

BUSINESS AS USUAL

Budget: Myopic Congress Ideology

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Union Budget (2011-12) presented by Finance Minister Pranab Mukherjee has its usual limitations mainly due to the Congress ideology.

Relief has been provided to income tax payers. Basic exemption has been raised from Rs 1,60,000 to Rs 1,80,000. Given the inflationary regime, sop won't have much impact on wage-earners. Surcharge payable by companies on corporation tax has been reduced. This reduction in income taxes will leave more money in the hands of the people. Part of this savings will go into investments. The Finance Minister has simultaneously increased excise and customs duties. Excise duty is paid by domestic manufacturers while customs duty is paid by importers. These duties are added to the sale price of the goods and ultimately paid by the consumer. The combined effect of these measures is that people will save a paltry sum in income tax and pay more for the goods consumed. Those who earn more but consume less will gain. Those who earn less and consume more will lose. This is giving a message that people should earn more and consume less.

The Finance Minister has reduced excise and customs duties on selected environment-friendly goods. Import of hydrogen-fuelled cars will attract lower customs duty. Import of equipment used in the manufacture of hybrid cars has been made easier. These cars store the energy lost during application of brake and use the same later. Excise duty has been reduced on CFL lamps. These measures indicate that the Finance Minister is concerned about the environment. This looks fine. But there is need to go further. One must examine why the environment is deteriorating. Thermal power companies and ore exporters are destroying forests. Hydro power companies are destroying rivers. Everywhere one can see the environment sacrificed on the high pedestal of economic growth. The Finance Minister has done nothing to stop this mad pursuit of growth. He has only tried to cover up this madness by making small gestures towards preservation of the environment like providing relief to CFL lamps. This will not do. It was necessary to impose an 'environment tax'. Every manufacturing industry should be subjected to an environment audit and the environment damage perpetrated by it should be calculated in money terms. This amount should be collected from the industries. Such an environment tax will spontaneously goad the companies into adopting environment-friendly technologies. This will bring the environment discourse in the mainstream economic activity. Instead of taking such a bold measure the Finance Minister has satisfied himself with minor tinkering. Then this is the style of Congress functioning to create an impression that they have something to offer to all segments of society.

The Finance Minister has provided encouragement to inflow of foreign capital in share markets. Domestic Mutual Funds have been allowed to receive investments from Foreign Institutional Investors. Limits on sale of bonds by Indian companies to Foreign Investors have also been raised. No doubt these measures will help attract more foreign capital into share markets. And now companies can use this money to compete with Multinationals. They will be able to face competition from imported goods. But what is noteworthy is the absence of any encouragement to Foreign Direct Investment. FDI directly competes with Indian companies and attempts to kill them while FII helps them rise.

The Finance Minister had announced in the last budget that the Government will move towards providing fertilizer subsidy in cash directly to the farmers. Even, there was talk of starting a pilot project. But the Finance Minister has remained strangely silent on this issue in

the present budget. However, he has made a similar announcement that cash transfers in lieu of kerosene subsidy will be considered. There is every reason to doubt whether the Finance Minister will be able to implement this. The bureaucracy is wholly against cash transfers because the government employees will lose their goodies. The welfare state has become a welfare mafia. Subsidies in education, health, child welfare, etc. are being used to create and pamper a huge bureaucracy that provided substandard service, if any service is provided at all. The purpose of the government is to create a facade of welfare while pushing the interests of government employees who have become the mainstay of the state. Need was to provide cash subsidies in lieu of all welfare expenditures such as fertilizer, food, kerosene, education, health, anganwadi, mid-day meals, etc. An amount of Rs 2,000 per month can be paid to all households in the country-including BPL and APL households-from the money presently being spent on these welfare schemes. Giving this cash subsidy to all households will remove the incentive to remain in BPL category. Unfortunately the bureaucracy is not willing to give cash subsidy because it will lose its vested interests. The Finance Minister will have to take a hard decision and force the bureaucracy to implement this.

Negative points of the budget are inherent in the Congress ideology. Game plan is to first give freedom to big businesses and make monies in the process. This is followed by obtaining blessings of countries like the United States whose multinational corporations are itching to enter the country. The people lose their jobs and the environment is destroyed in the process. The trick is to cover this up by providing small reliefs like in Employment Guarantee Programme and excise duty reduction on CFL lamps. The people believe that the government is taking good care of them while actually they are being bled. The ideology is to create a huge government machinery that is loyal to the state and willing to suppress the people who oppose this bleeding of their incomes and environment. This bureaucracy is used to suppress people's movements. Various superficial welfare programmes like increase in salaries of anganwadi workers and old age pension have been made under this game plan. The Finance Minister said in his opening paras of the budget speech that challenge is to successfully implement the welfare programmes. He said that there is a need to evaluate the outcomes of the programmes. But there is no follow-up on this in the budget. Similar statements have routinely been made in previous budgets. If anything most welfare programmes will be proven to be waste if a true study is made. It was desirable to close down all the welfare programmes and provide the monies directly to the beneficiaries in cash.

The Finance Minister has provided higher amount of loans at concessional rates of interest to microfinance institutions, self-help groups and farmers. This appears good at first sight. The reality is different, however. Lower interest rates lead to a reduction in cost of production. This is soon followed by a reduction in the market price of the produce. The consumer gets goods at lower price while the producer is left with burden of loan repayment with no benefit. The correct approach was to implement policies that led to increase in price of goods produced by the poor. The budget is wholly silent on this because the Congress ideology has no place for real relief to the poor. □□□