

The Taxation and Planning Commissions

(Contributed)

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". . . Do you know Nothing? Do you remember Nothing? Do you understand Nothing? . . . "

THE recent discussion on unemployment is not, alas, symptomatic of dawning wisdom in the Planning Commission, but rather of an animal instinct that strains the nerves and raises the hair on the head, warning one of immediate danger, long before one's intelligence can be aware of what threatens and from which quarter. No apprehension of the main problems facing us has yet disturbed the equanimity of its slow thinking machinery and if growing unemployment and the rising wave of agitation in Eastern UP, Bihar and West Bengal has disturbed it at all, its fears and doubts have been set at rest by the issue of an eleven-point manifesto. India, no doubt, is largely an agricultural country and the Commission has dreamed up projects which, say in twenty years, will convert it into a land flowing with canals and fertilisers if not milk and honey, provided this "devastating torrent of babies" could somehow be dammed along with the dams on the rivers. That India is a land of six lakhs of villages is a truism; what the Commission has forgotten is that it is also the country with one of the largest urban populations in the world. According to the 1951 Census, there were as many as five towns with a population of over a million, while about 55 millions of people live in cities. Our non-agricultural population would be about 100 millions. The conditions that prevail in this portion of the body-politic are those of modern organised economies, and high dams and river valley schemes, while no doubt incidentally beneficial, will be hardly of any direct utility to it. In brief, it might almost be said that the Planning Commission has forgotten to tackle and ignored the existence of about a third of the problem.

THE NEGLECTED URBAN SECTOR

This sector while facing the usual economic vicissitudes of an urban organisation has special characteristics of its own, so economic doctrines evolved to suit the West can by no means be lifted wholesale

and applied here. Not only is industrialisation comparatively low, it is also largely non-mechanised, and it is therefore exposed to unfair competition whenever supply outruns demand. The proportion of our population depending on agriculture gradually rose between 1850 and 1920. From then to the last war further deterioration was halted, but there has been sudden improvement only in the last decade and a half, due very largely to the concentration of orders for hand-made supplies, eg, tents, bandages, leather goods, etc, being channelled to India for the entire war effort of the Allies. Further complicating factors, eg, the drift from the country-side, a new phenomenon in India, the refugee concentration, etc, have prevented any reversal of the trend of urbanisation in the last few years, in spite of the disappearance of that temporary demand for cheap organised labour, with the result that vast hungry hordes are now parading the streets of the main cities of the eastern and north-western India.

Another factor special to India is educated unemployment. In Western countries there is on the whole a shortage of man-power, ensuring that only those go in for higher education, who have an aptitude for it, and whose services are required. Perhaps because all intellectual work was carried on in a foreign language, higher general education, which was necessary to fit them to use that language, has become a craze in India. Though in fact fitted by intelligence and training only for the lowest kind of work, these individuals who learnt the foreign tongue would only take on certain classes of work, and a big surplus of man-power has resulted, the problem getting particularly acute since after the war, when the surplus had disappeared for a short period.

HEAVY OUTTURN OF MATRICS

The numbers of the so-called educated class, who consider themselves unsuited for any but white collar jobs, has been growing at a

fantastic rate. In the UP last year over a hundred thousand candidates appeared at the Matric, and in the whole of India the figure must have been about three-fourths of a million. Seven lakhs of extra white collar jobs a year! It is doubtful whether all the Governments in India, the Civil, Military, Railways and Police Departments taken together, have more than say 2 lakhs, and the whole volume of private business, say 6 or 7. Assuming a wastage rate of 3 per cent and doubling it to allow for expansion, etc, it is doubtful whether employment can be found for more than say a tenth of the matriculates and even of the graduates, poured forth from our schools and colleges every year.

Unfortunately, apart from those who have had general education, there is little demand even for the technically qualified and a solution has to be found, for these as well.

Even though missed by our Planners, the problems are comparatively easy to state; it is the solutions that are elusive and deceptive. Rajaji has tried to find an answer by limiting cotton textile production of certain categories in mechanised factories, *i e*, he has tried to save a part by the impoverishment of the whole. Naturally, his solution is unpopular; India as a whole is so poor that increasing poverty cannot be the answer—increased wealth is the only path along which we should think.

PARADOXICAL TREND OF LABOUR SAVING

Hand production has given place to machine production in most countries, but we have not the capital resources at present to employ even the non-agricultural third of our population on mechanised industries. Further, the change over from labour-intensive to mechanical methods of production in capitalist countries, involved a degree of exploitation of labour, which we in the twentieth century, are unable to face, and yet no other course appears open. The 11-point programme of the Planning Commission is of course as superficial

and hasty a document as its past performances have led us to expect from that august body. Thus, it speaks of adopting labour-intensive methods when all around us we see the reverse trends. Our multi-purpose projects are highly mechanised, while China it is said has achieved a similar rate of progress with manual labour. The telephone system at Calcutta is being converted to automatic working, throwing some 3,000 girls out of work, thus not only increasing unemployment, but dealing a blow at the cause of women's emancipation, while every factory owner in the country is trying to get automatic machinery and get rid of the human element as far as possible.

This is of course not merely a fashion among employers—the human element has become so unreliable and expensive that its elimination is now a tragic but unavoidable necessity. With the coming of democracy, the influence of the middle classes with their small voting strength has declined, and politicians put into power by the struggles and sacrifices of that class seem to have forgotten that that class generally provides the ideology and the leadership required to engineer the breakdown of an old order or to create a new one. Even therefore should a large proportion of the working class allow itself to be gracefully eliminated, the middle class will not and it is time a little serious thinking was done on the subject.

JAP AND SWISS METHODS

It cannot be believed that this vast if impoverished community, cannot utilise the services of a million intelligent and educated young men—all that is required is to make their labours economically useful. The only way open to us appears to be to study the examples of Japan and Switzerland more closely and follow them as far as possible. Our technical education must be more and more on the lines of producing individual entrepreneurs who on small technical tools in their own homes can produce completely finishing goods for sale. Thus the watch trade in Switzerland, as is well-known, is a cottage industry. Without attempting such a highly skilled item, one can think of numerous others that befit such workshops, eg, brassware and other metal works, electric domestic switches and parts, paper making, etc, which might be established. Machines for making these should be manufactured in

India at Government controlled workshops, while the technicians should be sufficiently skilled to turn out quality products. Power will be made available in the River Valley Schemes, raw materials must be found and delivered, marketing channels will have to be established by Government, prices must be competitive. In brief, the effort must be to turn, say, 20 millions of workers from a purely manual to a mechanical technique, and expand that number of 5 per cent every year.

TAX ENQUIRY MUST SHOW THE WAY

This will require resources which it is the duty of the Taxation Commission to show the Government how to raise. Unfortunately that body seems to have bogged itself down with merely procedural problems: as has been feared it is treating itself as a Taxation Procedure Enquiry Committee. Minor matters like the proportion of exemption to be given to life insurance premia, or assessment of Hindu undivided families, or the issue of various income-tax notices, are indeed no part of its true functions, or otherwise if according to its interpretation of the terms of reference they are, immediate steps to alter these terms, seem to be called for. It is 'NOT' repeat 'NOT' a departmental enquiry by the Central Board of Revenue into the income-tax, customs or even sales tax machinery, but an enquiry into taxation as an instrument of national welfare. Admittedly the effects of Government expenditure which would be essential in any such study have been omitted from its terms, so its report must necessarily be like a balance sheet which presents only the liabilities side without the assets. But even so they could have considered the effect of transferring resources from the citizen into the hands of the State, as well as that of utilisation of these on Government expenditure, on certain alternative assumptions as to the nature of such expenditure, and thus built up a volume of data on the optimum levels of taxation on the different classes and communities of the population.

MISPLACED EMPHASIS

The burning question of the day is how to increase the resources of the Government, but to this the Commission, as their questionnaire discloses, seem to have given little attention. Their general questions

on the tax system which are more or less relevant for this purpose number 45, while there are 57 on income-tax alone. On customs there are 13 questions, on central excise 8, on the sales tax 10, State excises 4. There are four questions on agricultural income-tax which they do not seem to realise will disappear with the abolition of zainindari and limitation of the size of individual farms. On land revenue there are 12 and on irrigation rates 7. Other taxes merit 23 questions and local body taxation no fewer than 44.

MOBILISATION OF RESOURCES

The only communities that have more money today than before are farmers who work their own lands as well as the very large black-marketeers. No special methods of tapping their resources seem to have been considered, though passing mention of surcharges on land revenue has been made. The main problem of how to ensure that the greater resources the farmer now has and that those that are being put into his hand should be properly



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who, even when he is
safe, is on his guard."*

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utilised, and how part of these might be diverted into the hands of the State for the developmental expenditure has not been appreciated nor discussed. Lack of initiative and of the tendency to hard work is one of the gravest obstacles in the path of progress. According to press reports in a development scheme recently completed (in part), viz, the Mor Project, it was found that the peasants refused to buy water, alleging the high rates charged. Details have not been furnished, but doubtless the irrigation charges are in keeping with rates in other schemes, and would form but a small fraction of the financial return which the availability of extra water would enable the peasant to reap, and the main cause of the trouble appears to be his disinclination to work and secure an additional harvest. In the same way the Sarda Canal was completed in Central UP, about 20 or 25 years ago, but no great economic progress has been witnessed in that area as a result. Means have, therefore, to be found not only to make resources available but also ensure their utilisation, and these will largely have to be fiscal. While the expediency of adopting some of them might be questionable, the Taxation Commission must not refrain from discussing either their necessity or feasibility.

There are still vast monetary resources hidden away since the war in the hands of those who successfully evaded income-tax at the time. Money is in itself valueless but if it could be withdrawn from these ill-gotten hordes not only would a large inflationary potential disappear, but it would also release the energy and skill of the individuals who made it, now resting on these, for fresh productive, labour. Methods have also to be painfully devised to ensure that such continuing hordes do not prove self-propagating. This was one of the true functions of the Taxation Commission; it has shown very little awareness of it.

DO YOU KNOW NOTHING?

It is therefore apparent that the two Commissions are complementary and the later one should really have been an offspring of the earlier, though as long as the present confusion in the studies by these bodies continues, any such inter-relationship might have proved as valueless as none at all. Till there is some definition of aims and methods, confused, loose, and super-

ficial thinking must naturally persist.

Perhaps the greatest single factor causing this confusion is the want of an economic policy in the Congress, and the absence of interest in economic affairs in its High Command. Apart from a vague tendency towards socialism implied in its anti-zamindari programme which shows the rural origin of the party, it has nothing for the industrial proletariat or the great industrial centres. The Plan has become a magic wand with it lulling all criticism, and even putting to sleep all further interest in such matter, till one can only ask in exasperation,

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Events are moving so fast in East and West that this ostrich-like policy will no longer serve, and some real contribution from both these Commissions, has become essential. Can they make it?

Philippine Import Control

The Central Bank of the Philippines has taken over the administration of import control from July 1,

following the expiry of the Import Control Act which the Philippine Congress did not extend. A Bankers Committee has been created to assist the Monetary Board of the Central Bank for licensing exchange for import payments.

Before the beginning of each half year, the Monetary Board will certify to each authorized agent bank the total amount of foreign exchange available to it for that period. A contingency reserve will be set aside to cover sales of foreign exchange to customers for whom no provisions are made in the regular budget. At the end of each quarter, all allocated dollars that have not been used or car-marked shall be reported by the authorized agent banks to the Monetary Board; these unused or unallocated dollars may be made available to the authorized agent banks for such distribution as may be approved by the Monetary Board.

No import licences will now be required, but all applications for the opening of letters of credit, which are customarily filed with authorized banks, will be considered applications for licences to purchase foreign exchange for imports. Separate applications will be filed for each class of imports according to the commodity classification of the Monetary Board,

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