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THE BUDGET: A VICTORY FOR COMMUNIST CHINA

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The logical issue of the Nehru Government's domestic and foreign policies is clear for all to see—military defeat, continuing appeasement of the enemy and now, embodied in the Budget, a vicious attack on the standard of life of the Indian people. The war against Communist China may be over, but the war against the standard of life of the Indian people continues. The people will now have to pay for the mistake they made during the General Elections in February 1962.

The claim that this oppressive budget is made necessary by the pursuit of the country's security and defence is questionable. On close examination, this oppressive measure of taxation is found to be unnecessary and calculated to destroy the Indian economy on which the defence of the country must be based.

It is clear that the proposed tax measures will dampen savings and investment, thereby retarding economic growth. Shareholders will be hit by the super-profits tax levied at very high rates on companies earning a profit over a modest 6 per cent of their capital plus reserves. This is virtually a ceiling on dividends. Little Indian capital and no foreign capital will look at such a return. The ceiling on salaries will sharply reduce incentive among high grade managerial and technical personnel, who are in such short supply in India.

Road users have already been shamefully overtaxed during the past few years. The increased duties on motor spirit, diesel oil, tubes and tyres and motor vehicles and parts will send up further the cost of transport and impede the development of road transport which is so desperately needed. The bottleneck in transport will block economic development.

The budget is undoubtedly inflationary. It will push up the cost structure of industry and exports will be hit. The prices of consumer goods must inevitably shoot up. While the increase in income-tax will reduce incomes, higher prices will send up the cost of living for the lower middle class. Since inflation hits most the common man with a fixed income, the budget is anti-social and anti-socialist.

The measures proposed to be taken under the Defence of India Rules to control prices are like trying to undo with one hand the mischief done with the other. Price-controls are no cure for inflation. They treat the symptom while aggravating the disease. Economic laws defy even dictators. The price-line, like water, will find its own level. The price-controls will fail, leaving only greater corruption in their wake.

The additional taxation, savage as it is, signifies little in the context of our massive defence needs. India by itself is in no position to fight Communist China. Either it must reinforce its inherent strength with that of its potential allies among the friendly democracies or it must ultimately go under.

The budget postulates a revenue expenditure on defence of Rs 708 crores which is almost double the budget provision of Rs 376 crores last year. The additional amount to be found is thus Rs 332 crores. Of this, about half, namely Rs 166 crores, is probably needed for equipment and armament. In view of our inability to produce these, they would have to be imported. They should come in without any financial liability from our friends, USA, Britain and others who have offered us this aid. The balance of Rs 166 crores remains to be provided for.

Is it really necessary so steeply to increase rates of direct and indirect taxation in order to find these Rs 166 crores?

It is now clear that the quantum of the revenue collections from customs and excise has been greatly underestimated and, as against an estimated revenue of Rs 730 crores, around Rs 800 crores are likely to be collected for the year that has just ended.

Allowing for a rise of 15 per cent in the coming year in industrial production as against 11.6 per cent in a normal year, it has been estimated that central excise and customs may be expected in the coming year to provide a total revenue of Rs 884 crores, or Rs 154 crores over the budget figure of Rs 730 crores for 1962-63. This of course is on the assumption that the disincentives of the current Budget are ruled out.

Similarly, income-tax collections may be expected to bring an additional 5 per cent at the existing rates of tax, thus providing a further Rs 8 crores over the 1962-63 budget figure, and corporate taxes an additional collection of 12.5 per cent or Rs 22 crores. Thus an additional Rs 30 crores would come in from income and corporate taxes.

Since the corporate sector has voluntarily agreed to contribute to the defence effort 5 per cent of its assessable profits, this should bring in Rs 20 crores, and the Emergency War Risks Insurance scheme another Rs 20 crores.

Thus, without any increase in the rates of direct taxation or excise duties, additional collections from all sources may be:

	Rupees in crores
Customs and excise	154
Income tax and corporate tax	30
Voluntary contributions by industry	20
Emergency Risks Insurance scheme	20
Total	224

The present budget of course ignores completely the possibility of economy in unproductive civil expenditure. Surely a savings of Rs 50 crores is not beyond what is achievable?

Thus, with additional collections at the existing rates of taxation of Rs 224 crores and a saving in expenditure of Rs 50 crores, Rs 274 crores would become available. This would be very much over the Rs 166 crores which is necessary for our defence effort from within the country. It will thus be seen that no cause exists for the vicious rise in direct and indirect taxation in the current budget.

The inspiration for the budget is thus not so much in the desire to defend the country against Chinese aggression as in the perverse adherence to the misguided and doctrinaire policies of neutralism—miscalled non-alignment—and State Capitalism which have already brought disaster to the country. The follies of our Government's policies are now being visited on our suffering people.

The budget is a victory for the Chinese aggressors. This is exactly what they wanted us to do—to enter into an arms race with them in isolation from our friends and potential allies—so that our economy may be shattered and their Fifth Column here can nibble at our democratic institutions and our free way of life.

The Government has signally failed to harness the enthusiasm of the people and the productive forces which could have been let loose in the face of the challenge to the country's security and independence. Typical of such futile policies have been the regulations for the control of gold and now the budget. The Emergency is being misused to further State capitalism and pro-Soviet neutralism. While the people of India will undoubtedly be willing to make every sacrifice for the defence of the country, as was demonstrated last year, there is no justification for their being made to pay for the doctrinaire and mistaken policies pursued by a Government which is at the same time engaged in appeasing the enemy.

The Finance Minister has opened a Pandora's box, and the Furies that come out will, I fear, destroy him. But, if the people do not bring severe pressure to bear on Parliament and Government within the next few weeks before the Finance Bill comes before the House, the same Furies may also destroy the nation.

(~~Advance copy~~ The full of article appearing in SWARAJYA issue dated 9th March 1963)

KALKI PRESS, MADRAS-10