Rift in the Cabinet

(From Our Delhi Correspondent)

THE crisis is now over, and the resignation of the Finance Minister seems to have been withdrawn, or at least treated as stayed. Very soon, no doubt, the Chanda report on financial delegations would have found its final resting place in the archives of the Secretariat: and (who knows?) when its author becomes comptroller-and-Auditor General in due course,, his duties will force him to oppose lump sum grants, the extensive use of the Contingency Fund, excesses over final grants or appropriations, and any tendency generally towards laxity in financial procedure. The nature of the Cabinet crisis and the manner in which it was solved are, however, curious; and if one learns from one's mistakes at all, there are one or two points-which need not be overlooked as a result of the experience.

The root cause of the trouble, of course, has been *the* Plan. With the promise- -on paper at least—that about 411 crores of rupees would be spent in the financial year which has just come to an end, and that in the coming twelve months the rate of development expenditure would be stepped up to Rs 565 crores of rupees, the Government of India has had good reason to be worried that the performance may fall far short of the promise. Naturally, the Prime Minister has worried more, and equally naturally, it has occurred to him to tone up the administration (the favourite idea that juggling with procedure produces better administrators dies very hard in Delhi, and so does the favourite convention which regards the spending of money as equivalent to development).

Unfortunately, however, the *ad hoe* report which resulted as a consequence of the Prime Minister's initiative seems to have been facile and scrappy, to say the least. In the tradition of bureaucratic hush-hush, it has not been published; and so one is in danger of being wrong in commenting on it. But certain things are noteworthy.

Token grants seem to have been canvassed, for example. A spending department, according to the proposals, was to go ahead anyhow, covering its needs in succession by token or lump sum grants, advances from the Contingency Fund, formal votes by Parliament and (no doubt) excess grants at a later stage, if needed. To this, the Finance Minister's objections were more or less obvious. The procedure would amount to a fraud on the Contingency Fund Act. It would make Parliamentary votes a mere meaningless gesture of approval of what was taking place anyhow. And it would leave the Finance Minister uncertain from one day to another as to what the prospective state of the treasury would be since the powers to spend would virtually pass to subordinate authorities.

The subordination of financial advisers to the spending and administrative authorities (which was the real bone of contention) seems to have been suggested in order to overcome the dangers or some of them. After all, it can be argued, as it was in fact argued during the war, that if accounts ' and finance officers have" any functions to perform, they can be most useful if they arc posted nearest to the point where expenditure takes place. This is unexceptionable doctrine, no doubt. It is much better to try to prevent waste than to examine it *post mortem,* but the proposals contained in the *ad hoc* report seem to have suffered from two short-comings.

In the first place, there is little warrant to assume, and the report of the Parliamentary financial committees certainly does not encourage the assumption, that either the administrative officers by themselves or the administrative officers acting on the advice of their financial advisers, would exhibit any greater degree of financial prudence. In place of the existing state of affairs, when schemes do not go forward, one may, therefore, merely get a new atmosphere and a new tradition, in which waste is increased, but development schemes do not still get implemented.

In the second place, if rules and conventions exist only in order to be pointed out in case of need, but not necessarily to be enforced against the discretion and judgment of responsible spending authorities, the Finance Ministry virtually abdicates its function of creating and enforcing financial safeguards just as on the earlier proposal it abdicates its function of regulating the rate of expenditure. Here again, the certainty of the present system, which prevents some waste, cannot be exchanged for the dubious promise that there will follow, in the wake of reform, a great deal of development activity.

It is undeniable that these objections are both: relevant and weighty; and because they arc so, the *ad hoc* report seems after all to have been shelved—a face-saving device, satisfactory to both sides, having been invented in time, in the shape of the proposal that some one in high authority should examine whether projects have been held up unreasonably at all, and if so, why.

The lessons of this crisis will not be lost perhaps, on the ministers concerned, for after all, they learn pretty fast. These lessons are that as long as a Cabinet functions, it is dangerous not to bring major proposals before it at the earliest time. Also, there is little virtue in seeking from time to time to upset the administrative apple-cart simply because some one, whether from outside or inside India, thinks that he has an idea.

Weekly Notes

Burma's Debt Written Off

NO Government ever repays its foreign debts these days, so goes the story, Finland being the only exception which has done so regularly and consistently. True, India cleared her sterling debt to the last penny. But her case was different. India was not, in the first instance, a sovereign country when she paid off and it was done under duress. There is nothing surprising, therefore, that the Government of India should decide to write-off Burma's debt to this country. What is surprising is that having decided to make this gesture of friendship and goodwill if it is that—why it should still cling to a part of the debt?

According to the Indo-Hurmese Agreement announced by the Finance Minister in Parliament this week. Rs 45 crores of the Rs 65 crores debt outstanding from the separation of Burma in 1937 will be cancelled, and Rs 15.6 crores will be offset against the price to be paid for the 900,000 tons of rice purchased from Burma, the remaining balance of Rs 44 crores will be either given to Burma as a gift under the Colombo Plan or adjusted partially against the price of any rice India may import from Burma in 1955. The choice between these alternatives will be made by agreement, between the two Governments later. Any sum due either way as a result of the termination of the common currency arrangements between the two countries will be deducted from or added to this balance.

The Burmese Government has also agreed to start paying her share of the Central pensions in issue on March 31, 1937. with effect from the current financial year. The sum due to India on this account will now he paid in twenty equal annual instalments and the Government of India has waived interest on these long-standing dues.

After having swallowed the camel, why should the Government of India strain at the gnat? Why leave the balance of debt still outstanding? It will only be a help on paper, if the balance is given away to Burma as aid under the Colombo Plan, while if it is left to be offset against purchase of rice in future, it will be an invitation to Burma to look for other customers who will pay cash.

And, if the Government of India can write off the debt due from Burma, will not Pakistan ask for the same treatment?

New Directions in British Budget

IF 1953 was the most prosperous year in Britain's history, as is made out in the *Economic Survey,* Britain's Chancellor of the Exchequer must be singularly lacking in imagination, indeed, if he did not capitalise on it in a big way or there must be very weighty reasons for him to go slow. One of these could well be the threat of American recession which has already gone as fat as that of 1948-49 in some respects but has not yet had the same impact on the British or world economy—thanks to the steady outflow of US military and other aid. Mr Bullet is guarded in his assessment of this fat tor but allows himself the optimism that it will not go beyond what is inevitable in a " stock or inventory adjustment" and that therefore it should correct itself without producing any secondary effects. He is, nevertheless cautious and gives only limited scope to some new ideas which, but for this lingering threat, he would perhaps have liked to try out in a hip; way. In the result, his budget has some striking features though it has been dubbed generally as a carry-on or a no-change budget.

The directions of change, however, are clear enough though the changes themselves are qualitative rather than quantitative. These are (i) freer export credits guarantee to banks for major capital goods exports, (2) new incentives to industry, not through changes in depreciation allowances as had been expected earlier but in the shape of tax-free allowances on new production capacity, and (3) rehabilitation of family business- the backbone of British industry in an earlier day—by a 45 per cent cut in estate duty on industrial premises, plant and machinery. Except the larger measures of encouragement to ex-