Re-Centralisation

THE decision to make power a central responsibility will become a major landmark in the process of ever-increasing centralisation of planning in India. The degree of concentration and diffusion of decision making authority has very close and vital relations with the efficiency of plan Implementation. A valid case can be made that much of the inefficiency of our present planning process is due to over-centralisation of the decision-making authority. It is not very generally known that the planning of even the sectors that are left to the charge of the States is to an extremely high degree directed by the Planning Commission and the Central Ministries. Inefficiency of Central control results from the long pipeline through which every individual scheme has to pass and from the inevitable ignorance of Central planners about local conditions. This latter factor has resulted in our plans having no regional orientation at all: not much account has been taken in them of the different economic potentialities of the different regions and there has been a steady increase in the disparity in regional development

It is not being suggested that more efficiency and a greater regional orientation would be gained by merely passing on more responsibility to the State Governments. As a matter of fact, given the conditions in which State level planning takes place at present, the decision to bring power (and many other things) under Central control can only be welcome. There Is no doubt that the record of most State Governments in the matter of planning is extremely poor. The remedy, however, does not lie In greater centralisation but in a re-organisation of the instruments of planning at the non-central levels.

Inefficiency of planning at the State level arises from two sources. First, the State Governments are the second-level centres of decision-making authority, whereas based as they are now on linguistic homogeneity,' they do not constitute suitable regional units for planning in most fields of economic development. Power is a case in point. Power planning is beat done in relation to regional complexes of industries which will often cut across State boundaries. But this does not call for Central control but only for the vesting of planning authority with inter-State bodies which may be granted a large measure of autonomous powers.

The other source of inefficiency of State-level planning is that during these last thirteen years of planning absolutely nothing has been done to forge any instruments for the formulation and implementation of plans at the State level. The Planning Commission and the Central Ministers have always dealt directly with the different State Government departments. There is no unit at all in any State that has the responsibility of looking at the problems of the State in a coherent fashion and thinking out the development of the different economic sectors in a co-ordinated frame. There is, of course, the Planning Secretary and the Development Commissioner, but they are given neither sufficient responsibility nor sufficient time (due to the inter-departmental mobility of the Service personnel.) to gain any knowledge of what planning means. Planning and promotion of economic development does after all require some expertise.

Why should there not be State-level Planning Commissions, with much the same relation to the different State departments as the Planning Commission at the Centre has with the Central Ministries and staffed with adequately trained and experienced personnel? There has always been a lot of talk about the necessity of reorganising the Planning Commission; hardly anybody seems to have recognised the need for the Commission to extend its ramifications downwards.

Budget Changes

THE amendments to the Finance Bill have been naturally minor concessions and technical improvements on the original Bill. Those who had expected more were guided by rumours and wishful thinking as the Finance Minister himself had already made it clear that he intended to give a fair trial to his proposals. Most, important among the amendments perhaps is the change in the capital gains tax. According to the original proposal the entire capital gains would have been added to income; this would have raised the income for the year in which the capital gains accrued far above that normal for the assessee. After the amendment, only the ordinary and normal income will be considered for computing the rate of tax. The Finance Minister has, however, stipulated a minimum rate of 15 per cent, which is reasonable since even the less wealthy should pay a tax if their capital has appreciated, and 15 per cent of the appreciation may be considered a fair figure.

While the Finance Minister has not removed the tax on bonus shares, he has decided to exempt shares allotted before April l. It might have been better to have used the word 'declared' instead of 'allotted', which would have avoided penalising those who could not withdraw their derisions to issue bonus after the introduction of the Finance Bill. All the same, a large majority of those who took this decision earlier have been saved Those who now choose to make bonus issues know what they are in for After all, the discouragement of bonus issues is unlikely to do much damage; the Finance Minister, however, has not been able to appreciate the logic of the case against taxing bonus shares.

About the other changes made in personal taxes — and the tax on bonus shares is a personal tax, and not, as is wrongly imagined, a tax on companies — there is little to say. A few minor reliefs have been given in the lower-income groups; exemption of the probate duty from the duty on estates and an option to pay tax instead of making annuity deposits just about sum up the reliefs.

The changes in corporate taxation have not evoked much enthusiasm, This is partly because the relief is