Editorial

Breaking the barrier

Technological advancements are an all-pervading phenomena, one which is impossible to miss. And so, our small and relatively remote state has been engulfed with such changes that are hard to ignore. Though physically and geographically hard to access, technology has made its mark on the public. The virtual world has shrunk and information is now just a click or a swipe away. The state Government is also doing its bit to promote and propagate the integration of technology in every department and systems, albeit in a rather frustrating and for-the-sake-of-it manner. Despite such advancements and progress; or attempts at progress, the plight of a section of the public with disabilities and difficult physical deformities remains almost impossible when it comes to accessing these public facilities and services. The Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 was an Act to give effect to the Proclamation on the Full Participation and Equality of the People with Disabilities in the Asian and Pacific Region. However, almost two decades on, we still have yet to see even the most basic groundwork to implement the recommendations and directions of the laws which is aimed at making all and every public facility accessible to the differently able and physically challenged persons. More surprising is the fact that these recommendations are not something which would put a financial constraint on the Government as it entails very basic changes and alterations or additions to the present infrastructures to make them more accessible. The total absence of such facilities at the public places in the state indicates a total lack of regard and consideration for this section of the society more than anything. Discounting the weak and infirm will only add to the woes of the Government. It should instead focus on making the most of its citizens by empowering them to contribute to the society. The contributions of outstanding persons like Prof. Stephen Hawkins, a multiple paraplegic in the field of science, or that of Marla Runyard, the first legally blind paralympian to compete in the Olympic Games in Sydney, Australia, or Ludwig Van Beethoven who composed some of the most famous musical compositions after he became completely deaf cannot be ignored. One would surely admire the achievements of Helen Adams Keller, the deaf and blind American author, political activist and lecturer. All these extraordinary people managed to overcome their physical and mental constraints and outshine everyone in their respective fields because of the support, guidance and understanding provided to them. A government which cannot render even the most basic assistance for its disadvantaged citizens, for all its achievements and advancements, cannot claim itself ideal. Understanding the everyday ordeal of these people can shape the holistic development of a state or a country. It is for all of us to try and make the world that little bit easier for the physically less fortunate citizens, and the Government has a very urgent and important task of living up to its own claims of a fair and considerate setup.

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The Story of India's Union Budgets

India's budget documents over the last seventy years since Independence capture the struggles and achievements, frustrations and leaps of faith of India as a nation. These mirror the nation's aspirations and achievements. The jejune budget figures spring to life in the context of India's post-colonial history

By: Anjan Roy

Come the union budget next year, think of what you will do next morning. You will possibly run a cursory glance at the major highlights of the budget. Nothing more.

Now question yourself, what did people do on the morning after the union budget for the greater part of the seventy years since Independence? If you are old enough to recall, they would make a beeline for the newspapers to make out the prices of things of everyday use. From electric fans to cosmetic articles, textile items and the perceived luxury goods, prices would mostly go up. Cigarette prices would certainly increase, much to the chagrin of smokers.

Now nobody should worry about the budget impact on prices of ordinary goods and even services. Because they would know what the rates of GST were on each of these items and the finance minister would be in no position to alter them, however much, his finances were stretched. These could be decided now by only the GST Council and this is a kind of once for all arrangement, unless there is some extraordinary snafu.

The union finance minister in a way has passed on his authority to change taxes on goods and services to GST Council. Not only he, all his state counterparts have also done so.

The union budget has, as if, disappeared for the ordinary people. Not really though. What has happened is that we have got a steel framework of indirect taxes which can now be changed or tampered through an agreed mechanism of "collaborative federalism" now called the GST Council by all the finance ministers of the country. That is a long transition from what budgets used to be in the seventy years of the life of Independent India.

The profile of the union budget has profoundly changed over the last seventy years. The first surprise for a present-day reader of the budgets of yesteryears would be the numbers. These would look so small. Even after these are adjusted for inflation, the numbers would be peanuts by today's standards. That measures the strides we have made. Then the budget treatment would be so very different and so were the predominant priorities. In all, going through the budgets you get an impression it was as if another planet. But take a little closer look. There some worries and observations which might hold relevance.

The first budget

Three months after Independence, in November 1947, presenting an interim budget, the union finance minister R.K. Shanmukham Chetty, underlined his concern over rising prices, due mainly to "accumulation of surplus purchasing power in the hands of the community" as well as "all round fall in production, both industrial and agricultural".

Next year, in 1948-49, the finance minister's budget speech had devoted a good part on the "Balance of Payments". It is important to take note of this because that gives a clue to the state of the economy and what turned out to be a festering problem. He drew the attention of "The House to a matter, which had been causing some concern to Government, namely, the emergence, in recent times, of a substantial adverse balance in India's external payments". In the subsequent paragraphs he explained this with reference to rising food imports bill.

This issue has been so important for India's economic policy for the subsequent decades, I cannot help but quoting him in detail: "The second and by far the more important, reason for this deficit is, as is well-known, our imports of food grains. India has of course been a regular importer of foods for many years. But quantities and prices have both been recently going up. In 1944-45 and 1945-46 the value of food grains imported into India was Rs14 crore and Rs24 crore, respectively. In 1946-47 the amount was Rs89 crore. These figures are in addition to the import of supplementary food articles, which cost a further Rs15 crore in 1946-47. In 1947-48 the amount expected to be spent on the import of food grains is Rs110 crore."

Behind these figures lay a grim reality. It had caused misery to the people. It had destroyed India's image as well. This is what the Delhi correspondent of the Time Magazine had reported in a story in its issue of August 22, 1949: "India celebrated the anniversary of Independence by announcing new and stricter austerity measures. India is still basically a hungry land; the government has launched a drive to raise more food. To highlight the food drive, ploughs ripped through New Delhi's vice-regal gold course. Governor General Chakravarty Rajagopalachari, no golfer himself, posed behind a team of bullocks..."

The lucid interval

Fast forward half a decade to the mid-fifties. By then the mantle of union finance ministry has been taken over by a legendary man of the financial sector – C.D. Deshmukh. Between 1950 and 1955, the fortunes of the country had miraculously improved. Presenting his budget in 1955, finance minister Deshmukh there were increase in food production, improvement of supplies in general (like those of cloth, cement, jute goods and steel), and above all, "the disappearance of inflationary conditions".

The country had even shown a surplus in external balances of Rs55 crore in 1953. India's "Sterling Balances" –foreign exchange reserve of those days—had also increased. As India had gained independence from the British, India had inherited a treasure chest. It is now forgotten that India had made a tremendous effort during the Second World War. It was not only sending some fifty lakh soldiers from the subcontinent to the War effort, but India had supplied general provisions from food grains (starving millions of Indians at home) to jute bags, gunnies, steel and iron items. Britain had then promised to pay for these later. It did not have the money during the war years, burdened as it was with the huge expenses for fighting a dug in war on fronts across the world. The payments for war supplies had accumulated over the years from 1939 to 1946. It was a huge sum in those days.

In parallel with the Sterling Reserves, the "Dollar Position" –which used to be accounted separately—because dollar used to be the mode of payment for imports of food from the United states—had also shown improvement. But then even in the midst of moderate surplus, finance minister Deshmukh warned: " We must not forget, however, that our foreign exchange expenditures are bound to grow rapidly …..and we must spare no efforts to conserve our foreign exchange reserves .." This rang true for India's policy making till the external payments crisis of 1991-92. Reading successive budget speeches of finance ministers, along with the plan documents of those years, one gets the feeling that 1956 was the best as it could get for India. The finance minister had confidently announced that when he said: "The spell of stagnation had been broken". GDP had grown by 18% between 1950 and 1955, due to a sharp turnaround in food production imports were lower, export demand for tea and jute were booming, current account had shown a surplus of Rs25 crore and sterling balances peaked at Rs735 crore.

The inflexion point

With hindsight, it appears misfortunes struck just when things seemed rosy. In 1956, India could have taken a course towards a more open economy, integrating with the global economy and the West with freer trade policies. Instead we took a reverse turn. With his 1956 budget, C.D. Deshmukh introduced policies which were continued with little variations well into the 1970s.

What had changed the policy paradigm was the urgency of the political powers to launch the Second Plan with its hugely ambitious targets and lop-sided strategy. The Plan had embarked upon developing a massive capital goods sector, following the Soviet model. It called for large project imports. With uncanny sense of what was coming, Deshmukh had observed that physical targets could not be formulated leaving aside financial considerations.

Anticipating a severe crisis, Deshmukh observed "there is little doubt that, if the Second Five-Tear Plan proceeds according to schedule, not only shall we not be able to achieve any surplus in our external accounts but we are likely to be faced with fairly substantial deficits". The demands of the Plan led to general import compression. To meet the requirements of the Second Plan and to gather the financial resources massive doses of taxation was slapped. Income tax reached 91.2% at the margin – a sure way of generating black money.

The financial implications of the Second Plan had given rise to budgeting for two kinds of resources gap. The budget began to treat separately the overall domestic resources gap and the foreign exchange resources gap. It was as if preparing two distinct budgets.

The anomaly of this approach was noted by a young American economist who was visiting India under the aegis of a US foreign aid agency. A future Nobel Laureate Milton Friedman had come to India in 1955 and presented a memorandum to the government in which he had argued that treating foreign exchange gap separately from overall domestic resources gap was wrong. The former was part of the latter. He had also criticised the policies of exchange control, import and export licensing on the ground that these necessarily involved "indiscriminate implicit subsidies to those granted import licences". He offered three to options to finance minister Deshmukh he had met. Let exchange rate fluctuate, inflate or deflate internally in response to putative surplus or deficit in balance of payments, or auction off exchange released. The memorandum was of course forgotten.

Three fears

Indeed, three fears seemed to have stalked our finance ministers in those days immediately after the Independence which had singularly influenced India's economic policy. Fear of food shortage, fear of run-away price rise and fear of dearth of foreign exchange to meet external payments obligations. Much of India's economic legislation had been the upshot of these three fears, which in fact had haunted the country off and on.

Food shortages had dogged the country throughout the 'fifties and 'sixties until we achieved breakthrough in crop production after what is now known as Green Revolution of the 1970s. We had to import food from the United States, which had used time and again the vulnerability for overt and covert political purposes. This had destroyed the image of the newly emergent country as a vibrant, growing economy. The union finance ministers had betrayed this constant anxiety in budgets after budgets.

Worries about food shortages dogged from the beginning. Worries because the memory of the horrific Bengal famine were fresh. Country was facing monsoon failures and shortages of food grains. These was need for money to import food from overseas. Foreign exchange became scarce. It had to be preserved for meeting the essential needs of food imports.

Foreign exchange was needed to fund the fledgling Indian Foreign Service posts overseas. The budget even mentions the allocation of funds for the Indian missions abroad and the people posted in the missions. Even that was difficult because it was a question of opportunity cost: whether you keep money aside for essential imports or you send money to the embassies and high commissions. It was no easy choice. These were the precursor days to the eventual promulgation of the ill-famed Foreign Exchange Regulation Act, which of course came decades later.

Inflation is a worry for all finance ministers, including the present incumbent. In his last budget speech Arun jaitley had expressed concern about price stability in the context of global commodity price. Inflation is no longer only domestic; it is connected to the global economy, price of oil, US Federal Reserve stance and China's demand for industrial raw materials. As of now, Indian inflation is benign. We are hoping for accommodative monetary policy on the back of it to give a further push for growth. Today we can afford to be a little ambitious given our financial strength. What a distance have we covered. A foreign exchange kitty of close $400 billion was unthinkable at the beginning of that journey. Despite increasingly open economy, current account deficit is minimal. We are receiving foreign direct investment of record amounts. And India is a cynosure of global investors with its stellar growth performance among major economies. Its stable political climate is an envy and germinates optimism.

Good cheers, this Independence Day as we never had it so good before, if we remember what Times Magazine wrote in 1949. ***(Courtesy PIB Feature)***

More State News

Over Rs. 56 lakh donated to Chief Minister's relief fund

Imphal, August 10: Various organisations and associations have been generously contributing financial donations to Chief Minister's Relief Fund to help the flood victims.

The Chief Minister's Relief Fund (CMRF) received a total of Rs. 56.60 lakh from different organisations and associations yesterday. In a solemn ceremony held at Chief Minister's Secretariat, the amounts were handed over to Chief Minister N. Biren Singh.

State Bank of India, Local Head Office(LHO) Guwahati donated Rs. 50 lakh, Shri Digambar Jain Samaj, Manipur donated Rs. 2 lakh, Nurses of RIMS Hospital donated Rs. 1 lakh, MCS,MPS, Jr. MCS, MSS, EO of 2016-17 Batch donated Rs. 1 lakh and Manipur Photography Club donated Rs. 10,153.

On the other hand, the North American Manipur Association (NAMA) also contributed Rs. 2,00,340 through online transaction to the CMRF.

The Chief Minister expressed gratitude to all the organisations and individuals who had contributed generous donations to CMRF. He also appealed to the public to donate generously to help rehabilitate the victims and rebuild the damaged houses.

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