

PUBLIC FINANCE

A SURVEY OF FUNDAMENTAL PRINCIPLES
AND
THEIR APPLICATION TO INDIAN PROBLEMS

BY

PROF. KRISHNA KUMAR SHARMA, M.A., B.COM.
Professor of Economics and Commerce
Sanatan Dharma College, Cawnpore
and Author of "*The Indian Money Market*" and
"*Currency and Commerce*", etc.

WITH A

FOREWORD

BY

CHANDULAL N. VAKIL, M.A., M.SC. (ECON.), F.S.S.
University Professor of Economics, Bombay

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FOREWORD

THE importance of the study of Public Finance is well known, but adequate steps to make that study easy and popular are not taken in most countries. In countries with a democratic form of government, the control of the public purse is vested in the hands of the representatives of the people. This enables a growing number of persons in such a country to acquire an intelligent grasp of the financial arrangements and problems of the country. There is, in spite of this, a general impression that problems of public finance are things of mystery and controversy which the layman dreads to think of. The only way to remove this wrong impression is to provide the lay public with simple and easily accessible literature on the subject, which would create both a correct understanding of it and develop an intelligent interest in the same. For this purpose, there should be a simple and lucid exposition both of principles and facts devoid of technicalities and controversies.

Professor K. K. Sharma has, in this book, made a worthy attempt in this direction. He has covered a wide field in a comparatively brief space. He has aimed at a treatment of the subject which will be found useful both to the student and the general reader, who is seeking an introduction to the study of public finance with special reference to the problems of this country. In view of the growing importance of educating the public in India, regarding the way in which they are taxed, and the way in which the money so raised by the State is spent, it is to be expected that works of this kind will make a wide appeal.

*School of Economics and Sociology,
University of Bombay.*

C. N. VAKIL.

PREFACE

THIS book on Public Finance has been specially written to meet the requirements of students of Indian Universities and it should also prove useful to the general reader. The plan adopted of treating the subject is very simple. The fundamental principles of Public Finance as enunciated by classical writers have been discussed and explained with a view to enable the lay public to understand the subject. Book II deals with Indian Finance. The various stages through which the Indian System of Finance has passed during the last 100 years have been explained in a simple and lucid manner. The chief aim has been to create in the reader's mind a genuine taste which would lead him to a methodical study of Indian Finance.

Subjects like the Indian Public Debt, Financial Administration, Indian Railway Finance, etc., are of great importance and very difficult to grasp at the same time. An attempt has been made to present them in a simple, and non-technical language to create a correct understanding of them and an intelligent interest in the same.

The subject of Indian Finance has received a new importance in view of the impending constitutional changes in the country. It has consequently been discussed by many committees and they have made many important recommendations. The findings and recommendations of these committees have received a careful attention in this book. By a perusal of the book, the reader can have an adequate and connected idea underlying the mass of literature on Indian Finance, contained in the valuable Reports of the various committees which have reviewed the subject on the eve of the great constitutional changes in the country at present. The position of Indian Finance as finally emerges under the changes to be introduced by the Government of India Act, 1935, has been lucidly and briefly stated.

The book contains a separate chapter on Local Finance which gives an idea of the evolution of functions of local authorities in India and other countries and of their sources of income and of the ways of spending their resources.

Prof. C. N. Vakil, University Professor of Economics, Bombay, has very kindly introduced the book to the readers. My very special thanks are due to him for this fact and also for the valuable guidance that he gave me in this connection.

Prof. Kalka Prasad Bhatnagar, M.A., Professor of Economics and Vice-Principal of D. A. V. College, Cawnpore, favoured me with his valuable advice and help in various ways, and I am very grateful to him for it. I also take pleasure in acknowledging my indebtedness to my honoured colleague, Prof. Kalishanker Bhatnagar, M.A., Vice-Principal, S. D. College, Cawnpore, for his ungrudging assistance in connection with the preparation of the book.

K. K. SHARMA.

March 8, 1937.

CONTENTS

	PAGE
FOREWORD	v
PREFACE	vii
BOOK I—GENERAL	
CHAPTER—	
I. INTRODUCTORY	3-9
II. PUBLIC REVENUE	10-18
III. CANONS AND DISTRIBUTION OF TAXATION	19-31
IV. PROBLEMS OF INCIDENCE OF TAXATION	32-43
V. EFFECTS OF TAXATION	44-55
VI. TAXABLE CAPACITY	56-64
VII. PUBLIC EXPENDITURE	65-75
VIII. PUBLIC DEBTS	76-87
BOOK II.—INDIAN FINANCE	
IX. THE SYSTEM OF PUBLIC FINANCE IN INDIA	91-100
X. LAYTON'S REPORT	101-124
XI. PERCY AND DAVIDSON COMMITTEES	125-138
XII. RECOMMENDATIONS OF THE JOINT PARLIAMENTARY COMMITTEE	139-148
XIII. SIR OTTO NIEMEYER'S REPORT	149-155
XIV. INDIAN PUBLIC DEBT	156-168
XV. FINANCIAL ADMINISTRATION	169-186
XVI. INDIAN BUDGETS	187-221
XVII. FINANCIAL IMPLICATIONS OF SEPARATION OF BURMA	222-237
XVIII. RECENT TENDENCIES IN INDIAN FISCAL POLICY	238-245
XIX. FINANCE AND COMMERCE IN THE NEW CONSTITUTION	246-257
XX. RAILWAY FINANCE	258-290
XXI. LOCAL FINANCE	291-306
INDEX	307-313

INDEX

A	PAGES	B—Contd.	PAGES
Accounts and Audit	124	British Estate Duty	53
Acts—		Budget (<i>see</i> "Financial Administration")	
Cotton Industry Protection	240, 241	Burden of—	
Reserve Bank	253, 254	Public Debts	80-83
Steel Protection	240	Taxation	32
Acworth Committee—		Burma, Separation—	
Appointment	266	Amery Tribunal (<i>see</i> this Head)	
Recommendations Regarding—		Assets, Valuation of	227, 228
Allotments, System of	268	Contribution	229-231
Branch Lines	262, 263	Currency Provisions	233-236
Expenditure	265, 266	Dead Assets	233
Finance	267-273	Financial Settlement,	
Lapse, System of	270	Basis of	224, 225
Management, Company <i>vs.</i> State	276-282	History	222, 223
Programmes	268, 269	Liabilities—	
Reference, Terms of	266, 267	Miscellaneous	227, 231, 232
Adams, Views on Revenue	13, 14	Valuation of	225-229, 232, 233
Adam Smith, Views on—		Permanent Debt	225, 226
<i>Laissez Faire</i> Policy	238	Pensions	227, 232
Public Revenue	11		
Taxation	19-21, 24	C	
Amery Tribunal—		Cannan, Views on	
Apportionable Liability	231	Taxation	294
Contribution to India	229, 230	Capital Levy (<i>see</i> "Public Debts" and "Shirras")	
Criticism of Recommendations	236, 237	Capitation Tribunal	256
Currency Provisions	235	Central Advisory Economic Council	244
Recommendations	224, 225	Coastal Traffic (<i>see</i> "Shipping" under "New Constitution")	
Reference, Terms of	222-224	Commercial Safeguards (<i>see</i> "New Constitution")	
Annuities (<i>see</i> "Public Debts")		Commercial Stamps	133
Application Committee	237	Corporation Tax—	
B		Progressive	53
Balance of Trade	160	Recommendations of Joint Parliamentary Committee	141
Bastable, Views on—		White Paper	140, 141
Revenue	13	Cotton Industry Protection Act (<i>see</i> "Acts")	
Taxes	15	Council of India	185, 186
Block Rates (<i>see</i> "Railways")		Customs Duties (<i>see</i> "Duties" and "Indian Budgets")	
Borrowing—		D	
Programme	220, 221	Dalton, Views on—	
Provincial	181	Protection	49
Recommendations of—		Public Debts	81
Joint Parliamentary Committee	145		
Layton, W.	122, 123		
Percy Committee	135		
Under the New Act	123, 124		
Bounties (<i>see</i> "Joint Parliamentary Committee")			
Branch Line Policy (<i>see</i> "Railways")			

I	PAGES	I—Contd.	PAGES
Imperial Preference (<i>see</i> "Fiscal Policy")		Industrial Revolution	238, 258
Income—		Inheritance Tax	52, 53
District and Local Boards	305	Irwin-Gandhi Pact	246
India	303	Introductory	3-9
Municipal	306	J	
Other Countries	303, 304	Joint Parliamentary Committee,	
<i>Per capita</i> in India	92	Views on—	
Tax—		Additional Expenditure	145, 146
As Federal Source	128, 129	Borrowing Powers	145
Joint Parliamentary Com- mittee's Views	140, 141	Bounties	252
Layton's Recommenda- tions	119, 120	Commercial Safeguards	247
On Wages	54	Discrimination	248, 249
Other Countries in	292	Duties, Excise and Export	142, 143
Otto Niemeyer's Recom- mendations <i>re.</i>	149, 152, 154	Federal Budget, Interest of	
Percy Committee's Views	129, 130, 140	Units	143, 144
Progressive	52	Federation and States	144
Provincialisation	128	Income-tax	140, 141
Indian Budgets—		Jute Export Duty	147
Assistance to Bengal	208, 209	Land Customs	144
Assistance to Bihar	200-202	Maritime Customs	144, 145
Currency Receipts	219	Provincial Fund	144
Customs Duties	188, 198, 218	Provincial Surcharges	141, 142
Estimates	188, 189, 198	Recommendations, Criticism	
Excise Duties	200, 203-206	of	146-148
Expenditure	189, 199, 214, 219	Reserve Bank Act	253, 254
Gold Exports	194-196	Shipping	250
Income-tax	188, 190, 198, 211, 219	Statutory Railway Authority	253
Loans to Provinces	220	Subventions to Deficit Pro- vinces	142, 147
Pay cut	190-192	Taxes—	
Proposals for 1934-35	200-202	Agricultural Income	142
Protective Duty	206, 207	Terminal	143, 144
Remittance	220	Josiah Stamp, Views on Taxa- ble Capacity	57
Stamp Duty on Cheques	194	Jute Export Duty (<i>see</i> "J.P.C. Report" and "Otto Niemeyer's Report")	
Treasury Bills	221	L	
Ways and Means	220	Land Cess	296, 297
Indian Fiscal Commission—		Land Customs (<i>see</i> "J.P.C." and "Peel Committee Reports" and "White Paper")	
Appointment	239	Layton's Report—	
Views on—		Agricultural Income, Taxes	
Discriminate Protection	239, 240	on	120
Other topics	245	Audit and Accounts	124
Reciprocity	251	Financial Relations between Provinces and Centre	121-123
Indian Fiscal Policy (<i>see</i> "Fiscal Policy")		Financial Situation	103-107
Indian Munitions Board (<i>see</i> "Fiscal Policy")		Inadequate Revenues	101, 102
Indian Public Debt (<i>see</i> "Public Debts")		Income-tax Surcharge	120
Indian Railway Committee (<i>see</i> "Railways")		Indian Financial Features	101
Indo-British Trade Pact	243	Meston Award criticised	103
Indo-Burma Tribunal	237	Military Expenditure	105, 106
Indo-Japanese Agreement	242, 243	New Provincial Taxes	120, 121
Indo-Lancashire Agreement	242	Provincial Expenditure	109-113

<i>P—Contd.</i>		<i>P—Contd.</i>	
	PAGES		PAGES
Super-tax	128	Effects upon—	
Tributes	137	Economic Conditions	167, 168
Percy Committee—		Exchange	161, 162
Assumptions made	126	Government Finances	161
Commercial Stamps	133	Prices	161
Emergency Contributions	133, 134	Tariff Policy	162, 163
Excises	132, 134	Foreign Investments	159, 160, 166
Federal Forecast Estimate	126-128	Foreign Debt Redemption	
Income-tax	129, 130	Fund	165
Provinces, Borrowing Powers		Home Charges	156, 166
of	135	Importance	156
Provincial Contributions	130-132	Increases, Causes of	156-158
Provincial Revenue	133, 134	National Debt Commission	165
Recommendations, Criticism		National Debt Redemption	
of	135-137	Fund	165
Succession Duties	133	Origin	156
Super-tax	129	Public Works Debt	157
Terms of Reference	125, 126	Repayment	163, 164
Permanent Settlement	93, 94	Merits	76, 77
Physiocrats	5	Repayment	83, 163-166
Plehn, C. C., Views on Public		Repudiation	83, 84
Expenditure	71	<i>vs.</i> Private Debts	76
Poll Tax (<i>see</i> "Taxation")		<i>vs.</i> Taxes	77
Prices	12, 295	Public Expenditure	1, 65-75
Property Tax	53, 292	Canons—	
Provincial Advisory Bodies	244	Benefit	68, 69
Provincial Contributions—		Economy	69
Layton's Views	113	Sanction	69
Objections against	131, 132	Surplus	69, 70
Percy Committee's Views	128, 129, 130-132	Classification—	
Provincial Fund	120, 121, 144	Benefit Basis	71
Provincial Loans Fund	135	Revenue Basis	70, 71
Provincial Rates (<i>see</i> "Local		Primary	70
Finance")		Productive	71
Provincial Surcharge (<i>see</i>		Secondary	70
"Joint Parliamentary Committee")		Unproductive	71
Public Authorities	5, 6, 67, 68, 70, 169, 291-293	Effects on—	
Public Debts—	1, 76-87	Distribution	73, 74
Annuities	79	Production	71-73
Burden of	80-82	Other Effects	74, 75
Capital Levy	84-87	Growth and Importance	65
Conversion	84, 165, 166	Investment Character	4
Demerits	76-78	Non-votable	182, 183
Evolution and Importance	76	Retrenchment	6, 65, 66
Forms—		<i>vs.</i> Private Expenditure	4, 66-68
Dead Weight	167	Public Finance—	
Funded and Unfunded	79	Divisions	1
Internal and External	78, 80, 81	Economics, Relation with	7, 8
Productive and Unproductive	79	Meaning and Scope	1-9
Voluntary and Involuntary	78	Statistics, Relation with	8
Indian Public Debt—		<i>vs.</i> Local Finance	294, 295
Basil Blackett Scheme	164, 165	<i>vs.</i> Private Finance	1-5
Burden	156	Public Revenue	1, 10-18
Conversion	165, 166	Characteristics	10
		Classification—	11-18
		Anticipatory	14
		Compulsory	14
		Contractual	14

<i>P—Contd.</i>		<i>R—Contd.</i>	
	PAGES		PAGES
Derivative	14	Ranade	239
Direct	13, 14	Rates Tribunal (<i>see</i> "Railways")	
Gratuitous	14	Reciprocity	249, 250
Non-tax	14	Regressive Taxation (<i>see</i>	
Tax	14	"Taxation")	
Definition	10	Relief Administration	293, 294
Sources	11-18	Reports—	
Purushottamdas Thakurdas,		Acworth Committee (<i>see</i> this	
Views on Reciprocity	250	Head)	
R			
Rail-Road Competition (<i>see Motor-</i>		Amery Tribunal (<i>see</i> this	
<i>Bus Competition</i> under		Head)	
"Railways")		Capitation Tribunal (<i>see</i> this	
Rail-Road Conference (<i>see</i> "Rail-		Head)	
ways")		Davidson Committee (<i>see</i> this	
Railway Board (<i>see</i> "Railways")		Head)	
Railways—	258, 290	Federal Finance Committee	
Allotments, System of	268	(<i>see</i> this Head)	
Block Rates	284	Federal Structure Committee	
Boards of Communication	289	(<i>see</i> this Head)	
Branch Line Policy—		Howard-Nixon (<i>see</i> this	
Advantages	262, 263	Head)	
Disadvantages	263, 264	Indian Fiscal Commission	
Contribution to General		(<i>see</i> this Head)	
Revenues	273	Joint Parliamentary Com-	
Deficit Budgets	274, 275	mittee (<i>see</i> this Head)	
Depreciation Fund	274	Layton's Report (<i>see</i> this	
Effects	258, 282, 283	Head)	
Evils	258	Mackay Committee (<i>see</i> this	
Expenditure	265	Head)	
Finance—		Meston Committee (<i>see</i> this	
History	267	Head)	
Separation	267-273	Otto Niemeyer (<i>see</i> this	
History—	258-273	Head)	
Construction by State	260, 261	Peel Committee (<i>see</i> this	
Guarantee System—		Head)	
New	261	Percy Committee (<i>see</i> this	
Old	259, 260	Head)	
Interest Charges	286, 287	Reserve Bank (<i>see</i> "New Con-	
Lapse, System of	270	stitution")	
Local Advisory Councils	286	Reserve Bank Act	253, 254
Management, Company <i>vs.</i>		S	
State	275-282	Sales Tax (<i>see</i> "Taxation")	
Motor-Bus Competition	287-289	Seligman, Views on—	
Over-capitalisation	286, 287	Revenue	12, 14
Profits	264	Special Assessments	12
Programmes	268-270	Shirras, F., Views on	
Rail-Road Conference	287-289	Capital Levy	86
Railway Board	264	Silverman, Views on	
Railway Fund	289	Taxable Capacity	56, 303
Railway Rates Committee	290	Simon Commission	192, 249
Railway Tribunal	290	Single Taxation (<i>see</i> "Taxation")	
Rates Advisory Committee	285	Social Principle of Taxation	
Rates Policy	282-285, 290	(<i>see</i> "Taxation")	
Rates Tribunal	285	Sound Finance	191, 192
Rebate System	261, 262	Special Assessments	12
Separation Convention	267, 271-273	Standing Finance Committee	222

<i>S—Contd.</i>	PAGES	<i>T—Contd.</i>	PAGES
Statutory Railway Authority—		Disadvantages	16, 17
Constitution	253, 289	In other countries	292
Functions	289, 290	Income—	52, 54
Steel Protection Act (<i>see</i> "Acts")		(Also <i>see</i> under this Head	
Succession Duties	133	and "Tax" under "Indian	
Super-tax (<i>see</i> "Taxation" and		Budgets")	
"Peel" and "Percy Committees")		Indirect—	14-18
Surcharges on Land (<i>see</i>		Advantages	17, 18
"Local Finance")		Definition	15, 16
T		Disadvantages	128
Tariff Board (<i>see</i> "Fiscal		Inheritance	52, 53
Policy")		Poll	51
Tariff Policy	162, 163	Property (<i>see</i> this Head)	
Taussig, Views on Tax	11, 12	Super-tax	154
Taxable Capacity—	6, 56-64	Terminal	120
Definitions	56-58	Theories—	
Factors Determining	58-62	Ability or Faculty	23
Measurement	62-64	Amortisation	37
Taxation—	7, 19-64	Benefit of Service	23
Agricultural Income	120	Cost of Service	23
Burden	32	Diffusion	32, 33
Canons—	19-31	Financial	25, 26
Certainty	19, 20	Trade Agreements (<i>see</i> "Fiscal	
Convenience	20, 22	Policy")	
Economy	20-22	Tributes	137, 138
Elasticity	22	W	
Equity or Equality	19, 22	Walter Layton, Views on—	
Productivity	21, 22	Apportionable Liability	231
Simplicity	22	Contribution of Burma's	
Degressive	23	share	230
Double	28-30	Land Cess	296, 297
Effects—	44-55	Taxable Capacity	64
Distribution	51-54	Ways and Means (<i>see</i> "Indian	
Production	44-51	Budgets")	
Other	54, 55	White Paper Provisions regarding—	
Enquiry Committee, Views on—		Borrowing	145
Land Revenue	297	Corporation Tax	141
Local Resources	304, 305	Credit	254, 255
Graduated	22	Currency	253, 254
Incidence—	32-43	Duties—Excise and	
Under Competition	40, 41	Export	142, 143
Under Monopoly	41-43	Financial Safeguards	253
Local	294-298	Financial Stability	254, 255
Minimum Sacrifice	24	Income-tax	140, 141
Multiple	31	Joint Sessions of Legis-	
Progressive	22, 27, 36, 52, 53	lature	183, 184
Proportional	22, 36, 51	Land Customs	144
Proportional Sacrifice	23, 24	Provincial Surcharges	141, 142
Regressive	22, 51	Reserve Bank Act	253
Shifting (<i>see</i> "Incidence")		Safeguards	246
Single	30, 31	Subventions to Provinces	142
Social Principle	26	Taxes on Agricultural Income	142
Tax—		Terminal Taxes	143
Definition	11, 12	Wilson's Reforms	94, 95
Direct—	14-18	Windfall Wealth—	
Advantages	16	Meaning	27
Definition	14-16	Taxation	48

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