

Translating the Budget

IT has long been complained that the mass of data which the Minister for Finance releases on the Budget day are quite unsuitable for any economic analysis. It may well serve the Government in its day-to-day work, but it does not throw adequate light on what happens to the economy as a result of many different types of transactions, often individually of very large magnitude, which pass through the exchequer. A reclassification of the Budget heads to answer some questions which the economists would like to ask has been attempted in some countries in Europe for a decade or more. As the operations of the Government attempt to slice away increasing portions of the national income and savings, such a reclassification becomes urgent, here too, particularly when an appreciable part of the operations of Government is financed not out of what the public gives in taxes and loans but out of borrowings from the Reserve Bank against its own security. It is such a reclassification which the Department of Economic Affairs of the Ministry of Finance has attempted in a brochure released with the Budget papers this week.

What are the questions to which the economic classification can provide answers? One is, gross and net capital formation during any accounting period, as well as the means of financing it. Another, how to distinguish receipts and expenditures abroad from domestic receipts and outlays? A third, how to measure the inflationary or deflationary impact of the Budget on the total economy? The attempt of the Department of Economic Affairs is highly commendable, though it leaves many gaps. But this is only the first attempt and the Department has not closed its mind.

The reclassification has been attempted only for the Central Budget—the budgets of State Governments which together amount to a very substantial figure have been left out. Secondly, no attempt has been made to distinguish between expenditure abroad and at home, in spite of a clear recognition of the significance of such a distinction. Thirdly, commercial undertakings of the Central Government which are fast assuming large dimensions are only partly considered.

Taking the Central Budget for 1957-58, the brochure analyses the total expenditure estimated for the year, excluding the operating expenses of departmental commercial undertakings, into three categories. The first, Final Outlay on commodities and services for current consumption and for capital formation—representing the total draft by the Central Government on the real resources of the community—is placed at Rs 866 crores. Of this, Rs 412 crores are for Government consumption (i.e., current administrative expenses) and Rs 454 crores for gross capital formation. A further sum of Rs 317 crores is set apart for transfer to other sectors, and Rs 336 crores for financial investments and net loans and advances to the rest of the economy.

In examining the economic implications of these outlays, a closer look into their financing shows that in 1957-58 the current receipts of the Central Government are budgeted at Rs 658 crores, made up of taxation receipts—Rs 496 crores,

income from enterprise and property—Rs 110 crores, and fees and miscellaneous receipts—Rs 52 crores. Thus, with total consumption of Rs 412 crores and current transfers to other sectors at Rs 257 crores, there is a net "dissaving" on current account of Government administration of about Rs 10 crores. Net capital formation, again taking administration and departmental undertakings together, is budgeted at Rs 395 crores: construction works—Rs 199 crores, machinery and equipment—Rs 132 crores, and net addition to inventories—Rs 70 crores, less sale of physical assets—Rs 12 crores. This gap between net investment and net saving by the Central Government to the extent of Rs 380 crores constitutes what is designated as "income-deficits", a measure of the expansionary impact of the budgetary transactions of the Central Government. This is just to whet the reader's appetite. There is much else of interest, including amazement and controversy.

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