

Centre is allowed for, the deficit will be increased *pro tanto*.

Indeed, the picture that Dr. Sharma draws is highly disturbing. It highlights the complete lack of co-ordination between the Centre and the States in the matter of budgetary policies. If the States insist on going their own way, where will it end?

True enough, the States may eventually be compelled to toe the line, because if the Centre is firm enough, they will not have the resources to indulge in their own whims and fancies for long. This is the general direction of Dr. Sharma's findings. He does not think that there is much scope left for further taxation in the States, and when the restrictions on the sales tax imposed under the Constitution become operative in the next financial year, the revenue from this source available to the States will be considerably curtailed. On the top of this, if the Local Finance Enquiry Committee recommends a larger share of specified taxes or grants-in-aid from State revenues for local bodies, as seems highly likely, the situation will grow much worse.

From whichever end, therefore, one may look at it, economy in expenditure will remain the key to the future. For, when the Finance Commission is set up, it will have to consider whether and to what extent each State has utilised its existing taxation possibilities, and it will also have to consider to what extent it has exercised due economies in expenditure before determining what share of the net proceeds of income tax or Central excise should accrue to it. The grants from the Consolidated Fund to be recommended to the States will also be strictly subject to these considerations.

There is only one point, however, on which Dr. Sharma may be suspected of over-statement. This is in his assumption that the scope for further taxation in the States has already been exhausted. With taxation on agricultural incomes taken up only very perfunctorily in five out of the nine States under review, this conclusion cannot be accepted without demur. There are, however, obvious limits to pushing taxation on agricultural incomes to any great length and in the near future under the existing political set up. It is

also probable that in case the systems of land tenure are entirely re-orientated, few of the big slabs of agricultural incomes will remain to be taxed for long. Thus this caveat does not detract substantially from Dr. Sharma's conclusions.

There is another point also on which some may find it difficult to agree with Dr. Sharma who has assumed throughout that reduction in public expenditure is necessarily called for in the present situation. At least this is the policy of the Central Government, and it is a valid criterion to apply to the State budgets if we accept the principle of Central direction and unity in our financial polities. For the economic life of the country is one whole, though various agencies may

act on it at different points. But is the criterion itself above criticism? Since savings and capital formation in the private sector has declined very greatly, if not to a dangerous extent, the case can certainly be made out for keeping up, if not increasing, public expenditure on capital projects and developmental programmes. But that is altogether a different story.

A disturbing picture, indeed, but realistic enough, and it is realism which pays in the long run in public finance as in other fields of economics. Dr. Sharma has done a good job of it in bringing all the loose ends together. A fuller discussion of his findings, however, has necessarily to be postponed for a future occasion.

Letter to the Editor

## Sarvodaya And Planning

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I HAVE read with interest your editorial on the Cabinet Re-shuffle, it has taken my breath away completely. May I put to you only one question, quoting your own words: "To which star is your wagon hitched?"

You have referred in this article to the Conference of Chief Ministers and Presidents of the Provincial Congress Committees and have roundly said:

"There was nothing in these resolutions to suggest that their sponsors ever suspected what a comie situation they were creating in asking for planning and supporting a policy, in the same breath, which leans more and more on private enterprise to lift the country from the economic morass in which it has sunk. Nor did they see the joke in demanding planning while still paying lip sympathy to the ideal of Sarvodaya."

May I suggest because in the drafting of the Sarvodaya Plan and the Memorandum of the Congress Economic Planning Sub-committee and the resolutions of the Planning Conference I had a large hand that there is no conflict between

the Sarvodaya Plan and the Immediate Programme which has just been adopted? besides, we have not accepted the policy of removing all controls. In fact, in your Delhi letter on page 462 on *Sagur* and in *Around the Markets* page 463 regarding cotton textile, it has been admitted that though some Congress leaders seem to be in favour of abolition of controls, the Conference suggested that controls on non-essential commodities alone should be removed.

If you kindly refer to our Memorandum on page 27, you will find that the Congress Planning Subcommittee examining the question of controls concluded: "to review the controls with a view to lifting them in a planned manner so that the individual can get as much freedom as is consistent with the interests of the community and the demand of the planned economy."

If you go further down you will find we have not tilted towards *laisse faire* economy.

As regards the programme's sympathy with the Sarvodaya ideal, I can only submit that it would be difficult to go in for completely

Sarvodaya economy in the present set-up. I am associated with this Research Department of the All-India Congress Committee for five years, right from the time of the formulation of the Economic Programme Committee's Report under the Chairmanship of Pandit Jawaharlal Nehru, and I am definitely of the opinion that to talk of a socialist ideology in the present stage of political and social consciousness is to waste one's breath and to confuse the masses. It will not in any way help the Government which we all know reflects all the contradictions of our economic life. So, when this time I was commissioned to draft a programme, I felt that we should build our economy in such a manner that in the beginning it will not collide with the vested interests and will not raise bitter controversy which only diverts at-

tention of the Government and the active forces.

By slow degrees, with as much quickness as can be attained by our sincerity of purpose, a functional economy will emerge, broad-based on vital institutions with organic links with the masses in the country side. And in the process of emergence, this Welfare State will overthrow the Police State which has usurped the functions of the former. The Panchayats and the Co-operatives are the bases of our revolutionary operation to be manned by a band of constructive workers who are the exponents of Sarvodaya ideal, not by lip sympathy or by pen-man's comradeship, but by the service of the community for a quarter of a century, and who had seen the light in close association with the Master.

I may assure you that we have already taken steps to get in touch with these institutions, to get a complete inventory of the regional centres and their eminent workers in all regions and you will find in the resolution on Rural Development Machinery, provision has been made for the nomination of these people. If we have these institutions and have the men, can we not change the Congress and the State?

Certainly after these years of inaction it is difficult to be confident, but we will have to take courage in both hands and to go ahead. This I am writing to you in the hope of giving you the perspective which we have in this programme. Let us all pool our energies, our bonafides and our aspiration for building a new economy and let us not be caught in a quagmire of idle controversies which is not progress.

## Weekly Notes

### *A fit Choice*

It is but fitting that some one from Asia should be elected to the World Health Organisation, and that she should be a woman. The choice of Kumari Amrit Kaur as the head of this organisation is a particularly happy one. As a disciple of Gandhiji for over 20 years, she has a first hand knowledge of the health problems of Asia which still lives in the villages. And it is to be hoped that though she has been the Minister for Health in the Government of India for quite some time, she has not entirely lost touch with the afflicted poor.

The WHO is no different from other UN organisations. There is much work to do and little has been done. The organisation's work in the Asian countries, however, has not been altogether unpromising. In the malaria ridden areas, it has done splendid work, but much remains to be done.

One should have thought that at least the WHO would be able to keep out of politics. But like its other sister organisations, the WHO also is suffering from paralysis due to withdrawal of Eastern European Countries. May be, if Mr. Lie's mission is successful, the WHO may again be put on the rails. This apart, the organisation can also make judicious use of Truman's Point Four Aid, a part of which can

certainly be utilised through this world agency.

### *Carpet Wool and Dollars*

INDIA earns about \$8 million on an average by exporting carpet wool to the USA. Pakistan is a serious competitor and a close second. The other competitors are the South American producing countries like Argentina and Uruguay and the Middle East countries like Iran and Afghanistan. Out of our total exports of 8.7 million lbs. of carpet wool in 1948-49, as much as 3.8 million lbs. or 43.6 per cent. went to the US. Of the total imports into US in 1948 of 161 million lbs. valued at 55 million dollars, India supplied as much as 18 million lbs. valued at 8 million dollars. The chief varieties supplied were carpet wool, scoured free; carpet wool, washed, free; carpet wool, sorted or matchings, free; and carpet wool, grease free.

Our share in the total trade is 11.25 per cent. Though the quantity is negligible, we are the main suppliers of carpet wool, sorted and matchings, if not scoured, the other being South Africa. Pakistan is the main supplier of carpet wool, scoured. In carpet wool, sorted or matchings, if not scoured, India is the chief supplier with 52,237 lbs. in 1948 as against 40,855 lbs. by South Africa (total supply 93,092).

The Government of India is at present attempting to set up grade specifications for wool exported from India. This, it is hoped, will go a long way to remove the complaints of American importers about the uncertain quality of wool shipped from India.

### *Indian Plastics*

THE present production of plastic materials in about 68 factories in India is worth about Rs. 7 crores. About 20 per cent, of the current production is being exported overseas. Since there is an increasing demand for Indian plastics from the Middle East countries, exports are likely to go up.

To meet the growing demand for plastics, a new factory will be set up shortly in Madras on private basis, at a cost of Rs. 5 lakhs; the proposed factory is expected to meet the entire plastic requirements of South India valued at about Rs. 50 lakhs. The main raw material of the industry is polystyrene, at present being imported from the USA. For raw material imports alone, manufacturers have been spending about Rs. 34 lakhs annually.

There is also a proposal to manufacture radio cabinets and telephone equipments in India. The present requirements of radio cabinets in India are about one lakh a month.