the industry. Of course, it did nothing of the kind. How could it? It gave the opportunity of building the kind of organisation that could achieve the objects and aspirations that the sponsors of nationalisation have so often and so long advocated. But of itself it only provided the means whereby a building up process could succeed it in order to carry the legislation into complete effect. I talked with the Chairman of an amalgamation of six electrical companies and he told me before the vesting date that it took his organisation five years alter the amalgamation to realist! the real advantages of the combination. That was six companies; we had 179 and the Coal Board 800."

He went on to claim that already an improved spirit of public service was discernible, though, with the same management in power and the same men in service as before nationalisation, it might take some time to " consolidate the personnel into a single entity directed to the straightforward purpose of achieving the aims that nationalisation sets out to accomplish." He concluded by fitting nationalisation into a wider picture of social change. " So far as I see it," he said, " The nationalised industries are grappling with problems of an economic, and social character the solution of which will have results not merely in our own country but practically in every part of the world. We may easily he proving now tin: forerunner of a great new economic system, a system which is built on resiliency, flexibility and industrial democracy."

Before examining the more longtermimplicationofLordCitrine's theories, it might be well to examine some of the immediate problems of these industries. One of the reasons why wage earners are cynical about the good intentions of the Government is that members of the boards seem even more remote than the former owners. In the case of coal, the managing directors were generally somewhere near the pits-— however much you disliked them you at least had the satisfaction of seeing what you disliked. Now decisions are handed down from a vast height and. b the time they reach the* men, have lost all personal feeling. Lord Citrine sits as chairman of a board of Ueven people. As chairman, he receives a alary of £8,500 a year (of which just over £3,000 is left after tax.) The chairmen of the Area Boards receive £4,000 each. A similar pattern exists on other boards—the chairman of BO AC receives £7,500, that of the Gas Council £6,000 (with £1,ooo expense allowance). That they do not all come out on their salary is indicated by the resignation of the chairman of the raw cotton commission, after the Government auditors had objected to his drawing his salary (of £5,000) in advance!

Now it is difficult enough for a trade unionist to retain his socialist enthusiasm when elevated to the class of super-tax payers; but most of the ex-managers of the private concerns who have been taken over with their companies had not even that initial socialist idealism to inspire them. In the total of over twenty million incomes listed by the Commissioners of Inland Revenue for 1948-49, only 41,500 were in excess of £5,000 (and only 10,800 in excess of £10.000) so that the all-powerful boards of the nationalised industries belong to a small privileged class, remote from the miner or railwayman whose wage rate, for the most arduous and uninviting toil, is five or six pounds a week. It is contended that these salaries must be paid in order to attract and retain the men who would otherwise go to private industry, but even the head of the civil service, the Permanent Secretary to the Treasury, with immense responsibility 'to the nation, has been getting only £3,500 a year (with an increase to £5,000 in a few months' time).

But there is another important aspect of nationalisation besides that relating to the ideas of socialists. The industries so far dealt with were " national " even before they were nationalised. Gas and electricity were largely in the hands of municipalities; the railways were subject to rigorous governmental control. Both coal and railways were in a bad way, incapable of serving manufacturing industry in the way necessary if the latter were to survive in a competitive world. Unification, national planning and the expenditure of vast sums of capital were essential if they were to be saved from insolvency.

As for the future, whether a " hiatus '' appears in the " interregnum " or not, there are legitimate doubts as to whether nationalisation of these basic industries have inaugurated a new sort of social system, as Lord Citrine thinks. That they have made capitalism more efficient there can be no doubt: as to whether or not they have proved the lightness of the Fabian dogma for the answer to that we shall have to wait a few more wars.

The State of Finances

HOW would he the Republic's finances at the end of the financial year[3] There were gloomy prognostications some months ago that a deficit of the order of 50 crores in the revised budget estimates was a certainty. Indeed the finance Ministry was so much alarmed by the size of the apprehended deficit that it renewed its efforts and put fresh vigour into its drive for economy, notwithstanding the rebuffs its earlier advances had met from every other ministry. By stages, it press reports are to be believed, the magnitude of the expected economy has been raised from Rs. 4½ crores to Rs. 7½crores. not an inconsiderable reduction, considering that it does not include defence expenditure. This, however, is for the next year. Economy in 1950-51 is likely to be much less. Actually the range of expenditure over which economy is possible is itself limited, defence bring always in a special category and debt services as well as grant-in-aid to States being fixed obligations to which the axe cannot be applied. An economy of Rs, 7½ crores when the principal item on which the axe eon id be applied was Civil Administration which accounts for no more than Rs. 50 crores out of a total expenditure of Rs. 338 crores budgeted for the current year is now thought: possible only because the secretarial re-organisation suggested by the Iyengar Committee which had been hanging in the air for so long, is expected to be pushed through at the same time.

The budget prospects were considered bleak because expenditure on food subsidy alone, was expected to mount up for the current quarter and also for the next financial year, in view of the necessity for food

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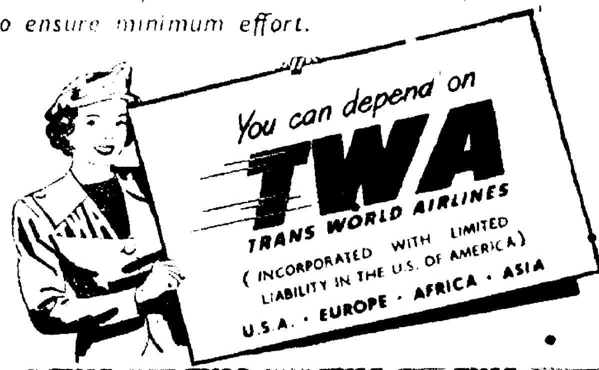

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imports on a scale that had not been contemplated in the last budget; defence was also to cost more and expenditure on refugees, both on revenue and capital account, was known to have far exceeded the original allocation.

As against these, there have been unmistakable signs, in recent months, of a substantial improvement in revenue collections, mainly from customs and excise, which may yield by the end of the year, an additional 50 crores to onset the anticipated increase in expenditure. How has this been possible? The revenue from customs would have gained in any case from the brisker demand for exports which followed devaluation, and the later boom in commodities in the closing quarter of the year. It will now be further augmented by the enhanced duty on exports, specially on jute and hessian; the latter alone is expected to fetch an extra 10 crores.

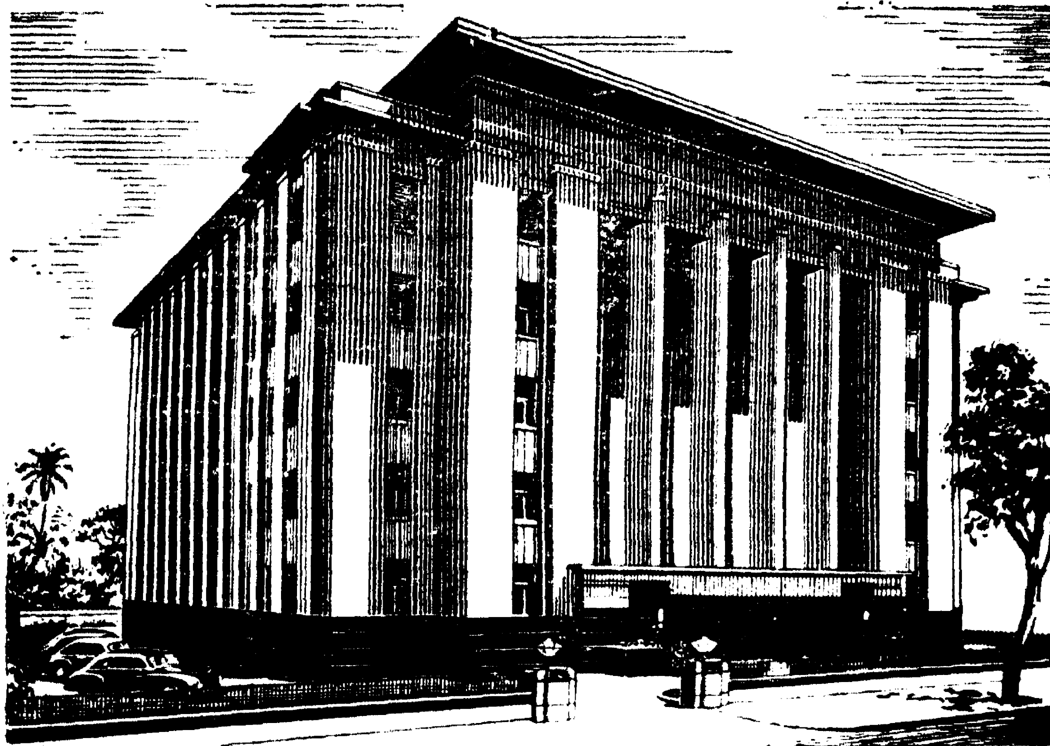
So if the above estimates are not wide of the mark, there should be no fears of a deficit on revenue account in the revised estimates even though supplementary grants on revenue expenditure exceed 50 crores as they were expected to do, and the revenue budget may thus be balanced. For, if food subsidies are cut down drastically, as has been announced,- currently they have been running in excess of Rs. 25 crores per annum and by the end of the year they may run to a much higher figure in view of higher import prices and freights—the saving effected may offset the heavier expenditure on refugees for which provision will certainly have to be made in the next financial year. Defence still remains an uncertain factor, despite the Prime Minister's definite commitment that the defence budget will undergo a cut. If the demand for our exports keeps up as it is expected to,—the only question is how far we may be able to take advantage of it ꞌn view of the various shortages at home—and if there is no shortfall in imports greater than what may be compensated by the possible rise in import prices, revenue from customs may be maintained at the substantially higher figure it is expected to reach this quarter. The latest returns on income tax also show that collections under this head have been running at a higher rate—higher than last year and hence the outlook for the next year's revenue budget at least need cause no anxiety.

Even so, all is not well; the situation is not really as comfortable as the above may suggest. The Finance Minister's assurance that if things are bad this year, they may not be so in the next year, and in the year after that, should be taken with a pinch of salt. It is the capital side of the budget which presents an intractable problem, 1 is an open secret now that this part of the budget will reveal a yawning gap when revised estimates are presented nor is it easy to. see how this gap can be closed without raising further taxation to obtain revenue surplus for financing increased development expenditure at least in part. Whether the Centre will raise taxation or pass on that unpleasant necessity' to the States and thus make them shoulder a greater burden than they have so far been willing to bear may be open questions—but not the necessity for further taxation. The financial integration of the States completed a year ago would mean little and the Finance Commission to be set up to recommend distribution of the proceeds of taxes to be shared between the Centre and the States and to lay down the principles which should govern grants-in-aid to the States out of the Consolidated Fund of India would not mean much unless we begin to think from right now in terms of a *unified* structure of taxation for the country as a whole, broadly decide what proportion public revenues should bear to the national income and apportion the burden accordingly. It is only if the States and the Union make a joint effort that the means can be found for financing public enterprises on the minimum scale that is essential., for improving the economic conditions of the people and to ensure for them a reasonable chance of employment.

The capital budget reveals a yawning gap because once again the Government's borrowing programme has flopped miserably. At the end of the financial year, of the: estimated 68 crores to be met from borrowing, the actual realisation may not exceed Rs. 25 crores, including small savings and the loan from world Bank of Rs. 10 crores. This is of course the *net* borrowing figure after allowing for repayment. There is thus a short fall under borrowing of nearly 45 crores to which is to be added the increase in capital expenditure already incurred by railways of ro crores and by defence of 5 crores. Thus the deficit originally estimated at 24 crores, on the assumption that Government would be able to raise Rs. 68 crores (net) by borrowing, looks like mounting up to 80 at the end of the financial year, other things remaining the same. How is this heavy deficit to be met?

If the capital market does not change overnight — there are few who will not be surprised if it does it will not be realistic to expect that the Government will fare any the better next year. There is, besides, repayment due on existing loans aggregating 85 crores. This alone will put a severe strain on the resources of the Government. How about financing capital expenditure which has already been trimmed down and cut, by all counts, to the irreducible minimum? Press reports that the Finance Ministry is contemplating slashing capital expenditure next year from 150 to 80 crores, let us hope, are not true. Projects on hand and in immediate view have been subjected to the severest scrutiny by the Planning Commission among others. If borrowing fails, other methods will have to be resorted to, even if they are unpleasant. For the capital projects have already been stripped down to the ban bone, and cannot be reduced any further.

There are other means of raising funds, less palatable, at least at the first stage, than borrowing against *ad hoes.* However unpleasant its immediate consequences may be, the need for raising taxation,, therefore, appears inescapable, and the responsibility for it will have to be shouldered by all, and not by the Centre alone. The States may be persuaded or cajoled into such a course through indirect means of cutting down even more drastically than was done last year such financial assistance as the Centre had been able to give them in one form or another. This is where financial integration and the appointment of a Finance Commission calls for a re-examination of our accepted ideas of the incidence of taxation, and a revision of our ideas of the just and fair distribution of the tax burden. A broader approach has now to be made, the burden must be made to bear some reasonable proportion to the national income. The surplus thus obtained in the revenue accounts by the Centre, if the States come forward., may then be turned over to meet the deficit on capital expenditure. There is no other way.



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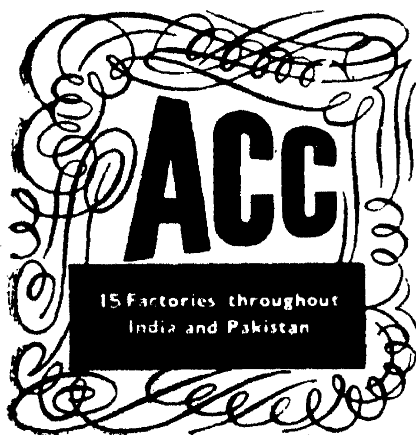

extends its Greetings and Good Wishes to the nation on this, the first anniversary of the birth of our Republic.

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