

of misrule, corruption and political gangsterism, initiated in the days when Abdullah ruled and rapidly extended by the Bakshi regime, now threatens to unleash revanchist forces which we thought had been relegated to the dustbin of history. Jawaharlal Nehru did not act against those who made mockery of his Kashmir policy. And he continues to imagine that the problem can be tackled by entrusting the future of the State to this or that leader¹. This is wishful thinking. Jawaharlal Nehru has either to take drastic steps to guarantee that Kashmir will not be a plaything of ambitious leaders and interested foreign powers or see the fundamental policies popularised by him crumble into dust. In this sense, weakness and indecision in Kashmir today can imperil the secular future of this country.

From the London End

Delhi's present wait and see attitude is commendable, but the fear is widely expressed that it is merely 'wait and see'—and nothing else. We are growing accustomed, quicker than we thought, to ad hoc policy-making. But the problems of Kashmir, or for that matter the other frontier regions, can no longer be tackled in this ad hoc manner. There must be an understanding of the immediate needs and how these fit into our perspectives. This is apparently obvious to everyone except those who exercise power,

Abdullah's Motives

When will the break-through come? Will we surrender Kashmir to the pressures which have been mounted or will we learn new lessons in statecraft and mature as a nation? Were Abdullah's speeches calculated only

to consolidate his hold on a divided people and so to strengthen his voice in the political bargaining which the Delhi talks foreshadow—or are we up against a man who wants everything or nothing? Is there relevance in Sadiq's courageous stand, a stand by which he hopes to mobilise the best of Kashmir opinion—and the majority? Will we reserve our secular faith or abandon it because of the rantings of charismatic leaders?

These are only some of the questions we are asking ourselves as Parliament prepares to adjourn and summer's heat descends. Abdullah will soon be here. There will be more questions to ask ourselves. I don't have to say it but these are crucial days. We will require all our political wisdom to see us through.

April 22, 1964.

The Boring Budget

A NY hopes that. Maudling's Budget was going to inject a new vitality into the flagging spirits of the Conservative Party were belied very shortly; Her the Chancellor started to speak. In the event, the Budget turned out to be one of the dullest in years, and certainly quite irrelevant as far as dealing with any of the major problems which lace Britain today were concerned.

It bore all the marks of a Budget prepared for a June Election. When Sir Alec's last moment announcement of the postponement of the Election was made, granting a reprieve of six months for the Conservatives, it was widely believed that Maudling would still grasp the chance to present a Budget that might set the tone for the Government's economic policy. Judged by the length of the Budget speech, this was a Budget for an October Election. Judged by its coverage and by the absence of any attempt at tax reform, it could well have been prepared for a June one. During the course of his speech, Maudling referred to several proposals which might have been made extension of indirect tax, reform of company taxation, overhaul of the

Exchequer account—only to postpone action on them.

A Policy Vacuum

Maudling has, therefore, resolutely refused to give some sense of purpose and direction to the Government in the embarrassing six months that are still left to it. As a result of the Budget, it must inevitably iceni that for the next six months the Party will be operating in a policy vacuum. The Budget was characterised by more words than action. An Wilson pointed out it was really an inflationary Budget with too many words chasing too few ideas. It is very strongly rumoured that Maudling was among the Cabinet Ministers who were very much in favour of a June Election, but it would perhaps be a little unfair to suggest that it was pique alone that prevented him from providing something more dramatic and far-reaching. Maudling has deliberately decided to be less restrictive than he was expected to be; he has decided to gamble on the chance that things will go well in the months ahead.

There is no doubt at all that public reaction to the Budget has been

lukewarm. Dull, pedestrian, unimaginative—these were adjectives freely used by members of both sides of the House. Indeed, once the general trend of the Budget was discerned, members of the House paid scant attention to the speech. Wilson very appropriately described it as a lame duck Budget by a lame duck Government. Of course, some Tones are relieved that the Chancellor has limited his increase in taxation, in the pre-election period, to roughly half the amount the economic experts had led them to expect; but none sees anything in his proposals to give new heart to the Party and to start off the long delayed recovery in Tory fortunes for which a six-month period of grace has been provided by the Prime Minister.

Economic Situation Ignored

An analysis of the Budget shows it to be one of bits and pieces hardly the clarion call which the Government should sound as the battle of a General Election approaches. The proposals in the Budget are simple enough. According to the Chancellor, it is designed "to steady

the economy without giving a definite check to expansion." He estimates that to achieve his objective of reducing the rate of economic expansion from the present 6 per cent to a more sustainable 4 per cent, he would need to extract an additional £10m of purchasing power from the tax payer.

With the continued rise in Government spending, and with the exceptional buoyance of the revenue, it is expected that with no changes in taxation, the Exchequer would produce an overall deficit of some £729m. Therefore, an extra £103m is to be raised by increased taxes on drink and tobacco and a more problematic sum by encouraging national savings. The main tax proposals are a penny on a pint of beer, three shillings *en* a bottle of spirits, four pence extra on twenty cigarettes and some inducement for savers.

It is fair comment on the Chancellor's Budget that it is neither politically inspiring nor economically new. The extra duties on tobacco and alcohol are well tried steps, and the Chancellor's savings drive is rather half-hearted. The increased taxation will reduce the overall deficit in the coming year to £626m. The Times in a leader points out that this compares with the corresponding estimate in last year's Budget of £637m, the closeness of the two estimates contrasts sharply with the difference in the economic situation between the two periods. Then the need was for economic stimulation; now some restraint is indicated. How can a similar Budget deficit suit both?

New Taxes Not Enough

The main criticism of the Budget, apart from its dullness and unimaginativeness, is that Maudling has taken great and unjustified risks in increasing taxation by only £100m. They claim that this figure appears to be on the low side. Most of the expert advice the Chancellor had received had suggested larger figure. For example, the figure suggested by the National Institute was £200m. (Actually, the National Institute's original estimate for taxation was £400m, but this was later reduced.) To prevent industrial "over-heating"

the Chancellor should, in the view of a good many economic commentators, have increased taxes by £200m or £300m and even estimates of £400m and £500m have been mentioned. Externally, the Chancellor is banking on better export figures to come, on the basis of expanding world trade, and a favourable trend in British costs.

This automatically brings up the question of an incomes policy. All that the Chancellor has done in this field is to appeal for restraint of incomes, but this by itself is not sufficient. Indeed, the taxes on drinks and cigarettes will inevitably raise in the cost of living and demands for increased wages are bound to come up. Since nothing has been done to control profits, it seems unlikely that the Trade Unions will agree to any policy of wage restraint. During the debate on the Budget, Douglas Jay pointed out that the Budget continued the vicious process of transferring income from the poorer tax payer to the richer. This was "making an incomes policy unattainable",

Maudling's Gamble

Is it, perhaps, cynical to suggest that, the big deflationary factor on which the Chancellor is probably counting (but which could hardly be mentioned in the course of a Budget speech) is the increasing expectation of a Labour victory at the coming General Election? This will tend to damp down capital investment by private industry and may yet help to save the Chancellor's arithmetical calculations and secure his objective of "expansion without inflation." If the Chancellor has to act again to cut back demand before the autumn, he will have to do so through the purchase tax regulator or through a call for special deposits and tighter bank lending. Such a course would be difficult and unpopular with the Election possibly only weeks away, but it is a gamble that Maudling has decided to take.

What is particularly disappointing is that this Budget without purpose has been drawn up at a time when Britain is almost certainly going to run into a current deficit on its balance of payments because of import stockpiling. The Chancellor himself

frankly expects a deterioration, though he does not regard this as dangerous as long as the deficit is temporary. It has also been pointed out that Britain is probably going to run into a bigger capital deficit because the approaching shadow of a possible Labour Government might make investors more eager to move both long-term funds and short-term funds abroad.

Modernisation of Industry

Perhaps the most serious criticism of the Budget is that nowhere in it is there any indication of further encouragement for modernisation and greater efficiency in industry, or of more vigorous grappling with the continuing problem of regional disparities in employment and prosperity. The country's persisting problem of inflationary pressure on resources regularly appearing in the South-East and Midlands, while there is still some usable slack of resources in the North, has not yet been tackled.

Nor indeed, has the Chancellor tackled any of the longer problems which the National Economic Development Council has identified for urgent attention—better use of manpower resources, danger of distortion or over-strain in the construction industry, to take but a few examples. Again, nothing has been done to encourage the introduction of automated plant or labour saving equipment.

Few commentators have had anything very favourable to say about this dull and uninspired Budget. According to the Economist, "a good Budget should be a parliamentary occasion, a significant political act, and the product of a questing and reforming mind—as well as a set of courageous fiscal decisions. It is difficult to give the British Budget of 1964 very high marks under any of these four headings. . . A charge of political and economic unimaginativeness still needs to be thrown against this fag-end of a Budget at what looks like the probable fag-end of a decade and a half of Tory rule." The Statist describes it as a Budget of missed opportunities whose contents matched the uninspiring manner of its delivery.