

**THE ROLE OF CENTRAL BUDGET
IN A PLANNED ECONOMY**

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"People must come to accept private enterprise not as a necessary evil, but as an affirmative good."

**—Eugene Black
President, World Bank**

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Ever since India attained independence, the Union Government has been assuming new, extensive and comprehensive powers to control and regulate the activities of the people, and its responsibilities towards them have, therefore, been undergoing vital and fundamental changes. The administration of the country, the defence of its shores and the maintenance of law and order in the land, have not now remained the only main obligations of the State towards the people. They now cover all problems connected with the social and economic development of the country. The Government has decided to build up a new India. The ambition is to create a Welfare State. The establishment of such a State has led it to bring about a revolutionary reconstruction of the present social and economic order in this ancient land. This the Government has decided to achieve by bringing the country under planned economy.

Some of the features of the planned economy have been causing serious concern to the people. Apart from the complete reservation of several vital industries for the State, it has decided that the State should occupy the most dominant position in all industrial fields. The Government has assumed the powers to regulate production, to control distribution and to fix the prices of some of the commodities vitally required by the common man in his daily life. It has established the State Trading Corporation. It has been daily expanding its Empire and establishing monopoly in several important items of imports and exports. There has been a growing restriction and an increasing inroad by the State on the fields where the people can function and can carry on their activities with freedom as the citizens of a true democracy. Shareholders who risk their money in establishing and running industries have no longer the right to appoint their own Managing

Agents or Managing Directors. It will now be the power, the privilege and the patronage of the Government which will shape the destiny of the **organised** corporate industries in the private sector.

Moreover, taxation has been made an important and ever-growing instrument of economic policy for fulfilling the objects of the Plan. Borrowing on an increasingly large scale, both within and without the country, has become the order of the day. Deficit financing which was not an integral part of the Central Budget in the past has now become one of its most important and regular features. It will thus be **realised** what tremendous powers are being increasingly concentrated in the hands of the Ministers and the bureaucracy.

With the functioning of the planned economy, the Government has been raising huge amounts of new finance, year after year, and bringing the same under its power and control. Over Rs. **2,000** crores were spent by the Government for financing different projects in the State sector during the First Plan. It has spent Rs. **4,600** crores in the State sector during the Second Plan. The normal budget of the Central Government has now exceeded the mark of **Rs. 1,000** crores. In addition to the normal budget expenditure of over Rs. **1,000** crores, which will be increasing year after year, the Government would also be spending this year another huge sum of Rs. **1,166** crores — which will also go on increasing annually — for the fulfilment of the schemes of the Plan. All this is done with the money raised by taxation, by borrowing from the people, from foreign countries and international institutions, and by deficit financing. Further, the Government would be spending about Rs. **8,000** crores in the State sector during the next five years. It will have thus spent about Rs. **15,000** crores of public money by the end of the Third Plan. As all this amount of finance has come from the people or has been raised against the credit of the country, the people have got the inherent and undeniable right to call upon the Finance Minister to give them in his annual Budget speech a comprehensive, co-ordinated and convincing account — which he does not do at present — as to **how** the Government has dealt with the enormous funds, what assets have been created thereby, what returns these assets have

been bringing to the country every year and what steps the Government has been taking to repay the debt in time without creating the feeling that by its present policy it is mortgaging away the future of the next generation.

The success of the planned economy depends, as stated again and again by the Government, on the co-operation which it will receive from the people and the manner in which the public will join the Government in its endeavours to fulfil the projects of the Plan. Co-operation, however, is a two-way traffic. The Government will have to inspire the people with confidence that what it has been doing is really for the welfare of the people and does not deprive them of their power of initiative, and their right to live and act with freedom, which is the basis of all genuine democracy. There is nothing in the Budget speech at present which can inspire the people with a spirit of confidence and lead them to give their willing co-operation. People have, therefore, the right to ask the Government that the information on all vital points should be made available to them so that they may decide for themselves how they can co-operate with the Government. Both the Finance Minister and the Government have failed to recognise their responsibility in this matter. It is, however, their bounden duty to fulfil their obligations in this connection by giving to the people all relevant information in regard to the principles and policies governing the programmes of the Five-Year Plans. The Government should also tell the people how the working of planned economy has achieved the fundamental object which we all have in view, viz., raising the standards of life of the people of India.

Let us first refer now to one or two important matters which will show that the Budget at present has not been fulfilling even its normal role.

Generally speaking, the Budget of the Central Government, the Explanatory Memorandum, the Economic Survey and the Finance Bill are circulated along with the speech of the Finance Minister. Both the Explanatory Memorandum and the Economic Survey contain a wealth of information which is quite essential for the critical study and the intelligent understanding of the annual budget of the Union Government. A democratic State,

anxious to secure the co-operation of the people, should make all these documents available to the public in time and at a reasonable price. It is, however, an irony of fate that, at present, it is difficult even for recognised institutions to get these documents. Some of the institutions secure them from friends a fairly long time after the Budget speech is made. It is, therefore, essential that not only should the Government encourage a critical study of these documents and papers but they should also make them available, immediately after the Budget is presented, at all important towns, to the people of the country at a reasonable price. Our Government always holds before us the example of the United Kingdom and the United States of America in matters of efficiency and accuracy. They, however, fail to act up to the motto that example is better than precept. While the speech delivered by the President of the United States of America will be in our hands in India in *extenso* within three or four days after it is delivered, it would take months for us to secure the copies of the reports of the debates in the Lok Sabha in this country.

There are two other publications which give full and vital information in regard to external assistance which forms the most crucial and intergral part of the present Budgets of the Government of India. The one is called "EXTERNAL ASSISTANCE". The other is styled "THE INDO-US. TECHNICAL CO-OPERATION PROGRAMME". These are issued annually by the Ministry of Finance. They should be made available to the public in all the States of India at recognised booksellers at a reasonable price.

"Notes on Important Schemes" sponsored by different Ministries and "Balance Sheets of Important Central Undertakings" covering over 200 pages formed an important part of the Explanatory Memorandum in the past. Both the Notes and the Balance Sheets are now deleted from this vital document since 1959-60. This information has been transferred to the 55 volumes of Demands for Grants which it is not practicable for the people to go through even if they were made available to the public. The Government, however, is anxious that the public should understand and appreciate the effect of the working of the Plans on our national economy. The conclusion is, therefore, inescapable that either such information should be incorporated in the Explanatory Memorandum

or a separate volume should be published containing this information, as given in the past, and made available to the people as a part of the Budget papers.

Let us refer to a vital technique of the present system of budgeting which does not unfortunately give a clear and correct picture of the true financial position of the country to the people. While one can appreciate the spirit of caution and the need for a conservative and practical approach in the framing of a budget, it is both the path of prudence and statesmanship to guard against their degenerating into a system of under-estimating the revenue and over-estimating the expenditure. That has been unfortunately the impression of all who examine the budgets from 1950-51 to 1959-60. The magic of budgeting is turning deficits into surpluses. The aggregate results of the budgets as introduced showed that there would have been a total deficit of Rs. 49.87 crores despite the imposition of large additional taxation to the tune of Rs. 199.07 crores. When accounts of these years were closed, it was found that the deficit of Rs. 49.87 crores was turned into a surplus of Rs. 483.55 crores. The conclusion is that there was an under-estimating of Rs. 533.42 crores by way of income during that period. In other words, the magic of budgeting has brought every year, on an average, a windfall of more than Rs. 50 crores to the Indian Exchequer. If we were, however, to take the last year, viz., 1959-60 for which the accounts are available, we shall not fail to notice how this system of under-estimating has been taking an uncalled-for and unjustified toll from the people on the plea of deficit in the Budget. When the Budget for 1959-60 was presented, it was estimated that there would be a deficit of Rs. 58.32 crores. When the revised estimates were made, the deficit of Rs. 58.32 dwindled down to Rs. 15 crores. When the accounts were closed, even the reduced figure of deficit turned into a substantial surplus of Rs. 42.55 crores. The revenue as shown in the Budget thus saw an increase of Rs. 100 crores. It is difficult to understand how the deficit of Rs. 15 crores, based on the results of ten months, can turn into a surplus of Rs. 42 crores — a rise in revenue of Rs. 57 crores in two months over expenditure for the same period — if there was no under-estimating. Even the Finance Minister, therefore, will have to admit that such a system of budgeting

requires careful scrutiny and close examination so that such large annual windfalls may not become the traditional achievements of the Budget at the Centre, imposing uncalled-for burdens on the people of the country.

In this connection, it is necessary to remind the Finance Minister of one of his essential duties which he does not discharge at present. The Finance Minister gives us an idea of the expected income and expenditure when he introduces the Budget. Next year he gives us the revised figures of receipts and expenditure. He, however, does not deal with the amounts actually received and the amounts actually spent when the accounts are closed. This is an important omission from his speech. It is difficult to say whether the omission is deliberately made or whether the Finance Minister is merely following the practice adopted by his predecessors. It will, however, be agreed on all hands that unless the Finance Minister deals with the actual results when the accounts are struck, people do not get vital information to which they are fully entitled. It is, therefore, of crucial importance for understanding our budgets that the Finance Minister should carefully deal with the implications and significance of the actual results of the Budget when the accounts are closed.

There are two other matters of serious importance affecting the working of planned economy in the country for which we find no explanation either in the speech of the Finance Minister or in the Budget papers circulated with his speech. They are the diversion of the finance raised for the Plan and the non-utilisation of the external assistance already authorised.

It is the recognised fundamental canon of public finance that the amount which may be raised by taxation or in any other way must be spent for the purpose for which it is raised. Taxation has now been regarded by the Government as a vital instrument for raising the finance needed for the Plan. In his unprecedented Budget of May 1957, Mr. T. T. Krishnamachari, the then Finance Minister, levied fresh taxation of Rs. 106 crores for financing the projects of the Second Plan. Fresh additional taxation for the same purpose was imposed by his successors during the period ending March 1961. There was a continuous rise in this new additional taxation every year during the Second Plan period and

the aggregate amount of such taxation reached the huge figure of Rs. 240 crores per year in 1960-61. It is, therefore, a matter of serious disappointment and grave concern that the amount thus raised by taxation has been frittered away to a very substantial extent for meeting the requirements of the non-Plan activities of the Government. This has, unfortunately, become now the tradition of the Indian Exchequer.

Expression was given to this very objectionable policy in the review of the First Five-Year Plan wherein it was pointed out that out of an increase of Rs. 187 crores in public revenues in 1955-56, as compared to 1950-51, as much as Rs. 100 crores were absorbed in non-development expenditure. The Economic Survey of 1958-59 has offered more forthright observations on this question. It states:

"Public revenues have increased significantly over the last three years, partly as a result of the tax measures adopted and partly in consequence of the rise in money incomes. The proportion of public revenues to national income has gone up from 9.1% in 1956/57 to about 10.1% but that rise has been absorbed, more or less, by the increase in non-development expenditures. In consequence, the reliance on borrowing from the public, from the banking system and from abroad for financing the Plan has tended to increase."

Thus 1% of national income is diverted from planned economy to purposes which have nothing to do with the Plan. This would come to the huge amount of Rs. 120 crores per year. It is an irony of fate that the Finance Minister has not a single word of explanation or regret in his Budget speech. Can India, however, allow the Government to divert such huge sums from Plan to non-Plan purposes? Eternal vigilance is the price of political and economic stability. We must bear this in mind when we are considering the budgets in an age when the country's activities are based on Five-Year Plans. We must insist on our Government that these aspects of the Budget finance must be fully dealt with and their implications and significance must be clearly and candidly explained by the Finance Minister in his Budget speech.

The Finance Minister in his last Budget speech stated that: "During the Secocd Plan, the total additional taxation has been

of the order of Rs. 1,040 crores of which nearly Rs. 800 crores were at the Centre."

The Estimates Committee of Parliament has pointed out in its 92nd Report that on the basis of the taxation which existed at the beginning of the Second Plan, it was estimated that the amount that would be raised at the Centre alone would come to Rs. 498 crores. If we were to add up these two figures, the total would come to Rs. 1,538 crores. It has been stated in the Draft Outline for the Third Plan that the amount that would be spent for the projects of the Second Plan out of this taxation would be only Rs. 900 crores. In other words, the sum of Rs. 638 crores would have been spent on non-Plan activities. The situation which has thus emerged is confirmed in the serious warning which was sounded by the Estimates Committee: "As the net additional receipts accruing to the Centre from such additional measures of taxation and from better collection from existing sources of revenue come to Rs. 792 crores, it would appear that the balance of about Rs. 604 crores of additional revenue raised has been absorbed by increases over the Plan estimates in the non-Plan expenditure." The above statement made in a responsible and authoritative document shows how money has been raised by taxation under false pretexts. The Estimates Committee has, therefore, "in view of the phenomenal rise in non-Plan expenditure in spite of the reasonable size envisaged by the Planning Commission in that direction" urged it to make a special study of the "disproportionate rise" in the non-Plan expenditure and "make suitable suggestions to see that such expenditure is kept under control and will not expand in the Third Plan as it has done during the Second Plan period." The tragedy of the situation, however, is that despite the frittering away of nearly 40% of the revenue raised by taxation for the Second Plan expenditure in non-Plan activities and disregarding the warning of the Estimates Committee, not a single word of explanation in this vital matter has been given even in his latest Budget speech by the Finance Minister or by the Planning Commission in the Draft Outline for the Third Plan.

It is very significant — if not ominous — that in Plan after Plan, more and more money is raised by taxation for executing the schemes under planned economy. A sum of Rs. 575 crores or

a little over 27% was raised by taxation for fulfilling the targets of the First Plan. Over Rs. 1,538 crores or 33% have been raised by taxation for meeting the requirements of the Second Plan of Rs. 4,600 crores, although as stated above, only 60% of that amount was spent for that purpose. So far as the Third Plan is concerned, the Draft Outline says that the amount that will be raised by taxation will be Rs. 2,000 crores. This consists of two parts. A sum of Rs. 350 crores on the basis of taxation as it stood at the end of the Second Plan and Rs. 1,650 crores as additional taxation to be levied during the Third Plan period. It is important to remember that the amount that would be raised on the existing basis of taxation would come to — disregarding the better collections that would result from the growing tempo of industrial development in the country — Rs. 1,600 crores. As credit is only taken for Rs. 350 crores from this source, it is evident that Rs. 1,250 crores would be absorbed in non-Plan activities. Thus although the total amount that would be raised would come to Rs. 3,250 crores, only Rs. 2,000 crores would be made available for financing the projects and programmes of the Third Plan. That would mean that taxation would form 43% of the total amount of Rs. 7,250 crores to be spent in the State sector during the Third Plan period. It will thus be realised that the finance raised by taxation for Plan activities will go up from 27% in the First Plan to 43% in the Third Plan. It is, therefore, the right of the people to demand from the Finance Minister and the duty of the Finance Minister to give adequate and convincing explanation as to why more and more of the finance raised for Plan purposes has been diverted to non-Plan activities and to offer the assurance in clearest terms that such a seriously objectionable performance will not be repeated in the future. *Without such explanations and such assurances from the Government, budgeting would become a mere farce & not a fraud upon the public who have to bear the growing burdens of ever-increasing taxation.*

The second point is the non-utilisation of the external assistance already authorised. We are depending more and more on external assistance for fulfilling the programmes laid down in our Five-Year Plans. A review of the First Plan has stated that external assistance utilised during the First Plan was Rs. 203 crores. During

the Second Plan, it was estimated that in addition to the drawing on our Sterling balances to the extent of Rs. 200 crores, Rs. 600 crores (Rs. 800 crores in the State sector and Rs. 100 crores in the private sector) of external aid would be required to see us through the Plan. What has, however, been the actual position? Our Sterling balances came down from Rs. 746 crores on 1st of April, 1956, to Rs. 157 crores on the 17th of February, 1961, — a fall of Rs. 589 crores against the proposed withdrawal of Rs. 200 crores. We have utilised Rs. 60 crores drawn from the International Monetary Fund for the purpose of the Plan. As regards external assistance, the Finance-Minister made the following statement in his recent Budget speech: "In the five years of the Second Plan period, the total foreign loans and credits covered by formal loan agreements are of the order of Rs. 1,517 crores of which Rs. 1,387 crores are on Government account, including carry-over of unspent balance from the First Plan amounting to Rs. 87 crores. The total utilisations during the Second Plan period are estimated at Rs. 752 crores, leaving an unspent balance of Rs. 722 crores to be carried forward to the next Plan. Of this balance, Rs. 329 crores are for credits which are intended for financing the projects included in the Third Plan."

It is thus to be seen that as against the estimated amount of foreign exchange of Rs. 1,100 crores which we would require during the Second Plan, foreign exchange to the extent (Rs. 589 + Rs. 60 + Rs. 1,517 crores) of Rs. 2,166 crores has been made available to us. This has not been found sufficient. We are asking for further external aid for the last year of the Plan. No explanation has been given. No elucidation has been made. No light has been thrown. It has remained a mystery. It has been treated as a secret. The country would, however, legitimately expect the Finance Minister to tell the people as to why the availability of actual foreign exchange to the tune of Rs. 2,166 crores against the estimated amount of Rs. 1,100 crores has not met the requirements of the Second Plan. This is a matter of vital importance and calls for the fullest explanation and disclosure from the Finance Minister who has got the key of national finance in his own hands.

Moreover, according to the Finance Minister, the sum of

Rs. 393 crores, although authorised and available, would not be utilised during the Second Plan and would have to be carried forward to the Third Plan. No explanation as to why such a large sum could not be utilised has been given by the Finance Minister although the Government has been asking for further assistance from foreign countries even now for the Second Plan. Budgeting under planned economy makes it obligatory on the Government to tell the public in clear terms the reasons and circumstances which made it impossible for them to utilise the aid although it was available.

It is pertinent in this connection to point out the serious discrepancies in the particulars given in regard to the balance of trade and the external assistance in different authoritative documents. Let us first examine the position in regard to the balance of trade. Accurate information in regard to the position of the balance of trade is quite essential. The more unfavourable the balance of trade, the greater effort will have to be made to accelerate our exports or to make greater efforts to secure higher amount of external aid. According to the Economic Survey for 1959-60, the adverse balance of trade during the first three years of the Second Plan, viz., 1956-57, 1957-58 and 1958-59, came to Rs. 1,544 crores. The figures given in the Reserve Bank Bulletin (December 1960, page 1873), however, show that the adverse balance for the same three years was only Rs. 859 crores. It will, therefore, be noted that the difference between the figures given by these two authoritative sources comes to (Rs. 1,544 minus Rs. 859 crores) Rs. 685 crores in three years. It is difficult to understand the reasons for this difference of such a huge sum of Rs. 685 crores, when both the Ministry of Finance and the Reserve Bank of India hold highly responsible and authoritative position. No explanation is to be found for this huge difference either in the speech of the Finance Minister or in any Budget papers circulated with his speech. As the widening gap in our balance of trade has a very profound effect on the success of our planned economy, the matter was taken up with the Reserve Bank of India. Their explanation is that the figures given in the Economic Survey are based on "Exchange Control Data" while those mentioned in the Reserve Bank Bulletin are furnished by the Director-General

of Commercial Intelligence & Statistics. It has been further observed by the Bank in the course of correspondence as under:

"According to our investigations, differences in regard to exports have been relatively small. As regards imports, we have found that the differences in the overall figures of imports as reported by the D.G.C.I. & S. and as recorded by the Exchange Control Department are mainly due to incomplete recording of Government imports by the D.G.C.I. & S. as the clearance of these is subject to the Note-Pass System. The differences even in respect of recorded Government imports are due to defective classification of these by the D.G.C.I. & S. As regards private imports, the differences between the two sets of data may also arise on account of difference in valuation of commodities imported. While the value shown in the D.G.C.I. & S. data is the value of goods, as assessed by the Customs authorities (whether ascertained or deduced) for purposes of levying duty, the value given in the E.C.D. statistics is the invoice value of goods. The differences arise largely because of the differences in respect of coverage and valuation and to some extent of timing. Our experience has been that as matters stand it is almost impossible to give a complete reconciliation between the two sets of data."

Such an explanation will not satisfy anyone. The balance of trade is the difference between what we earn from our exports and what we have to pay for our imports. It will, therefore, be a great strain, almost to a breaking point, on our credulity, to believe in any such explanation. In view of the far-reaching effect of our balance of trade on the success of our Plan programmes, we must request the Finance Minister to make the position in such vital matters quite clear, beyond the shadow of a doubt, in his Budget speech. The country must know what the adverse balance of trade actually is. It is the responsibility of Government to ensure that no confusion is caused in this matter by different figures in different authoritative documents. If there is any reason for giving different figures, there should be a note along with these figures making it clear how the difference has arisen.

What is the amount of the external assistance that will be carried forward from the Second to the Third Plan? According

to the passage quoted above, from the recent Budget speech of the Finance Minister, the amount to be carried forward from the Second to the Third Plan will be Rs. 393 crores. When we, however, refer to the Economic Survey 1960-61, we find that the balance available for utilisation after September 1960 is Rs. 516 crores. The Economic Survey is an important document circulated along with the speech of the Finance Minister. It is difficult to visualise why there should be such a large difference of about Rs. 123 crores between the figures given by the Finance Minister and those mentioned in the Economic Survey, both emanating from the Ministry of Finance. So far as the Reserve Bank is concerned, it has roughly estimated the amount to be carried forward from the Second to the Third Plan at Rs. 551 crores. This means that there is a difference of Rs. 158 crores between the figure mentioned by the Minister and that roughly estimated by the Reserve Bank authorities. Again, no mention is made in the Draft Outline for the Third Plan in regard to the balance of external assistance that will be carried forward from the Second to the Third Plan. We are left to guess what it may be. Even when they talk about the fresh financial aid required during the Third Plan, they have told the "Aid India Club" that it would be \$5,500 million or say about Rs. 2,640 crores. Responsible authorities of the Government should not play with figures in this vital matter in the manner they have been doing. It is the duty of the Finance Minister to take the public into his confidence and give them a correct picture both in regard to the amount of external assistance available and not utilised and in connection with the probable amount of external assistance carried forward from the Second to the Third Plan. Such a carry-forward will have to be taken into consideration in determining the amount of foreign assistance which will have to be obtained during the Third Plan period. It will be unbusinesslike for the Planning Commission not to make any mention about it in the figures that it has given in the Draft Outline in this connection. If the amount of Rs. 2,200 crores of external assistance which it has mentioned on page 47 is not inclusive of the amount carried forward from the Second to the Third Plan — as it seems to be the case—, it is clear that the amount of external assistance that will be available will be over Rs. 2,700 crores. If, on the

other hand, that amount is inclusive of the amount carried forward, the net amount of external assistance which the country will have to obtain for fulfilling the programmes of the Third Plan will be less than Rs. 1,700 crores. As the Government has asked the "Aid India Club" to proceed on the basis that the fresh external assistance which it will need will be \$5,500 million, or say Rs. 2,640 crores, it is clear that the carry-forward amount is not included in the figure of external assistance required as mentioned in the Draft Outline. No plan can proceed when there are such vast differences between vital figures in relation to the sources of finance which are considered essential for the success of the Plan. The Government should place the correct picture before the public both in regard to the adverse balance of trade and the amount that will be available for utilisation as external assistance and the amount that is actually utilised during the particular Plan period. The Central Budget will not be playing its real and right role, if the Government of India fails to take the public into its confidence and does not throw all possible light on these crucial problems vitally affecting the working of the planned economy.

We have dealt with some of the important omissions in the presentation of the Budget as it is normally dealt with at present. We shall now refer to some of the subjects in connection with the planned economy the finance for which now forms the integral part of our national Budget. The amount which is being spent for fulfilling the projects of the Plans has been increasing year after year. The total Plan outlay in the first year of the Third Plan both for the Centre and the States, as remarked by the Finance Minister, will be of the order of Rs. 1,166 crores. Of this sum, Rs. 943 crores will be the share of the Centre, Rs. 181 crores would be on revenue account and the balance of Rs. 762 crores would be capital outlay including loans. The total financial outlay of Rs. 1,166 crores exceeds the normal budget expenditure of Rs. 1,000 crores at the Centre. This capital outlay in a single year in the last year of the Third Plan will go beyond the sum of Rs. 2,000 crores. This brings home to us very vividly what enormous sums of public money the Union Government has been spending under planned economy year after year. The Union Government would have spent Rs. 6,600 crores during the First and the Second Plans.

The total outlay by the end of the Third Plan will reach the figure of about Rs. 15,000 crores. The Finance Minister does not give any balance sheet for the working of this huge outlay in his Budget speech. We do not know what amount is actually invested in different projects, what amount is spent as development expenditure which does not create any asset and what amount is spent as subsidy to keep in existence and going the assets that have been created. The country has no idea whatsoever today of the financial implications of this enormous outlay. We do not know whether the amount invested brings any return after the provision for all outgoings including the payment of interest on borrowed money is made.

The Government of India has now entered the trade, commerce and industry of the country. It has already announced that it proposes to occupy the most dominant position in each of these fields. Every prudent businessman makes annually a careful survey of the working of his assets and draws up the profit and loss account as a result thereof every year. The Finance Minister draws up no profit and loss account of the crores of rupees which he invests in various undertakings year after year. It is the inherent right of the country, however, to know what the Government does with the money it raises by taxation, by borrowing both from within and without the country, and by providing deficit financing. It is the bounden duty of the Finance Minister to give clear, categorical and unequivocal account of the various investments of the Government of India so that the people may get a correct idea of how the public money is spent and what return it is bringing to the Exchequer, after all debt charges are paid. At present the country knows nothing about it. This is a sealed book. The Finance Minister gives the country every year to understand what fresh money he needs and how he proposes to raise the same. The curtain is then rung down. The country thus knows nothing as to how it is used and what profit it brings to the country.

Let us contrast this with the Railway Budget which is presented to and adopted by the Indian Parliament every year. The country knows the financial results of the working of the railways where more than Rs. 1,500 crores of public money are invested today. If the Government can give a separate account of its

stewardship of the working of the railways year after year, is it not its serious responsibility and duty to give a yearly account of the financial results of the working of the various projects brought into existence under planned economy, where several times Rs. 1,500 crores absorbed in the railways are invested? It is, therefore, a matter of deep disappointment to the country that the Union Government is absolutely silent on this subject of serious and vital importance to the country, imposing great financial burdens and calling for the continuously heavy sacrifices both from the present and the coming generations.

The Explanatory Memorandum gives the most scrappy information in this connection. In Annexure 17, it has incorporated a statement of investments in industrial undertakings and other concerns and returns therefrom. It covers only a small part of the ever-increasing vast field of Government investments. What is the picture which this annexure puts before us? On an investment of Rs. 708 crores, the Government would be getting a return of Rs. 3.64 crores in the year 1961-62. This means .51% would be the yield on these investments. And there too; we do not know if this .51% is arrived at after providing for full interest, depreciation and all taxation. No one knows what return the Government has been getting on the balance of its investment which would be exceeding Rs. 5,000 crores at the end of the Second Plan excluding the amount invested before the planned economy began to function. It is, therefore, a matter to be deeply deplored that neither does the Planning Commission nor does the Finance Minister throw any useful light on these crucial aspects of the planned economy. These grave issues profoundly affecting the future of the country and the working of the planned economy in India are unfortunately conspicuous by their absence in the annual accounts of his stewardship which the Finance Minister presents to the Indian Parliament. They do not also find any place in the various documents which are usually circulated with his speech.

The Economic Survey for 1960-61 devotes a page containing data regarding net capital formation of the budgetary resources of the Central Government. Out of Rs. 5,190 crores mentioned therein as the amount of net capital formation, Rs. 3,570 crores constitute the financial assistance given by the Centre to the States.

It conveys nothing and can convey nothing to the people about the assets created and can give them no idea in regard to their working or their annual contribution to the Indian Exchequer. When Government runs business, it must accept the responsibility of the businessmen and must place before the public the true state of affairs resulting from the working of the various assets in which crores of rupees are invested.

The time has, therefore, long been overdue for the country to insist that the annual Budget of the Union Government must play its right and fundamental role in full accordance with the great obligations which public finance imposes on those who are responsible for the raising and spending of public money. The Finance Minister should devote a special chapter in his Budget speech to the financial implications and results of the various undertakings in which the Government has invested crores of rupees and try to show the nature and the extent to which their working results have enabled the country to meet its obligations of discharging the debt charges and of making repayments of the loans borrowed.

It is the responsibility of the Finance Minister to keep a constantly vigilant eye on the public debt of this country. How should the country meet the debt charges and how should it find finance for the repayment of the loans by agreed instalments must become his first and foremost consideration when he frames his Budget. This is the normal practice and responsibility of budgeting. At a time when the public debt of India has risen and has been rising by leaps and bounds, the timely discharge of India's liability for the repayment of her debt calls for very serious thought and becomes one of the most pressing considerations which will affect the drawing up of the annual Budget. India has been continuously borrowing larger and larger sums year after year for raising the finances required for executing the projects and programmes of planned economy. *The responsibility of the Finance Minister becomes, therefore, the greater to ensure that the faith of the creditor countries in India's ability and determination to fulfil her obligations is in no way shaken.* It is, therefore, a matter of regret that this subject which causes serious concern to the people of the country does not unfortunately find any place in the Budget speech of the Finance Minister.

Information in regard to the debt position of the Government of India is, however, given in the Explanatory Memorandum. India's public debt stood at Rs. 949 crores on the 31st of March, 1939. On the 31st of March, 1962, it will reach the huge sum of Rs. 5,554 crores. This does not include the liabilities of the Government to repay the various deposits placed with it under the Post Office Savings Bank, National Plan Savings, Treasury Savings Deposit Certificates, Provident Funds, etc., amounting to Rs. 1,868 crores. It is, therefore, not strictly correct to say that India's public debt will be amounting to Rs. 5,554 crores at the end of the current financial year. India's obligations in this matter would really come to Rs. 5,554 crores + Rs. 1,868 crores — or Rs. 7,422 crores — at the end of March, 1962. Our interest-yielding assets are, however, only Rs. 5,725 crores. This includes the amount of Rs. 300 crores due from Pakistan. The total interest-bearing obligations not covered by assets come to Rs. 1,311 crores or nearly 17% of the total debt. It should not, however, be forgotten that huge as the figure of the debt mentioned above is, it will rise enormously and will reach the tremendous figure of Rs. 11,000 crores at the end of the Third Plan. The Indian Budget will not be, therefore, playing its proper role if it does not inform the public year after year of the correct position in this matter and give a broad outline as to how the Government proposes to discharge the obligations of the country both in the matter of the payment of interest and repayment of the principal borrowed.

There are two aspects of our public debt — debt repayable in rupees and debt repayable in foreign currencies. There is no mention even in the Explanatory Memorandum as to the amount which India will have to repay in rupees and in foreign currencies year after year. The public is entitled to know about the country's responsibilities in this matter and it is, therefore, essential that fullest information on this important subject should be given either in the Budget speech or in the Explanatory Memorandum.

India will require foreign exchange to the tune of Rs. 28 crores for the payment of interest alone on foreign loans in the year 1961-62. No particulars in regard to the repayment of the amount of the loans are given in that memorandum. It is necessary that both these figures should find their place in this memorandum in the future. What the country will have to pay by way of in-

terest and by way of the repayment of loans by instalments in foreign currency from the beginning of the Fourth Plan should be visualised correctly from now. In addition to the **amount** of about Rs. 500 to Rs. 600 crores which has been authorised but not drawn up to the end of the Second Plan, but which we shall be drawing in the future, we are also going to secure Rs. 3,200 crores by way of external aid during the Third Plan — Rs. 600 crores to be repaid in rupees and Rs. 2,600 crores to be repaid in foreign currencies. It is difficult to say what amount of foreign exchange we shall have to find for this purpose in the absence of detailed information in the Budget papers. It will be, however, safe to say that at the beginning of the Fourth Plan, our obligations to pay interest in foreign currency will not be less than Rs. 100 crores per year, while the amount of instalments for the repayment of loans in foreign currency will very likely be in the neighbourhood of Rs. 150 crores per annum. *The problem of problems before India will, therefore, be how to find foreign exchange of about Rs. 250 crores per annum from the beginning of the Fourth Plan before she thinks of spending any foreign exchange for her Plan activities.*

When the interest and the loans are to be repaid in foreign currencies, India will have to earn the amount required for doing so. These earnings will have to be in addition to the **earnings** necessary for paying the cost of both maintenance and development **imports**. With the continuous adverse balance of trade which we have been experiencing, it will indeed be a very stupendous task which will lie before India, for maximising her exports. In the absence of such a situation being created, India will **have** either to make arrangements for postponing to pay her debts or obtain fresh external help to discharge her existing debt obligations. It is **well known** that we are at present having recourse to both these methods. Not only have we made arrangements to postpone the payment of instalments that fell due in connection with the Wheat Loan of 1951 and those in connection with the loans obtained from West Germany for financing the Steel Plant at **Rourkela**, but we have also decided to secure fresh external assistance of Rs. 500 crores for liquidating our obligations that fall due during the Third Plan. While one need not take any alarmist view of the manner in which we allow our debts to increase, the path of practical

prudence and the responsibility to maintain economic stability impose serious obligations on the Government to ensure that such repayments are made out of the earnings of the exports at the latest from the beginning of the Fourth Plan, or to make such adjustments in the principles and policies governing planning as would not impose avoidable burdens on generations to come. It is the fundamental responsibility of the Government to take the people into their fullest confidence in this vital matter. As the Government is anxious to seek the willing co-operation of the people to make the Five-Year Plans fully successful, it should, no doubt, realise that confidence and co-operation must go together if the objects which it has in view are to be effectively fulfilled.

Let us, therefore, hope that the Finance Minister will deal with this problem of public debt in his Budget speech from the next year and give the country a clear picture of the growing public debt of India and assure the country that the resources position in the economy would bear the pressure of demand that would be created on resources for the repayment of the obligations of the country. Unless the Budget speech in the future deals with the important matters referred to in the above paragraphs, in an intelligent and enlightening manner, it would be difficult to sustain the claim which is made by the Government that India is working under democratic processes. The Budget papers and the Budget speech will have to fulfil the new and vital role which the Budget will have to play in India of planned economy. The Government will have to recognise its fundamental responsibility to raise the curtain which is rung down at present, to enable the people to see for themselves what the Government has been doing with the crores and crores of rupees which it raises from the country and obtains also as loan from foreign lands. Unless the Government recognises its elementary obligations to the people in this matter of grave importance, democracy will degenerate into dictatorship and the Revolution of Great Expectations will turn into a Tragedy of Deep Frustrations.

The views expressed in this booklet do not necessarily represent the views of the Forum of Free Enterprise.

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Free Enterprise was born with man and
shall survive as long as man survives.

—A. D. Shroff

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