

SOME ASPECTS OF INDIA'S PUBLIC FINANCE

A MEMORANDUM SUBMITTED TO
THE THIRD FINANCE COMMISSION, 1961
ON BEHALF OF
THE GOKHALE INSTITUTE OF PUBLIC AFFAIRS
APRIL 1961

Public Affairs Pamphlet-2

INSTITUTE OF PUBLIC AFFAIRS
BANGALORE - 4

June 1961

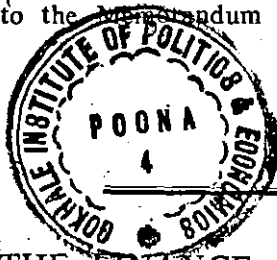
50 n.p.

CONTENTS

Preface	...	...	...	...
THE FINANCE COMMISSION	...			...
GENERAL BUDGET PRINCIPLES	...			...
SOME ASPECTS OF INDIA'S PUBLIC				
FINANCE				...
Scope of the Memorandum	...			...
Relation between the Union & the States	...			...
States' Budgets	...	...		...
The Citizen & the Tax-Burden	...			...
Tax Capacity —Reserve for Emergencies				...
Devolution of Resources	...			...
Criteria of Distribution	...			...
Grants in Aid of Revenue	...			...
Profits from Industry & Trade				
in the Public Sector				...
Investment & Earning	...	...		...
Independent Agency for Scrutiny				
& Caution				...
Limits to Borrowing	...	...		...
Summary	...	...	...	...
APPENDIX				
Need for Timely Caution	...			...
Scheme for Review & Advice	...			...

PREFACE

The Memorandum submitted (on 27-4- G.I.P.E-PUNE-080113) Finance Commission on behalf of the Gokhale Institute of Public Affairs, Bangalore, has, in dealing with the questions before the Commission, found occasion to stress certain important principles of public finance. Public finance is a subject not widely studied in India yet. Gopal Krishna Gokhale, whose name this Institute bears, was a pioneer and supreme master in that field of citizenly studies. A knowledge of the principles and policies relating to the Government's way of getting money and spending it should be widely diffused in the community if democratic citizenship should be able duly to fulfil itself. In that view and in the hope that this Memorandum may be of some use towards that end, this pamphlet is, by the Commission's leave, offered to the public. A note on general budget principles is prefixed to the Memorandum for the use of beginners in this study.



D. V. GUNDAPPA
Hon. Secretary, G.I.P.A

THE FINANCE COMMISSION

Under Article 280 of the Constitution of India, the President of the Union has constituted the Commission as from 15th December 1960, consisting of five members, with Mr. A. K. Chanda as chairman. The Commission has to submit recommendations to the President as to (i) the distribution of the proceeds of certain taxes (such as income-tax) (a) between the Union and the States and (b) among the States, (ii) the principles of grants in aid of the revenues of the States, out of the Consolidated Fund of the Union, and (iii) certain other specified matters which include the question of assistance to the States towards the Third Five Year Plan, the States' efforts to raise additional revenues, and changes in the principles of the apportionment of proceeds from certain heads of estate duty, taxes on railway fares and excise duties. The Commission's recommendations are to cover four years from 1st April 1962.

GENERAL BUDGET PRINCIPLES

1. Under a parliamentary Constitution, it is the duty of the Government to place before the legislature of the State a comprehensive statement of the services it proposes to render to the public in the course of the next twelve months and the expenditure it proposes to incur thereon. This is the budget.

2. Unlike a family budget which ordinarily suits expenditure to income, the budget of the State first makes a list of the needs of public welfare as appreciated by the Government and then estimates the cost of it and shows the fiscal resources for it as seen by the Government.

3. As the legislature is made up of the elected representatives of the people, the adoption of the budget by the legislature is the country's endorsement of the programme put forward by the Government. It is thus practically an authorization given by the citizens to the Government for raising the necessary revenues by means of taxes, cesses and other levies. The budget is of significance to the people as the source of the satisfactions they may hope for and the burdens they would have to shoulder during the next twelve months.

4. A prudent Government would try hard to make both sides of its budget tally. Its normal expenditure should never outrun its normal income. And it should be scrupulous not to take from the citizen even a pie unnecessarily. Great care and caution are therefore necessary in drawing programmes of work and fixing scales of expenditure.

5. A Government, like a prudent man, should be chary of contracting debts. When there is an unavoidable call for any extraordinary expenditure, — if further taxation would prove oppressive and borrowing is the only course open, — the Government should limit the borrowing strictly to that necessity and use the funds scrupulously for the object specified. Loans from the public of the State are to be preferred to loans from foreign countries. The latter are embarrassing to the State's sense of self-respect and may hurt its independence.

6. In relation to taxation, the points for attention are (i) the relative urgency of the object, (ii) the capacity of the citizen to bear tax-burdens, (iii) the reliefs he has been clamouring for, (iv) the reliefs which may be made possible by economizing under some heads of expenditure, (v) the incidence of the benefits as well as of the burdens among the several sections and classes of the population, and (vi) the general effect upon the social and economic life of the community. *Priority* in the selection of the objects to be served, *Economy* in the use of the resources available and *Equity* in the distribution of both burdens and benefits,—these are the main tests to apply in judging of a budget.

7. The above stated principles apply equally to the Union Government and the Governments of the States. Their financial policies and programmes call for integrated study.

8. The ways and means of a people's living are determined for them by their Government in its policies in public finance. It thus becomes a duty for the citizen to make a critical study of the budget of the State,— for the citizen who has a conscientious concern for the welfare of the community of which he is a member.

9. Some of the above principles are to be seen set out in their application to practical instances in the course of the Memorandum that follows.

D. V. G.

SOME ASPECTS OF INDIA'S PUBLIC FINANCE

MEMORANDUM

Submitted to the Third Finance Commission, 1961

Preliminary

1. This Memorandum is presented on behalf of the Gokhale Institute of Public Affairs, Bangalore, by a Committee* constituted by the GIPA Council. The Members of the Committee are—

- (1) Mr. N. Madhava Rau, C.I.E., (*Retired Dewan of Mysore*)
CHAIRMAN
- (2) Mr. P. H. Seshagiri Rao (*Retd. Deputy Auditor General*)
- (3) Mr. B. V. Narayana Reddy (*Retd. General Manager,
Bank of Mysore, Ltd.,*)
- (4) Mr. M. V. Rama Rao (*Member, Mysore Legislative
Council*).
- (5) Prof. B. R. Subba Rao (*Retd. Professor of the University
of Mysore*)
- (6) Mr. V. Sitaramiah (*Retd. Assistant Professor, University
of Mysore*)
- (7) Mr. D. V. Gundappa (*Hon. Secretary of the G.I.P.A.*)
SECRETARY

Scope

2. This Memorandum deals mainly with questions directly connected with the work of the Finance Commission and incidentally with matters relevant to those questions. Its object is to indicate principles and considerations applicable to all States in general.

* The Committee has acknowledged the help it received in its working from certain members of the Study Circle of the G.I.P.A.

Relation between the Union & the States

3. In the Memorandum submitted to the Second Finance Commission, this Institute remarked that over a major part of the field covered by fiscal and economic policy, India is now practically a Unitary State. This view found support in the Report of the Second Finance Commission who suggested (Par. 197) that in view of the implications of the changing pattern of financial relations between the Union and the States, and the dominating position occupied by the Planning Commission which restricted the scope of the Finance Commission in assessing the needs of the States, the time appears to be ripe for a review of the constitutional provisions dealing with financial relations between the Union and the States.

States' Budgets

4. While making their recommendations for the devolution of Union resources and grants in aid of revenue, the Second Finance Commission aimed at enabling the various States to balance their revenue budgets. To achieve this object they very carefully sifted the various items of expenditure in the States' budgets and eliminated from the revenue budgets all items bearing even a remote semblance to expenditure of a capital nature. In Par. 203 of their Report, the Commission reiterated that States should not run into revenue deficits even for meeting development expenditure. The expectation of the Commission was not belied during the last four years. The uncovered deficits of almost all the States in the 1961-62 budgets appear to be tactical deficits which, we dare say, the Commission will be able to unravel.

The Citizen & the Tax Burden

5. The Second Finance Commission concerned itself only with the resources of the Union and the needs of the States. During the last four years, both the Union and the States have had to meet the demands of the Plan. In the present context, the Finance Commission will have to give greater consideration to the capacity of the citizen to bear further taxation. It may be considered that this is outside the terms of reference to the Commission, but we would submit that omission to take this aspect into consideration will make the recommenda-

7

tions of the Commission less realistic. We have to specially stress this aspect of the problem as it would be wrong to give the Plan undue importance and to whip up the tax efforts of the Union and the States to find the resources for the Plan *irrespective of the capacity of the citizen to bear the burden* of the Union and State taxes. Another reason why the consideration of this aspect would be relevant to the terms of reference to the Commission is that in the name of the Plan, the Union Government is encroaching more and more on the sphere of activities of the States and laying down the direction and scope of such activities. The States in their turn are adopting the attitude—"He who calls the tune shall pay the piper." This attitude appears to be partly responsible for the uncovered deficits in the States' budgets for the year 1961-62.

Tax-Capacity — Reserve for Emergencies

6. We wish to draw the attention of the Commission to another consideration which the Second Finance Commission did not have to take into account. We refer to the Chinese aggression and the necessity to be prepared for a sudden tax effort when the situation worsens. In the present context, it would be unwise to whip up tax effort unduly in the interests of the Plan *alone*, leaving no reserve capacity to meet a military emergency. It would be well to be forewarned about this contingency.

Devolution of Resources

7. Coming now to the quantum of devolution of resources, we consider that the formula now in force with regard to the distribution of the proceeds of income tax calls for no change.

8. The Finance Commission propose to consider (a) whether any alteration should be made in the list of commodities, the duties on which are at present distributed; (b) the proportions of the collections that should be distributed; and (c) the basis on which this should be done. Union excise duties now form practically 50% of the revenues of the Union. Furthermore, the number of commodities being brought under Union excise duties is increasing year by year. With the States also trying to get some revenue by taking the same commodities, the poor consumer is having rather a hard time. The stage

has now been reached when multiple taxation of commodities in the form of Union excise duties, States' sales taxes and municipal octroi should be put an end to, and a scheme evolved whereby excise duty only is levied on as many commodities as-possible. This would naturally involve more commodities being brought into the list of those the duties on which should be shared. The scheme would also involve a greater percentage of the net collections going into the pool for distribution. We do not know what considerations weighed with the Second Finance Commission in reducing the quantum for distribution from 40% to 25% when they recommended adding some more commodities to the list of those the duties on which should be shared. The greater part of the welfare activities of the welfare State falls on the shoulders of the States, and it seems only fair that the States should get a larger share of the increase in receipts from excise duties.

Criteria of Distribution

9. We are not aware of the criteria applied in determining what commodities should be included in the list of those commodities the duty on which should be shared. If sugar can be included in this list, it is not clear why motor spirit (38,75), cotton cloth (43,00), diesel oil and vapourizing oils (24,00)* should not be included in it. If widespread use of the commodity all over the country is the criterion, all the commodities mentioned above satisfy that criterion. While commodities yielding such large receipts are excluded from the list, commodities like tea (7,65), coffee (1,35), and paper (7,75) are included in the pool. This is an anomaly.

10. As for the basis for distribution, it does not appear to be quite fair to base it on population alone. The consumption of each commodity in the different States would appear to be a more scientific basis. While considering the basis for distribution of additional duties of excise (in replacement of sales tax), the Second Finance Commission adopted the consumption of *each* commodity in the several States as the basis and also applied population as a corrective only (Par. 170). We recommend that the same procedure may be followed in distributing divisible Union excise duties.

*The figures in brackets are estimated receipts for each commodity, in lakhs of rupees, in the Union Budget for 1961-62.

11. As stated earlier in the Memorandum (Par. 8), we are not aware of the considerations responsible for the last Commission reducing the percentage of the divisible pool from 40% to 25%. For the reasons stated above, we suggest that the 40% should be reverted to. It is far better to adopt this higher percentage and give equal treatment to all the States than to skimp here, and then add *ad hoc* grants in aid of revenue.

Grants in Aid of Revenue

12. The Second Finance Commission recorded that grants in aid are not intended to be a permanent feature of division of resources between the Union and the States (Par. 174), and that the States are expected to help themselves by raising additional revenue (Par. 126). A matter that will require careful investigation in this context is to what extent the States actually increased their tax effort both with respect to promises made by them and directives given by the Union. Any additional taxes already imposed by the States should be taken into account in assessing the total tax burden on the citizen. We revert to this subject (Par. 5 above) because it cannot be too much emphasized that merely the needs of the Union and the States should not be the deciding factor in the scheme to be evolved by this Commission, but the capacity of the citizen to bear additional taxation should also receive sympathetic consideration. It would be unrealistic, in the existing circumstances, to treat the tax effort of the Union and the States as two completely different fiscal operations and concentrate only on how to re-distribute the collections.

13. The necessity for continuing "grants in aid of revenue" and the method of determining the quantum of such aid will have to be examined now on lines different from those adopted by the last Commission. Special considerations like the refugee problem and the re-organization of States no longer exist in the same acute form. It is also high time that the States were educated to be more self-supporting in the hard way. We repeat that the uncovered deficits in the States' budgets should not be taken at their face value. Before accepting the apparent deficits as inevitable, it should be examined (i) whether the State has achieved optimum efficiency in the collection of existing taxes, (ii) whether the

State has made the promised or directed tax effort, (iii) whether it is exercising due economy in expenditure, and (iv) whether it has embarked on certain merely ideological experiments. The last test has assumed some importance of late as some States are indulging in this luxury at the expense of the tax-payer. To quote only one instance, the Mysore State has introduced a bill to abolish hereditary village offices. This measure has relevance to two of the tests mentioned above, for it will affect efficiency and also involve unnecessary expenditure in the salaries of village establishments. If the finances of the States are to be placed on a sound basis, and if the States are to act with a sense of responsibility on the financial plane, it is absolutely necessary that it should be made clear to them that the Union will not foot the bill for the implementation of their ideological experiments or to condone inefficiency and extravagance. The Second Finance Commission recorded (Par. 97) that "with reasonable prudence on their part, all the fourteen States should be able to balance their revenue budgets." The more liberal allocation of receipts from Union excise duties as recommended by us should cover almost all development needs of a welfare State, and we would suggest that grants-in-aid should hereafter be earmarked as help to the less developed among the States to come up to a satisfactory level or to give effect to the All-Indian policies within their spheres.

Profits from Industry & Trade in the Public Sector

14. The profits of the public sector, both in industry and trade, are now treated as additional accrual to the general revenues. This practice requires careful investigation. Such an examination would be relevant to the terms of reference to the Commission as whether net receipts from the activities of the public sector should be treated as revenue or not will affect the determination of the quantum of grant-in-aid to a deficit State. Before Independence, the Posts & Telegraphs and the Railways were the two main departments which were treated as "Commercial Departments", and certain special financial provisions, which did not apply to other departments, were applicable to those two departments. Even before the advent of Independence, Railways were required to make only a fixed contribution to general revenues

and were permitted to retain the balance of their 'profits' for development and improvement. But the Posts & Telegraphs department hands over its entire profits to general revenues. We have seen what effect this has had on the efficiency and adequacy of the service rendered by that department. It is this practice prevailing in the Post & Telegraphs that Mr. Galbraith had in his mind when he characterised the Socialism practised in this country as "Post Office Socialism". If the purpose of Government entering industry and trade is to start industries which the private sector is unable to finance, and to give a better deal to the consumer by way of a more reasonable price of the end product, the 'profits' in the public sector should be utilised only towards these ends and should not be merged with the general revenues. All profits should be ploughed back into the concerned undertakings in the public sector for expansion of their activities or for improving their efficiency. Nationalized industry and trade will serve the citizen better if it sells its products cheaper to the citizen than if it puts up prices to earn larger profits for benefiting the exchequer. With the continuous expansion of the public sector, the policy to be followed in this respect will assume very great importance, and Government may welcome the considered views of the Finance Commission on this very important subject. The present practice of absorbing the 'profits' of the 'public sector in toto into the general revenues, apart from its being against the accepted canons of commercial undertakings, places in the hands of Government a powerful source of indirect taxation in those spheres where the Government holds a monopoly in production or distribution. If this is permitted to continue, we shall be getting nearer and nearer the philosophy of totalitarian States. We therefore suggest that all nationalized industry and trade should, like the Railways, be required to contribute only a fixed amount, depending on the investment, to the general revenues, and that the balance should be left with the industry for its own expansion or improvement. The observations made above do not, of course, apply to such undertakings as State Gold Mining or Sandal Oil manufacture which are wholly fiscal in character and possess no public utility significance.

Investment & Earning

15. The Finance Commission should, we venture to think, also scrutinise the *system* of keeping accounts in relation to various undertakings of Government, taken up either at the instance of the Planning Body or otherwise. We emphasize the importance of a precise ascertainment of the investment and earning position with reference to each project from time to time. It would be good to know how a particular project is going financially, whatever its value on account of other considerations.

Independent Agency for Scrutiny and Caution

16. It is a widely admitted fact that the Planning Commission has come to be the dominant factor in shaping the fiscal and economic policies of the Government. The proper position of the Planning Commission is as an *ad hoc* recommending committee of the Cabinet and nothing more. Its position should be so delimited; and it should be instructed, when formulating proposals involving expenditure, to take into consideration the existing state of the finances and resources of the Governments concerned, their already-made commitments, and their capacity to shoulder further burdens in the form of debts. Such instructions can be sound only if they are based upon the findings of an independent expert body like the Finance Commission. The need for such a special agency to study the financial conditions of the States and warn them about their trends of spending was indicated in the Memorandum submitted by the G. I. P. A. to the Second Finance Commission in Parts IX & X, attached to this as an appendix.

Limits to Borrowing

17. Among the matters to be considered by the present Finance Commission is the question of the requirements of the Third Five Year Plan. This immediately raises the question of borrowing by the Governments concerned. As to borrowing, Article 292 of the Constitution lays down that Parliament *may* from time to time fix limits by law. Up till now, no attempt seems to have been made to get such a law made to fix the limits of governmental borrowing. It is no argument to say, in reply to this, that parliamentary sanction is implicit

in Parliament's passing of the Budget Demands. If such implied and *ad hoc* approval of Parliament was all that the Constitution-makers intended, Article 292 would stand emptied of all meaning. Art. 292 indeed repeats the idea, as in this phrase—“The executive power of the Union extends to the giving of guarantees *within such limits as may be so fixed.*” The loophole for escape is provided in the auxiliary verb “may”. If “shall” had been used instead of “may”, getting Parliament to define limits to borrowing would have become obligatory. In view of the recent painfully felt effects of inflation and the mounting load of taxes heaped upon the public, the necessity for fixing limits to borrowing has become doubly obvious; and we request the Finance Commission to invite the President's attention to this matter in a special way. The U.S.A. has limits set to borrowing under laws made by Congress under Article 1, Section 8.

We also feel it our duty to express our appreciation of the observation made by the Second Finance Commission in Paragraphs 90, 97, 203 etc. to the effect that all development expenditure should be adjusted to the available resources and that States should not run into revenue deficits for meeting such expenditure, for there is “a grave risk of the budgetary deficits of the States endangering the country's economy by adding to the inflationary potential.”

SUMMARY

18. In brief, our suggestions are—

(1) In the context of planned economy and the admittedly inadequate resources left to the States under the Constitution, the existing fiscal arrangements between the Union and the States are a mere formality. The time is therefore ripe for a review of constitutional provisions dealing with financial relations between the Union and the States.

(2) The needs of the States and the demands of the Plans should not be the only criteria for determining the tax effort. The inability or ability of the citizen to bear further burdens in the way of direct and indirect taxation should receive more attention than it has hitherto received.

(3) (i) More commodities should be included in the list of those the excise duty on which should be shared with the States.

(ii) 40% of the net receipts from these commodities should be shared with the States.

(iii) The basis for distribution should be not merely population, but mainly the consumption of each commodity in a particular area, with suitable correction for population.

(4) We should be careful never to reach the saturation point in the tax effort because we can never be sure when an occasion may arise for an extension of tax effort to meet a foreign danger or a national emergency. There must always be room for marginal tax-raising for such unforeseeable occasions.

(5) Grants-in-aid for covering revenue deficits should not become a permanent feature. Grants should be given on the principle of equity among the States. They should mainly be either for development purposes or for improving their public services upto all-Indian standards.

(6) Profits in the public sector should not form part of the Consolidated Fund. Public sector enterprises should be required to contribute to general revenues only a percentage on the capital advanced to them and the surplus left with them to be utilised for their own expansion or improvement.

(7) There should be periodical examination and ascertainment of the financial results of the working of undertakings in the public sector.

(8) There should be a permanent agency, with membership personnel periodically renewed, to scrutinize spendings and warn Governments of the position in public finance.

(9) Limits should be got defined by Parliament to borrowing, as contemplated in Article 292 of the Constitution.



APPENDIX

(Extract from the GIPA Memorandum to the
Second Finance Commission, 1956-57)

IX NEED FOR TIMELY CAUTION

The legislature of each State should be required to set up a finance scrutinizing and advisory agency, containing among its members persons co-opted for their special knowledge of public finance and financial administration, to look into the various aspects of Governmental expenditure every six months and advise the State Legislature as to the actual state of finances and ways of proper economy. The Public Accounts Committee of the State Legislature, and the Estimates Committee where it exists, are no doubt performing a very useful service in this connection. But the Public Accounts Committee's work refers more particularly to the utilization of grants made by the Legislature, being meant to show how far the Legislature's intention has been faithfully carried out by the executive. It deals with details of transactions rather than with general policies. And, being *post facto*, its usefulness is naturally limited. The Estimates Committee's work is selective and done piecemeal. It does not take a connected and comprehensive view of the States' finances as a whole. It is true that, within its limited field, the Estimates Committee endeavours to see that efficiency is increased and economy observed and also to find out how far the Government's policy is sound and whether any alternative policy could be followed with better advantage in the matter of spending under any particular head of service. This no doubt is a great help. But the work is departmental in its scope, and not co-extensive with the whole field of the State's financial operations. What is needed is an agency of scrutiny and advice to take a synoptic view of the financial situation in its entirety without reference to departmental preferences on the one side and to political party commitments on the other side. The final decision on its recommendation would of course rest with the Legislature. The best service of any agency can only be in warning, and in order that the warning may be impartial and constructive, the agency should be one free from the tinge of political partisanship.

X SCHEME OF REVIEW & ADVICE

We have, in the course of the above paragraphs, invited attention to the need for agencies to perform the following functions in the interests of a sound system of public finance—

- (i) Watching financial operations and policies in the States and compiling relevant statistical and factual information (Par. 1, Page 1).
- (ii) Analysing the incidence of tax-burdens and helping to fix the proper line of adjustment between the Centre on the one side and the unit State on the other, so as to avoid over-burdening the citizen (Par. 5, Page 3), also indicating the limits to borrowing by the several Governments.
- (iii) Considering possibilities of a better division of resources and functions as between the Centre and the unit States (Par. 12, Page 6).
- (iv) Examining the case-histories of loans granted by the Centre to the States and recommending fit cases for being written off (Para 12-IV, Page 7).
- (v) (a) Examining applications for grants-in-aid from the States, and,
(b) Reviewing the progress of works for which the grants were sanctioned (Par. 12-VI, Pages 8-9).
- (vi) Cautioning the State Legislatures about the State of their finances from time to time before they commit themselves to new programmes of expenditure (Par. 12-IX, Page 11).

For these purposes excepting the last one, so many agencies may not be necessary. Two or more of these purposes may be combined and put in the hands of a single committee. The Finance Commission may itself form suitable committees for these purposes as they are purposes ancillary and incidental to the performance of functions assigned to it by the Constitution. "In the interests of sound finance" is the compact phrase used in the Constitution to describe the object which the Finance Commission is required to fulfil (Art. 280, 3-d). But if statutory authority is considered necessary, appropriate action should be taken to move Parliament in that behalf.

The last of the purposes enumerated above (vi) is one that falls within the purview of State Legislatures. We have mentioned it here as we feel that it is a matter of sufficient importance to be brought to notice by this means.

As regards the composition of all committees, we submit that two conditions are essential: (1) There should be no domination of any one political party; and (2) at least a third of the membership of each body should consist of persons having a special knowledge of public finance and experience of administration and not belonging to any political party.

Finally, we plead that the Finance Commission be made a permanent body, to give close and continuous attention to the movements of financial policy and the effects of fiscal transactions on the life of the country and to supervise and co-ordinate the working of several subsidiary agencies suggested above. The need for such an apex authority to inspect and advise is particularly great at the present time when far-reaching and radical changes are taking place in the economic and social structure of the country. A sound system of public finance is one of the indispensable safeguards of the nation's independence; and a continuously functioning Finance Commission is the proper mode and means of that safeguard. Such a permanent body was indeed recommended by the Expert Committee of the Constituent Assembly in 1948; but in adopting that recommendation, the Constituent Assembly modified it as to leave the question of permanence to the decision of the President. Recent experience has emphasized the need for continuous vigilance. The great projects of the Planning Commission quite naturally involve enormous expenditure programmes; and correspondingly great is the importance of our having an authoritative and independent Finance Commission to watch and warn all concerned. The suggested improvement in the standing of the Commission can be effected under the Constitution as it is and without the incorporation of any amendment. We therefore recommend appropriate action to place the Finance Commission on a permanent footing as an instrument for the ensuring of a sound system of public finance.

Telephone: 70882

Utkhale Institute of Public Affairs

Narasimharaja Colony, Basavangudi, Bangalore-4

Founded: February 1945. Registered under the Societies Act.)

Object: EDUCATION FOR GOOD CITIZENSHIP

The G. I. P. A. is an independent, non-party and communal organization endeavouring to serve as a centre for the education of the public for democratic citizenship.

It has been devoting itself to (i) the unbiassed and objective study of public questions, (ii) the practising of the democratic spirit through civic vigilance and social service, (iii) the pursuit of humanistic culture through the study of the good and the great in literature and history, and (iv) the promotion of public welfare in all ways possible.

It has a working auxiliary in its Study Circle comprising a number of students and young men.

The Institute Hall houses the statues of Valmiki and the national poets of India, and the portraits of great world thinkers and poets of Europe from Socrates and Plato to Mill and Green as well as of the great patriots of India from Raja Ram Mohun Roy to Mahatma Gandhi.

MAIN ACTIVITIES

Library

Reading Room

Sunday Study Class

Saturday Popular Lectures in both English and Kannada

Civic Surveys

Symposia and Conferences

Committees to prepare Memoranda on Legislation and other Public Questions

Correspondence on Public Grievances with the Authorities

Cultural and Social Programmes

Publication of books & periodicals in both Kannada & English

Secretary will be glad to furnish information.

PRICES OF FOODSTUFFS

Causes of Their Rise & Remedies Therefor

RECOMMENDATIONS

PART II OF REPORT OF GIPA COMMITTEE [50 n.P.]

OPINIONS

Mr. N. Raghunatha Iyer, M.A., B.L., (*Formerly of the Hindustani*)

In releasing the pamphlet on 20-5-1961, Mr. Raghunathan said that the G. I. P. A. Committee on Food Prices had done a good piece of work. It recognised the intricacies of the problem and suggested an unspectacular, but sound mode of approach to its solution. The Central Food Council to advise the Union Government, which the Committee proposed, could be a power for good if the Government made an earnest effort to find experts who would not play politics, but would collect data and interpret them with objectivity and, where necessary, would speak firmly on the unwisdom of policies, whether sponsored by the Government or by the Planning Commission, which might make for further inflations and for the weakening of the economy. The Committee's caution against persisting with ideological legislation in such fields as land reform, where it had worked havoc with the morale of the people concerned in production, must be heeded before the Government's disastrous policy reduced agriculture, the bulwark of the nation's economy, to utter chaos. Mr. Raghunatha Iyer wound up with the pointed remark that the misguided and half-baked socialism of our Planners must be reversed so as to lay more emphasis on the development of the physical stamina, the intellectual vigour and the character of the people. There must be a limit to the extent of the sacrifice that was sought to be imposed on the present generation in the interests of the remote future. Social welfare services must not be starved, nor should prices be allowed to spiral up still further by unrealistic devotion to the cult of bigness.

Dr. C. P. Ramaswamy Aiyar

..... Read with deep interest the recommendations
..... on the all-important question of the prices of foodstuffs.
I fully agree with the Committee in emphasizing the over-all
responsibility of the Union Government. I also agree that all
financial and economic policies should, for the time being at
all events, be adjusted to the needs of the food situation. I
was specially struck by the chapter under the heading
'Incentives'..... Hoping that your brochure will set people
thinking on many matters which, at present, are ignored or
are being taken for granted.....