

ARE OUR BUDGETMAKERS FAITHFUL TO THE CONSTITUTION?

A Tour of the Budgets 1947 to 2001

By

L. C. Jain

People's Bias

People's Budgetary Information and Analysis Service



National Centre for
Advocacy Studies, Pune

Patheya
Ahmedabad

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- a tour of the Budgets 1947 to 2001

*"Civil disobedience helped us to win freedom.
Criminal disobedience of the Constitution could imperil it"*

L.C. Jain

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On
The National Budget – As if People Matter
7 March 2000
New Delhi.

People's Bias



**National Centre for Advocacy Studies
Pune**

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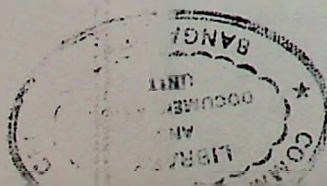
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PREFACE

Budgets are arguably the most tangible evidence of the policy priorities of a government. An understanding of budgetary allocation and priorities often help citizens to distinguish between the policy rhetoric and the real performance. Unpacking of the budgetary information and analysis of budgetary allocation and performance is one of the most important steps towards making credible public argument and policy influencing. This task has become all the more crucial in the context of the increasing instances of pro poor public policy rhetoric without the corollary budgetary commitments. In the last eight years, the structural adjustment and liberalisation policies have further alienated the poor and the marginalised from the budget priorities. Hence, there is an urgent need to demystify and monitor the budget from the perspective of the rights of marginalised sections.

People's Bias (People's Budgetary Information and Analysis Service) is all about analysing and understanding the Budget with a bias - a bias towards the rights and survival of the most marginalised and voiceless sections of the society. Precisely because of this, People's Bias seeks to go beyond the academic exercise of budget analysis to building effective public argument with budgetary information so as to advance the livelihood rights of dalits, adivasis and rural workers, and the basic human rights of women, children and the unorganised labourers. Such a bias is the outcome of rights-based and people-centred perspective on transparent and accountable governance. People's Bias is a collective effort, promoted by a number of social change resource centres and grassroots organisations in different parts of India, to demystify and analyse the public policies and budget for a people-centred advocacy to advance the rights of the most underprivileged sections of the society.

We are happy to present the inaugural lecture of People's Bias by L.C.Jain for a wider discussion on the budgetary priorities and constitutional guarantees. With an illuminating historical sketch of policy rhetoric and budgetary priorities, Shri. L. C. Jain exposes the double-speak of the policy makers since the independence of India. This paper, with its insightful analysis and rights-based perspective, clearly demonstrates the need for more transparent and accountable budgetary process, in consonance with the constitutional guarantees to safeguard the rights of the marginalised. We are indeed grateful to Shri. L. C. Jain for sparing his valuable time to prepare this paper and for all his support to the efforts of People's Bias.

It would have been difficult to initiate and build up a wider knowledge based networking effort like People's Bias without the support, co-operation and collaboration of many organisations and fellow activists. The very idea of People's Bias has been possible because of the collaborative efforts of the Center for Budget Studies, Mumbai; CEHAT, Mumbai; YUVA, Mumbai; Foundation for Public Interest, Ahmedabad; ASTHA, Udaipur; Balrashmi Society, Jaipur; Environmental support Group, Bangalore; Bailancho Saad, Goa; Tamil Nadu Social Development Monitor, Chennai; CHRI, New Delhi; PRIA, New Delhi; Haq Centre for Child's Rights, New Delhi; DISHA, Ahmedabad; and NCAS, Pune. The enthusiastic support, collaboration and encouragement extended by Dr. Mark Robinson and Dr. Abha

Shankar of Ford Foundation, and Ms. Maja Daruwalla of Commonwealth Human Right Initiative has immensely enriched the process of initiating the People's Bias. We very much appreciate and acknowledge the support People's Bias has received from Mr. Anil Singh of Voluntary Action Network India, Ms. Gurinder Kaur of world Education, Mr. R. Sudarshan of UNDP, Dr. Shobha Reghuram and Dr. Jamuna of HIVOS, Dr. Madhav Godbole, Dr. Isaac Shapiro and Ms. Suneeta Dhar from its very inception and all through its work. The process of people-oriented Budget Analysis advocacy has been significantly strengthened by the efforts of Dr. Vinod Vyasulu of TIDE, Mr. Vivek Pandit of Samarthan, Dr. Sita Shekhar and her colleagues at Public Affairs Centres, and Ms. Aruna Roy and Mr. Nikhil Dey of MKSS. The emerging sensitivity, understanding and expertise of Budget and policy priorities is the outcome of the collective efforts of all the organisations, activists and public interest professionals mentioned above.

There is a real need to demystify the budget and policy priorities at all levels of governance. Budgetary information and analysis can become the crucial weapon in the hands of citizens and social activists to demand accountability, transparency and responsibility from the policy makers and the institutions of governance. Budgetary information and policy influence can never become a substitute for grassroots people's movement for transparent and accountable governance. However, Budget analysis and policy information can be the most crucial value addition to grassroots oriented advocacy efforts. The real challenge is to bridge the gap between macro-level policies and micro-level activism. Unpacking of the budgetary information is an important aspect of such an initiative. We hope that people's Bias will be able to make an important value addition to the people's movement and people - centred advocacy for Rights and Justice.

For People's Bias

John Samuel

National Centre for Advocacy Studies

Pune.

Madhusudan Mistry

Patheya (Disha),

Ahmedabad.

PERSPECTIVE

With what perspective are we to look at the Budget? And is it just a passing annual show or is there more to it? In the only Budget Speech (1947-59), he made during his 17-year long tenure as Prime Minister, Nehru provided the dream and a guide:

Our objective is (to) strive with all our strength for our planned development and trying to ensure progressively a more equitable distribution, and thus to raise the standards of the great mass of our people.

The plan of development has to be implemented whatever the sacrifice to bring relief and prosperity to the millions of our countrymen who have suffered for so long from the curse of poverty.

This budget statement is a minor event in our march forward. We have to look at it in the perspective of what we have to do and what we have to achieve.

As Nehru said the budgets are expected to subserve 'what we have to do?' But who has defined what we have to do in a fundamental sense with freedom won. Unquestionably, it is the Constitution of India in particular the Directive Principles that have set the critical social agenda of what we have to achieve.

Here, we take a longish tour of the budgets - beginning with our very first in 1947 upto 2001, looking at the budgets in the eyes of the Constitution. The journey has four halts. I The Start II Social Deficit III Fiscal Deficit IV The End Note

I

The Start

Darkness

The start was beastly. Partition cast its dark shadow over the first five years of Independence. There was murder all over. Millions on the move with life in their hands - and little else. Major instruments all broken - railways, post and communications, irrigation networks. Defence & civil apparatus and treasury all split:

In 1947 we inherited a weakened administration, a war ravaged economy and a country in which only the rudiments of a welfare state had been developed. Immediately after independence we were faced with the gigantic problem of rehabilitating millions of people uprooted from their homes and cast adrift as refugees. Our food position was precarious owing to the loss to us of large areas surplus in foodgrains. We had the colossal administrative problem of bringing over 500 Princely States, of varying sizes and in widely disparate stages of development, into the stream of the country's national life.

[Finance Minister, C.D Deshmukh, 1956-57]

There was little in the kitty to begin with in 1947. Annual budget was about Rs. 200 crore of which one half went in support of defence services.

Light

In that desolate hour came light and hope from an unknown Indian, one very poor. He kindled hope in the heart of Finance Minister John Mathai (1951-52) and inspired the latter to lay the foundation for the building of new India:

I have been greatly heartened by a recent communication received from an ordinary villager, who has remitted a sum of five rupees to me and has promised to remit a similar sum every year. It is not the small amount that he has offered but the spirit behind the offer that matters and, so long as the common run of our people can produce men and women with this spirit, this country can face the future, however difficult it may be, with confidence.

Alas, the name of this ordinary villager is not recorded anywhere. Perhaps some one in the Finance Ministry will scan its archives in time for the next Bharat Ratna Award.

Sums

Believe it or not starting with those five rupees, we have raised and spent a total of Rs. 39,10,000 crore in the past 50 years.

It bears repetition: we have spent Rs. 39,10,000 crore in aid of our objectives. It is the most stunning rags to riches story.

Is it? For, this story may not taste as rich when we discover the bitter fact that inspite of this mind boggling sum spent, millions are still wrapped in rags. It is a sobering thought that the absolute number of such persons, below poverty line, today is larger than the total population of India at the time of our Independence.

Stalwarts

The spending was in no ordinary hands. Just glance at the galaxy of stalwarts who have shaped our Budgets in past 50 years.

Finance Ministers	Years	Finance Ministers	Years
Shanmukham Chetty	2	H. M. Patel	2
John Mathai	2	R. Venkatraman	2
C. D. Deshmukh	6	Pranab Mukherjee	3
T. T. Krishnamachari	5	Vishwanath Pratap Singh	2
Morarji Desai	8	Yashwant Sinha	3
Y. B. Chavan	6	Manmohan Singh	6
C. Subramaniam	2	P. Chidambaram	2

Then, there are those who had only one year term.

Jawaharlal Nehru	Rajiv Gandhi
Sachindra Chaudhury	N.D. Tiwari
Indira Gandhi	S.B. Chavan
Charan Singh	Madhu Dandavate

Although, lately, we have had a rapid turnover of Finance Ministers - but note that quite a few of them have reigned for enviously continuous long years occupying a total of 37 years out of 50. (Morarji Desai - 8 years; CD Deshmukh, YB Chavan and Manmohan Singh - 6 years each; TT Krishnamachari - 5 years; Pranab Mukherjee and Yashwant Sinha - 3 years each). It signifies that a number of Finance Ministers did get reasonable opportunity to make a mark

Economic Recovery

We recovered from the blows of partition sooner than one could have expected in the wildest dreams. The ruined economy was reasonably repaired.

In this period, the country's economy has been strengthened, inflationary stresses have subsided or been eliminated and production expanded in many directions. In particular, notable improvement has been made in the country's food production. The transport system has been largely rehabilitated. Progress, made in the construction of large irrigation and power schemes. Vital industries, designed to reduce our dependence on external sources for our essential needs basic industries to improve steel production, shipping industry. A well-knit National Plan, covering in greater or less degree all important sections of the National life and economy, has been drawn up and is in process of implementation.

[C.D. Deshmukh, 1956-57]

Systems

We swiftly turned to the future and installed planning to direct the flow of resources as per chosen priorities. We proceeded to bind purposively the budgets of the Centre and States on the one hand, and to bring about compatibility between the Plans and the Budgets on the other.

The 1952-53 budget has been framed against the background of the Five-Year Plan. The expenditure proposed in the Plan covers the budgets of not only the Centre but also of the States.

In the context of our Plans the Central Government's budgets have thus come to possess a significance far exceeding that suggested by the respective constitutional spheres of the Central Government and the States.

[Finance Minister, CD Deshmukh]

Guiding Principles

Not only had we harnessed sums, stalwarts, and systems but we were also fortunately furnished with clear directions on 'what we have to do' and 'what we have to achieve'. These came from the Directive Principles of State Policy. The overarching principle enshrined in Article 38 being

The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life.

II

Social Deficit

We shall pick up a few salient Directive Principles ordaining removal of social deficit, and in that light compare the achievements of our Budgets.

The Directive Principles chosen here relate to provision of education, minimisation of inequalities, right to livelihood or employment, in short to measures for removal of social deficit.

Education**Article 45:**

The State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they complete the age of fourteen years.

The ten year target period was to commence from 1950 when the Constitution came into force. Target was to be accomplished by 1960. We have taken 1951-1961 as the ten year period which embraced both the First and the Second Five Year Plans.

It is noteworthy that in the relevant period upto 1961, there was rare political cohesion and stability in the country. Besides, we had at the helm of affairs two strong and dynamic personalities: Rajendra Prasad as President (who had been the Chairman of the Constituent Assembly and knew every comma of the Constitution) and Nehru as Prime Minister - who gave substance to the Constitution and provided vision and inspiring leadership to Government. Additionally a man of learning Maulana Abdul Kalam Azad was Minister of Education in the formative years. Further, most members of Parliament who gave approval to annual budgets during this ten year period, had themselves been members of the Constituent Assembly. These were fortuitous circumstances. Yet, Article 45 lay under the lid. In this ten year period, there is not to be found even a passing reference to education let alone to Article 45, in the Budget speeches.

The Budgets treated education as marginal though for the Constitution, education was fundamental and prior (ten year deadline –is exclusive to universalisation of education). The total budgeted expenditure between 1951-1961 was Rs. 12,000 crore, in which the share of education it turns out was Rs. 341 crore. In this period pressure on budgetary resources from defence had greatly relented. From its claim of one half of the total expenditure during the early years of 1947-1951 the relative share of defence in the total expenditure declined sharply to less than one fifth of the total.

First Two Plans : 1951 - 1961	
Expenditure	Rs. Crore
Total	12,000
Defence	2,200
Education	341

There is no evidence of a genuine 'endeavour' expected by Article 45. The ten years ticked away and we were far far away from the goal of providing education to all children upto the age of fourteen years.

Are we close to it even today after 50 years?

Estimated 60 million of children upto the age of 14 years have still no access to education. We have many uninformed alibis for it. Among them the prominent one is that the poor need pennies and can ill-afford to send the child to school. **"Field studies in Mumbai and Delhi have yielded the insight that the reason for so many slum children not being in school has less to do with their families' economic circumstances than with the school system's shortcomings."** (Rukmini Banerji, Poverty and Primary Schooling – Field Studies from Mumbai and Delhi, EPW, March 4, 2000). This finding is solidly backed by the recent experience in Andhra's Ranga Reddy District, where M V Foundation has through community pressure made the village schools (teachers) function and within 3-4 years, over 90 percent of the children are in school in 400 villages.

In the mightiest of our IT cities Bangalore, even today about 75,000 children do not have even one foot in a school according to a recent study by Prof. Seetharam of the Institute of Social and Economic Change.

Some social change!

And, this despite the fact that in 1976, the 42nd Amendment was brought in to make education a 'concurrent' subject in response to another favourite alibi that education is a state subject. Let us therefore take the last 25 years from 1974-75 to 1999-2000. Yes, in this period; unlike the first decade, education does appear in several Budget speeches.

There are large disparities among the States in terms of enrolment of children in schools in the age group 6-11. Expansion of primary education facilities, particularly in the backward areas, will help correct regional imbalance and will also provide scope for larger employment.

[Finance Minister, C. Subramanian]

Education, the Hon'ble Members will agree, is the main instrument of change.

The 'New Education Policy' will be presented by the Minister of Human Resource Development during this session of Parliament. I believe, the Policy will give the highest priority to universalisation of primary education and to spread of adult literacy in 15-35 age-group within the shortest possible time.

[Finance Minister, V.P. Singh]

The New Education Policy is a powerful weapon to fight poverty. It gives to the socially and economically weaker sections the means to realise equality of opportunity guaranteed by our Constitution.

[Finance Minister, Rajiv Gandhi]

Rajiv Gandhi who happily woke up to the Challenge of Education in 1985, was soon found distributing black-boards to village schools and delivering Doon-School type of education through newly set up cost-intensive Navodaya Schools (in selected districts), where entry is restricted to children who have already eaten the fruits of Primary Education.

Even so what is the result? Here an extract from National Curriculum Framework for School Education - A discussion Document, National Council of Educational Research & Training - NCERT, January 2000:

Several centrally-sponsored schemes, such as 'Operation Blackboard' providing science kits, musical instruments, etc. have not been too fruitful as one-time support does not create much impact. To promote equality, it is necessary to provide for equal opportunity to all not only in access, but also in the conditions for success.

The most crucial thrust area of providing essential facilities for effective transaction of the curriculum in all schools/non-formal learning centres still appears to be a mirage.

In brief, the efforts made so far are not enough for developing a national system of education as envisaged by the policy makers.

Need we see or say more.

Inequalities

The Directive Principles had also set goals in particular to minimise inequalities in income apart from status in order to transform the social order.

Article 38:

The State shall, in particular, strive to minimise the inequalities in income, and endeavour to eliminate inequalities in status, facilities and opportunities, not only amongst individuals but also amongst groups of people residing in different areas or engaged in different vocations.

What is the role of the budget-maker in banishing inequalities was spelt out by Finance Minister C. Subramanian.

Fiscal policy, is not a matter simply, or even primarily, of raising resources to meet the inescapable demands on the national exchequer. It must serve larger objectives as well and guide the economy in desired directions. It must, in particular, make a significant

impact on existing inequalities in income, wealth and economic power and reduce ostentatious consumption.

Income accrues to 2/3rd of our work force through agriculture and allied activities. In the long stretch of over 45 years: 1950-51 to 1996-97, inequalities afflicting this huge work force have infact gown by leaps and bounds. While the proportion of work force dependent on agriculture for livelihood declined only peripherally from 66 percent to 64 percent in this period, the share of this 2/3rd work force in the National Product fell precipitously by more than half i.e., from 55 percent to 26 percent.

Agriculture & Allied Activity		
Share in total	(Percent)	
	1950-51	1996-97
Work Force	66	64
GDP	55	26

The budgets have remained mute towards their deprivation and disparities, notwithstanding principles enshrined in Article 38, or Nehru's perspective or Subramaniam's prescription.

The deprived were to wait for the trickle from growth to fill their pitcher. There was an assurance that the chosen economic strategies will diminish social deficit by bringing about transfer of workers from the low-productivity rural agricultural sector to the modern high productivity urban industrial sector. This was and continues also under the new economic paradigm, to be regarded as the key to the growth which we have funded and fuelled with both hands through our successive Budgets and other benign policies with annual cheers from captains of industry.

Regrettably recent analysis holds out little cheer for our work force in the foreseeable future. "The pace and pattern of growth has resulted in a situation that such a transfer has not only not taken place so far but also appears unlikely for quite some time to come". (Prof K. Sundaram, Delhi School of Economics, February, 2000)

Miracle of Miracles

We seemed to have performed a miracle. We have stood the celebrated economic model on its head. Instead of transferring workers from the agricultural sector we have transferred national income away from agriculture and rural areas and thus enhanced inequalities instead of diminishing them.

Manufacturing Sector

Let us look next at the manufacturing sector which is the apple of our budget makers eye. It is modern, hi-tech, heavy. But it is not sufficiently realised that this glittering modern industrial empire conceals in itself a ghetto of excruciating inequalities affecting 83 percent of the work force engaged in its unorganised segment compared with 17 percent in its organised (Registered Factories) segment.

Manufacturing Sector		
	Registered Factories	Unorganised Sector
	(Percent)	
Absorption of incremental labour force	17	83
Share in GDP originating in manufacturing sector	66	34

Of every 100 persons engaged in this sector, only 17 are absorbed by Registered factories in the organised modern manufacturing sector, while 83 continue to muddy their feet in the unorganised sector. But the share of the 83 percent work force in the product of this sector is a mere 34 percent while a whopping 66 percent accrues to the remaining 17 percent of the work force.

Just like the manufacturing sector, the agriculture sector too has both a modern sector and a ghetto of inequalities engulfing over 82 million marginal / small farmers. This, inspite of the fact that from time to time, our Budget makers sing an **ode to agriculture**:

Greater attention to dry farming areas is not merely to avoid inequalities in the rural areas. It is also an essential part of any programme to achieve sustained increases in agricultural production.

(Indira Gandhi)

Agriculture is at the centre of our development strategy. The quality of agriculture performance is the single most important factor in reducing the incidence of poverty in rural areas.

(V.P. Singh)

Agriculture is the bedrock of our economy. Growth in this sector is also crucial for the removal of poverty.

(Rajiv Gandhi)

We must ensure that our economic strategy gives full support to agriculture on which the livelihood and well being of the majority of our people depend.

(Manmohan Singh)

Most of the time what the budgeteers have in mind are farmers in about 15 percent of India's 450 districts, which produce most of the marketable surplus. They of course deserve praise and support. But they are only the top layer, hidden below are millions of marginal farms and farmers, and their number is rising while their holdings are declining (i.e., size by area): They also constitute the core of the population of the poor. A systematic strategy and sustained support to raise their output and yields and extract their full employment potential (see annexure) is conspicuous by its absence.

No. of Holdings	('000 Nos.)	
Category of Farmers	1970-71	1990-91
Marginal	35,680	62,110
Small	13,430	19,970

No. of Holdings	(Percent)	
Category of Farmers	1970-71	1990-91
Marginal	50.62	58.99
Small	19.05	18.97

Indira Gandhi did ordain that agriculture be categorised as a priority sector, and that the nationalised banks should give it a percentage of their total loans. She probably had in mind the small farmers, since much of the bank credit to this sector is sucked away by those at the top of the heap. But little changed. A Small & Marginal Farmers Agency (SMFA) and programme was also launched. But it was thin and shortlived.

Twenty-five years later, Manmohan Singh found that not all banks were meeting their assigned obligation to agriculture. Instead of making them perform (perhaps convinced that they won't perform), he devised a way out - the unfulfilled target of credit to agriculture be placed by the banks in a national fund to be operated by NABARD. The fund was named Rural Infrastructure Development Fund (RIDF). By its very nomenclature (infrastructure), the hitherto unused money was removed even further away from the reach of small hands. But one activity coming under rural 'infrastructure' which could service the small/marginal farmers namely watershed development has been given a short shriff as evident from the portfolio of RIDF loaning in the past 5 years, i.e., since its inception.

Rural Infrastructure Development Fund: 1995-1999	
(Rs. Crore)	
Corpus	10,000
Disbursed	3,800

RIDF (Loan Portfolio)	
1995-1999	
Activity	Percent
Total	100
Rural Roads	35
Major / Medium Irrigation	26
Watershed Management	2.4

Scheduled Caste Workers

Members of the Scheduled Castes (SC) mainly earn their livelihood through their own labour, either on land belonging to others or in occupations like scavenging, flaying and tanning of leather which reflect social and economic subjugation. More than three quarters of the SC workers are engaged in primary occupations, and the proportion of those engaged in the tertiary sector is nearly half the national average. Against the national average of 26%, more than 50% of the SC workers are agricultural wage labourers. Despite the decline of untouchability practices, the caste system continues to confine – SC workers in occupations looked down upon by other communities. Though with the spread of urbanisation and governmental measures such as protective legislation and positive discrimination improvements have taken place in the occupational mobility and living standards of the SCs, the majority of them continue to be worse off than members of the other communities. In the field of literacy, as against the national average of 52%, the literacy rate of SCs is around 37%. The situation is much more alarming amongst SC women where more than three quarters are illiterate. These disparities are further compounded by higher drop out rates in formal education. As a result of all these disadvantages and disparities, the proportion of SCs below the poverty line is substantially higher than the national average.

(Scheduled Caste Development, Annual Report 1997-98, Government of India, Ministry of Social Justice and Employment)

Scheduled Tribes Workers

Now a look at inequalities surrounding our Tribal workers.

If participation rates in industrial categories outside the agricultural sector are considered it is found that all the Censuses since 1961 (except 1971) it has been between 12 to 13 per cent of the total tribal workers. In contrast the participation rate among the general population 1991 outside the agricultural sector was 35.2. This indicates that diversification of occupations has taken place to a much lesser extent among the STs than among general population. Further analysis shows that diversification among the tribal females is much less than that among the tribal males. Besides diversification declined among both tribal males and females.

(Draft Executive Report of the Tribal Studies Committee (TSC), Indian Council of Social Science Research, October 1999)

Consumption inequalities

Inequalities also glare at us as we look at distribution of consumer expenditure between bottom 20 percent and top 20 percent of the population. In rural India it is 1 to 4; and in urban it is 1 to 5.5.

According to S. Mahendra Dev (Economic Reforms, Poverty, Income Distribution and Employment, EPW 4 March 2000) the inequalities in consumption distribution and at interstate level, have widened in the post reform period, "The inequalities in consumption distribution was higher in the post-reform

period as compared to pre-reform period. The indirect method also shows that the quality of employment has declined and the rate of growth of rural non-farm employment and real wages have declined in the post-reform period.

"Interstate inequalities have been increasing in the 1990s, poorer states like Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and Orissa have not shown reduction in poverty while richer states like Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Tamil Nadu, West Bengal and Punjab recorded a decline in poverty."

Right to Livelihood / Employment

Article 39

The State shall in particular, direct its policy towards securing -

(a) that the citizens, men and women equally have the right to livelihood.

Article 41

The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want.

Believe it or not 'employment' does not find a place in the key indicators which are on watch each day by our economic surveyors who also fashion our Budgets.

The key indicators they watch are

- Gross National Product
- Gross Domestic Product
- Agricultural Production
- Foodgrains Production
- Industrial Production
- Electricity Generated
- Wholesale Price Index
- Consumer Price Index for Industrial Workers
- Money Supply
- Imports at Current Prices
- Exports at Current Prices
- Foreign Currency Assets
- Exchange Rate

Inside, in the Economic Survey, after you wade through some 150 pages there is a subsection on employment, with pedestrian treatment. The meaty part of it is mandays of wage employment (of which more later).

It does not say a word about progress on the declaration Finance Minister Manmohan Singh made in his first Budget speech (1990-91) about extracting employment from economic reforms:

Our longer term objective is to evolve a pattern of production which is labour-intensive and generates larger employment opportunities.

[Manmohan Singh, 1991-92]

It goes without saying that *labour-intensive pattern of production* which implies durable productive employment, is not the same thing as a *programme generated wage employment* which in any case is rationed to one person in a family and restricted for 100 days, apart from its other pitfalls. To call it employment is to add salt to injury.

What is the explanation for this indifference to employment?

According to Prof. K.N. Kabra of IIPA "what seems to make the official economic analysts ignore the issue of employment in their macro economic review and presumably in macro economic policy formulation as well, is basic lack of concern with the livelihood security of the people at large" which Article 39 aspired to. In a data-based piece 'Seven Years of Structural Adjustment' (in *Alternative Economic Survey 1991-98*), Kabra concludes after analysing the CSO data on the share of organised and unorganised sector in the domestic product that "these data are a dependable indicator of worsening income distribution."

Upto the end of 80's, the Economic Surveys used to give at least Employment Exchange data. Even that has since been expurgated. Perhaps, to ensure that the stupendous number of persons registered seeking jobs, estimated over 40 lakhs, does not irritate the eyes of the surveyors of our economy.

The media – official and private has made it pretty for the eyes. It shows seven times a day, only one Exchange – the Stock Exchange. Not once in this decade has shown the Employment Exchange except a recent telling report by NDTV.

Let us return to the Budgets.

'Employment', which had eluded the Budget speeches in the first 20 years of Independence, however found a sporadic mention in the budget dispatches since 1970-71, with the advent of Indira Gandhi as Prime Minister,

The provision of adequate employment opportunities is not just a welfare measure. It is a necessary part of the strategy of development in a poor country which can ill-afford to keep any resources unutilised or under-utilised.

[Indira Gandhi, 1970-71]

By far the most urgent problem that needs our whole-hearted attention is the problem of unemployment. The twin problems of mass poverty and unemployment remain as acute as ever. In large pockets, there has perhaps been a worsening of conditions.

Large-scale poverty and unemployment degrade those who have to suffer them, and debase those who tolerate them. We owe it to ourselves to see that these twin scourges are eradicated as quickly as possible.

[C. Subramaniam]

The true asset of our country is its labour.

It is also necessary to use our social banking and insurance infrastructure for tackling the problem of urban poverty. Rickshaw-pullers, cobblers, washermen, porters, barbers, hawkers, sweepers and cart-pullers are among the particularly disadvantaged.

[V.P. Singh, 1985-86 & 86-87]

Agriculture is the bedrock of our economy. Growth in this sector is also crucial for the removal of poverty. Our farmers, farm technologists and scientists have turned India from a net-importer of foodgrains living at the margin of survival to self-sufficiency. I am, however concerned about the situation of agricultural labour. They are subject to exploitation.

[Rajiv Gandhi, 1987-88]

Our first priority is employment. In the eighties, our economy grew at around 5 per cent or more. But, according to a recent report of the National Sample Survey the number of persons who are chronically unemployed increased from 8 million in 1983 to 12 million in 1987-88. In addition, there are a vast number who are underemployed and whose earnings from work fall well short of a decent minimum.

[S.B. Chavan, 1989-90]

What is one to say?

Having failed to extract employment out of the pattern of production which was in no small measure moulded by fiscal and other policies, and faced with rising social unrest (reflected on increasing and huge expenditure on police, of which more later) the policy decided in the 70's to provide wage employment in the rural areas to keep them cool. There are a battery of wage programmes. The core of them all is to dig holes. They are scarcely of durable value. In 20 years between 1980-81 and 1999-2000, over Rs. 62,000 crore have been spent on such programmes. These programmes are notorious for large leakages (50 to 80 percent; Rajiv Gandhi put it at 85 percent). The Bank scam at Rs. 8000 crore was bad enough but imagine 50 percent of Rs. 62,000 crore being pocketed and that too stealing from the plate of the poor.

This fact of leakages has been documented by many studies. We cite one of the best of such studies about wage programmes in Rajasthan by Sanjoy Ghose (Rural Employment: Policy and Practice in Rajasthan)*

Officially, only 50% of the cost of the project can be spent on materials, since after all, the primary objective is to employ labour.

In an ordinary schoolroom type structure, the normal material labour ratio is 85:15, i.e., for every ten thousand rupees spent, only fifteen hundred would go towards labour payments.

So how do the schoolrooms get built, on the prescribed unrealistic ratio (50:50)?

How do they do it?

Usually, the persons who have the responsibility for building the structure - do, is to falsify the muster rolls.

All work in JRY is supposed to be implemented by the Gram Panchayat, or "departmentally", so that workers would be assured of their basic wages.

In fact, almost the entire work is done through contractors.

The unemployed poor are thus robbed of even the crumbs.

*Who was earlier with Urmul and later moved to Majhouli from where he was kidnapped and remains todote tragically untraced.

Our tour of the Budgets brought us towards the end to the most cheerful note from Chidambaram:

One of the first acts of the Prime Minister, Shri Deve Gowda, was to convene a meeting of Chief Ministers on Basic Minimum Services. This reflects the resolve of the United Front to "advance the principles of political, administrative and economic federalism". The Chief Ministers Conference recommended adoption of **seven objectives to be attained by the year 2000:**

These are **100% coverage** of provision of

- safe drinking water,
- 100% coverage of primary health centers;
- universalisation of primary education;
- public housing assistance to all shelterless poor families;
- extension of the mid-day meal scheme;
- road connectivity to all villages and habitations; and
- streamlining the public distribution system targeted to families below the poverty line.

[Finance Minister, P. Chidambaram]



Even if famous last words, poor Chidambaram, very laudable pinpointed exertion. But before he could suck his thumb the helpless baby was washed out with Prime Ministerial bath water – twice in a row - Deve Gowda first, Gujral later.

Panchayats

Article 243 G

Powers, authority and responsibilities of Panchayats –

Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to –

- (a) the preparation of plans for economic development and social justice;*
- (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.*

This tour of the Budgets has highlighted the limits of what government machinery and money can do, even at their best, to translate the aspirations of the Constitution in respect of social order and equity and to ensure universal coverage of certain services. Indeed, a similar realisation has also been growing in government in recent years. Recall the debates/discussions initiated by Rajiv Gandhi in mid '80s on responsive and representative administration/governance – which led eventually to the 73rd/74th Amendments. Budget makers have noted and welcomed democratic decentralisation embodied in Article 243G relating to panchayats as also their social significance and operational value.

History was made with the passage of the Constitution (Seventy Third Amendment) Act, 1992, which made it a constitutional requirement to set up in every State, panchayats at the village, intermediate and district levels. The Amendment ensures that women and other weaker sections of the society will necessarily get adequate representation in the Panchayats.

(Manmohan Singh, 1995-96)

The National Human Development Initiative will go a long way in empowering the weakest sections of the population and improving the quality of rural life. This will minimise the rural-urban disparities. The effectiveness of this initiative will depend critically on the extent to which Gram Panchayat, as an elected body, can assume a pivotal role in implementing the various components of the programmes.

I propose to declare 1999-2000 as the “**Year of the Gram Sabha**” to affirm our resolve to set the process of decentralised democracy in motion, with human development as the core objective of planning.

(Yashwant Sinha, 1999-2000)

Yashwant Sinha had also specified that he would provide for active involvement of gram panchayats in a range of rural activities: unified command of watershed development; RIDF to loan to panchayats; development of degraded and wastelands; PDS; and funds which generate resource for health education; active involvement in whole bunch of employment schemes.

Institute of Social Change (ISS) which brings out a monthly *update* on panchayats reports that nothing has been done to implement Minister Sinha's declarations. On the contrary, DRDA the bureaucratic organisation (which was built up before panchayats came on the scene on the wings of The 73rd Amendment) called DRDA, is now brought back with MP as Chairperson! The States which abolished it and amalgamated them in ZPs are in trouble!

No measure has been taken to strengthen Gram Sabha. Year of the Gram Sabha ended without any Gram Sabha being aware of it and worse still, without any of the Central Ministries taking even a token notice of the message of the Finance Minister.

Performance of PDS is particularly pitiful. Purchase of food by the poor from the public distribution system is reported to be very small, particularly in States with the highest concentrations of poverty. According to Dr. Bimal Jalan, former Member, Planning Commission and Governor, Reserve Bank of India, in Uttar Pradesh and Bihar, the public distribution system supplied less than 5 % of food grains purchased in the market as compared with an average about 16 % for the country as a whole.

The reasons for halting progress are not far to seek. Various Central Ministries and State administrations which have got accustomed in the last past 50 years to centralised control over all poverty alleviation, employment and minimum needs programmes including education, health, drinking water and housing. They are not able to switch on easily to a new regime of thinking and doing ordained by the 73rd Amendment. With the exception of Kerala, most states are still dragging their feet or in other ways dodging the transfer of functions, resources and authority to Panchayats. They fear that a change will divest them of patronage – and as seen earlier from Sanjoy Ghose's report, also of huge easy money they are now able to siphon off. Another important impeding factor is that the meaning and majesty of the Constitutional Amendments has not yet been absorbed by the executive even at the highest levels at the Centre, State, and District.

Members of Parliament who almost unanimously voted for 73rd / 74th Amendments have developed a vested interest in bypassing the panchayats, with the adoption of MPs Local Development Scheme with Rs. 2 crore per MP per year to be spent by them through district bureaucracy without the

participation of panchayats. The hilarious part of it is that the funds for the MPs Local Development Scheme are drawn out of funds that ordinarily would have gone to panchayats.

There is a Kannada proverb: if fence begins to eat the crop, what can one do.

Concentration of Economic Power

Inequalities arise also from skewed control and concentration of economic power in fewer hands. This was recognised by the Constitution makers:

Article 39

The State shall, in particular, direct its policy towards securing:

b that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;

c that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

In the entire 50 year record of Budgeting only once did Article 39 figure. In 1964-65, the renowned Finance Minister TT Krishnamachari acknowledged in his Budget speech, the fate of Article 39.

While conceding the need to provide private industry with resources for the development we must not, in the process, allow concentration of economic power and growth of monopolies.

It is really disturbing that despite diffused ownership, control is concentrated in a relatively few people.

It is indisputable that in the 90's - the decade of economic reforms, the concentration of economic power in fewer hands has accentuated to a worse degree than ever in the past. Even a cursory look at the data of top 300 companies is enough. Those who have evidence to prove the contrary may please rush it to CHRI this year or next.

Concentration of economic power in fewer hands may be good for the economy – but should that economy not also be for the good of the social order envisioned by the Constitution. Is the Constitution being amended in this respect by stealth?

III

Fiscal Deficit

One imagined that while Budget makers may not have been upto what is admittedly a gigantic task of diminishing social deficit set before us by the Founding fathers of the Constitution, they had at least the requisite acumen and expertise to manage our fiscal deficit. But alas, here too their performance is abysmal.

Commenting on the Budget 2000-01, the Centre for Monitoring Indian Economy (Public Finance, March 2000) says:

The gross fiscal deficit (GFD) of the Central Government overshoot the budgeted level by a massive Rs. 28,943 crore and reacted Rs. 108,898 crore in 1999-00. **This is one of the sharpest slippages in this key indicator of fiscal prudence.**

What greater indictment.

The numbers here will speak for the unabated march of fiscal deficit.

Gross Fiscal Deficit	
Year	Rs. Crore
1980-81	
1983-84	13,000
1990-91	44,600
1998-99	113,350
2000-21	111,270

Impact of Interest payments on gross fiscal deficit, (percent)	
Year	Percent
1981-82	37
1991-92	73
1999-00	84
2000-01	91

The main pressure is from Interest Payment. It has caused a massive 84 percent of gross fiscal deficit (i.e. net additional borrowing) in 1999-00, against 73 percent in 1991-92 and around 37 percent in 1981-82. Says CMIE : **What should alarm us is that Interest payment is budgeted to cross Rs. 100,000 crore in 2000-01. This would account for a new high of 91 percent of gross fiscal deficit.**

At 91 percent, We are just one little step away from 100 percent. Is that what is called a debt trap? Some brave heart must dispel our fears.

Interest payments are rising both in absolute terms as well as a proportion of the revenue receipts.

Interest payment States and Centre, (combined)	
Year	(Rs. crore)
1980-81	3,000
1990-91	25,000
1994-95	52,000
1997-98	81,000
1999-00	1,45,000

Interest Payment as percentage of revenue receipts	
Year	Percent
1980-81	21
1991-92	42
1999-00	51

Has this happened suddenly, taking us all by surprise? No, Sir.

The shape of things to come was foreseen by the Ninth Finance Commission headed by NKP Salve, and it administered the strongest possible warning to Central and State Governments as early as in 1988-89. It also urged the Central Government "to set an example" in reversing the steadily deteriorating fiscal situation:

Our approach has been influenced also by the steadily deteriorating fiscal scenario in the country.

The incurring of revenue deficits on a large scale year after year implies an infraction of one of the fundamental principles of sound public finance in any economy, particularly in a developing economy.

Another related disquieting feature of recent public finances in India is the rapidly growing public debt.

And in the process if the social objectives have been served at all, the cost has been highly disproportionate.

It is obvious that with this order of revenue deficit in the Central Budget, the entire system of budgeting and financial management of the Central Government would face a crisis situation during the Eighth Plan period.

- (i) The Centre should set an example to the States;
- (ii) The Centre should improve on its own past performance.

[Finance Commission, 1990-95]

Since then successive Finance Ministers have themselves been crying tiger – almost competing with each other in loudness and also in stoic inaction. Sample these as also a dictum 30 years ago: from Moraji Desai

Recognition of the urgency of economic development, and the realisation that such development is not possible unless some restraint is kept on consumption and we submit ourselves to a high degree of fiscal and monetary discipline.

[Morarji Desai, 1959-60 & 1962-63]

The budget is now under severe pressure to meet the growing burden of expenditure on account of interest payments, defence, subsidies and assistance to States. This is not a partisan issue or the problem of a particular Government in power and I believe that a frank debate is essential for the long term economic health of our nation.

[V.P. Singh, 1985-86 & 86-87]

Macro-economic imbalances which have been large and persistent are at the root of the problem. The burden of servicing the accumulated internal and external debt has now become onerous. **Neither the Government nor the economy can live beyond its means for long. The room for manoeuvre, to live on borrowed money or time, has been used up completely. The soft options have been exhausted.**

[Yashwant Sinha, 1991-92]

The crisis of the fiscal system is a cause for serious concern. Without decisive action now, the situation will move beyond the possibility of corrective action.

[Manmohan Singh, 1991-92]

The fiscal deficit increased sharply in 1993-94 and the pressure on the deficit has continued in 1994-95.

[Manmohan Singh, 1995-96]

Today, we must squarely confront and overcome the critical challenge posed by a weakening fiscal situation. A long history of high fiscal deficits has left us with a legacy of a huge public debt and an ever-growing bill of interest payments.

[Yashwant Sinha, 2000-2001]

There may be two opinions whether our Budget makers have defied the Directive Principles of the Constitution. But there is little doubt that they have defied and continue to defy their own wisdom and words.

Is interest the real culprit?

Interest payments are menacing. But little is said about other man eaters and how much they eat

Expenditure on Civil Administration and Police			
(Rs. Crore)			
Year	General Administration / Pensions	Police	Total
1960-61	345	94	
1970-71	1365	345	
1980-81	4195	1163	5358
1990-91	22563	5657	Fourth Pay Commission
1992-93	26819	7815	
1993-94	32178	8789	
1994-95	41250	9719	
1995-96	48998	11241	
1996-97	52636	12974	Fifth Pay Commission
1997-98	68450	13366	
1998-99	94359	16868	
1999-00			
2000-01			

Economic Survey

This expenditure on civil administration and police will sit like a feather on our shoulders, if we could say that we are being served efficiently and justly and being protected well.

Yes, interest payments have reached the danger sign. But on whose behalf are these payments being incurred. Answer is internal / external debt which is mounting – nearly Rs. 8,00,000 crore. But is this borrowed capital deployed in aid of productive activity? If that is so, we have less reason to

worry. But the stark reality is that since the Fourth Pay Commission Report, market borrowings have sky rocketed to enable government to pay enhanced salaries of its employees. This despite the warning of the Ninth Finance Commission.

The states do not have many productive sources of revenue although it is possible for them to tap certain untapped sources such as taxation of land or income from land, since their tax rates are already high, it is going to be difficult for them to get increases in revenue other than through obtaining higher elasticities in response to growth in deficit is to be arrested, substantial emphasis would have to be given to decelerating the growth of revenue expenditures of both Central and State Governments.

The growth in subsidies and interest payments has been an important cause of the fast rise in revenue expenditures at the Central level. In addition, wages and salaries have grown rapidly as a result of both an increase in government employment and a rise in wage payments due to dearness allowance and pay revisions. This factor has become more important in recent years.

For the Central Government, the increase in wages and salaries has been mainly due to the revision of scales and allowances following the recommendations of the Fourth Pay Commission; in the States, however, this has come about due to both revision of salaries as well as substantial increases in employment. **If the present trends continue, a growing proportion of expenditures would be incurred merely to pay salaries to government employees, which would result in increasing revenue deficits if offsetting cuts in other expenditures are not made.** Many of the States have followed in the footsteps of the Central Government in revising their scales of pay without paying due regard to their capacity to raise revenues. This has a harsher impact on the weaker States. We believe that for reasons of both growth and equity, it is necessary to have a proper wages and income policy. **But, this can be done only in an environment of stable prices, the maintenance of which is the primary responsibility of the Central Government** and calls for proper macro-economic management in containing overall deficits and the growth in money supply. It is time that the Government of India paid adequate attention to these issues in order to nurse the economy back to fiscal health.

It is necessary to remind ourselves that a satisfactory and enduring solution to the problem of Centre – State relations cannot be found except through sound and disciplined fiscal management. The Centre bears the larger responsibility in that it is primarily responsible for the maintenance of price stability without which the finances of the State Governments, weak as they are individually, are thrown out of gear.

(First Report, The Ninth Finance Commission)

But hardly had the ink dried on this advice, we have imposed on the shattered finances of the Government, the crushing burden of the Fifth Pay Commission. Just look at the galloping payments

to civil administration and police. Unless we cut back on this expenditure, there is no way we can bring down the burden of interest payments – they are indeed providing a smoke screen for the real culprit.

Gainers and Losers

The Economic Survey 1998-99 does give us a glimpse of the gainers and losers:

The increase in GDP from 'public administration and defence', arising from the decisions on the Pay Commission Report, which increased government employees' salaries substantially, compensated for the slowdown in growth of other services. The most important proximate factor in the growth slowdown in 1997-98 seems to be agriculture which affected household income, consumption and investment.

Do we still want to ask the question: do the people matter?

IV

The End Note

50 years have gone.

Both our fiscal and social order are sinking

We are minus Rs. 39,00,000 crore – but little of it has gone to aid endeavours as expected by the Constitution, to consciously address education, inequalities and livelihood; or use the might of the people through panchayats to overcome social deficit.

The Budgets and the Governments tendering them have been largely unmindful and unfaithful to the Directive Principles,

Budgets are ultimately approved by Parliament. Thus not only the executive but also the legislators have not done their bounden duty by the Constitution.

Civil disobedience helped us to win freedom. Criminal disobedience of the Constitution could imperil it.

We are assured that there is still hope. Development may have failed but divinity can still steer us to the shore;

As Swami Vivekananda used to say there is an element of divinity in each human being. We have to create an environment in which this divine potentially can be mobilised for building a strong economy and a just society.

[Finance Minister, Manmohan Singh]

ANNEXURE

(Extracts from "Budget: 1992-93: Will it let the roof collapse?" by L.C. Jain)

The millions of the unemployed will ask only one question of the coming Budget: What is there in it for us?

One could most sensibly suggest that the unemployed should knock the door of the growth rate rather than that of North Block for their livelihood. But will it not amount to a cruel joke on the unemployed considering that the employment growth rate is falling precipitously inspite of the fact that the growth rate of GDP is on an upswing.

Is this the structural maladjustment between the growth rate of product and employment, which the economic reformers are intending to stabilise? If not, then is the Budget going to lock horns with this structural maladjustment which if left unaddressed will have grave destabilising impact on our social fabric as well as the political system based on total electoral equality between the employed and the idle.

The Budget makers, one hopes, have taken note of the potential for 100 million jobs detailed recently by the International Commission on Peace and Food, in its report titled: Potentials for Increasing Agricultural Productivity in India: towards changing the economic scenario and wiping out unemployment and poverty. It is authored by G. Rangaswami former vice-chancellor of Tamil Nadu Agricultural University. The job potential is based primarily on available resources in the village economy, needing nominal capital and energy – which are scarce resources in any case.

All that the Budget can do and must do is to apply the existing mouth-watering cash resource of thousands of crores spent on anti poverty programmes a year (or at least half of that) right away to back the Rangaswami plan. If the Budget applies itself seriously to this task, we could get extra one million tonne food and seeds for edible oil – before the imports of these commodities land here – and in the process engage the unemployed in a land army rather than in the galloping police force.