

Calcutta Notebook

BJ

Chairman of Prime Minister's Economic Advisory Council Shri C Rangarajan has suggested doing away with 'plan' and 'non-plan' classification of government expenditures. Presently these are categorized as 'capital' and 'revenue'; and plan and non-plan. Rangarajan has suggested doing away with plan-non-plan categorization and retaining only the capital-revenue categorization. Indeed there is a good case for doing away with plan non-plan categorization. Generally plan expenditures are considered to be productive while non-plan expenditures are considered wasteful. But that is not always the case. For example, capital infusion in a loss-making Public Sector Undertaking is classified as plan expenditure though it is unproductive. On the other hand expenditures on law and order are classified as non-plan though they are the grease of economy. The real objective of removing this distinction is that revenue expenditures on welfare activities, in particular, can be increased without facing the hurdle of non-plan categorization.

The plan, non-plan distinction should indeed be abolished. But the main purpose of Rangarajan, is not to improve the quality of government expenditures. On the contrary it is aimed at allowing increased 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. Rangarajan now seeks to take this approach forward by removing the roadblock of non-plan categorization. The real objective of welfare expenditures is not to reach relief and development to the poor. Rather it is to lock the poor into poverty. The best youth 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 are co-opted in the government machinery and become agents of impoverishing the rest. This can be seen in operation across all social sectors.

The distinction between plan and non-plan should surely be removed. But it should be replaced with a classification of government expenditures in 'empowering' and 'disempowering' categories. 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 categorization should be replaced with 'public goods' and 'private goods' categories. 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. The primary responsibility of the Government is to provide those facilities which people cannot obtain on their own-employment-oriented economic policies, roads, law and order and canals. But this policy is not beneficial for government servants. They will have fewer salaries if government monies are spent in making roads. There will be less malaria if village ponds are sprayed with anti-malaria insecticides and the need for appointing large number of government doctors will vanish. Hence the strategy is to cut expenditures on public goods, worsen the health and welfare of the people, then co-opt the bright boys into keeping rest of the people impoverished. Rangarajan has suggested abolition of plan non-plan categorization so that the Government can implement this despicable policy without scrutiny. The opposition must expose the real intentions of the present Government in increasing the so-called welfare expenditures. It must ask what economic policies are being implemented to empower the people into making self-respecting jobs? What is the government doing to arrest the eating of jobs by big industries; and what is the increase in government expenditures on public goods?