From the London End

Budget

"We asked for a prescription but got instead a betting slip''—Ian Mikardo, M.P.

THE Chancellor of the Exchequer took two hours to make his Budget statement. The presentation however was masterly. By the time he had finished, the Commons and the whole nation was enmeshed in the originality of his suggestion of an issue of "Premium Bonds", a type of state lottery. It took the country a whole day of reflection to realize that the premium bond suggestion (and it was no more than a suggestion) was merely an aside and irrelevant, so far as basic issues were concerned and that the Budget contained little that was new in economic policy and that it brought no change in the tax-burden now borne by the tax-payers. The Economist thought the Budget was a "missed opportunity" and the Stock Exchange went on to add five points to the value of industrial shares. The present Conservative Government has a remarkable ability to devise slogans slogans which quickly turn out to be dangerous and disastrous. The April 1955 slogan was "Invest in Success". Today, the slogan is: a savings drive. The trends in the motor industry may well show this to be, as inappropriate (or disastrous' as was the earlier catch-phrase.

The Budget proposals involve no change in the income tax. What little is given away as concessions is recouped by some small (and nasty) measures. The concessions include, first, a reduction in stamp duty on conveyances of houses, freeing from tax interest receipts up to £15 on savings deposits, and tax-reliefs on pension premiums of self-employed persons. These, in all, will reduce Exchequer receipts by 120 millions this year. The second concession concerns an extension of family allowances involving a loss of 15 million to the Exchequer this year. As against these concessions, the Chancellor recoups £12 million this year by the removal of the remainder of the bread subsidy. Further recoupments are £27 million by an increased tobacco duty and £750,000 from increases of 2. per cent and per cent on the distributed and undistributed profits respectively. As a result, the 1955-53 Budget surplus of £397 million is expected to increase to £460 million in **1956-67.**

There is one other substantial policy pronouncement in the Budget. The Exchequer has now decided to finance the capital needs of nationalized industries up to £700 million in the next two years. This represents a certain reversal in the previous policy. In the past year nationalized industries, like local authorities, had to find their capital in the money market. The reasons for the change are not particularly clear. When these Public sectors were told to go to the market, it was argued that it would not only be a good thing for them to be subject to the rigours of the market but that it would relieve the monetary authorities or the embarrassment caused by an excess issue of Treasury bills. The Chancellor now says that the Public sectors should be enabled to borrow "autonomously" and that in the past year the Exchequer had to provide assistance to the nationalized industries whenever they bad to fund their bank borrowings by market, issues of stock.

The Budget expresses a hope a hope which increasingly appears to be beyond realization. The Chancellor claimed that he hoped" for a reduction of £100 million in Government expenditure. However, in the Commons debate following the Budget statement, a Government spokesman pointed out that such a reduction in expenditure must involve changes in policy. He, however, doubted policy changes on defence or on social welfare taking place. Whence and wherefrom the reduction, then'' Since it is a "hope", the question does not call lor a reply.

The Budget has been received with little enthusiasm in the country. From the prima donna of British anarchists. Mr Malcolm Muggeridge, to the pro-Macmillan Economist, comment has been critical of the fiscal proposals. To Mr Muggeridge. the Budget presumes the continued Great Power status of Britain, thus making It necessary to have such large defence expenditure. This, says Mr Muggeridge, is a disastrous presumption. The Economist finds the Budget lacking the "dynamo"—it "will not lose Britain any wickets, but will also not make it any runs".

The April 1955 one was an unabashedly political budget The present one has the same unmistakable political overtones. The authorities are obviously afraid, as then, to attack the problem of inflation by measures of further restraint on demand. They have chosen to effect a disinflationary policy via the dubious path of exhortation for higher private savings, to be supported by the premium bond bribe. The City of "London, the larger industrial interests and the Conservative economists had all hoped that in the words of the Economist "the object of the Chancellor's new policy is to secure greater stability of prices even at the risk of some sacrifice in terms of production". The hope that the Budget would engender unemployment and thus some price flexibility is now belied. Maybe the fear of trade union retaliation to such a policy made the authorities hold their horses. Government has also refused to meet the demands for implementation of some of the more crucial recommendations of the Royal Commission on Taxation, in particular, a reform of the tax system. The reform favours incentives in industry in practice this would mean a tax structure that is less progressive. Here, too. the Chancellor's political fears must have dictated his decision to postpone land maybe relegate into oblivion) all the Royal Commission asked to be effected.

The most active aspects of the Governments attack on inflation is still to be found in the monetary field. It is true that large fiscal surpluses are being persistently reaped and this constitutes the most vital form of the anti-inflationary attack. On the other hand, the active, more public and conscious attack remains the purely monetary measures'. But as the Chancellor admitted, the monetary controls which he and his predecessors have set in motion have taken a long time to work. What he refused to admit, however, is the tremendous cost to the Government of an economic policy largely based on flexible interest rates and credit controls. The Interest burden on the national debt has risen by over £100 millions in one year. And having regard to the inequitable nature of the monetary transfer involved In the State payment of Interest from tax receipts, the objectives of social policy also appear to be retarded by monetary controls. What is remarkable, however, is the contradiction between the pursuit of this monetary policy and the decision of the authorities to finance the capital needs of the nationalized industries. Since the nationalized industries' requirements are to be met by the Exchequer, it will mean two things; an increase in the amount of Treasury bills issued and, secondly, greater liquidity in the capital market (since the demands of the nationalized industries will now not be present). Both these factors can engender a degree of liquidity in the banking system and banks will now be "forced" to extend credit facilities to their clients. The larger volume of Treasury bills will assist the movement towards increased liquidity since these bills constitute the best of short-term paper against which banks can confidently extend the national credit base. And yet the Government continues to persist in Its belief that all that it is doing will maintain the' credit squeeze.

Mahindra & Mahindra

WORKING results of Mahindra and Mahindra. Ltd for the first year since its conversion into a public limited company, were satisfactory. For the year to October last, the Company declared a dividend of 10 per cent to ordinary shareholders As It is a Section 23A Company, an application has been made to the Income Tax Commissioner for relief under .sub-section (3) of the Income-tax Act.

In the year under reference, the Company's sales reached a record figure. Sales of jeeps, allied vehicles and spares and trailers were about fifty per cent more than those *of* the previous year. More than thirty-six' per cent, of steel imported by the Iron and Steel Controller was booked through this Company. In collaboration with David Brown of UK, the Company has plans to manufacture tractors. This plan is under consideration by the Government.

In the report, it is stated that the Company's plans for the manufacture of jeeps started last January. In April, 1955, the automotive plant at Bhandup was acquired. ' This plant's machinery and equipment were renovated, additional machine tools were purchased and various steps were taken for strengthening its resources to serve as a pilot factory for the manufacture of Jeep components and for training of skilled operatives.

It is stated in the report that the steel stockyard in Calcutta has been working satisfactorily. With the transfer of the stockyard to the new area leased from the Port Commissioners, the directors hope that sales will improve further. Active investigations for similar stockyards in Bombay and Madras are being made. Arrangements for the assembly of trailer units in Madras have been completed. "Consideration is being given," it is stated in the report, "to the setting up of an export desk under the aegis of Mahindra Engineering Co. Ltd. a wholly owned subsidiary of the Company".