

NOTE

## Nothing for Common Man

**Bharat Jhunjhunwala writes :**

PEOPLE'S SUPPORT FOR the Congress seems to be receding despite high growth rate of nine percent and implementation of some populist measures like Employment Guarantee Programme. The Party has lost power in Punjab, Uttarakhand, Gujarat and Himachal Pradesh. The increase in Maoist activities and restiveness of the people as seen in flare-up of son-of-soil syndrome in Maharashtra are indication in the same direction.

Why should the common man be unhappy despite high growth rates and rise in per capita incomes? The answer lies in the distribution of wealth. The increase in incomes has wholly accrued to the middle- and upper classes. There is little for the common man in it. The daily wage for a skilled worker was Rs 80 about five years ago. Today it has risen to Rs 100. But the prices have also increased. Taking inflation at 4 percent the real income of the worker has actually declined. He is agitated because high rate of economic growth for him is like the basket of fruit kept in the showcase of a shop which he cannot enter.

He has benefited from employment guarantee scheme. But there has been decay of his traditional sources of income. Trades such as selling buttermilk and making earthen pots and leather chappals have become nearly extinct. This loss has only partly been compensated by Employment Guarantee Scheme. The poor fellow has lost his income of 300 days while he is getting relief on average only for 35 days.

Congress had declared in its Election Manifesto its intent to increase the tax-GDP ratio. Thinking is that higher rates of tax and revenues will make it possible to increase government expenditures on employment guarantee and mid-day meals. The Congress Government has indeed delivered on this promise and made increase in expenditures on these heads. But in order to understand the impact of these one has to look at the total incidence of tax on the common man.

Tax collection from the rich has increased. Personal Income Tax and Corporate Taxes are especially buoyant. But this does not mean that burden of tax on the poor has decreased. More damage to the fields of the landlord from floods does not mean that the small farmer has gained. He loses, though to a smaller degree. Yet, his pain is much greater because the small loss represents a bigger share of his income. Similarly increased collection of taxes from the rich has come along with increased collections from the common man. His burden of tax has increased variously-service tax on telephones, electricity and transport have been increased, for example. Tax rates on coarse and fine cloth and on unbleached and bleached paper have been equalized in order to simplify the tax system. But this has led to higher burden on the coarse material that the poor man buys. In the end the common man is paying higher taxes. The additional burden of tax on a family earning Rs 4,000 per month would be, about 5 percent or Rs 200 per month or Rs 2,000 per year. □□□