A WELCOME MAT FOR FOREIGN INVESTORS

By S. R. Singh

NEW DELHI -- Not even the most ardent supporter of "Bhubaneshwar socialism" can rightly accuse Finance Minister T. T. Khrishnamachari of having incorporated any "socialist ideals" in his budget for 1964-65. If there are sops in it, like some elementary social security measures, a slight lowering of income taxes in the lower middle-class brackets, and abolition of the unpopular Compulsory Deposit Scheme, Krishnamachari has merely used these to ingratiate himself with the articulate urban petty bourgeoisie and to cover up the real class character of his budget, which is a "morale booster" for big business, both Indian and foreign.

Even the weekly Link, the mouthpiece of "Congress socialism," complained bitterly [March 8]: "TTK, who knows how to conceal even his most sinister theses in a welter of innocuous and well-meaning phrases, has made use of this gift lavishly. He has not only quibbled with words, but has also often pontificated scholastically. The result is a skein of formulas and arguments which may sometimes prove to be even an expert's nightmare. Yet, nowhere in weaving this skein has he swerved from his principal objective to make the budget as, indeed, all his policies, an instrument to help in the efflorescence of private enterprise. As 'uninhibited' growth of such enterprise inevitably leads to concentration of economic power, what he, in fact, aids is the strengthening of monopoly."

What has surprised Link, and perhaps the Khrushchevist S. A. Dange leadership of the Communist party of India as well as the "fellow traveler" fraternity of "progressive Congressmen," is that the "Bhubaneshwar spirit of democratic socialism is totally missing in TTK's budget speech."

"The budget, the first to be presented after Bhubaneshwar," says Link, echoing these sentiments, "was rightly considered an index of the ruling party's earnestness about its socialist pledges. But when its contents, far from testifying to this effort bore evidence of a contrary trend, the people, and especially the Congressmen [?] could not but feel demoralised and bewildered."

"Left" Congress party members like K.D.Malaviya, R.K.Khadilkar, V.C.Prashar bemoaned in parliament that Krishnamachari was reversing the accepted policies of the Congress by his "pragmatic approach."

Marxists who recognize the capitalist class nature of the Indian state have no reason to be surprised at the budget which truly reflects the economic needs of the Indian bourgeoisie at the present juncture. Krishnamachari has made no secret of the fact that the "prime objective" of his budget is "to generate savings both in the hands of individuals and in the hands of corporate bodies."

A Step Further

In this he has not deviated from the policy pursued by the previous finance ministers, including his immediate predecessor, Morarji Desai. In fact Krishnamachari has gone a step further by assigning to foreign capital a much bigger role in the country's economic development than hitherto advocated by the ruling party in its industrial policy resolution.

Magnifying beyond proportion the size of the burden of debt repayments, and presenting foreign investments as free from this drawback, he has sought to prepare the ground for large-scale intrusion of foreign investment even in the public sector projects. A number of industries in which the private sector failed to install capacities and which reverted to the public sector, have now been thrown open for foreign equity participation.

Thus for the first time the role of the Indian bourgeoisie as a junior partner of the foreign monopolists (British, U.S., West Germany) has been officially recognized. This is the new pattern of the "national economy."

Rise in Foreign Investments

This turn is not unexpected to serious observers. Foreign investments have registered a phenomenal increase in India during the past decade. The Eastern Economist, the voice of the Birla House, reported in its October 25, 1963, issue: "Since Independence, Britain's private investment in India has more than doubled itself. It constitutes just under 75 percent of all foreign private investment. In 1948, British capital invested in India totalled Rs. 206 crores. [The rupee is about $.21 U.S.; one "crore" equals 10,000,000.] In 1960, out of the total foreign private investment of Rs. 612 crores, British invested capital amounted to Rs. 446 crores. This represents an average increase of Rs. 20 crores a year."

Moreover, the growing dependence of the five-year plans on foreign aid makes it obligatory for the government to adopt a fiscal policy which is virtually dictated by foreign monopolists. In the case of the Third Plan, for example, against the original investment of Rs. 10,400 crores, the aggregate over the five-year period is not likely to exceed Rs. 9,600 crores, of which Rs. 6,500 crores will be in the public sector and around Rs. 4,100 in the private sector at 1961-62 prices. "At current prices the aggregate investment may be much nearer the original Plan figure but in real terms there would be a shortfall of 10 to 15 percent." (Economic Weekly, Bombay, February 1964.)

In implementing the plan, again, foreign aid has so far been a very uncertain element. The total foreign aid received by India during the first two years of the plan was Rs. 2,966 crores (of which aid from the Soviet Union and East European countries amounted to only Rs. 329 crores). The external assistance required for the last three years of the plan is estimated at Rs. 2,659 crores. Rs. 1,481 crores have already been committed or secured, leaving a gap of Rs. 1,178 crores to be filled by "friendly" capitalist countries. In view of the "growing lukewarmness of the Aid-India Club" (a group of Western capitalist countries headed by the U.S.), Krishnamachari appears to be doing his best to cajole these "friends" into pouring more money into India. This explains why he is laying it on thick for the foreign monopolists and their Indian collaborators.

Tax Relief for the Rich

Among the reliefs to "certain" basic industries announced by Krishnamachari to help boost production are:

(1) Shelving of the super profits tax which has been the bugbear of the private sector.

(2) Introduction in its place of a surtax which will be less irksome to private "corporate" bodies.

(3) A rebate in the surtax levied on the profits of private companies (which "occupy an important place in our economy") up to 20% of the tax assessed.

(4) Removal of the ceiling (fixed by Morarji Desai) on remunerations of private undertakings, etc.

As a further incentive to foreign investors, he has reduced the super tax on incomes from royalties and technical fees from 38% to 25% in the case of nonresident companies. He has further sought powers to exempt foreign investors from taxes on income derived from loans given to Indian enterprises with the government's approval, and has also exempted them from income taxes on approved securities. There is also reduction in the tax on engineering services from 63% to 50% as an incentive to "foreign consultants."

If Krishnamachari has not resorted to many forms of direct taxation, it is because he can afford to lie low for another year. Revenues next year are expected to be as favorable as they have been during the current year. Direct taxes to the tune of Rs. 15 crores have been levied in the form of wealth and expenditure taxes, and marginal increases in the capital gains tax and the estate duty. All this, along with the introduction of a new "annuity scheme" for people having an annual income of more than Rs. 15,000 is intended more as a maneuver to mislead public opinion (to give an "against the rich" touch to the budget). This is more than counterbalanced by the indirect taxes levied by him to the tune of Rs. 25 crores in the form of increased duties on fine and super fine yarns.

The total revenue for 1964-65 is estimated at Rs. 2,095 crores and the expenditure at Rs. 2,041 crores, thus leaving on the basis of the present taxation, a surplus of Rs. 54 crores. Civil expenditure is placed at Rs. 1,323 crores and defence at Rs. 718 crores (being Rs. 25 crores more than the revised estimate for the current year).

The only new proposal contained in the Finance Minister's speech is the appointment of a Monopoly Commission; but, in the context of the promonopoly character of the budget, this is obviously nothing more than eye wash meant for popular consumption.*

The Krishnamachari budget, as some of the Congress members of parliament said during the debate on it in the Lok Sabha, "has spelt the burial of socialist ideals." These "socialist ideals," in fact, were never meant seriously by the bourgeois leadership of the Congress. They were at best a cloak to deceive the masses about the real class objectives of the Congress leadership.

The budget, however, reveals another significant turn in the economic strategy of the Indian bourgeoisie. Having failed to develop the productive forces of the country, and finding themselves enmeshed in an ever growing crisis, the bourgeoisie are turning toward more open and unconcealed partnership with imperialism as a way out of the impasse. Small wonder that the only people who have praised the budget for its "realism" are men like Bharat Ram, president of the Federation of Indian Chambers of Commerce and Industry, and the Swatantra party members of parliament, Minoo Masani and Gayatri Devi, both ardent advocates of "free enterprise" in India.

Krishnamachari and his economic advisers are mistaken if they think that by the new strategy they can save Indian capitalism. Perhaps their course will hasten its doom. Already the rate of growth of the major sectors of the economy continues to be below the goals in the third year of the Third Plan. The growth of national income

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*About fifteen business houses control nearly 70% of the share capital in India's private sector. More than half the total private investment belongs to only one-half of 1% of the country's shareholders. "These few control the whole range of industries from steel to soap, from tea to tinplate." Five big Indian banks control one-third of the total paid-up capital and more than one-half the total deposits in private banks. Yet Krishnamachari contemptuously rejected the demand made also by a section of the Congress members of parliament for nationalization of banking!

in the first two years of the plan was only 2.5% (more than neutralized by the growth in pooulation) as against the projected growth of 4%. In agrioulture, instead of the anticipated average increase of 5%, production aotually declined 3.3% in 1962-63.

Whatever limited progress Indian capitalism has been able to achieve in the eoonomic sphere has been at the expense of the masses. The productive forces can develop freely, not within the matrix of a backward oapitalist system, but only under a new social order based on social ownership of production.