

THE CENTRAL BUDGET 2004-2005
VIS-A-VIS
THE LIBERAL BUDGET



FORUM OF FREE ENTERPRISE
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THE CENTRAL BUDGET 2004-2005 VIS-A-VIS THE LIBERAL BUDGET* *

The Indian Liberal Group released The Liberal Budget in New Delhi on June 23, 2004, about two weeks before the presentation of the Central Budget 2004-05 by the Finance Minister, Mr. P Chidambaram.

One of the principal objectives of The Liberal Budget is to provide a template (or a benchmark) to evaluate the annual budgets of the Central Government. It is in this context, that it is relevant that we bring out a comparison between these two policy frameworks, and reflect objectively on their areas of convergence and divergence, in terms of both policy as well as strategic formulations.

Areas of Convergence:

To begin with, the Indian Liberal Group recognizes the fact that given the constraint of time, the Finance Minister could not have been expected to take into consideration a distinctively liberal fiscal stance, more so when the present Government is confronted severely with the compulsions of coalition politics. It is revealing to quote from the budget speech of the Finance Minister. While dealing with the tax proposals, he stated: ***"I am a votary of tax reforms but it would be unwise on my part to attempt to do reform in a hurried or piece-meal manner. Seven months from now there will be another Budget, and there will be an occasion to visit the subject of tax reform."*** Hence, we believe that the true test of whether the Liberal Budget can make an impact on the official

"Free Enterprise was born with man
and shall survive as long as man
survives".

-A.D. Shroff
1899-1965
Founder-President
Forum of Free Enterprise

**The text is prepared by the Editor who was also a member of the Drafting Group of The Liberal Budget.

economic and budgetary policies would be sharply in evidence in the coming year.

Having said this, the Indian Liberal Group perceives at least-four or five key areas, wherein the Central Budget truly envisions a liberal viewpoint, enunciated in The Liberal Budget.

- First, as suggested in our budget, the Finance Minister has **promised** to consider and implement the recommendations of the Kelkar Task Force Report on direct and indirect taxes. We hope that rationalization and simplification of tax policies,, and radical changes. in tax administration, will find place in the next budget and form an integral part of the liberal economic policies of the Government. Needless to stress, to accomplish this, the Government will have to make sincere efforts to build a national consensus, cutting across divergent political affiliations.
- In the meantime, the changes in the tax structure, as well in tax concessions and incentives made in the latest budget reflect the immediate response of the Finance Minister to the needs of the economy 'and the considerations of budgetary resources. Surely, it does not reflect long-term fiscal strategy. Most notable changes are in terms of (a) package of changes in capital gains tax with the introduction of tax on transactions in securities; (b) expansion of the net of service tax and enhancement of its rate from 8% to 10%; (c) some sector specific changes in customs and CENVAT, and tinkering with the corporate tax incentives. Some of these, though welcome, do not conform to the tax strategy implicit in The Liberal Budget.
- Secondly, we are pleased to see that the Fiscal Responsibility and Budget Management Act, 2003

(FRBM) has now become operational. It envisages elimination of revenue deficit by 2008-09, although the original target year was 2007-08. On the other hand, the Liberal Budget has given a roadmap for a much speedier process of phasing out revenue deficit by 2006-07. Accordingly, the budget estimate of ratio of revenue deficit to GDP is placed at 2.5% in 2004-05 (exactly the same as suggested by us), and will be reduced further to 1.1% in 2006-07 (as against zero in The Liberal Budget). We have also suggested a similar sharp reduction in fiscal deficit from 4.8% in 2003-04 to 2.5% in 2006-07, but the Statements laid before Parliament, as required by the FRBM Act, 2003, projects a higher fiscal deficit to GDP ratio of 3.6% by 2006-07. In substance, there is a welcome convergence in the direction towards fiscal discipline, but the envisaged action lacks the necessary strength and rigour.

- Thirdly, the aforesaid FRBM Statement also sets out the intentions of the Government with respect to essential elements of tax policy in the coming years. Among, other things, it highlights the efforts towards "the third wave" of tax reforms comprising the preparation of the ground for Value Added Tax (VAT); a move towards integrated taxation of goods and services; and reducing customs tariff rates to levels prevailing in ASEAN countries. These proposals are generally in tune with the objectives of The Liberal Budget.
- Further, we also support the need for raising the tax to GDP ratio of the Central Government from the present 9.2% in 2003-04 to 12.1% in 2006-07. But our major concern is the manner in which the policy makers strive for tax buoyancy in the Indian economy. Surely, The Liberal Budget does not support the continuing tinkering

with the tax system for the purpose of incremental tax revenues. It wants tax buoyancy through long-term stability of the tax system and acceleration of growth momentum of the economy. Equally importantly, the incremental tax ratio must help in wiping out the revenue deficit of the Government, and should not be diverted to unproductive, non-developmental expenditure.

- Fourthly, we also see considerable commonality of goals in terms of various social sector initiatives, including specifics like Food for Work, Mid-day Meal Scheme, Provision of Urban Amenities in Rural Areas (PURA), safe drinking water, and Accelerated Irrigation Benefit Programme. All these constitute the core of the liberal position. We strongly contend that building the social infrastructure falls necessarily within the purview of the Government's basic role, along with its focus on law and order, defence, and development of some key physical infrastructure facilities. We welcome the efforts towards plan reorientation to generate an additional sum of Rs.10,000 crores for this purpose.
- However, the Indian Liberal Group would like to assert that these should not become mere symbolic gestures. Further, there must be constant monitoring of the underlying physical targets and regular evaluation in terms of Action Taken Reports to be made available to the public. More importantly, we would like to assert that the nine-point objectives set out in The Liberal Budget (which are also spelt out in the official Tenth Plan document) must become the real guideposts, in as much as these spell out precisely the physical targets and their respective time-frames.
- Last, there are some other policy initiatives, which mirror the goals of The Liberal Budget. Specifically, we welcome the steps to implement VAT by April 1, 2005;

the proposal for special fiscal and regulatory regime for the development of Special Economic Zones; the proposed pilot scheme for distributing food stamps as a part of the reform of the Public Distribution System; and the proposed formulation of the blueprint on targeting subsidies sharply for the poor and truly needy. Our concern is that these do not remain a mere statement of intentions. We wish to see the implementation of these measures in a time bound manner.

Areas of Divergence:

Thus, while there are some areas where the Central Budget meets with the expectations of The Liberal Budget, there are many crucial aspects, which are at considerable variance with liberal philosophy and strategy. Given the constraints of space, we would like to stress only on a few issues. Readers are well advised to peruse the full text of the Executive Summary of the Liberal Budget to make their own judgments on the extent of divergence between the two budgetary frameworks.

- First, The Liberal Budget provides central focus on expenditure policy, envisaging quantitative dimensions and adoption of modern and innovative techniques of expenditure management. This aspect is virtually conspicuous by its absence in the budgetary strategy.
- Second, The Liberal Budget gives emphasis on raising the ratio of non-tax revenue to GDP. For this purpose, it advocates more vigorous efforts to improve efficiency and profitability of PSUs and Departmental Undertakings, as well as to reform the system of user charges for public utilities and services. The reduction in various "non-merit" and implicit subsidies must become a powerful tool for resource mobilization for the Central Government.

- Third, the Central Budget has virtually reversed the policy of disinvestment and privatization. In contrast, The Liberal position is very clear in its strategy: **"the business of government is governance and not business"**. Hence, our criterion for privatization or disinvestments is not whether a PSU is loss-making or profit-making. Also, we are not convinced about the validity of the concept of *Navaratna* companies for the purpose of perpetuating the "commanding" position of PSUs. The real test for disinvestments and privatization of PSUs ought to be governed by the consideration: **"whether the State should be in the chosen field of activity in the first place"**.
- We are distressed by the fact that the target for raising resources through disinvestments is reduced to only Rs.4,000 crores in 2004-05 (actual realization of Rs.14,500 crores last year) against The Liberal Budget strategy of generating at least Rs.35,000 crores in the current year, and moving up progressively in the subsequent years. Alongside, we have also envisaged a system of "ring-fencing" these resources and deploying the same for well-conceived purposes.
- Fourth, even more worrisome is the proposal to provide budgetary support for restructuring some of the PSUs. For example, the Finance Minister has stated in his budget speech that **"Hindustan Antibiotics Limited will be given financial support for restructuring. A rescue package has been worked out for Indian Telephone Industries (ITI), and ITI will be given Rs.508 crores to remain out of the net of the BIFR"**. Such initiatives are not only going to be counter-productive, but drain away valuable budgetary resources. The solution surely lies in moving out of such enterprises as soon as possible. The creation of the Board for Reconstruction of Public

Sector Enterprises (BRPSE) though understandable in its intentions, will become an instrument for slowing down, if not halting, the inevitable process of phasing out the non-performing assets of the Government.

- Fifth, The Liberal Budget has given a blue-print for a series of off-budget policy initiatives covering a broad-based reform of the agriculture sector, trading activity, the legal and judicial system, regulatory institutions, law and order situation and the over-all political environment. All these do not find adequate and meaningful mention in the latest budgetary policy.

To sum up, the central tenet of The Liberal Budget is that a liberalizing economy needs a truly liberal economic environment, and the budget is a powerful instrument of economic policy with the Government for this purpose. The scope of the budget must encompass various other policy initiatives by way of an annual statement of Governments' intentions and directions on a revolving basis. The latest budget does not adequately fulfill such expectations of The Liberal Budget. Let us hope that in next budget the Finance Minister truly performs a fuller task, and responds to the expectations of the Liberal Budget!

THE LIBERAL BUDGET – A SUMMARY

Man is the measure of all things. This about sums up the Liberal credo. Liberalism has no dogma except one - the centrality of the human being; what is good for him - or her - is acceptable. What is not, is not. Liberalism like Socialism aims at promoting the welfare of all. As Ludwig von Mises the great Liberal philosopher put it, where the two differ is "not by the goal at which it aims, but by the means that it chooses to attain the goal".

Philosophically speaking the Liberal position is very clear: It is, that the business of government is governance and not business. In a Liberal State, the individual is supreme and the State must work to further his or her potential. So it will focus its activities on law and order, defence, physical and social infrastructure (health, education and a social safety net).

When preparing this Liberal Budget from a Liberal perspective, we have kept these fundamentals in mind. The key basic tenets of this Liberal Budget are:

- * Effective Fiscal Governance
- * Fiscal Consolidation and Stabilisation
- * Efficiency and Productivity
- * Acceleration of Growth
- * Promotion of Equity

The main focus of the Liberal Budget will be issues concerning human development or human capital formation - health, education and a social safety net for those who are not capable of looking after themselves.

At the same time, no budget can be genuinely Liberal in its essence and powerful in its impact, unless the overall economic policy regime becomes genuinely liberal, deregulated and capable of nurturing and fostering private

and individual initiative. In other words, an interventionist State cannot be the right setting for a Liberal Budget.

Unfortunately, over the past fifty years, the Indian State has become an interventionist one, appropriating to itself practically every aspect of human life. As a result, it has spread itself too thin and is not able to play an effective role in any area, let alone the areas of its main responsibility. The Liberal Budget will, in a sense, attempt to set this right and attempt to provide resources for the government to effectively carry out its main responsibilities.

What kind of targets relating to human development should the Liberal State set for itself? The Liberal Budget sets out the following nine-point objectives of a Liberal State:

- 1) Reduction of poverty ratio by 5 percentage points by 2007 and by 15 percentage points by 2012.
- 2) All children in school by 2005; all children to complete five years of schooling by 2009.
- 3) Increase in the literacy rate to 75 per cent by 2007.
- 4) Reduction of infant mortality rate (IMR) to 45 per 1000 live births by 2007 and 28 by 2012.
- 5) Reduction in maternal mortality ratio (MMR) to 2 per 1000 live births by 2007 and to 1 by 2012.
- 6) Improve infant and child feeding and caring practices to bring down the prevalence of underweight children under three years from 47 per cent to 40 per cent.
- 7) Reduce the prevalence of severe under-nutrition in children in the 0-6 years age group by 50 per cent.
- 8) Provide 100 per cent coverage of rural and urban population with safe drinking water.
- 9) Provide cost-effective means of safe and sanitary disposal of solid waste and waste water.

While framing the Liberal Budget, we have recognised some distinctive recent changes, especially the tax policy, which

reflects what Indian Liberals have been advocating in the preceding several decades. This change has already brought about several remarkable gains in our economic performance, particularly in the sphere of industry and the external sector of the economy. But this exercise is far from complete. Much more remains to be done, and it will be our endeavour to set out a strategy to make India a truly world-class economic power over the next decade even while attending to the basic needs of the population, particularly in rural India.

The Liberal economic philosophy recognizes the importance of expenditure policy as a powerful tool of fiscal policy. The expenditure policy impacts in a variety of ways on key parameters of socio-economic development, employment generation and poverty alleviation. It impacts directly or indirectly the sectoral composition of growth as well as patterns of income distribution. Thus, an efficient expenditure policy is a critical component in the strategy for accelerating growth and improving its quality.

In this context, the effort of the Liberal Budget is not merely to reduce and rationalize expenditure, but to shift radically the focus and direction of expenditure policy.. What are the key guideposts for this purpose?

- * First, expenditure growth in real terms over the next three years shall not exceed the anticipated real GDP growth.
- * Second, the composition of expenditure must change decisively in favour of developmental expenditure over the next three years. Thus, the ratio of development expenditure shall increase from the present average of about 7% of GDP to 9% in stages over next three years and remain at least around this level thereafter.

- * Third, the Liberal Budget strongly advocates the case for reducing non-developmental expenditure. The savings from non-developmental expenditure shall be redeployed largely to finance sustainable, well-conceived social sector and welfare programmes such as (i) primary education and healthcare; (ii) employment guarantee scheme; (iii) mid-day meal scheme for deserving school children; (iv) health insurance for the poor; and (v) an effective pension scheme, etc.
- * Last, it is imperative to devise certain qualitative benchmarks to evaluate the effectiveness of both development and non-development expenditure.

The Liberal Budget envisages a systematic and rigorous expenditure management process, essentially reflecting the following elements:

- * First, each individual Ministry and Department shall formulate inspiring missions, aspirations and targets for its activities for the future. At the same time, there must be a mechanism for mid-course corrections, when found necessary;
- * Second, on the pattern of the "profit centre" favoured by corporate enterprises, there shall be "performance cells" in each Ministry and Department;
- * Third, there shall be an effective performance management system to monitor the achievements separately of each Ministry and Department together with those of the top officials from the level of Principal Secretary to Deputy Secretary. This must also be accompanied by a suitable "reward - punishment" mechanism;
- * Fourth, while there must be tight controls on budgets and performance against targets, there should be operational autonomy for implementation of various

projects/programmes.

- * Fifth, in designing the process, there must be participation of the officials concerned so that there is a clear understanding of the missions, aspirations and targets. Also, a quarterly report card would become a useful tool in constantly monitoring of the process.
- * Sixth, the process shall be transparent and the aspirations and targets of these missions shall also become part of the public domain.

Expenditure reduction has to be accompanied by steps to raise revenues to fund government spending in essential areas. Both tax and non-tax revenues have to be tapped. The policy prescriptions (both budget and non-budget) set out in this document will result in significant buoyancy in both tax and non-tax revenues. The restoration of high growth levels and increased investment activity will automatically lead to growth of revenues.

Rationalizing and simplifying Direct and Indirect Tax Laws and bringing them in line with the current needs of a liberalising and competitive global economy is an urgent task. Accordingly, in the area of tax reforms, the Liberal Budget would be guided by the following two broad principles:

- (i) Any increase in tax revenues would not be by increase in the tax rates, but by rationalization and simplification of the tax system.
- (ii) Tax reforms would be through the creation of a simplified and rational tax policy and globally competitive tax rates.

It is imperative to stress that the falling tax-GDP ratio is a source of worry,' but the Liberal State does not envisage any drastic increase in this, given the need for substantive reduction and rationalisation of taxes, especially indirect

taxes. However, the fact remains that the State does need to raise revenue to finance its various functions. This can be done, without increasing the incidence of tax rates, through efficient and innovative tax administration.

The Report of the Task Force on direct/indirect taxes under the Chairmanship of Dr. Vijay Kelkar was submitted in November 2002. Though it provides radical changes in tax administration and addresses issues in the tax policies to achieve rationalization and simplification, it has unfortunately not found acceptability with the government. However, the Liberal response to this report has generally been favourable and hence, Liberals will give it their serious consideration.

All this will lead to better tax compliance. However, there will still be a host of defaulters and the State cannot ignore its responsibility of improving tax administration, without giving draconian powers to tax authorities, which they can use to harass tax payers. Even while supporting a government with a will to govern and implement laws necessary to ensure their compliance, the Liberal way does not accept actions that lead to intimidation and the invasion of the privacy of the individual.

Thus, provisions for search and seizure will be abolished, since they have not served their purpose of acting as deterrents, but have been misused to harass taxpayers. Similarly, the 'public interest provisions' (relating to disclosure of information about the assessee, exemption or reduction in rates of taxation for oil companies, etc.), which give the government undue discretionary powers, would also be abolished. Inefficiencies in the tax administration system would be eliminated and powers of the assessing officers will be reviewed. Tax collections can be strict without being brutal.

Tax payers with an income up to Rs.5 lakhs will not be required to maintain books of accounts and assessing officers will not have the right to demand books of accounts from them. Computerisation of all tax operations, including customs clearances, will be given the highest priority in the interest of transparency and efficiency.

The Liberal Budget is concerned over the fact that the ratio of non-tax revenue to GDP has been declining over the years. This is happening exactly at a time when the tax/GDP ratio has also been stagnant, thereby putting considerable pressure on government finances. Therefore, it will be our endeavour to expand resource generation through dividend and interest receipts from PSUs and Departmental Undertakings by improving their efficiency and profitability on a continuing basis.

In recent years, the Union Budget has been looked upon, not only as an Annual Financial Statement, but as a signalling mechanism to the world at large (and the investing community in particular) of the progress in India's economic reforms programme. Hence, it is necessary to

- (a) Identify some of the crucial factors that influence the budget; and
- (b) Suggest specific policy reforms to enable the Liberal Budget to become functionally effective.

The process of disinvestment/privatisation of PSUs needs to be speeded up substantially and extended to state-level public sector enterprises as well. The criterion for privatisation must not be whether a PSU is loss-making or profit-making. The test should be whether the State should be in that field of activity in the first place. While deciding on issues of disinvestment/privatisation, the Liberal Budget will not be guided by arbitrary or ad hoc considerations of the strategic reasons for PSUs' businesses and operations.

At the same time, while privatising a PSU, care will be taken to ensure that the process is completely transparent. Also, it is necessary to safeguard against a public sector monopoly being replaced by a private sector monopoly. The best way to do this would be to open up all sectors to competition. Where this is not possible or may take time, privatisation must be preceded by a strong independent regulator.

This privatisation exercise is a temporary one, in the sense that it is correcting a policy (of nationalisation) that was adopted at one point of time and which has resulted in putting a huge strain on the fiscal health of the country. In a genuinely liberal economic environment, there will be no PSUs in areas where the private sector is interested and capable of investing.

Moreover, a whole range of reforms are necessary to improve the investment climate in the country. These include: deregulation and liberating industry from the tyranny of inspectors; ending the practice of reserving sectors for small-scale industry or restricting in any way entry into non-strategic areas; allowing companies the freedom to restructure; faster liquidation of companies; and a more flexible labour law regime, among other things. In the area of labour law, the government must not take upon itself the task of deciding levels of wages, etc. or standing in judgement over whether or not companies should retrench workers. Instead, it should confine itself to enforcing contracts, for example, ensuring that workers get their termination benefits and that companies do not default on social security obligations. Needless to emphasise, an improvement in the domestic investment climate is likely to pull in the much-needed FDI and the government need not do anything more apart from ensuring

that there are no restrictions on FDI in any areas or placing ceilings on levels of FDI.

The Liberal Budget also calls for the following crucial policy initiatives:

- * Movement towards a more liberal interest rate and exchange rate regime.
- * Agriculture: The declining trend in investment in this sector has to be reversed. This has to be accompanied by better targeting of subsidies, increased investment in infrastructure, especially irrigation, power and rural infrastructure. All controls on the domestic movement in and trade of agricultural goods need to be lifted. An atmosphere conducive to attracting private investment in the agriculture sector needs to be created. Land ceilings also discourage investment and inhibit growth. These need to be reviewed. Contract farming and partnerships between the corporate sector and farmers need to be encouraged. These steps will only strengthen the agricultural sector and enable it to not only face up global competition, but exploit fully the global opportunities.
- * Trading Activity: Reforms are necessary in the legal arena, which should be geared towards creating a transparent system integrating the country into a single market. States should consider a single procedure for granting licences.
- * Physical Infrastructure: It is necessary to have a phased but definite movement towards promotion of private sector participation and public-private partnerships in the development and/or management of infrastructure, whether it be power, roads, ports, transport or telecom.
- * Reform of Legal/Judicial Apparatus: A mammoth

exercise has to be undertaken to repeat and amend several Central and state-level laws in order to reduce costs of doing business and promote greater economic efficiency. In addition, judicial reforms are necessary to ensure speedy disposal of cases and enforcement of contracts. The judiciary also needs to be sensitised about the effect of its decisions in economic matters.

- * Policies of States and Local Bodies : There is a dire need to ensure the percolation of liberal policies and procedures at the State and decentralised levels of administration.
- * Independent Regulators: Even in a free economy a certain amount of regulation (more in the nature of coordination, checking negative externalities and ensuring that the rules of the game are observed) is needed. Rather than the government, the task should be carried out by independent regulators. However, these regulators must be genuinely independent. Currently, they are still heavily dependent on the government and their independence depends on the person heading the regulatory body. This is not a desirable state of affairs and will neither promote true competition nor check market failure.
- * Restructuring Government: The re-orientation of the role of the State will necessitate a restructuring of government as well. Reducing the number of employees of the government is an important measure, which is outside the scope of the budget but has a tremendous impact on it. Government salaries and pensions account for over 25 per cent of total revenue receipts and is one of the committed liabilities that cannot be cut down. The only answer, then, is to reduce the number

of people to whom salaries need to be remunerated. Each ministry must be subjected to a performance audit and ministries/departments found inconsistent with the liberal conception of the role of the State should be closed down.

At the same time, a Liberal Budget does not call for a blind downsizing across the board. What is needed is rightsizing. This means that staff will be retained - and numbers increased - in areas where the government is needed, and this should be accompanied by measures to ensure accountability and increased responsibility.

* Political Environment: It will not be possible to create a liberal economic environment unless there is a major change in the political environment and culture in the country. Political parties and politicians must learn to rise above narrow personal and partisan ends and address the needs of the nation.

Besides, there is the phenomenon of legislative work being sacrificed at the altar of political grand-standing in Parliament and state assemblies. All this needs to be checked.

Law and order is another issue that needs to be addressed. Though not an economic issue, it has a far-reaching impact on the country's economy. Neither domestic nor foreign investors would like to put their money in areas where the law and order situation is poor. The government has to make efforts to address the root causes of violence and maintain law and order firmly. In substance, the Liberal economy requires the Liberal Budget of the kind envisioned in this document.

THE BUDGET AT A GLANCE

	CENTRAL BUDGET		LIBERAL BUDGET	
	2003-04 (Revised Estimate)	2004-05 (Budget Estimate)	2004-05 (Estimates)	2005-06 (Estimates)
1 Revenue Receipts (2 + 3)	263,027	309,322	315,500	360,500
(2) Tax Revenue (Net to Centre)	187,539	233,906	229,460	264,500
(3) Non-Tax Revenue	75,488	75,416	86,040	96,000
4 Capital Receipts (5 + 6)	211,228	*168,507	191,500	183,000
(5) Loan Recoveries & Other Receipts	**64,625	**27,100	68,000	80,000
(6) Borrowings and Other Liabilities***	146,603	141,407	123,500	103,500
7 Total Receipts (1 + 4)	474,255	*477,829	507,000	543,500
8 Total Expenditure (9 + 10)	474,255	477,829	507,000	543,500
(9) Revenue Expenditure	362,887	385,493	392,300	394,500
(10) Capital Expenditure	111,368	92,336	114,700	149,000
11 Revenue Deficit (9 - 1)	99,860	76,171	76,800	34,000
12 Fiscal Deficit [8 - (1 + 5)]	132,103	137,407	123,500	103,500
13 Primary Deficit @	7,548	7,907	(-) 5,500	(-) 31,500
Deficit Ratios (%) :				
a) Revenue Deficit to GDP	3.6	2.5	2.5	1.0
b) Fiscal Deficit to GDP	4.8	4.4	4.0	3.0
c) Primary Deficit to GDP	0.3	0.3	(-) 0.2	(-) 0.9
14 Derived GDP at Current Market Prices	2,752,145	3,122,886	3,072,250	3,441,400

* Does not include Rs.60,000 crores to be raised under Market stabilisation scheme, which will remain in the cgsh balance of the Central Government and will not be used for expenditure;

** Includes receipts from states on account of Debt Swap Scheme

*** Includes PSEs' Disinvestment Proceeds; @ Fiscal Deficit less Interest Expenditure; (-) denotes generation of surplus position.

Notes: 1. Figures for 2003-04 and 2004-05 are based on official budget documents of Government of India.

2. Figures for 2004-05 and 2005-06 are Liberal Budget Estimates, based on various proposals set out in the text. GDP growth at current market prices are projected in nominal terms at 12 percent per annum for these two years.

The implicit real GDP growth is assumed at 7% to 7.5% with inflation of 4.5% to 5% factored in.

[The text is a summarized version of "The Liberal Budget" published by the Project for Economic Education and the Indian Liberal Group and authored by a Drafting Group comprising: Mr. S.S. Bhandare, Former Economic Adviser, Tata Services Ltd.; Dr. C.S. Deshpande, Executive Director, Maharashtra Economic Development Council; Dr. Ajit Karnik, Head, Department of Economics, University of Mumbai; Mr. Sanjay Panse, Chartered Accountant; and Ms. Seetha Parthasarathy, Freelance Journalist and Copy Writer. A full version of the publication may be secured from: Project for Economic Education, Army & Navy Building, 3rd Floor, 148 Mahatma Gandhi Road, Mumbai 400 001. E-mail: ilgOvsnl.net

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those of the Forum of Free Enterprise.*

**"People must come to accept private
enterprise not as a necessary evil, but
as an affirmative good".**

-Eugene Black

FORUM OF FREE ENTERPRISE

The Forum of Free Enterprise is a non-political and non-partisan organisation started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions and other means as befit a democratic society.

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