Morarji's Breakfast, Nation's Last Supper

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Says M. R. Masani

THE National Budget of Morarji Desai was severely attacked by the Leader of the Opposition, Mr M. R. Masani, and the following are excerpts from his sparkling attack on the Congress Government's complacent and criminal optimism in Parliament's debate.

Mr. Masani began by detailing three principles of national management:

One was that governmental expenditure should be restrained and reduced; another was that industry should be exposed to a competitive environment; a third was that there should be a hospitable environment for private foreign capital.

The Finance Minister was good enough to express publicly doubts about the wisdom of the Second and Third Plans and to admit that mistakes had been made.

He also said that the relative roles of the State and the free sectors of the economy should be dependent on their relative abilities and performance. He said that controls were only a means to an end. All these are very sound principles. Many of us have expressed them in this House over the past few years.

NO MATCHING ACTION

But I have to confess that when Part B of his speech came, there was absolutely no action to match these precepts. There was only the customary tinkering with, the rates of taxation.

There is nothing in this budget to cure the stagnation from which this country is today suffering and to save the economy from running down further.

There is no incentive to a revival of the economy. Undoubtedly, minor concessions have been given to the direct tax payer, but all of them put together aggregate only Rs 5 crores.

If the Finance Minister thinks this kind of tinkering with the massive problem of a capital market that is dead is going to stimulate the economy, he is in for a disappointment. The Budget does not touch the fringe of the problem.

It has been described as a **status quo** budget. That is true. But what is the **status quo?** The **status quo** today is rank stagnation, depression, a recession on the way, and shortage of food and other commodities for the masses. This was no time for a **status quo** budget. What was needed was a dynamic budget, if you like, a revolutionary budget.

PASSING THE BUCK

Now, the Finance Minister says he has done something. He has balanced the budget. But he has balanced it, if I may say so, by passing the buck. He has passed the buck in two directions.

One was the unfortunate Railway Minister who, though faced with a deficit in the Railways, had to agree to Rs 7 crores being squeezed out of the Railway Budget for the General Budget.

The other direction in which the Finance Minister has passed the buck are the unfortunate States. Last year the Centre gave the States Rs 921 crores by way of loans and advances. This year the interim budget provided for Rs 740 crores only.

Now the Finance Minister has generously added another Rs 98 crores, making Rs 838 crores. Since Rs 38 crores out of this are for famine relief, which are altogether of a different category, the net assistance to all the States put together comes to only Rs 800 crores, as against Rs 921 crores last year.

Thus the States are left with Rs 121 crores less than last year. That is one of the methods by which the Finance Minister has been able to claim that he has balanced the budget.

NEGATIVE TAXATION

When the rest of the world is talking about the Welfare State and negative taxation, to claim that a man who is destitute, who cannot pay tax, should be made to pay it, otherwise he would be lacking in self-respect is, I think, a very harsh and cruel joke.

Bus fares, taxi fares, scooter fares, will all go up. It has been rightly described as a "stay-where-you are budget" in every sense of the term. Not only is the country stagnant but must stay where it is.

Unfortunately today, everyone must stay where he is. Even if you walk, your shoes will cost you more by being worn out faster. If you try to transport any commodity, that will cost you more. Therefore, this pernicious duty on petrol and high power diesel oil is going to add to the cost of every commodity which our people use. That is why I say that this is not a budget free from inflation.

If this budget is not going to revive the economy and is going to continue the price rise, then it is a pretty bad budget; it is a useless budget and it has no solution to the problems that the budget should have faced.

I say that there was an alternative for the Finance Minister. I am not talking of his bringing in a Swatantra budget. That of course is beyond him. If that budget could be brought, we can revolutionise the economy of this country within a year or two and we can bring in a new atmosphere and a new psychological mood. Our policy would be the exact opposite of the policy that the Treasury Benches are following.

I am not expecting him to do anything of that kind. The policy or philosophy of all previous budgets has been: maximum revenues through maximum rates of taxation. Our philosophy is exactly the opposite: maximum revenue through **minimum** rates of taxation.

Ours is the policy of President Kennedy which he vindicated in his own country when he was President. I am not even expecting the present Finance Minister to do anything of that kind. But I do expect him, within the framework of his own Government and his own policy, to do the right thing by the country. That he has failed to do.

ALTERNATIVE BUDGET

I am going to put to him an alternative budget, which he could have brought and carried through and which would have produced many good effects for this country. I am not just criticising his budget; I am saying what he could have done because we are often told: why don't you provide an alternative?

The Finance Minister should have started with economy in expenditure. It is shocking that of a total expenditure of Rs 3,150 crores he could not make any cut. Rs 6 crores on defence is all that I remember in the way of reduction in expenditure that he has ventured to make! From Rs 5,000 crores, he has no capacity to make any cut anywhere.

I say that, without hurting anyone very much, he could easily have effected economies of at least Rs 150 crores, which would be less than three per cent of the total.

How? He has given Rs 10 crores more for civilian non-developmental expenditure which is most wasteful. Our bureaucracy has been proliferating and more and more drones are living on it; they are under-employed. Instead of cutting down that civil expenditure, he has given Rs 10 crores more this year to waste. I suggest he could have made a modest cut of Rs 10 crores on last year's civil administration expenditure. That would have made a saving of Rs 20 crores between his present budget and my alternative budget.

DEFENCE EXPENDITURE

It has been suggested that there is a taboo on suggesting a cut in defence spending. I propose to break that taboo today. A retiring Wing Commander of the Air Force wrote in a magazine recently that "anybody who talks about a cut in defence is considered not defence-minded; and the entire defence finance is completely muddled by officialdom; it is hardly ever scrutinised by experts outside the circle of the brass."

The Prime Minister fell a victim to this fallacy on the first of this month when she is reported to have made the following remark: "So long as there is danger on the borders, there can be no cut in defence expenditure." I suggest this is a non-sequitur. Danger on the borders and defence expenditure have very little to do with each other except indirectly.

Economy in defence expenditure is consistent not only with maintaining the effectiveness of our defences but even increasing it. On the one hand, you can cut the waste and on the other hand you can make your Armed Forces more effective instruments of defence.

WHITE ELEPHANTS

I will now turn to the third field of economy, where the economy could be the biggest, and there, I would say that on the so-called Plan expenditure of Rs 1,826 crores, an economy of Rs 80 crores could have easily been made. I am suggesting Rs 80 crores because I am referring to only two projects which could have been easily dropped without touching the rest of the Fourth Plan for this year.

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The two projects are the Cement Corporation with an estimated expenditure of Rs 34 crores and the Bokaro Steel Plant with an expenditure of Rs 75 crores. Between them, they could have given us a saving of Rs 80 crores straightaway.

But the worst of all the white elephants projects, worse than Durgapur, is Bokaro. It can easily be postponed for several years without doing our economy the slightest harm. It has already become, even before it can go up, a by-word for wasteful expenditure and nepotism of the worst kind.

So far, Rs 70 to Rs 80 crores have been spent and all that has been achieved is a levelling of the ground and the building of quarters. Even before that is completed, an army of drones is living off the country. To manage 3,000 employees, there are already 13 Heads of Departments drawing more than Rs 2,000 apart from other emoluments!

RELIEF TO POOR

Reduction in indirect tax could have given tremendous relief to the poorer sections of our people. If the excise duty on vegetable oil products could have been cut down altogether—a hundred per cent—if kerosene duties could have been cut by half, if cotton fabric duties could be cut by half, if the duty on matches could have been cut by half, and if the duty on trucks for transportation of goods could have been cut by half, there would have been tax relief to the extent of Rs 80 crores.

These Rs 80 crores would have gone to the poorer sections of our people to

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needs of life instead of having to pay the exchequer all this money. It would have meant a 50 per cent reduction on the burden of the poor on their most immediate needs.

Then I come to direct taxation—how he can spend Rs 70 crores to regenerate our economy. He should have removed the Annuity Deposit Scheme. It is the worst master-piece of confusion and futility ever invented by human ingenuity.

Then he should have removed the surcharge on income-tax, giving another Rs 16 crores relief. He could have given relief on the first Rs 500 of all dividends earned. That would have cost another Rs 50 crores.

Finally, the abolition of the company surcharge of 10 per cent would have meant Rs. 30 crores, bringing the total to Rs 70 crores.

Thus, along with Rs 80 crores on excise duties, he could have given relief of Rs 150 crores this year to the tax-payer.

FRUITFUL RESULTS

This would have yielded three results.

● IT would have given an incentive to investment and saving. The capital market would have been stimulated to the extent of Rs 40 crores which direct tax reliefs to the individual tax payer would have left in his pocket. As I have pointed out, one-fourth of this would have come into productive enterprise immediately. Joint stock companies would have been left with Rs 30 crores more to re-invest. It could have been made a condition that, if you re-invest, you will be given this much.

● THE other effect would have been anti-inflationary. Increased investment and production would have checked the rise in prices. The scheme of commodity tax relief would have brought down prices in six very sensitive sectors for the common man, and the ever-mounting Dearness Allowance bill would have been stopped from growing further. Thus, such a Budget would have stabilised prices.

● FINALLY, he could have got more revenue which he has thrown away by unintelligent measures. As I said, the objective should be maximising tax revenues by **minimum** rates, not by **maximum** rates. Normally, the benefits of tax relief take some time to be shown. I would have been told that it would take two or three years for the benefits to be shown from tax cuts. But this year happens to be a special kind of year when any relief given would give you returns within this year itself.