals of the Associations of American geographers* Vol. 56, 1966, PP.550-568). i) The Theory does not incorporate urban activities as manufacturing, and mining and forest landscapes, ii) the theory is deterministic rather than probabilistic, iii) the theory is based on controversial assumptions- geometric shape of the service areas and the K factor, iv) the validity of the theory in a developing country like India, with sharp regional contrasts and variations, is doubtful.

14. G. Haberler, *A Survey of International Trade Theory*, Princeton University, International Finance Section, Special Papers in International Economics, Paper No.1, September 1955, P.5.

15. Walter Isard, *Location and Space Economy*, Jahn Wiley, 1956, P.207.

16. Quotated by Prof. P.N. Mathur as footnote No. 4 in his paper "An Efficient Path for the Technological Transformation of an Economy", included in *Structural Interdependence and Economic Development*, edited by T. Barna, Macmillan & Co. London, 1963.

that there is no fundamental difference between the international and inter-regional trade, even from the viewpoint of factor mobility. With the advent of the location theory introducing the dimension of space has elapsed the distinction between the two in toto. Interregional trade and international trade are today regarded as the two sides of the same coin. Besides, disparities in respect of different nations of the world are also present in respect of different regions within a country and of different sub-regions within a region. Hence the theory which explains the trade and economic activity among the nations can well be extended to explain the trade and economic activity among the regions of a nation. The question that is posed before and answered by the pure theory of International trade in respect of trade among nations is similar to that which can be asked in respect of inter-regional trade : Which region should specialise in the production of which commodity? the theory of comparative costs as applied to interregional trade thus holds key to the problems of backward regions of a nation and the disparities between the regions of that nation. With the development of the means of transport and communications interregional linkages are established through the interregional flows of commodities and thus the regions are able to exchange their natural advantages as well as comparative advantages with each other whereby all trading regions benefit. This free and unfettered trade among regions based on the principle of comparative costs paves the way for narrowing down the disparities among them through Factor Prices' equalisation. The free movements of labour and capital (in the form of goods) between the regions leads to equalisation of factor prices interregionally. Such equalisation of prices of factors amounts to the equalisation of standard of living and incomes between trading regions. And thus regional disparities are reduced. Thus, the trade theory as a strategy of economic development in general and regional economic development in particular leads to efficient location of trade, industry and economic activity among regions, narrowing down of regional disparities among them and contributes to the overall development of the economy as a whole.

But the theory did not receive universal acclamation. It has been criticised by various thinkers both on theoretical basis as well as empirical grounds.

Of course, there are several vindications and supporters of the theory. It is vindicated in case of trade relations between equal and unequal partners by Bhardwaj's study of Indo-U.S. trade.¹⁷ Similarly Moroney and Walker have also tested it empirically by applying it to regional situation.¹⁸

The theory is, however, based on the assumptions which are far from reality and hence it is doubtful whether growing trading relations among regions have beneficial effects on them, as claimed by the theory. Similarly, historically the factor-price equalisation tendency has been belied. In spite of tremendous growth in the means of transport and communications and the growth of interregional linkages through commodity flows the regional disparities, international and interregional, have not been narrowed down. Myrdal has argued¹⁹ that because of the cumulative nature of circular causation internal inequalities between trading partners might, in fact, increase. He has categorically stated that free trade accentuates the differences in the levels of development between the regions. "If left to take its natural course, the economic process will be cumulative instead of equilibrating....and it will then most often tend to create inequalities and not equality, and to increase existing inequalities; trade is an important element in the cumulative process."²⁰ Specially in backward regions, the 'backsetting' effect is much stronger than the 'spread effect' which is a function of the relative level of development. Myrdal has quoted two conclusions from a study²¹ to support his arguments : 1) in Western Europe, regional income

17. R. Bhardwaj, "Factor Proportions and the Structure of Indo-U.S. Trade," *The Indian Economic Journal*, Oct, 1982, PP.105-116.

18. Moroney & Walker, "A Regional Test of the Heckscher-Ohlin Hypothesis", *The Journal of Political Economy*, Dec. 1966, PP.573-586. They have concluded, "Nevertheless, the Heckscher-Ohlin Hypothesis seems to have some value in predicting regional patterns of industrial development".

19. G. Myrdal, *Rich land and Poor*; Harper, 1957.

20. G. Myrdal, 'Development and underdevelopment, A Note on the Mechanism of National and International Economic Inequality,' National Bank of Egypt, Fiftieth Anniversary Commemoration Lectures, Cairo, 1956. P.18.

21. Svend Laursen, "Problem of Development and Industrial Location in Europe", in *Economic Survey of Europe*, 1954, Geneva, 1955.

disparities are much wider in the poorer countries than in the richer ones, and 2) while the regional inequalities have been diminishing in the richer countries of Western Europe, the tendency has been opposite in the poorer countries. Further Leontief's paradox has exposed the incapacity of the trade theory to explain the situation of the developed world. It amounts to saying that the inherent assumption of Hecksher-Ohlin theorem, that there is similar production function for the same commodity in two different regions is wrong. Thus all this criticism of the trade theory has brought out its failure to explain the existing situations of the developed and developing regions, and has led to the searching reexamination of its basic tenets.

8. REHABILITATION OF THE TRADE THEORY :

However, the basic point is that in all this criticism the long-run view of the object of trade itself, in the context of the development of a nation is completely overlooked. The trade pattern according to trade theory brings gains to both parties in the short-run. Economic disparities are nevertheless created because of the possible conflict between short-run and long-run phenomena. In fact, short-run gains from trade co-exists with long-run losses, which are in conformity with trade theory. This fact can explain the reconciliation of the theory with actual facts. Since this aspect of the trade theory is overlooked the trade criteria and growth criteria are posed as alternative criteria for investment decisions;²² former being considered as static and latter alone as dynamic.

Credit for rehabilitation of the trade theory goes, among Indian Economists,²³ to Dr. P.N. Mathur who has established the dynamic theory of

22. Chenery H.B., "Comparative Advantage and Development Policy", included in *Surveys of Economic Theory, Growth and Development* for the A.E.A. and the Royal Economic Society, St. Martin's Press, New York, 1965. PP.125-155.

23. Among foreign economists Sodersten, BO, among others, tries to rehabilitate the theory in his *A Study of Economic Growth and International Trade*, Almqvist and Wiksell, Stockholm, Goteborg, Uppasala, 1964.



trade.²⁴ He explains Leontief's paradox by considering growth-oriented impact of trade in U.S.A. by introducing dynamic gains in his study. The dynamic gains of trade are enjoyed by "changing the structure of production within the country in such a way as to reduce the average capital-output ratio by importing commodities which are more capital intensive than those that have to be exported in return. Thus the given rate of investment is enabled to produce a larger product than would have been possible otherwise, increasing in its turn the warranted rate of growth of the economy in the Harrodian sense". He has considered all the possible combinations of static and dynamic gains and losses of trade. He has also given up the unrealistic assumption of similarity of production function for the same commodity in two countries, which has been of great importance to Heckscher-Ohlin. He shows that for trade to be mutually beneficial to the two countries it is necessary that the structure of the two economies be different. Thus, by considering all the possible combinations of static and dynamic gains and losses and emancipating the trade theory from its artificial and redundant assumptions he bridges the gulf between theory and fact. The trade pattern between two regions (and countries) according to this dynamic theory is conducive to balanced regional development. It has also been shown that this trade pattern is also conducive to the 'top level of development' for each one of them.

Thus this rehabilitated trade theory can certainly be said to provide theoretical basis of regional planning and development, capable of providing policy prescripts. In the case of underdeveloped regions or pockets where vicious circle of underdevelopment and its consequent backwash effects are present the corrective step as a policy matter is to ensure that dynamic gains from trade at the margin are equal in all the states. This can be done by examining various alternative commodity composition of trade. At the same time it is also necessary that the production structure and

24. P.N. Mathur, "Gains in Economic Growth from International Trade - A Theoretical Explanation of Leontief's Paradox" published in *Kyklos*, 1963. PP.609-625.

factor mobility are of the desired form. This will require the consideration of the problem of location of new enterprises and writing off of the old ones if it is so required.

Thus the growth economists have modified and rehabilitated the trade theory. They have relaxed the equilibrium assumptions and allowed for internal and external economies. After so modifying the theory they have, in order to obtain a pattern of trade and production maximizing income over time, recommended the allocation of resources and economic activity in favour of leading regions and leading sections therein. However, while dealing with the details of this policy recommendation the growth economists are divided. Some of them assume an elastic supply of labour and capital and recommend balanced growth which implies that resources should be allocated regionally and sectorally in such a way that there would be simultaneous expansion of several inter-related regions and sectors. Leading among these economists are Rosenstein Roden, Nurkse, etc. Some others assume inelasticities of capital, managerial and administrative talents, technological innovations, markets, etc. and recommend unbalanced growth which implies concentration of resources in a few leading regions and implementing programmes which would stimulate leading sectors within the regions. This strategy of "concentrated decentralisation", as Lloyd Rodwin calls it,²⁵ is motivated by the achievement of economies of scale and significant initial breakthrough that would induce further development. "It would mean that some regional and sectoral development would be stopped, curtailed, not encouraged until some later stage, because of scarcities of capital, managerial and administrative talent, and markets."²⁶

Thus we are now confronted with the same question we have raised earlier in this discussion : What type of strategy of regional development should be adopted? Balanced growth or Unbalanced growth? Since regional

25. Lloyd Rodwin in 'Choosing Regions for development' in Regional Development and Planning - A Reader, Eds. J. Friedmann & W. Alonso, MIT Press, 1964. P.43.

26. Ibid P.43.

development depends mainly on the regional allocation of resources and economic activity, which "determines the rate of growth of each particular region and thereby the growth of the entire nation",²⁷ the whole question boils down to the strategy of regional allocation of resources. Hence we will concern ourselves with this issue in the next section.

9. STRATEGY FOR REGIONAL ALLOCATION OF RESOURCES :

During the last two decades consensus is being developed regarding the strategy of regional development, and balance has shifted from "Balanced Growth strategy" to "Unbalanced Growth Strategy". "There is now widespread agreement with Albert Hirschman's view that, in transitional societies, resources should be concentrated in the more promising and the dynamic centres, permitting development to spill to the other regions from these foci."²⁸

The very nature of the growth process is such that it leads to interregional inequality of growth. "some areas are better endowed with natural resources than others.....Furthermore, there is a powerful motivation to agglomerate industrial investment at selected areas because of external economies consisting of sharing the same social overhead facilities, service industries, skilled labour pools, and expert management. Then again, markets are also unevenly distributed, requiring uneven development in transportation and market-oriented activities. And in addition to all these there is a natural tendency for agglomeration....."²⁹ Thus during the process of growth, regions with existing advantages grow at a faster rate than others and emerge as 'growing points' or 'growth poles' or 'growth centres'.

It is because of this peculiar nature of the growth process that there arises a conflict regarding the allocation of resources. Conflicting claims

27. Louis Lefebvre in Regional allocation of resources in India in the above book. P.644

28. Friedmann & W. Alonso in Introductory note to Part IV in Regional Development & Planning-A Reader. MIT Press 1964. P.492.

29. Louis Lefebvre, Ibid P.645.

are put upon the available scanty resources. On the one hand, each region/state wants to develop its own resources and raise the living standards of its people and hence claim the diversion of resources in its favour; while the rapid national economic growth calls for the concentration of resources in particular developing areas, on the other. In a developing economy, however, national economic growth must take precedence over the regional development. "An economy, to lift itself to higher income levels, must..... develop within itself one or several regional centres of economic strength".³⁰ Thus development of 'growing centres' is not only a natural concomitant but also a *necessary condition of economic growth*. This alone can bring about a reconciliation of national economic growth with regional economic development. The question of balance in regional development is, no doubt, important, and it is to be approached side by side by appropriate and deliberate public policy measures, but never at the cost of overall economic growth.

The growth of the growing areas as a result of concentration of resources in them is in course of time, transmitted to the stagnant areas through the "trickling down effects" (of Hirschman) or the "spread effects" (of Myrdal). Firstly, employment opportunities are created in these regions and labour from the latter is attracted. Thus the growing areas absorb some of the disguised unemployed of the latter and thereby raise the marginal productivity of labour and per capita consumption levels in them. Secondly, the rapidly growing areas yield surpluses, which are initially used in them only to maintain growth in the vigorous centres but which, in course of time, are channelled to the lagging areas, for making purchases and in search of investment outlets there. This ignites development in the heretofore stagnant areas, which gradually come out of their shell of underdevelopment. In course of time new surpluses and resources are created in the backward regions, which create "growing centres" in these stagnant regions. Thus these regions are set on the path of development. As regards balanced regional development, 'in good time the number of growing areas should

30. A.O. Hirschman "Transmission of Economic Growth" in Regional Planning & Development-A Reader P.623.

increase to a density which is adequate to provide a satisfactory regional balance.³¹

Thus it follows that the strategy of concentrated allocation of resources in a few leading regions, or the strategy of unbalanced growth is necessary for the development of the lagging regions. It is a strategy for reconciling the national objective of rapid over-all national economic growth with the socio-regional objective of regional development.

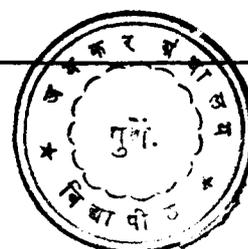
Gunnar Myrdal is, however, doubtful about the (tricking) down effects and seems to be in favour of the strategy of balanced growth. In his theory of cumulative and circular causation he argues, "Within broad limits the attractive power today to a centre of commercial and industrial expansion has a main origin in historical accident....Thereafter the ever-increasing internal and external economies fortified and sustained their continuous growth at the expense of other localities and regions where, instead, relative stagnation or regression becomes the fastened pattern".³² To him, especially in the backward regions, the 'backwash' effect or "polarization effects (of Hirschman) are much stronger than the "spread effects" or 'trickling down" effects.³³

However, Myrdal seems to be excessively dismal and pessimistic in his approach and analysis. It is true that once growth takes a firm hold in few growing regions polarization or backwash effects are set in to which the backward regions are exposed. Thus the economic activities in them, though inefficient are exposed to competition with those in the developing regions and are, as a result depressed. Secondly, there will be internal migration of highly qualified labour and capital from these regions to the growing regions. Thus, the lagging regions are denuded of its technicians,

31. Louis Lefebvre, *Ibid* P. 645.

32. G. Myrdal, *Development and Underdevelopment, A Note on the Mechanism of National and International Economic Inequality*, National Bank of Egypt, Fiftieth Anniversary Commemoration Lectures, Cairo, 1956 P.18.

33. G. Myrdal, *Economic Theory and Underdeveloped Regions*, London, 1957.



administrative and managerial talents and entrepreneurs. These polarization effects may be initially so strong that they may render the trickling-down effects ineffective; Besides, checks to the tricking-down effects may at times come into play and may leave the lagging regions in a far worse backwater than before. But this situation cannot be allowed to continue for long. The growing regions will find it difficult to bear the burden of their own development. They will find that their expansion is hampered because of the insufficient size of the home market resulting from the depressed income levels in the backward regions. Besides, balance-of-payments and other supply difficulties will also crop up before them. Ultimately, deliberate economic policy will come into play to correct the situation. Thus the victory of the backwash effects will prove to be short-lived and in the end the spread effects would gain upper hand over the backwash effects. But Myrdal, being preoccupied with the mechanism of cumulative causation could not imagine the emergence of the strong forces making for this turning point in the situation. Secondly, Myrdal failed to have a grasp of the nature of growth process and he could not conceive "that the emergence of growing points and therefore of differences in development between regions is inevitable and is a condition of further growth anywhere".³⁴

If under the balanced growth strategy resources are allocated in backward regions and investments located there in an arbitrary manner, these investments would have low yields in the short run and doubtful higher returns in the long run. Such resource allocation and investments would rather bring about redistribution of income than contribute to economic development, and would, in effect, amount to the exhaustion of resources which otherwise would be available for national economic development.

Besides, such allocation of resources will be at the cost of sufficient investment in the developed regions. Insufficient investment in these areas will stifle their growth, lead to insufficient surpluses to be diverted to the backward regions which are already unable to raise their own savings

34. A.C. Hirschman, *Ibid* P. 627.

and surpluses. This would retard their progress, elongating the period of poverty. Thus the development of retarding regions depends vitally upon a prior development of the dynamic and growing regions. But the concentration of resources in these dynamic regions is not to be a permanent or even long term feature. It is to be continued upto the point of cumulative self-sustained growth of these areas. Once they attain the stage of self-sustained growth policy of dispersal of resources is to be undertaken and investment is to be switched to the newly created growing points in the backward regions.

The balanced growth strategists argue out a case for initiating investment in the less developed areas by dispersal of resources. They argue that concentration of investment in the dynamic regions might lead to diminishing returns to scale with size implying that returns would be higher in the less developed regions. Hence it would be desirable to disperse resources and investment among the latter instead of concentrating on the former. But this view rests on two assumptions, which, as we would show shortly, are unwarranted. Firstly, it is assumed that urbanization costs per capita rise after a certain population size, and secondly, it is also assumed the less developed regions being relatively unexploited must hold promise of better returns.

As regards the first assumption the empirical evidence for German Federal Republic and the United States of America lends substantial evidence to the belief that there are increasing returns to urban scale as per capita income rises much faster than Governmental expenditure with increase in urbanization, suggesting that if an optimal size does indeed exist it is far likelier to depend upon the productivity per capita function than upon the cost per capita function.³⁵

As regards the second assumption, empirical evidence is lacking to substantiate that a policy of regional equalisation will maximize the rate of economic development. Such a view is, in fact, based on the classical

35. W. Alonso, *Economic Development and Cultural Change*, Vol. 17, No.1.

location theory which prescribes regional allocation of investment proportional to resources in order to attain accelerated national economic growth. But the classical location theory, like the classical theory of international trade, is based on rigorous assumptions such as perfect knowledge, predictability, mobility of factors, inexhaustible entrepreneurship and, to a large extent, a fully developed transportation network, is therefore subject to the same strictures to which the classical trade theory had been. The theory, as it is, is ill-suited to the conditions of the developing countries because of its unrealistic assumptions. Like the trade theory it has also to be modified to render it applicable to the developing nations. Once it is so modified and adapted to the conditions in the developing countries it would indicate that efficiency goal is best served, not by the balanced growth strategy but by a policy of "concentrated decentralisation."³⁶

There is now widespread agreement that in developing countries resources should be concentrated in the more promising and dynamic regions in the early stages of development and that investment should be diverted to the less developed regions only when the more developed regions have reached a point of self-sustaining cumulative growth.

However, this does not mean that the backward regions be neglected. Investments should be undertaken, at the same time in these regions; but they should be based on low-cost rural labour and locally available materials. They should include local irrigation, land reclamation, reforestation and public works that increase communication and mobility like road building and rural school construction programmes. Such labour intensive projects would certainly bring immediate relief to the retarded regions; but this is necessarily a short-run measure. "Long-run relief can come only from the gradual accumulation of viable, economically efficient industrial and agricultural investments".³⁷ For this reason rational pricing policy as well as transportation policy should be given greater consideration by the

36. Lloyd Rodwin, Metropolitan Policy for Development Areas, Dordalus Winter, 1961.

37. Louis Lefebvre, *Ibid* P.647.

planners. Such policies would bring about efficient allocation of industrial investments in agricultural producing areas. These industrial investments should be undertaken in small-scale industrial projects like local consumers' goods industries and agricultural processing industries.

However, industrial investment is not the only way to bring relief to the retarded regions. Farming policies contributing to agricultural development and encouraging agricultural export and import-substituting output would also be crucial for their development and would result in wider regional distribution of resources.

Besides, social and regional base of middle and higher education should be broadened. Such broad educational base would increase skill requirements of national growth and remove the lack of elementary technical skill in the country side, which is the main hindrance in the rural labour mobilization. This broadened educational base would also contributed to improve income redistribution and equality of opportunity.

State governments and/or regional authorities compete for industrial resources purely and mainly on political grounds. But most of the projects located from this viewpoint are wasteful as they lead to inefficient resources utilization. Hence, the local government especially of less industrialised and backward areas must be convinced that greater concentration of industrial resources in certain limited regions or areas, especially in advanced regions works out to their long-run benefit. But they can be so persuaded only if a comprehensive and rational economic plan is provided for the whole nation "Without such a plan regional governments cannot be expected to sacrifice or to wait patiently for the advancement of their own areas.....³⁸

Resources and investments can be efficiently allocated only if there is a suitable norm to channelise them into activities that will maximize the real value of national income for given supply-demand relationships.

38. Louis Lefebvre, Ibid P.649.

Such a norm is provided by an efficient price mechanism. In this connection, Louis Lefebvre³⁹ has laid down certain pricing rules which should be taken as criteria for efficient resource allocation. Lefebvre has laid them down for allocation of resources in India.

In India, because of the distortions caused by the shortcoming of free markets and by the prevailing income distribution free market determination of prices would not be desirable. The price system must be adjusted suitably to reflect desirable conditions of production and marketing either in a real or in a 'Shadow' price mechanism. Actually, according to Lefebvre, a combination of the two might be desirable. In this context he has stated the following criteria :

1. Prices of commodities and rates for services should reflect real cost (including real interest and foreign exchange rates) at the place of production and at the place of consumption.

2. Prices of homogeneous goods should be the same at a given location without regard of origin and should differ from location to location by the marginal cost of transportation if the commodity is transported and at most by that cost if not transported between two separate locations.

3. The present discounted value of the investment at the optimal location should be larger than or equal to the present discounted value of the same project computed for any other location (basing the computation on real costs and interest).

If these criteria are followed in resources allocation there would be optimum utilization of resources, increase in savings and generation in surplus for further investment and growth. Deviation from these would, of course, result in utter waste of resources, diminution in saving and retarding further growth.

39. L. Lefebvre, Ibid PP. 649-651.

Our analysis of the regional allocation of resources would not be complete unless one another angle from which this problem is to be approached is made explicit. In taking decision on allocating investment the differences in the rate of saving among regions are of great significant and must be paid due attention. M.A. Rahman⁴⁰ has given a precise and lucid analysis of the logic of regional allocation of investment. When there are differences in regional rates of saving, the strategy of concentration of investment in the more productive regions throughout the planning period will not necessarily lead to maximum rate of growth of national income. Decisions regarding allocation will have to be taken with reference to the rate of saving among regions. If the rate of saving is higher in the more productive region, then the policy of concentration will serve the purpose. If, however, this is not so and the less developed region has the higher rate of saving, then it would be desirable to concentrate investment during the initial years of the plan in this region, if the planning period is long enough so that the loss of income due to this policy would be made good in the course by the higher rate of saving generated in this region.

Technically speaking the decisions on allocation should be taken with reference to the "internal rate of growth" of each region. "The "internal rate of growth" of income in a region is the rate at which its income would grow if it were a closed region so that its income grows out of its own saving only. It can also be called the "increment to saving resulting from unit investment" in the region, and is given by the ratio of the region's saving rate to its capital/output ratio.⁴¹ If the less productive region

40 "Regional Allocation of Investment" Reprinted in Regional Development & Planning A Reader, Ed. Friedmann & Alonso, from the Quarterly Journal of Economics, Vol.77 (Feb.1963)

Rahman has shown in his Ph. D. Thesis "The Logic of Regional Investment Allocation," Harvard University, 1962, Appendix I, PP, 61-70, that ther analysis pertaining to a two-region economy, given in this article can easily be extended to n-region and the same conclusions would follow.

41. In Algebraic terms internal rate of growth of a region is S/K , where S is the rate of saving and K is the capital/output ratio in the region.

has a higher internal rate of growth, then optimality would require investment to be concentrated in this region for a number of initial years of the plan, after which the policy should switch in favour of the more productive region. How many initial years would comprise the first phase of such a "switching" program depends, given the length of the planning period, on how high the "internal rate of growth" in the less productive region is in relation to that in the other region, and on how narrow are the political tolerance limits to regional income disparity."⁴²

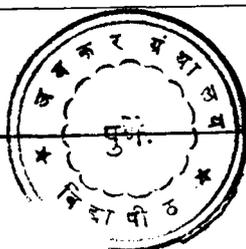
We have thus considered at length the theoretical basis for regional planning and development and strategy therefor. We may now summarize below our observations.

10. Summary.

Interest in regional planning is of recent origin in developing countries. In India, the Panchayati Raj System has been adopted two and half decades ago as an institutional mechanism for regional planning with district as a unit of planning. The need for regional planning in developing countries cannot be overemphasised. It has been their experience that with economic development spatial disparities in the socio-economic development go on widening, which are harmful to the overall national progress. Hence regional approach to planning is a sine qua non of the overall development of the economy. The objectives behind regional planning are quite obvious. Besides systematic development of the region it also aims at reducing the regional imbalances in the economy. However, it cannot be separated from the broader concept of national economic development. It has to be undertaken necessarily within the broad framework of a national plan.

In regional planning the concept, choice and demarcation of planning region assume great significance. Of the various types of regions the functional regions appear to be most suitable for regional planning. Once this concept is accepted the regional plan will have to be based on the concept of resource development region. The Planning Commission in India has based regional planning in this country on this concept. Administrative considerations play an important role in determining the planning regions; especially the

42. Rahman, Ibid P.655.



micro-level and local planning will have to work within the framework of the administrative boundaries. Any scheme of regions in order to be useful for this purpose will have to be adopted to the administrative framework which has minimum boundary anomalies. For these reasons, in India, district has been adopted as the unit of regional planning by the Planning Commission.

As regards the strategy of regional planning and development, the problem is essentially one of regional allocation of resources. Planners are in a dilemma : Whether to adopt a strategy of concentration in developed regions or a dispersal of investment in lagging regions. In this respect, so far as economic theory is concerned, the theoretical framework for regional planning is provided by the trade theory and the location theory. The dynamic trade theory recommends the allocation of resources in favour of leading regions and leading sectors therein. It is now widely accepted that the strategy of concentration of investment in a few growing regions upto the point of self-sustaining growth of these areas is in the best interest not only of the overall national growth but also of the backward regions. However, backward regions are not to be utterly neglected; investments should be undertaken in them, but they should be based on low-cost rural labour and locally available materials. The decisions on allocations should also pay due attention to the rates of saving in different regions, and their internal rate of growth.

Regional planning is essential for a large-sized country with several regions and wide regional differences in respect of resources, natural, material and human and requirements of the residents.

Regional planning is essential on another ground also. Planning to be successful requires the whole-hearted co-operation, initiative, enthusiasm, active participation and direct involvement of the people in the formulation and implementation of the plan. This cannot be elicited when plan comes something from above, as is the case under centralised planning, but when the process of plan-making and implementation is decentralised and the regional and local authorities are delegated the necessary powers to formulate plans suited to their requirements. Thus, regional planning secures what is known as planning from below or from grass roots.

Regional Planning is undertaken, in the first stage, at the level of the