From New Delhi by Ramtanu Maitra

A streamlined budget

Cumbersome and counterproductive regulations have been removed, and major allocations introduced to alleviate poverty.

The budget presented to parliament on Feb. 28 by Indian Finance Minister V. P. Singh is another step in the process of simplifying policy and rationalizing regulations and restrictions which have accumulated over the last 38 years. Many of these have become overtly counterproductive as far as economic growth and rising productivity are concerned.

To the surprise of populist critics who have popped up in the recent few months to charge the government with a "pro-business" bias, the budget also awarded the highest-ever allocation to anti-poverty programs.

At an unscheduled appearance at the post-budget news conference traditionally presided over by ministerial bureaucrats, V. P. Singh claimed that the main thrust of his budget was alleviation of poverty. The anti-poverty programs got $1.2 billion.

Another highlight of the budget was the strong package of incentives given for boosting production of edible oil and oilseeds. Since India's importation of edible oil is draining more than $1 billion of foreign exchange annually, the incentive to the farmer to choose a cropping pattern has been welcomed widely. "We want to avoid a situation in which there is surplus wheat for export, but the country has to import edible oils," the finance minister told newsmen.

A provision of $18.58 billion has been made for the Seventh Five-Year Plan (1985-90) in the central-government sector in 1986-87, with another $6.15 billion in assistance to the various states and union territories. The total budgeted expenditures for 1986-87 amount to $26.56 billion, of which defense expenditures account for $6.56 billion. Interest payments on debt to domestic banks and major subsidies total $4 billion, of which food-related subsidies account for $1.5 billion. The budget shows a deficit of $3.3 billion.

So far, reactions to the budget proposal have been mixed. It is generally believed that the budget proposals encourage industrial growth and generate employment. However, the industrialists, who enjoy many protections and have come to believe these their *right*, continue to quibble about "excessive excise duties," and so forth.

Historically, India's annual budget has been wrapped in the aura of astrological mystery. The salaried middle-class awaited its unveiling, on the lookout for tax relief: Industrialists' minions waded through the voluminous budget items searching for corporate tax breaks and changes in industrial licensing and regulations. Everyone else generally waited anxiously for the list of freshly taxed commodities to calculate the price rises it would entail. Each year the budget session of parliament indulged in elaborate discussion of those issues, while the major outlays and allocations, the relationship of the budget itself to the economy, and so on, went unnoticed.

This year, the budget was a bit of a disappointment from that standpoint.

In fact, the Long-Term Fiscal Policy (LTFP) issued by the finance ministry last December, has already set the tone for the budgets of at least the next few years. While it calls for abolition of surcharges and surtaxes on corporate profit, it also categorically states that personal and corporate tax rates would not be changed for the next five years and only simplification of the tax structure was promised. The import policy, a subject of much discussion here, has also been drawn up for a period of three years, and import of technology has been made pragmatic. An attempt has been made to make the industrial licensing process flexible.

The LTFP has set to rest lots of wasteful speculation.

About four weeks before the budget was presented, the government announced price hikes on some agricultural commodities and petroleum-related products, and a reduction in fertilizer subsidies. This drew an angry response. Typically disunited and programless, opposition leadership under the direction of George Fernandes called for a series of *bandhs* or nationwide strikes over the price increases. While press reports are contradictory, this campaign appears to have already flopped.

There was manifestly no alternative to the price increases. Fertilizer subsidies had soared by 1,000% in the last five years, and would have consumed 250% of the total allocation for all subsidies in the next five years. Imported-petroleum consumption had similarly soared. It is anticipated that the petroleum price hike, which will raise additional revenue of $500 million, will reduce the annual increase in consumption of imported oil from 7% to 5%.