FORUM OF FREE ENTERPRISE
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The suggestion that the first priority in all planning should be the provision to every household in the country of its basic needs of food, clothing and shelter within a few years and that the entire pattern of taxation should be revamped to assure the Right to Work and the Right to Live was made yesterday by Mr. M.R.Masani. "What are all our Plans worth if the majority of our people must remain underemployed and eke out a miserable existence at sub-human levels?" he asked. Mr. Masani was talking on "The Role of Taxation in a Planned Economy" under the auspices of the Forum of Free Enterprise with Professor S.G.Panandikar in the Chair.

The speaker observed that in a planned economy taxation should serve the purpose of advancing economic development consistently with the demands of social justice.

Economic development should be advanced above all by giving fiscal incentives to save and to invest. Production has to precede distribution. Even Mr. Khrushchev had denounced "pants-less communism." Secondly, funds must be allocated for the building of an infra-structure consisting of irregation, power and fuel, communications and education.

Today, the structure of direct taxation acted as a disincentive to capital formation by penalising savings and discouraging investment.

In so far as the provision of basic services on which the economic structure could be reared was concerned, those in office had signally failed to meet their most elementary obligation in a planned economy. Roads and road transport were bled white by a multiplicity of taxes oppressive in their cumulative effect. A Minister had recently admitted in Parliament that there would be a severe shortage of Power at the end of the Third Plan. The Coal muddle was the biggest monument to the faulty planning of the past decade.

Education was grossly neglected, more of the national resources being invested in a single steel plant than on primary and secondary education throughout the country during the five years of the Second Plan.

Money that should have gone to build the infra-structure was diverted to unproductive Civil Expenditure and to wasteful and showy projects yielding hardly any return. The overall return of the national resources invested in this way in the State sector was only 0.3 per cent. A great deal of our money had been placed on the wrong horses.

In so far as the needs of social justice were concerned, these called for a stable currency which would ensure that a man enjoyed the fruits of his labour and reasonable differentials in reward for different kinds of work. An assurance to the poorest sections that their primary needs of subsistence would take priority was also necessary. Quite apart from humanitarian considerations, adequate nutrition was necessary for

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for efficient production and purchasing power in the pockets of the poor would create an expanding market.

Judged by these criteria, the current pattern of taxation was just as deplorable. The deliberate resort to deficit finance and excessive excise duties on the bare necessities of life had resulted in a continuous rise at the rate of 6.5 per cent every year over the past six years.

Far from encouraging the production of food, clothing and building materials for meeting the basic needs of the masses, the present system of taxation picked them out for particular victimisation. Even the poorest peasant who produced food for the country had to pay land revenue. Capital invested in agriculture was most inadequate. Mr. Masani was not convinced by Mr. S.K. Patil's optimism recently expressed in Parliament. The Third Plan had set a target of 100 million tons of foodgrains by 1965/66. In the last five years, production had only risen from 69 to 79 million tons, giving a rise of between 14 to 15 per cent. He was very sceptical whether a jump from 79 to 100 million tons, namely, a 26 per cent increase, could be expected in the next four years.

Cloth, the production of which should be encouraged, today attracts the most vindictiv e taxation. The current year's increase in excise duty on cloth would mean that the textile industry would contribute Rs. 90 crores per annum or 18 per cent of a total excise revenue of Rs. 500 crores. Similarly, building materials such as cement bore heavy excise duties despite the shortfall in production.

The present Budget aggravated the burden on the poor. This of course was inevitable since the limits of direct taxation had already been exceeded. "Those who wish for social justice must realise that this involves a reduction in taxation. The greater the quantum of taxation, the larger the proportion that would fall on the shoulders of the poor," observed the speaker.

Mr. Masani urged the taking of the following fiscal measures: (1) Abolition of Land revenue; (2) A drastic reduction in excise duties on necessities, raw materials and intermediates; (3) A reduction in corporate taxation and in direct taxes on incomes; (4) Strict abstention from deficit finance and other inflationary measures; and (5) Pruning civil expenditure and chocking the proliferation of State Capitalist bureaucracy in order to make all the other measures possible.

f/ M. R. PAI
SECRETARY