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Op-Ed

DEBATE

Do Union Budgets really make a difference?

Treat Budgets simply as *hisaab-kitaab* documents

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A Budget is an essential part of good housekeeping. All of us, or at least most of us, husband our resources to derive maximum benefit. We know what our income is and decide how much to spend and on what. When we need more resources than what we have to acquire a property or facility, we borrow and include a new component, the repayment with interest (what has now become a very popular acronym—EMI or Equated Monthly Instalments) in our next budget exercise. In our personal lives, therefore, we dictate what our personal budgets will be; the budgets do not dictate our lives. In other words, how we manage our finances makes the difference to our lives, not the budget, which is merely a reflection of our intentions.

On the other hand, Union government Budgets and, to a lesser extent, state governments budgets have acquired, over the years, a larger than life importance. Along with the proliferation of laws, these Budgets too have become increasingly complex, requiring 'experts' to interpret the laws or the various provisions in the Budgets, particularly when they appear in their avatar as Finance Bills. Indeed, it required a genius like the late Nani Palkhivala to explain the implications of the Budget in a language that common people could understand.

This was so until the early 90's when business, industry and taxpayers generally waited with bated breath, their eyes and ears glued to the TV or radio, listening to the running commentary as in a cricket match, to know what the finance minister had in store for them. However, unlike in a cricket match, viewers and listeners were directly affected if taxes or expenditures were changed, or indirectly affected if deficits were created. With socialist governments perched on the commanding heights of the economy it was natural to fear the worst—and more often than not these fears were justified and the country and the people suffered.

However, what matters for the purposes of this little essay is that in those long years, Budgets did make a difference, often a huge one, ruining industry, agriculture and the lives of citizens; because Budgets in the first 40 years of freedom were designed to serve a command economy. When the government at the Centre finally ran out of funds and could borrow no more, the rake's progress came to a halt. Economic compulsions in 1991 forced the then government to take a 'U' turn. But the budgeting process did not take a similar turn. Sculpted by bureaucrats, it continued to be as complicated and obtuse as ever. Arbitrary changes in taxes and flamboyant new expenditures have continued to play havoc with dangerously high deficits.

Be that as it may, though viewers and listeners continue to be glued to their sets come February 28 of each year, perhaps more out of habit than compulsion, with the admittedly considerable dilution of the licence-permit-quota raj, Union Budgets no longer scare the citizen as much as they did in the heydays of 'socialistic' regimes. To that extent, Budgets make much less difference today.

But ideally, they should make no difference at all. Budgets should be treated simply as *hisaab-kitaab* documents, an inventory of the State's assets and liabilities

reflecting the financial health of the nation and enabling economists, financial experts and others to diagnose the health of the economy.

To be able to do this, particularly in a liberalising economy where the growth rate has almost doubled and the Sensex is soaring, there is need not only to promote better fiscal governance through transparency and accountability, but also seize the opportunity to work towards growth with equity especially in the social sectors. This is what matters most to the common people, particularly those populating semi-urban and rural India. This will make all the difference—not Budgets per se.

And finally, when in a year that February 28 passes unnoticed, we can truly say Budgets make no difference at all. We would have finally arrived.

—The writer is editor, 'Freedom First', a quarterly liberal journal

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