

Reclassifying Expenditures

Bharat Jhunjhunwala writes :

Planning commission is considering whether present classification of government expenditures in 'plan' and 'non-plan' categories may be abolished. Indeed there is a good case for doing so. Generally plan expenditures are considered to be productive while non-plan expenditures are considered wasteful. But that is not always the case.

The plan, non-plan distinction should indeed be abolished. But the objective of the Planning Commission, is not to improve the quality of government expenditures. On the contrary the objective seems to be to increase expenditures on decadent welfare bureaucracy. The Government has created a huge army of government servants in welfare sectors in the last sixty years. This was started with the Community Development Programme in the fifties. It caught speed during Indira Gandhi's *Garibi Hatao* in the eighties. The Planning Commission seeks to take this approach forward by making further increases in expenditures on these schemes. The real objective of these expenditures, however, is not to reach relief and development to the poor. Rather it is to lock the poor into poverty. The best youth among people are employed in these jobs. That leads to a huge increase in the number of supporters of government programmes. Simultaneously the capacity of the people to resist tyranny of government servants is reduced because the best youth have left for better pastures. The end result is that the best of youth are co-opted in the government machinery and become agents of impoverishing the rest. This can be seen in operation across all social sectors.

Patients are regularly asked by Government Hospitals to buy medicines from outside while the government supplies are sold in the black market. Village Pradhans have to pay 20 to 30 percent commission to these government servants for obtaining sanctions and payments under National Employment Guarantee Scheme. Instead of empowering people to engage in self-earning vocations, they are being made dependent on government doles through this scheme. The game begins with implementation of economic policies that create poverty in the name of growth. The Planning Commission wants to abolish plan, non-plan distinction so that this cycle of poverty creation-and-alleviation can continue and the army of supporters of government can be expanded.

The BJP Government had set up a Committee under chairmanship of Mr Vijay Kelkar to draw a roadmap for the implementation of the Fiscal Responsibility Act. Kelkar had suggested that the plan, non-plan divisions should be replaced with 'public goods' and 'private goods'. Public goods are those services which a citizen cannot obtain even when willing to pay. These can only be provided by the Government. These include defense, currency, rail, canals, roads, law and order, justice, anti-malaria spraying, making curriculum and conducting exams, etc. These functions can only be done by the Government. Kelkar wanted the Government to increase these expenditures and, implicitly, reduce those on education, health and employment guarantee. The idea was that people will be

employed and be able to buy good quality health and education from the market if roads and law and order were suitably provided.

The positive impact of expenditures on public goods is well established. Noted health economist K N Reddy concluded that expenditures on 'public goods'-mass education, research, Public Health Laboratories, and prevention & control of diseases-were more significant in bringing about a reduction in the Infant Mortality Rate than private goods. Yet, only 18 percent of the Indian government's health expenditures went to the provision of these goods. In contrast, the provision of private goods like curative care in government hospitals consumed 57 percent of government expenditures but contributed very little to people's health.

The abolition of classification of government expenditures in plan, non-plan is in the right direction. But this should be replaced with a new classification in public-and private goods as suggested by Kelkar. □□□