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Wanted - Rethinking On Taxation

By: M. R. MASANI, M.P.

The idea of an integrated tax structure was borrowed from Professor Nicholas Kaldor of the United Kingdom. It meant imposition of wealth and expenditure taxes over and above income-tax, estate duty, capital gains tax and other taxes which are considered to be normal.

Prof. Kaldor had made it very clear that if India wanted to follow his advice in going in for wealth tax and expenditure taxes, a pre-condition of such a reform should be that there would be a ceiling on income-tax. He said that the income-tax should in no case exceed seven annas in the rupee for the highest slabs.

In other words, he wanted to tax idle wealth on the one hand, and on the other hand to give incentives for those who have income and would use it productively. What has happened, however, is the worst of both worlds. While additional burdens in direct taxation were placed on the shoulders of those who 'produce', the relief that was envisaged by Prof. Kaldor to stimulate productive enterprise was conveniently overlooked.

The question of taxation does not concern a few rich individuals here and there who may have wealth. It has a bearing on public welfare. Taxation should aim at increasing wealth in the country, if poverty is to be removed.

FISCAL PHILOSOPHY

Wealth that is productively used for the benefit of the country is a good thing. When wealth is taxed in an excessive and vindictive manner, as it is today, then capital formation, which our country so badly requires, is impeded and economic growth is harmed. There is a smaller cake to go round, if one is to use Dr. Ludwig Erhard's phraseology.

The present fiscal philosophy of our Government is a reflection of primitive and out-moded socialist ideas which have been thrown on the scrapheap by advanced socialist parties like the German Social Democrats, the British Labour Party and many others in Europe. They have realised that welfare cannot be promoted by excessive taxation or by nationalisation because the precondition of welfare is the creation of wealth which in turn requires incentives to work hard, save

and invest.

We want a better life for the mass of the people, and particularly for those who are the poorest. But to want welfare is one thing and to want a Welfare State is another. As Mr. Jayaprakash Narayan has quite rightly described it, the Welfare State is "a creeping paralysis" that destroys the character of the people and the economy of the country". In other words, Welfare and the State are contradictions.

There is little welfare about a State. The State is primarily an engine of rule, of control — a police mechanism. Such a police mechanism is essentially not meant for welfare. Welfare comes from the production of an ample measure of goods and services which the people want and can enjoy. If we want welfare and wish to wage a war on poverty, we must build a modern industrial society based on sound agricultural base.

NEW IDEAS

A modern industrial society — this is increasingly true of even Communist countries like Yugoslavia, Poland and now Soviet Russia, where ideas of the profit motive and some measure of competition are being progressively accepted — needs new ideas, new techniques and new equipment to be harnessed to create wealth for the welfare of the people. We would not adopt discarded techniques and discarded ideas from other countries, if we are to progress.

Our objective should be to create conditions which make for a rapid and large-scale increase in wealth. We should encourage more and more people to be wealthy. A prosperity - owning democracy, such as exists in the Scandinavian countries, in Switzerland, Australia, New Zealand, West Germany, Britain and the U.S., should be our aim.

In order to encourage this trend, the Government should play upon the desire of the common man to improve his lot. Crores of people in our villages should be given an opportunity to share in the good things of life, to be able to buy consumer goods, and to have some comfort. That is real welfare and social justice. It also means that a big home market is created in which the products of industry can be absorbed. At the same time, it would create

purchasing power in the pockets of our people, through which they can buy the things they need to enrich their lives.

There is an argument that the people are not able to save enough to invest in industry and agriculture, and therefore, the Government should tax them to get funds for investment. But excessive taxation which diverts money or capital from private pockets to the coffers of the State is harmful to economic development, because every rupee that is diverted from the pocket of a man who would invest it productively in a spirit of enterprise to make more profit will be wasted by the Government.

No government has ever created profitable enterprises anywhere in the world. India is no exception. Therefore every rupee diverted by excessive taxation from the pockets of those who might have productively invested it, as Prof. Kaldor wanted, is wasted in a way that is becoming familiar in State enterprises in this country.

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it is not proved of Radha's person to have been injured, if she had been naked against her wishes. Therefore her statement is not acceptable.

As per statement of Dr Rishi, Indore, it could not be proved that the girl was under sixteen years of age. Dr. Gupta showed her to be of about sixteen to nineteen years. As per Lila's statement, Radha is shown to have been born when Lila was fifteen, and Lila's father shows Lila to be of thirty three at present. This proves that Radha to be above 18.

BUDHNI

2 Yr Old Child Drowned

A two-year old child, Dipak, son of Mr Nathuram Azad, was drowned in a water storing tank in his house here recently.

It is said that the child slipped into the tank while playing. When he was not seen for some time a search was made and the boy was found in the tank. He was immediately rushed to local hospital where the doctors vainly fought for two hours to save his life.—HS.

Satna Workers

SATNA, March 11

An agreement was reached between the representatives of the workers and the managements of the Satna Cement Works on March 10. On behalf of the workers, office bearers of the Satna Cement Factory and Quana Mazdoor Congress, a trade union affiliated to INTUC, were recognised by the management. Shri S P Singh President, Shri M P Mishra Vice President and Shri Kanhai Singh General Secretary signed the agreement. Besides the office bearers the contractors and other prominent workers K M Pillai, R K Mishra, K Nair and Narain Bhatia also signed as witnesses. On behalf of the management Shri U S Sethia Jt. Factory Manager and Shri N M Sharma Personnel Officer signed the agreement.

The signing of the agreement was preceded by negotiations between the parties for several days. By the terms of the agreement the workers engaged in loading of cement unloading of coal and other raw

ernational conference on the security of our Northern frontiers. And let us not forget that in the light of both Peking's avowed aim and geography, the security of the frontiers of South Vietnam is eventually an extension of the security of our Northern frontiers.

Certainly Peking would be in a cooperative mood if it realized that the alternative would be the end of its own aim and empire. That this could be the alternative, the American action against the bases and supply lines in North Vietnam sustaining the Vietcong in South Vietnam should increasingly make clear to Peking. The action has already shown that no longer can be bases of subversion and insurrection in neighbouring countries be presumed free of retaliation. But it would be worthwhile to have Peking at a negotiating table only when it has finally been convinced that making trouble for others could boomerang disastrously. At the moment talks of this conference or that conference with the warlords of the Chinese Mainland are premature to say the least. Even Paris and Moscow should be in little doubt about this.

HEARTENING INDO-SOVIET COLLABORATION

According to as yet unconfirmed but reliable reports, not only the Indian delegation but also the Soviet delegation to the Afro-Asian Islamic conference in Bandung opposed Indonesia's move to have Malaysia condemned as an instance of alleged British colonialism. Malaysia is a member of the United Nations—now also of its Security Council—and has internationally been recognized as an independent sovereign State.

The Soviet delegation's lining up with its Indian counterpart is significant because till some time ago, Moscow, like other Communist capitals, had been casting aspersions on Malaysia's status.

Whether this change is due to Moscow's renewed troubles with Peking which has noticeable influence on Indonesia's policies or to the realization that President Soekarno's confrontation policy has brought Indonesia to a virtual economic collapse, increasing thereby the danger of explosive instability which may result in something quite different from what Communism aims at is not clear. Meanwhile, the fact has to be noted as a heartening development.

Thinking of Indonesia's economic situation today one should bear in mind the following facts which some of the expert observers have compiled. Indonesia used to be a rice exporter before the last War; now it has to import nearly one million tons of rice every year. Certainly Indonesia's population is larger than it was then. It increases at the rate of 2.3 per cent annually and should in the next 30 years be twice its present size—110 million. But one cannot at the same time ignore the fact that whereas Japan and Taiwan produce about 4,500 pounds of rice per acre, Indonesia's production remains stagnant at 1,500 pounds per acre.

Java was once known as the land of sugar. It had 85 sugar mills in 1940, now the number has declined to 55 and export of sugar has been banned. The rubber production also tells the same sorry tale. Compare its production of 650,000 tons a year to that of much smaller Malaysia's 750,000 tons. Many small holders of rubber plantations have gone out of business.

MISPLACED HOPES OF MR KAMARAJ

Our Correspondent at Chandigarh writes :

According to newspaper reports, on March 9 Mr Kamaraj, the Congress President, is reported to have said : "We are going to support Mr Ram Kishan. We will help him overcome his difficulties. We are keen to see that all sections cooperate to strengthen the Ram Kishan Ministry." This statement is said to have been made after Mr Kishan's talks with Mr Kamaraj during two separate meetings and after Mr T. Manian, the All India Congress Committee Secretary, had reported to Mr Kamaraj on the recent Pradesh meetings at which he was present as an observer. The High members are known to have repeated their earlier stand through the press but referred to the AICC.

When questioned about the steps he would take to create closer understanding between the Ministerial and organizational wings of the party in Punjab, Mr Kamaraj is said to have remarked that he was studying this question and that "this is not a matter which can be solved in a single day." He, however, repeated his earlier assertions about his confidence that every section of the party would extend its cooperation to the State Chief Minister.

Again when asked whether he would deal with the "grievances" of the "Karon group," Mr Kamaraj is reported to have asked most innocently : "How do I know whether they have any grievances

If they have any genuine grievances they should come and discuss them with me."

And finally, when asked whether the "Kairon group" was trying to exploit the fact of Mr Kairon's murder to get some share in the Ministry, Mr Kamaraj is reported to have replied : "If that was true, I would not tolerate any dubious methods by them to exploit the situation."

Two or three days later Mr Kamaraj had talks with, among others, Mr Bhagwat Dayal Sharma and Mr Hans Raj Sharma, well-known as stalwarts of the Kairon group. They are reported to have told the Congress President that their criticism of the Ministry was made not with the object of weakening it or bringing it into ridicule but to force the hands of the Government to conduct thorough investigations and bring Mr Kairon's murderers to book. Mr Kamaraj is reported to have told newsmen at the end of his talks that he had seen to it that the PPCC extended its fullest cooperation to the Ram Kishan Ministry and there was no question of any further clashes. Mr Kamaraj will have another round of talks with the Pradesh Congress leaders after his return from Assam on March 28.

The recent internal wranglings and in particular the sharp differences between Mr Mohan Lal, former Home Minister under the Kairon regime, and Mr Prabodh Chandra, presently Education Minister, witnessed in the course of the current session of the Vidhan Sabha debates show, in the first place, that the state of affairs in the Pradesh Congress is more serious than Mr Kamaraj evidently imagines. Secondly, they show that the confidence expressed by Mr Kamaraj both recently and in the past that the Ram Kishan Ministry would get the cooperation of all sections of the party is very much misplaced. And finally they show that the Kairon group within the party feels strong enough to flout openly and repeatedly the authority of Mr Kamaraj.

Observers here are beginning to doubt both the sagacity and strength of Mr Kamaraj. His almost lackadaisical approach and dilly-dallying with the Punjab Congress affairs which, as a result, have been progressively deteriorating, are compelling people to remark that "Kamaraj fiddles while Punjab burns." That the Congress Party should be made a laughing stock of in the eyes of the world is bad enough but it makes things worse when the mutual recrimination within the party provides a handle to the Opposition to lash out at the Ministry. And, further—and this is more important so far as the people of Punjab are concerned—a Ministry which is bludgeoned and brow-beaten by its own party leaders cannot command the respect of either the administration or the people. Once this respect is lost—and that it is being rapidly lost is no secret—all will be lost. We in this State seem to be rushing the Kerala way. How far Mr Kamaraj has been successful there is known to all. Unless the Congress High Command knuckles down to the serious task before it with all earnestness and expedition, it will not be long before Punjab finds itself in that predicament. The writing is clearly on the wall but, then, none are so blind as those who do not wish, to see it.

WANTED—RETHINKING ON TAXATION

Mr M.R. Masani, MP writes :

The idea of an integrated tax structure was borrowed from Professor Nicholas Kaldor of the United Kingdom. It meant imposition of wealth and expenditure taxes over and above income tax, estate duty, capital gains tax and other taxes which are considered to be normal. Prof. Kaldor had made it very clear that, if India wanted to follow his advice in going in for wealth tax and expenditure taxes, a pre-condition of such a reform should be that there would be a ceiling on income-tax. He said that the income-tax should in no case exceed seven annas in the rupee for the highest slabs. In other words, he wanted to tax idle wealth on the one hand, and on the other hand to give incentives for those who have income and would use it productively. What has happened, however, is the worst of both worlds. While additional burdens in direct taxation were placed on the shoulders of those who produce, the relief that was envisaged by Prof. Kaldor to stimulate productive enterprise was conveniently overlooked.

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In order to encourage this trend, the Government should play upon the desire of the common man to improve his lot. Crores of people in our villages should be given an opportunity to share in the good things of life, to be able to buy consumer goods, and to have some comfort. That is real welfare and social justice. It also means that a big home market is created in which the products of industry can be absorbed. At the same time, it would create purchasing power in the pockets of our people, through which they can buy the things they need to enrich their lives.

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East Europeans Voice Antagonism to Both Moscow & Peking

By Eric Michelsen

THE antagonistic attitude of many East Europeans of both parties in the Sino-Soviet dispute is illustrated by the story of the waitress who approached a customer in a Soviet bloc restaurant and asked:

"What would you like to order?"

"Tea, please," said the customer.

"Russian or Chinese?" asked the waitress.

"Forget it," answered the customer. "Bring me some coffee."

That feelings of distaste or outright indifference concerning both Moscow and Peking are widespread throughout the Soviet bloc was confirmed recently by a survey undertaken by independent opinion research institutes in seven West European countries.

After talking with over 4,000 Czechoslovaks, Hungarians, Poles and Rumanians who visited West Europe during 1963 and 1964, authors of the survey concluded that the Sino-Soviet ideological dispute "appears to be a matter of complete indifference" to most of those interviewed "and the only interest in the entire issue is whether the friction generated can lead to greater independence from the Soviets."

In the last few years, Western sources have been able to obtain more information about the true feelings of East Europeans because a gradual easing of Communist travel restrictions

has enabled more Soviet-bloc citizens to visit the West. Free of the restraints imposed by their regimes at home, tourists have been only too willing to speak frankly about their dislike of Communism.

Specifically, the opinion-survey revealed "evident admiration" for the Chinese Communist "courage" in standing up to the Soviets. "This does not, however, indicate," the report added, "an increasing support for the Chinese Communist ideological point of view in the conflict, but is rather a sign that, encouraged by the bold stand of the Chinese Communists against the Soviets, there is growing belief in increased national independence in the four countries."

This desire for national independence from Soviet control also appears to be shared by some of the Soviet bloc Communist regimes themselves. For example, the Rumanian Communist Party not only has withheld unconditional support to Moscow in its quarrel with the Chinese Communists but has made it clear that it wants to prevent Soviet domination of its internal affairs. In an April 1964, statement the party expressed its intention to shape Rumania's future by stressing the principles of "respect for sovereignty and national interest."

Soviet displeasure with this show of independence was evidenced on May 30, 1964 when

Radio Moscow warned the Soviet bloc nations to stay in the Communist fold and avoid reliance on Western aid for their ailing economies. Nevertheless, two days later, a Rumanian trade delegation in Washington stressed the need for closer diplomatic and economic ties with the United States.

Poland also has received substantial economic aid from the United States and Polish trade with the non-Communist world has risen to approximately 66 per cent of the country's total commerce.

Czechoslovakia and Hungary, too, have indicated their desire to increase economic and cultural contacts with the West.

The growth of such contacts has weakened the Soviet Union's hold on East Europe and, at the same time, has increased Soviet bloc fears of Communist China. Many East Europeans, the survey found, "appeared to be repelled by the aggressive attitude displayed by the Peking regime towards the West. It seems to arouse fear that the Chinese Communist stand is reckless and uncompromising and may unleash a third World War."

In Poland the trend towards independence from Moscow began in October 1956, when Wladyslaw Gomulka became party leader on a programme of de-stalinization and national Communism. There, especially, the

anti-Chinese Communist feeling is apparently strong. The survey found "an increasingly negative reaction towards Chinese Communist ideological radicalism, especially among the older Poles who still have vivid memories of the Stalin era. The crude and reckless Chinese Communist approach to East-West problems, and possible repercussions on world peace seem to be particularly disturbing....The main Polish attitude in this context may be summarized as follows: Although the Soviets are widely disliked as oppressors, they appear to be regarded, none the less, as the lesser of two evils."

In Hungary, however, where the population suffered a period of marked repression after Soviet troops crushed the popularly-supported 1956 Hungarian revolution, the popular feeling is "extremely" anti-Soviet, the survey found. Nevertheless, it added, "any support for the Chinese Communists can only be regarded as a venting of anti-Soviet sentiment, rather than ideological approval—a fact which is evidenced by other evidence spread anti-Communist. The attitude of most with regard to the conflict seems to be...ing: There is apparent satisfaction that, at last, somebody in the Communist body has dared to stand up to the Soviets, but even more so that there is disunity in the Communist camp."