# THE ECONOMIC IMPLICATIONS OF THE UNION BUDGET, 1971-72

PROFESSOR RUSSI JAL TARAPOREVALA

FORUM OF FREE ENTERPRISE
SOHRAB HOUSE, 235 DR. D. N. ROAD, BOMBAY-1

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

—EUGENE BLACK

# THE ECONOMIC IMPLICATIONS OF THE UNION BUDGET, 1971-72

*By*

PROFESSOR RUSSI JAL TARAPOREVALA*

# I

*The budget of the Government of India for 1971-72 must be analysed in the context of the economic conditions prevailing in the country and the goals of the economic policy as stated in the Fourth Plan. It is therefore necessary to focus attention on some of the key economic indicators which should have influenced budgetary policy.*

## NATIONAL INCOME

The Fourth Plan fixed the target for the growth of national income at around 5% per annum. National income at constant prices rose in 1969-70 by 5.3% and for the year 1970-71 it is estimated to have risen around 5.5% indicating that the rate of growth of national income is barely equal to the goal stated in the Fourth Five Year Plan.

## AGRICULTURE

The increase in agricultural production is primarily responsible for the growth in national income during the last

* The author is a well-known authority on taxation, and an eminent economist. This text is based on a lecture delivered under the auspices of the Forum of Free Enterprise in Bombay on 31st May 1971.

two years. Thus agricultural production rose in the years 1969-70 by 6.5% and is estimated to rise in 1970-71 by over 5%. The output of food grains during the past two years has risen to almost 100 million tons per year, imparting a certain buoyancy to the economy. The increase in agricultural production is due to the new agricultural strategy of the Government of India, which involved the scientific use of high yielding varieties of seeds, multiple cropping, large scale use of fertilizers, larger inputs of investments in farming, etc. The new strategy in the agricultural production has been successful and appears to be the only hopeful sign on the Indian economic horizon.

## INDUSTRY

The picture on the industrial front is one of relative stagnancy and gloom. The annual average growth rate of industrial production in India, between the years 1960-65, was as high as 10.8%, but the growth rate of industrial production slumped to a net fall of 0.8% in 1967, an increase of 6.4% in 1968, and 7.1% in 1969. For the period January to October 1970, the growth rate of industrial production was only 4.7% as compared with the corresponding period of the previous year. Thus the growth rate for industry envisaged at the rate of 8 to 10% in the Fourth Five Year Plan has not been achieved in the past two years and there appear to be very remote prospects that it will be achieved in the coming years.

## INVESTMENTS

Investment trends in the economy were mixed. Small scale industries appear to have shown a buoyant trend largely on account of liberal advances by the nationalised banks. The trend of industrial licences issued appears encouraging: in 1969-70, 219 industrial licences were issued, whereas in 1970-71, 475 industrial licences were issued by the Government of India. Similarly, in 1969-70, only 210 letters of intent were issued, whereas in 1970-71, 321 letters of intent were issued. The Economy Survey issued by the Government of India for the year 1970-71, whilst taking note of these factors, stated that "in the industrial sector progress during the first two years in the Fourth Plan has not been up to expectations" and it pins future hopes of industrial expansion on the public sector. This is likely to result in a further drag on national income and growth, because as has been noted in the Economic Survey the performance of the public sector in terms of returns or surpluses generated has been very disappointing. Indeed the Economic Survey notes that the profits of public sector enterprises, in which we have invested about Rs. 4,000 crores aggregated only Rupees 7.2 crores in 1969-70. The Economic Survey frankly stated therefore "reliance on additional taxation could have been less in recent years if the surplus emerging from public enterprises were larger. . . ." indicating clearly that savage tax burdens were partially the result of the inefficiency and failure of the public sector.

## EMPLOYMENT

The picture on the employment front is equally depressing. The Economic Survey states that "during 1969-70, employment in the organised sector continued to show an improvement, over all employment increasing by about 400,000 or 2.4 per cent." It should be obvious that an increase in public and private sector employment of only 400,000 jobs is pitifully small and is inadequate to tackle the enormous unemployment problem facing the country. The Government of India is well aware of these problems and in the interim budget a provision of Rs. 50 crores was made for unemployment relief. In the recent budget a further provision of Rs. 25 crores has been made for relief of the educated unemployed. But giving such doles cannot solve the unemployment problem on a permanent basis. In the long run the problem of unemployment can be solved only through the creation of millions of productive and permanent jobs in industry and agriculture. The budget has taken a short run approach to the problem by providing only unemployment relief through doles but it has not got a single measure to expand permanent employment opportunities through industrial and agricultural investment and growth.

## INFLATION RAMPANT

During the past year, inflation which had plagued Indian economy for two decades resumed its forward march. Money supply with public grew by 10.8% in 1969-70 and by 9.2% in 1970-71. On the price front, the wholesale price index rose by 3.7% in 1969-70 and by 5.6% in 1970-71. This rise in prices occurred despite the stability of food prices. The Government attempted to control prices through various measures, like price controls, tight money policy, etc., but as its Economy Survey frankly admits "the three main factors underlying the instability of prices during the year have been, a) inadequate supply of essential goods, b) a certain excess supply of money and c) exercise of monopoly power..." Yet no conscious effort has been made in the budget to increase production of essential goods which would control inflationary pressures in the most effective fashion.

On the balance of payments and foreign exchange front, the position during the past year was relatively satisfactory, but the growth rate of exports was not as per expectations.

## TAXATION TARGETS ACHIEVED

It appears that the only target of the Fourth Plan which has already been exceeded is the target of taxation which was set at Rs. 2,100 crores. This indicates that whereas the target of taxation appears easy to achieve by ignoring the havoc caused in the economic life of the nation by such taxation, the other more important targets like increasing production and stimulating industrial growth have been largely ignored and this will cause the major problems in the Indian economic scene in the years to come.

## BUDGETARY DEFICITS

The budgetary position of the Union Government can briefly be outlined in order to indicate the fiscal task which faced the Finance Minister. During the interim budget, the overall deficit for 1970-71 had been Rupees 230 crores. The Finance Minister has now announced that he proposes to raise the Plan outlay by Rupees 155 crores. In his budget speech, he said "This represents an increase of more than Rupees 300 crores over the likely actual level of expenditure in 1970-71." But the officials of Finance Ministry are reported to have claimed that actually as a result of budget proposals the total outlay of the Plan will rise to Rupees 3024 crores which will represent an increase of Rupees 600 crores over the actual outlay of the previous year. It appears that in previous year, there was a sizable shortfall in the actual outlay as compared with the budgeted figures. This increase in the Plan outlay will give some thrust to economic development and growth. But the distribution of this outlay is such that it may not primarily increase industrial growth and it may not also therefore lead to a spectacular growth in national income.

The Finance Minister has provided Rupees 60 crores for the relief to refugees in East Bengal from Bangla Desh and Rupees 30 crores has been provided for food subsidy. As a result of various adjustments and changes in revenue budgets the revenue surplus which was indicated at Rupees 114 crores in the interim budget has turned into a deficit of Rupees 25 crores. The capital budget, which was estimated to have a deficit of Rupees 354 crores in the interim budget is now estimated to have a deficit of Rupees 372 crores. The Finance Minister was faced with a total overall deficit of Rupees 397 crores at current levels of taxation.

## BUDGETARY GOALS

The Finance Minister has proposed a gigantic dose of tax in the budget. He stated in his budget speech (Part 'B') that he "has endeavoured to follow certain broad principles. These are: (a) The tax structure must be simplified and rationalised in such a way that the burden of assessment for the assessee as well as the tax collector and the opportunities for evasion are minimised; (b) the overall burden of taxation must be distributed amongst the different sections of the community in such a manner that, in the process, there is an appreciable scaling down of the concentration of economic power and reduction in the inequalities in income and wealth; and (c) the incidence of the fresh imposts should not, as far as possible, disturb the general level of prices of essential goods."

Thus the Finance Minister has not bothered to frame tax proposals or give tax concessions in order to primarily stimulate the growth of national income or to spur industrial expansion. This represents the most disappointing policy in fiscal history undertaken in the recent years.

## DRACONIAN TAX EFFORT .

The Finance Minister has proposed new levies which are expected to yield around Rupees 177 crores to the Centre and around Rupees 43 crores to the States. Thus the total yield for the new taxes during the current year is estimated at Rupees 220 crores. This figure is rather misleading, because in a full year the new levies officially are estimated to yield Rupees 294 crores of which the States' share would be Rupees 57 crores. If one takes into account also the long term taxation measures announced like the withdrawal of the Development Rebate after 1974 and the tax implications thereof, it can be concluded that the total yield from the new levies will be around Rupees 350 crores in a full year and may even exceed Rupees 400 crores annually around 1975 making the current year's budget impose the heaviest burden of taxation ever seen in India during the past twenty years.

## IMPORT DUTIES

The Finance Minister has imposed import duties which are estimated to yield Rupees 54 crores in the current year and Rupees 64 crores in a full year. He has said that he would simplify and rationalise the import duties by reducing the rates of duty so that there are only four rates of import duties, but he has taken advantage of such simplification or rationalisation to sharply increase the tax burdens of these duties to yield in a full year Rupees 10.90 crores more by way of import duties. The result of this imposition is that the prices of almost all imports will rise sharply and that the entire burden will be passed on to the consumers.

## EXCISE DUTIES

Excise duties estimated to yield during this year Rupees 132 crores have been imposed. Of this figure, the States' share is Rupees 43 crores and Centre is estimated to get Rupees 89 crores. In a full year, however, these levies are estimated to yield over Rupees 156 crores. A very wide range of items have been attacked by the excise levies. Cigarettes have been taxed, yielding Rupees 33.20 crores this year and in full year Rupees 39.48 crores. This has already pushed up the prices of cigarettes all over the country. A savage excise on motor spirit is estimated to yield Rs. 36.30 crores in the current year and Rs. 48.25 crores in a full year. This has resulted in a sharp increase in the price of motor spirit, which will lead to overall increase in cost of transport. This increase, coupled with increases in railway fares, announced recently and increases in post and telegraph charges announced by the Finance Minister are likely to push up the overall cost of transportation of all types of goods and communications and impart a substantial inflationary pressure in the economy.

Excise duties on wide variety articles like soap, glass, fans, lamps, toiletries, cameras and even readymade garments have been proposed in the budget. The prices of all these items have moved up and the burden of excise has been passed on to the consumer.

A foreign travel tax at the rate of 20% on the value of ticket purchased and paid for in rupees is proposed and is estimated to yield Rupees 7 crores in the current year.

The rates of posts and telegraphs in respect of registration fees, telegraphic and telephone tariffs are raised. Railway fares have been raised in the railway budget. A massive dose of inflationary pressure has been released on the price front through all these various measures.

## INFLATIONARY PRESSURES RELEASED

It is estimated that as a result of budget, the cost of living for the middle class people has already risen by 5% to 6% and the total inflationary impact during the coming year may be a price rise of over 10%, signalling a resumption of rapid inflationary conditions in the economy of the country.

## DIRECT TAXATION

The budget proposes fresh levies in the field of direct taxation estimated to yield Rs. 27 crores in 1971-72 and in a full year Rs. 57 crores. The approach of the budget in respect of the new levies is to slightly increase the rates of direct taxation, coupled with the withdrawal of a large number of concessions, which had been given in respect of direct taxes in order to mitigate their harshness and to spur investment and growth. The Indian fiscal system had hitherto not been completely unbearable although tax rates were high because there were a number of concessions and exemptions which reduced the burden of direct taxation. The withdrawal of the large number of these concessions is the most ominous sign on the Indian economic scene.

## INCOME TAX RAISED

In the field of personal taxation, the Finance Minister has proposed that in respect of income tax payable by individuals for the financial year starting 1st April 1971 the surcharge on incomes above Rs. 15,000 per annum is to be raised from 10% to 15%. This measure will yield Rs. 12 crores in the current year and is estimated to yield Rs. 20 crores in a full year. The result of this change is that there is a clear increase in the burden of income tax on most sections of the community.

On the first Rs. one lakh income, the total burden of income tax including surcharge will now amount to Rs. 59,800 as against the former tax of Rs. 57,200. On the second Rs. one lakh of income, the total rate of income tax including surcharge will rise from 88% to 92%! On income of over Rs. two lakhs, it will rise from 93.5% to an incredible 97.75%: In effect then this change will result in the ceiling of income around Rs. 60,000 per annum.

## DEDUCTIONS

As against this massive increase in direct income tax, the Finance Minister has announced very minor concessions in respect of deductions allowed to tax payers in the computation of taxable income. Assessees will be able to deduct Rs. 75 per month instead of existing limit of Rs. 60 per month if they use scooters for their transport. The general transport allowance is raised from Rs. 35 to 50 per month. These are really insignificant concessions.

In respect of premium paid on life insurance policies and contributions to provident fund and superannuation fund, the Finance Minister has proposed that the limit of such contributions will rise from Rs. 15,000 to Rs. 20,000 per annum per individual. On the first Rs. 5000 of such contributions, individuals were allowed a deduction of 60% hitherto, that is of Rs. 3000. Under the new budget proposals, the first Rs. 1000 of such contributions will be fully deductible, that is at the rate of 100%, but the rate of deduction on the next Rs. 4000 of such contributions is reduced from 60% to 50%. In effect therefore the total amount deductible for the first Rs. 5000 of such contributions will remain at Rs. 3000. But in respect of balance of such contributions above Rs. 5000, the deduction from taxable income is proposed to be reduced from existing 50% to only 40%. Contributions on compulsory savings like life insurance, provident fund, superannuation, etc., are thus made less attractive and the tax concession in respect of them above the limit of Rs. 5000 is reduced increasing the burden of income tax on individuals.

## CAPITAL GAINS TAXATION

The budget proposes a sharp increase in the taxation of capital gains. Hitherto, long term capital gains were taxed at concessional rates by allowing a sizable deduction therefrom before adding the residue to the taxable income of assessees. In respect of long term capital gain on property, a deduction equal to Rs. 5,000 plus 45% of the gain was allowed and only the residue of the gain was added to the income of the assessee. It is now proposed that the rate of this deduction be reduced from 45% of the gain to 35% thereof, so that in respect of capital gains from the property approximately 65% of the gains will be added to the normal taxable income of the assessee. Hitherto, long term capital gain on other assets like shares, etc., was taxed by giving a deduction of Rs. 5,000 plus 65% of the gain and then the residue was added to taxable income. The budget proposes that this rate of deduction be reduced from 65% to 50%. In future, 50% or half the amount of capital gains on all other assets will be added to the taxable income of the assessee instead of 35% of such gains as was added hitherto. The result of this change is that the burden of tax on capital gains will rise quite sharply by almost a third of the previous prevailing levels. This will make it less attractive for individuals to make fresh investments in so far as investments in various types of assets are made with the idea of making a long term capital gain in future. These changes will therefore dampen the incentives for investments in shares, etc.

## WEALTH TAX

The Finance Minister has proposed a steep increase in the wealth tax payable by individuals and Hindu Undivided Families. The initial amounts of wealth up to which an individual will not have to pay tax are being kept at Rs. one lakh for individuals and Rs. two lakhs for Hindu Undivided Families. But assessees having wealth beyond these limit will have to pay tax on their entire wealth. In respect of wealth up to Rs. 15 lakhs, the budget will result in an increase of wealth tax from Rs. 810 to Rs. 990 which is marginal. On wealth above Rs. 15 lakhs, the Finance Minister has announced that the existing rates of wealth tax of 4% and 5% would be stepped up to a flat rate of 8%. It has been very correctly claimed by the officials of the Finance Ministry that as a result of this increase in the wealth tax coupled with the increase in the income tax mentioned earlier, as well as continuation of the penal wealth tax on urban property, there will be virtually a ceiling of wealth of an individual. Thus if an individual derives 8% income from wealth and derives an equal amount of income from earnings, the ceiling of wealth will amount to around Rs. 17 lakhs. If an individual derives income entirely from urban property, the ceiling on wealth will be around Rs. 8 lakhs. Beyond these limits the wealth tax will confiscate more than the total income after income tax from such wealth. The budget will therefore involve confiscation of personal wealth beyond these ceilings and is tantamount to a capital levy.

## JEWELLERY

The Finance Minister has proposed that jewellery will be included in computing taxable wealth. This is in complete defiance of the well-known judgement of the Supreme Court in case of Mrs. Arundhati Balkrishna *vs.* the Commissioner of Wealth Tax, in which it was laid down about two years ago that personal jewellery was exempt from wealth tax. The Finance Minister has not only attempted to reverse the Supreme Court judgement but in flagrant disregard of the same, it has been provided in the Finance (No. 2) Bill, 1971 that the Supreme Court judgement will be negatived and personal jewellery will be taxable under the Wealth Tax Act retrospectively from 1963. This constitutes one of the most deplorable features of tax policy. It has served notice on assessees that if a judgement even in the Supreme Court of India goes in favour of assessees the Government will not abide by such a judgement and will use its power to squash the effects of such judgement through changes in law with retrospective effect as proposed in the budget. Moreover, other types of items containing gold, silver, platinum or even slight amounts of alloys of these metals have been included in taxable wealth as jewellery. Furthermore, as an indication of the vindictiveness of the tax proposals personal effects like household utensils which were exempt from wealth tax are now to be taxed if they contain any gold, silver, platinum or any alloy thereof. Household utensils like silver or silver plated "thali" and cutlery are thus sought to be subjected to wealth tax.

The exemption from the wealth tax for one conveyance like a motor car is to be sought now to be restricted to only Rs. 25,000 under the Wealth Tax Act.

## NEW SHARES TAXED

The budget proposes that the exemption for the individuals from wealth tax in respect of shares of new industrial undertakings which they hold during the first five years from the operation of such undertakings be now done away with in respect of issues of capital made after 1st June 1971. This exemption was the most important incentive to the investors to invest in shares of new companies in which they have to wait for years for dividends. Its withdrawal is most shortsighted. It will make new company floatations most difficult or impossible. It will ensure that new entrants in the field of industry will face an almost insurmountable difficulty in getting their shares subscribed to by the public and to that extent the existing industries dominated by large groups will be protected from the competition of new entrants!

Other minor changes in the computation in the taxable wealth are also proposed in the budget—these will further enhance the burden of wealth tax.

The net result of these changes in the wealth tax is that the burden of wealth tax will go up from next year by Rs. 14.5 crores annually.

## GIFT TAX

In the gift tax, the Finance Minister has attempted to reverse the judgement of Goli Easwariah *vs.* the Commissioner of Gift Tax, Andhra Pradesh. In this case, the Supreme Court held that gifts given by a co-partner to a Hindu Undivided Family would be subject to gift tax. It is now proposed to make such gifts subject to gift tax, although the change is effective from financial year starting 1st April 1971. This indicates once again the determination of the Government to overthrow judgements in favour of assessees of the courts.

## COMPANY TAXATION

In the field of company and business taxation, the budget proposes a large number of changes which will mop up corporate savings.

The surtax on profits of companies is to be raised from 25% to 30% in respect of profits in excess of 15% of the capital employed. This will mean a straight increase in the tax burdens of well-managed companies generally known as growth companies.

## DEVELOPMENT REBATE ABOLISHED

The Finance Minister has served notice that the development rebate allowed on new plant, machinery and ships will be abolished in respect of installations made after 31st May 1974. This change will have profound impact on the corporate savings, because it is estimated that the corporate sector gets a plough-back of Rs. 50 crores on account of development rebate annually. The withdrawal of the development rebate after 1974 will mean that the Corporate sector will have to pay additional tax amounting to over Rs. 25 crores annually.

The Finance Minister, in his budget speech, has stated that he would considered himself "amply rewarded if advance notice of this change quickens the pace of investment in the remaining years of the Fourth Plan." Whereas it is conceivable that people may rush to buy new machinery and ships before the development rebate lapses, the abolition of development rebate is bound to dampen the entrepreneurial spirit after say 1972 because it clearly takes three years or more to set up a new industrial undertaking. Thus, whereas existing industries may try and instal some plant and machinery hurriedly before the deadline lapses, the abolition of this concession will act as a tremendous drag on fresh planning for industrial expansion after 1972.

## TAX EXEMPT PROFITS REDUCED

The Finance Minister has proposed that the concession given under Section 80J of the Income Tax Act, under which profits of new industrial undertakings upto six per cent of their capital employed are exempt from tax for five years be narrowed down greatly. Hitherto, long term loans from approved financial institutions or debentures were included in computing the capital employed of such undertakings on which the concession of 6% was given as a deduction in computing taxable income.

The Finance Minister has announced that long term loans and debentures will be excluded for calculating the capital base applicable for getting this concession. The debt: equity ratio of new companies is usually two to one and the result of the change in the definition of the capital base for computing the tax exemption for new industrial undertakings as proposed in the budget will be to reduce by two-thirds the tax concession available to companies under this concession. The Finance Minister has frankly admitted that as a result of this change, the yield from tax during the current year in tax will be Rs. 10 crores and in a full year it will amount to Rs. 14 crores. This indicates the magnitude of the burden of tax after the present change.

## UNFAIR CHANGE

It is most unfair to make this change apply to new companies which have just gone into production or started operation recently. Such companies planned their finance on the basis of the existing concession and the withdrawal of this concession will deal a severe blow to new industrial undertakings which are in their infancy today. It will upset their cash flow and it will upset their ability to repay loans. The change if implemented should be made applicable only to those companies which will start hereafter and it should not apply to those companies which are eligible for getting the benefits under the old provision and which had planned their entire financial projections on the basis of existing concession, which had been guaranteed for a period of five years under the old law.

## SHAREHOLDERS HIT

The narrowing down of the concession under Section 80J in respect of profits of new industrial undertakings as mentioned above will adversely affect shareholders as such tax exempt profits were allowed to be distributed later on to shareholders and were exempted from income tax in their hands. The proposed change will mean that the shareholders will receive less tax exempt dividends and this will make investment in new industrial undertakings less attractive to shareholders especially in view of the abolition of the exemption from wealth tax of shares of new industrial companies. These changes will ensure that individuals will cease to have any interest in subscribing to the shares of new companies in which they have to wait for years to get their returns and on which their returns are now likely to be less attractive whilst they will have to pay wealth tax on such investments.

## PRIORITY INDUSTRIES TAXED MORE

The taxation of companies in the priority list is to be increased. Hitherto, companies in the priority list were entitled to a deduction of 8% of their profits for computing their taxable profits—this is now to be reduced to 5%. This change will mean that the rate of income tax on such companies will rise by over 1.5%. The list of priority industries is also to be narrowed down by excluding from it certain industries like aluminium, buses and trucks, cement and refractories, soda ash, petro-chemicals and automobile ancillaries. As a result of this change companies in these industries will not get the deduction of 8% of profits for computing their taxable income which they have enjoyed hitherto and so the rate of taxation on them will rise by more than 4%.

It has been provided that dividend income upto Rs. 3000, which was hitherto exempted from income tax if earned by companies, is to be fully taxed now.

## CAPITAL GAINS TAX RAISED

The rates of income tax chargeable on companies' capital gains are proposed to rise sharply. Thus long term capital gains from property will be taxed at the rate of 45% instead of 40% and gains from other assets, like shares, at the rate of 35% instead of 30%.

## ARBITRARY DISALLOWANCES

The budget has proposed that the companies will not be allowed deduction from their income for the tax purposes of payments made in excess of Rs. 5000 per month as a salary and Rs. 1000 per month as perquisites to employees of the companies. This change will apply with effect from 1st April 1971. As a result of this companies will find that they will have to honour past contractual commitments to their managerial staff and will have to bear a tax burden on excess amounts beyond the new limits. Moreover, the excess amounts beyond this limit will again be taxed in the hands of the executives receiving such amounts. It is not understood how such a change can be made with immediate effect and applicable even in respect of contracts of employment of Directors which have been approved by the Company Law Administration of Government of India. This indicates that even contracts of employment providing for remuneration which had been approved by the Government of India will now be attacked by the provision since many of these contracts contain binding legal obligations on the part of the companies to pay in excess of the new limits. In effect this change will only result in companies having to pay more income tax on their profits.

The result of all these and other minor changes in corporate and business taxation in the budget will be only to enhance the burden of corporate taxation and thus cramp the expansion or growth of the private sector in India. It will also make investments in shares of new companies an unattractive proposition for individuals.

## CONCLUSIONS

The result of the various budget proposals will be felt in the coming years. The budget will release vast inflationary pressure in the economy and prices will rise dramatically in the coming years. On the other hand, individuals' savings and investments are likely to decline. The growth of the corporate sector and its expansion will be retarded.

The budget will not spur the growth of individual incomes and will not help in any way to solve the problem of unemployment. Indeed the only thing the budget will succeed in doing is to spread poverty rather than reduce the poverty. The new budget will result in a reduction in inequalities of wealth and income but this will have serious adverse effects upon the future growth of savings and investments. In the context of the national goals and priorities this is most disappointing. The budget will give a setback to economy for many years to come. It may also herald a slow demise of the private sector. The budget is not likely to make any contribution to the success of the Fourth Plan and as such it will not be an effective tool of fiscal policy except in respect of a negative approach to growth and planning.

**"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.

288

## HAVE YOU JOINED THE FORUM?

The Forum of Free Enterprise is a non-political 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.

Membership is open to all who agree with the Manifesto of the Forum. Annual membership fee is Rs. 15/- (entrance fee, Rs. 10/-) and Associate Membership fee, Rs. 7/- only (entrance fee, Rs. 5/-). **Bona fide** students can get our booklets and leaflets by becoming Student Associates on payment of Rs. 3/- (entrance fee, Rs. 2/-) only.

Write for further particulars (state whether Membership or Student Associateship) to the Secretary, Forum of Free Enterprise, 235, Dr. Dadabhai Naoroji Road, Post Box No. 48-A, Bombay-1 (B.R.).

Published by M. R. Pai for the Forum of Free Enterprise, 235, Dr. Dadabhai Naoroji Road, Bombay 1, and Printed by Zoeb H. Nooruddin at Leaders Press Private Ltd., Seth Motishah Lane, Bombay-10.

12/*July*/1971