

*The following is a report of Mr. C. Rajagopalachari's speech at a symposium organised in Madras on May 22 by the Madras Centre of the Forum of Free Enterprise and other organisations. The report is reprinted from the Hindu with the kind permission of the editor.*

## **SECOND FIVE YEAR PLAN IS THE REAL MISCHIEF-MAKER**

### *Comments on 1957 Budget Proposals.*

Madras, May 23.

Mr. C. Rajagopalachari said here last evening the idea that the country should be taxed in the manner envisaged by the budget proposals in order to support the Plan they had already made, must open their eyes to examine not the abstract, ethical and psychological aspect of "defeatism" in not carrying it out, but the concrete question "whether the Plan is right and whether it requires to be altered."

Rajaji deplored that the Plan had given a "monolithic cast" to our public affairs, imprisoning them within its "stone walls" and robbing them of flexibility. He added, if the Plan, as admitted by the Government themselves, had resulted in high prices and the proposed taxation measures raised the price-level still further instead of steering clear of it, and "if these are the essential parts of our Plan, it is better to look into it."

Referring to Rajkumari Anrit Kaur's plea for scrapping of Prohibition, in the Rajya Sabha the other day, Rajaji said it would be "ridiculous" to do so simply because of inefficiency of the administration to enforce it.

*Pointing out that a comparatively heavier burden would be cast on the poor in the country by the new imposts, Rajaji warned the Finance Minister not to indulge in "financial brinkmanship", akin to Mr. Dulles' brink of war theory, as it would lead to a breaking-point "when the tax-payer cannot pay".*

Mr. Rajagopalachari characterised the Union Finance Minister's budget proposals as politically and financially "very wrong" and contributing very little to the happiness of the people. He warned the Congress Party that the budget would facilitate Opposition parties wresting the initiative from them and the future of the Congress as a ruling party would be endangered.

Mr. Rajagopalachari said the people did not require much special intelligence to understand taxation matters. They had actually to pay the tax or price for the things they bought so that there would not be much gain by spreading it over three or four years. "Whatever is done," Rajaji observed, "will be certainly understood by the people

quickly enough, if not within three months. They know next year it will bring something more in that direction." On the other hand, he said, it was better that the whole picture was exhibited before the people. If the country approved of it the Finance Minister could go on with it. If the country did not approve then it was not wise to 'deceive' the people by presenting a portion of the picture first and then producing the rest.

At this stage, Rajaji referred to the remark of the Finance Minister, Mr. T. T. Krishnamachari, who had said that himself and the speaker were not friends. Rajaji replied that Mr. Krishnamachari was wrong in saying that they were not friends and he was particularly wrong in saying that what the speaker had said in regard to the Budget had anything to do with that. "In fact, if I had said something to do with it I am fulfilling the office of a friend," he remarked.

Rajaji said that the comment of the Finance Minister was a good way of getting out of an embarrassing question. But the implication in that remark was that his views were not entirely the result of just criticism and apprise-ment but want of friendship. "Let me say straightaway I consider him (Mr. Krishna-machari) to be a friend whether he considers me to be a friend or not. Because I consider him as my friend it is my duty to point out what he

has done is not good." As the Tamil saying of Valluvar went it was not for being pleasant to one another that they had friendship. Harsh criticism from a real friend and not flattery was what was expected. They cultivated friendship in order to criticise, to go forward and lose no time in correcting a friend even using harsh language. "I have done all that, I am afraid", Rajaji remarked (laughter). "I lost no time and I was not soft in my language."

Coming back to the Budget, Rajaji said that one thing was clear. There was strong dis-approbation of this Budget in the country. No tax gatherer could expect popularity. "Our people," he said, "*are not as backward as some people may imagine. Our people are very generous. Our people when they disapprove of this Budget do so not because taxes are hard but because there is something wrong in the nature of the tax and the kind of tax.*"

Mr. Rajagopalachari next referred to the condemnation of the Food Ministry for the rise in prices of foodgrains and said that he did not agree that the Food Minister was responsible for this. "The Union Food Minister is a very able Minister and I know that," he said and added that if the Food Minister was not responsible there were a number of other causes for it. "There are fundamental causes that are operating and are raising the food prices, viz., agrarian laws and the population. The

only way to lower the prices would be by force, by control which was another form of force, rigid regulation, by starving the farmer and a number of other unpleasant things. This was not welcome and it was not possible. Even if they got some food by this method it was not worthwhile.

Mr. Rajagopalachari dealt with the criticism that the taxes in this country were not advancing in relation to the national income as taxes had advanced in other countries. The agricultural income that could be taxed was different from the agricultural income which went to constitute the national income. The main body who made up the national income were merely cultivators, tenants and labourers without land. That was the reason for the low percentage of national income. It was impossible to make any advance in taxation with that kind of national income. It was no use comparing the advance made in taxation in relation to the national income in other countries with that of this country. "It is," Rajaji said, "a question of examining the human element that is involved in any proposition. It is quite easy to talk of stagnation, national income and taxation. If you go into the human element concerned in these various phrases you will find you are dealing with various types of people who make up the national income.

*The national income has risen because of the rise in*

*prices rather than due to increase in actual income.*

Referring to the finance for the Second Plan, he said, the question they had to examine was whether the Plan was right and whether it had to be altered. "This Plan is really the great mischief-maker and not the Food Ministry," Rajaji remarked amidst laughter.

*Rajaji said the Plan had given, to use a modern word, a monolithic cast to our public affairs. Our public affairs had been imprisoned within the stone walls of the Plan and had been robbed of necessary flexibility. If they were going to spread misery all over the land by high prices, it was impossible to spend money on the Plan. The Government had themselves admitted that inflation had been one of the results of the Plan. The taxation measures would raise the prices still further. If these were the essential parts of the Plan, it was better to look into it.*

Referring to plans in Russia and China, he said that whatever derogatory views they might entertain about what was being done in Communist countries, they had done well. Even the Government of India agreed that *they had done very well. The secret of their success lay not in better administration or spreadover of taxation measures—in fact, not taxation at all—but in forced labour of the people. That was the only thing that could make a backward people carry*

*out Plans for development rapidly. If labour was not voluntarily forthcoming, it was obtained by force. But, it was not possible to do such things in India.*

With all their appreciation of the Plan, they should remember that the Plan consisted of certain projects in certain areas of the country. They were taxed in order that the projects might be carried out. But it was wrong to impose indirect tax on everybody in the country, without reference to the advantages attained in any particular area by such projects. It was not a suggestion for disintegration but they wanted fairness in the distribution of the burden. It was better to levy cesses in territories where development works had directly benefited the people. Instead of this, was it right to increase the price of a post-card or journey by rail? It was not fair.

*Looking into the Plan more carefully, Rajaji said, they would find that they should cut their coat according to the cloth. The cloth was their capacity to pay and capacity to offer labour. If they had capacity to contribute labour, they could cut down the payment part of it. But, they wanted to get foreign aid and foreign loan. "All that will come back with compound interest", he said and added that it was not possible to live for any length of time on foreign aid. They had to take all these factors into ac-*

count if they were to prepare a proper, scientific Plan which would be an instrument of happiness and not misery.

Mr. Rajagopalachari said that criticism of the budget proposals had been widespread. He had received telegrams congratulating him on his "bold" step in criticising the budget. He considered this attribution of "boldness" to him revealed the fear of the people to criticise the Government. No doubt, they should not be irrelevant or impolite in their utterances, but they should be bold to voice their feelings. The people who had congratulated him also wanted him to go about from place to place and campaign against the taxation measures. This was nothing but "fantastic nonsense". How could he go about criticising his old colleagues; nor was he in a fit condition to do it. It was for those who had been hit by the measures to take up the matter and agitate. Personally, he was not affected by anything contained in the budget.

He said criticism from commercial and industrial circles seemed to be characterised by a "silent satisfaction" that the tax burden had fallen on the poor also. But, he would analyse the figures. The total estimated receipts from the proposals would be about Rs. 93 crores, out of which about Rs. 25 crores only would be contributed by the rich. The rest would be borne by the poor.

Mr. Rajagopalachari said there were two ways of getting popularity and approval of the proposals. One was by doing what was right; the other was by approaching the organs of public opinion. Important newspapers were directly dealt with. First of all Government pretended to inflict enhancement of duty on newsprint but then withdrew it. Human psychology was peculiar and they felt flattered when the tax was withdrawn on the pretext that it was an "error". But newspaper people seemed to understand that it was not accidental but a real imposition which was withdrawn later. From a perusal of the leading articles on the budget published in the various papers in the country, he was able to find a certain mildness prevailing in their criticism of the budget. There was not the original verve in the attack, which was found before the withdrawal of the impost. He felt that that was not the way in which criticism in the organs of public opinion was to be conducted. Of course, everybody had a right to take care of his own interest, but the Press had a definite responsibility. It was not right for them to turn a blind eye on the lowering of the minimum taxable income while congratulating the Finance Minister on lowering the rates in the higher incomes. In this process, the Finance Minister had not lost any revenue; he had gained the goodwill of those

above and ill-will of those below.

*Mr. Rajagopalachari said people should not be afraid of criticising the Government, on account of their high regard for the Prime Minister, whatever was said and done, belonged to the Government; the Finance Minister had to be defended by him. Therefore his commendation of the budget should not deter them from criticising it. Nor were they justified in seeking the opinion of diplomatic representatives such as the Ambassador of the United States on the soundness of the proposals. America was interested in keeping the Communists off and would therefore approve of taxation in order to find the resources for the Plan.*

Rajaji expressed the fear that the taxation measures would only increase as they proceeded implementing the Plan, year after year. He cited imposition by him, 20 years ago, of the sales-tax of one pie per rupee. It had increased since and very much with the introduction of "naya paisa." Indirect taxes, once put in, would never be withdrawn and would go on adding to the burden of the poor, unless there was a safety valve. A situation would arise when the taxpayer could not pay. Friends of the Finance Minister, he hoped, would advise him to keep far away from that climate and not indulge in "financial brinkmanship".

Rajaji referred to the criti-

cism of Rajkumari Amrit Kaur of the Budget and said that everybody was pleased that an ex-Minister made the criticism. Rajaji said that she made a great mistake in asking for the imposition of the salt tax and the drink tax. "Look at the idea of making the inefficiency of the Government an excuse for putting a tax", he said. Broadly considered it was ridiculous to scrap Prohibition because the Government had failed. If the administration was inefficient, they must improve it. If they had the tax then it would only add to the burden of the poor. It will add to their misery, not only financial but also psychological.

Coming back to the taxation proposals, Rajaji said that they were sugar-coated for the Legislature to say: "Very good, the rich as well as the poor have been taxed." Since Mr. Krishnamachari was his friend he knew his mind and his intellectual level was very high. His mind had run in the direction of new scientific kinds of taxation that could be imposed on the rich. He had taken up the wealth-tax and the expenditure-tax and tried to make it as scientific as possible. Kero-

sene went up in price as soon as the taxation proposals were announced. The poor man had also been called upon to pay more by way of increased railway fare and tax on tea, coffee, etc.

A new invention of jurisprudence had been introduced in the Budget, he said. What was the tax on expenditure, he asked, and answered that because they bought something they had to pay the tax. "This measure of tax on expenditure," he said, "is really an encroachment on the State's sphere of taxation on sales and purchases." They might, he said, read the constitutional position and they would find no provision made for a tax on expenditure. He hoped the legal implications of the taxation on expenditure and railway rate would in due course be examined. Again, an agricultural article had been treated as a manufactured article and this was an encroachment on the rights of the States. He thought that the States which got doles from the Central Government were not going to contest the position. If duty could be levied on extraction of oil then excise duty could be levied on rice also.

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