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STRATEGY FOR GROWTH

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THE ANNUAL BUDGET of the Government of India is not a mere exercise in Revenue and Expenditure but an instrument of economic development and social change. Correct diagnosis of the economic ills and appropriate fiscal measures taken betimes can save the people avoidable misery and give a positive direction towards the goal of greater human welfare and happiness. In this task, it is necessary to draw on the knowledge, experience and expertise of the leaders of the various sections of society, so that there may be cross fertilization of thoughts and ideas. The National Seminar on the Strategy for Accelerated Economic Growth at Madras, in which the elite of the nation, economists, industrialists, bankers, managers, tax experts and others participated last week was on exercise in that direction.

The year 1976 has dawned under more agreeable conditions in the country. The rampant inflation which ravaged the country like a plague for over two years has been halted and the prices have been steadily moving down since the second half of 1975. Though it has still a long way to go to reach the pre-inflation level, the trend is definitely towards it. A bumper crop of 114 million tonnes of foodgrains following good and seasonable monsoons in a greater part of the country has exercised the spectre of food shortage which haunted the coun-

try in the preceding two years. Improved supplies of steel, cement, power, metals and minerals, etc., offer a stimulus to industrial production, while increased availability of fertilizers, pesticides, and agricultural inputs infuses hope of higher productivity in agriculture. But these factors, by themselves, will not revive the economy which has been sagging, unless appropriate measures are taken to strengthen and vitalise it for growth.

National income is still by far the best index of economic growth of a country. Our national income rose by 3.1 per cent in 1973-74, as against 0.9 per cent in the previous year 1972-73. Though estimates of national income for 1974-75 are not available, the Planning Commission has projected a 2 per cent growth in 1974-75, which, in the context of 2.3 per cent growth in population and an envisaged 5.5 per cent growth during the Fifth Plan, is far from satisfactory. The Reserve Bank of India, on the basis of the favourable factors set out above, has forecast a growth of 5 to 6 per cent in the current year, which, though justifiable on the basis of the projected 7 per cent growth in agriculture, appears not feasible in view of the poor performance in the industrial sector. The Planning Commission arrived at the average annual rate of 5.5 per cent growth in national income on the premises of a 5 to 6 per cent growth in agriculture

and 8 to 10 per cent growth in industry. If a higher rate of growth than 5.5 per cent to 7 or 8 per cent average annual growth rate should be achieved, a sustained growth of not less than 7 per cent in agriculture and 12 per cent in industry should be achieved during the Plan period for which the resources are not in sight. Even if monetary resources could be found, the physical limitations of goods, coupled with the stringent foreign exchange constraint, makes the goal of 7 per cent growth beyond the realm of practicability. No one will decline a larger cake but do paper cakes taste like real ones? Superhuman efforts will be needed to find resources even to fulfil the target of a 5.5 per cent average annual rate of growth. Unless savings can be stepped up from the low level of 9.9 per cent GNP in 1973-74 (the last year for which figures are available) to 15.7 per cent in 1978-79, there can be no hope of ever reaching a growth rate of 5.5 per cent, not to speak of the visionary 7 to 8 per cent growth in national income.

The familiar suggestion made for stepping up savings is reduction in personal taxation to stimulate savings in the household sector which provides 80 per cent of the savings, reduction in corporate taxes to enable not only larger plough-back but fresh investments and a general restructuring of the tax system giving relief at several points. While it is conceded that

