Reserve Bank and in the Government's cash balance. The figure of Rs 4 crores given by T T K as the budgetary surplus for 1965-66 represents precisely this.

This definition of budgetary deficit or surplus is, however, inadequate and misleading. It Is inadequate because it leaves out certain items which are as important as Treasury Bills sold to the Reserve Bank, such as sale of longterm securities to the Reserve Bank. It is misleading because it gives no idea of the impact of the budget on aggregate monetary demand. The only meaningful definition of a budgetary deficit is one which equates it to the banking system's net credit to the Government. Accepting this definition, it is doubtful whether the net impact of the 1965-66 Budget on the aggregate monetary demand will be contractionary.

It will depend, in the ultimate analysis, on the nature of subscription to Government loans. Public borrowing next year is estimated at Rs 270 crores. Who will buy these securities? The Finance Minister is aware that the Government's borrowing programme will have to "be based on a strictly realistic assessment of the flow of genuine savings". He also appreciates that Reserve Bank subscription to Government loans is a form of "deficit financing rather than mobilisation of the voluntary savings of the people".

But why only Reserve Bank subscription? What about subscriptions of commercial banks and co-operative banks? Sale of Government securities to commercial and co-operative banks is no less expansionary in its impact on monetary supply than their sale to *the* Reserve Bank. It is certain that a considerable portion of the proposed borrowings of Rs 270 crores would be subscribed to by commercial and co-operative banks. The data on ownership of Government securities published by the Reserve Bank show that holdings of commercial and co-operative banks of Central Government securities constituted about 18 per cent of the total at the end of March 1964. The marginal proportion may even increase in future in view of the higher statutory requirements prescribed by the Reserve Bank.

A functional concept of surplus or deficit must, therefore, leave out of public borrowing loans subscribed to by the banking sector.

More Taxed, Also More Profitable

THE tax burden on private companies has always been higher than on public companies but in 1962-63 the margin widened considerably. In the Reserve Bank samples, the ratio of tax provision to profits before tax rose in the case of public companies from 38 per cent in 1960-61 to 43 per cent in 1961-62 and further to 50.6 per cent in 1962-63 (it declined somewhat in 1963-64 according to *Economic Times* studies); for private companies the ratio went up from 47.7 per cent to 52.7 per *cent* and then to 63.8 per cent in the three years.

The increase in 1962-63 was in both cases (many public companies too are deemed to be narrowly owned) partly due to the raising of the standard tax rates on closely owned companies from 50 to 60 per cent, and the imposition of, first, the super-profits tax and, then, the surtax. An upwar 1 trend in tax liability had, nevertheless, appeared even before the additional imposts were levied. The only explanation for that could be (though this cannot be supported from either company finance data or income tax data) that over the period 1960-61 to 1962-63, the utilisation of tax concessions, like accelerated depreciation, development rebate and tax holiday, tended to taper off. This in turn could be due to a fall-off in corporate investment or the inadequacy of profits to absorb tax concessions or the non-availability of extra depreciation since 1959.

Company finance data do not show any significant falling off in the rate of gross fixed assets formation — rather the contrary for private companies. Profits before tax in relation to sales and total capital employed have not fluctuated very much either. Is the withdrawal of extra depreciation then largely responsible for the higher ratio of tax to profits? While the Reserve Bank could throw some light on this question, one wishes that the Income-tax Department would also bestir itself into publishing some useful and, for a change, meaningful statistics. At present, income tax revenue statistics easily take the cake as the worst set of statistics produced by the Government.

Coming back to comparisons between public and private companies, there is no doubt that the latter are more profitable, judged by any criterion (see table below). There was one rather curious development in private companies in 1962-63; their rate of growth of sales doubled as compared with the previous year, outstripping the increase in production and thus leading to a substantial decline *in* the accumulation of finished goods inventory.

On the Economic Survey

A correspondent writes:

THE economy passed through a testing time in 1964-65 but reading the Economic Survey one would not get that impression if one were to skip the first section which

Profit Allocation and Profitability Radios of Private and Public Limited Companies

	Public Limited Companies			Private Limited Companies		
	1960-61	1961-62	1962-63	1960-61	1961-62	1962-63
Tax provision as percentage of profits before tax	47.7	52.7	63.8	38.3	43.3	50.6
Dividends as percentage of profits after tax	38.1	31.5	25.7	37.4	36.0	31.3
Retained profits as percentage of profits before tax	14.2	15.8	10.5	24.3	20.7	18.1
Dividends as percentage of profits after tax	72.8	66.6	71.0	60.6	63.4	63.3
Retained profits as percentage of profits after tax	27.2	33.4	29.0	39.4	36.6	36.7
Gross profits as percentage of sales	6.7	7.3	7.3	10.3	10.2	10.1
Gross profits as percentage of total capital employed	10.5	11.1	11.3	10.1	10.0	10.1
Profits after tax as percentage of net worth	12.7	12.0	9.7	10.9	10.0	9.0
Dividends as percentage of net worth	9.3	8.0	6.9	6.6	6.3	5.7
Dividends as percentage of paid-up capital	14.3	13.0	11.5	11.1	10.9	9.9

Source; Reserve Bank of India Bulletin, February 1965, p 161.

contains "an assessment in brief", Complacency seems to be the hail mark. How else can one describe this gem—"A good deal of the progress that takes place in the economy, particularly in small industry, dairying (sic!), poultry-keeping (sic!), retail trade, etc, does not in the nature of things get reflected in the national income statistics"? This is in seeking to explain the slower rate of growth than envisaged. If one were to be flippant, it seems as if the authors of the Survey are asking us not to mind the wheat crop failing as the hens are laying more eggs. The Survey continues: "But even without making allowances for this, it is clear that the *somewhat slow* rate of growth of the economy in the early years of the Third Plan was rather the result of *temporary* difficulties than of more deepseated reasons" (italics added). A growth rate of about 3 per cent on the average in the first three years as against an average expected of more than 5 per cent is regarded as "somewhat slow". And can we blame the weather gods alone? Are the failings that beset the agricultural sector only temporary? Is the shortage of fertilisers temporary? Are not the absence of a price stabilisation policy and effective land reforms "deep seated reasons"? One can go on.

The same complacent treatment marks the section on industry. The slower rate of growth is explained by the fall in coal output as if this was a reason instead of being a symptom. But why has coal output fallen and the transport situation eased? Not because the supply of these goods and services increased beyond the Plan targets but because the demand foil short due to other failures. The decline in coal is ascribed to better transport facilities; the easing of transport was no doubt due to the lower

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The complacency continues in the treatment of prices. At the end (one hopes) of a period of a sharply rising prices we are asked to take heart as "to *some* extent" (note the continuous hedging) this is a correction of earlier trends!

When it comes to a discussion of the balance of payments, try as one might, it is difficult to put on a brave face; there is a faint attempt at trying to explain away the gaffe in foreign exchange budgeting which has led to our present crisis and there is a curious reference to a change in the procedure of recording export receipts. If a change has been effected it should have been publicised and the difference in the data explained.

The sections on the lessons of last year's developments (temporary, were they not ?) for economic policy read like a recital of all good things,— we should raise igricultural production, stimulate investment in priority areas, improve public sector performance, exercise greater monetary and fiscal restraint, promote exports and improve the distribution machinery. Reading the various plan documents (Models I, II and III) and the previous economic Surveys, one might be led to think that this is what we have tried to do all along. Or were we mistaken?

Ill-Paid Teachers

BETTER education can come only through better teachers. This has not escaped anyone nor the fact that teachers in India are woefully underpaid and compare unfavourably even with ordinary unskilled workers. After three Five-Year Plans, a minimum salary of Rs 50 for a trained primary school teacher has been barely achieved while the secondary teacher, who is invariably a graduate and holds a teachers' training degree, earns between Rs 160 to Rs 300 per month, with wide regional disparities.

As bits of statistics these are not unknown; what the West Bengal teachers' strike has achieved is to emphasise that they also determine the quality of life for thousands of men and women and their children—not only what they are and become, but even what they eat and wear.

The strike is not the first that teachers have been driven to in W Bengal. There was one in 1954 and another in 1961. On both occasions small concessions were won after bitter struggle. And currently, besides West Bengal, teachers are restive elsewhere. The All-India Secondary Teachers' Federation observed a 12-hour token fast all over the country on February 14. In U P teachers have threatened to boycott the High School and Intermediate Board examinations. Reverberations of the teachers' agitation have been heard in the West Bengal Assembly and even in the Lok Sabha and the Rajya Sabha.

The West Bengal teachers had submitted a 17-point demand to the Government covering revision of pay scales of both teaching and non-teaching staff of schools and an increase in dearness allowance upto Rs 30 with an extra Rs 5 for every five point increase in the cost of living index. Primary teachers had asked for an increase in pay to Rs 100 and in dearness allowance which, it deserves to be mentioned, is now at the princely level of Rs 5.

The Government's response to these demands was to promise to raise primary school teacher's dearness allowance to Rs 10 and to make corresponding adjustments for secondary school teaching and non-teaching staff. The Director of Public Instiuction actually issued a circular to school managements inviting them to seek police help in keeping schools open and threatening them that if there was protracted stoppage of work in a school, Government aid to it would be withheld.

Finally, Chief Minister P C Sen agreed to the appointment of a high-powered committee on education to look into the teachers' demands and to review the school education system in the State. While the teachers have called off their strike *in* response to this offer, the question of teachers' pay is more than the concern of a single State. The All-India Secondary Teachers' Federation has been pressing for an All-India Pay Commission or a Secondary Education Grants Commission like the UGC.

The Planning Commission has recently suggested a national commission to study the wage structure of school teachers. If this marks a recognition of the fact that in a money economy, teachers are as much subject to the monetary incentive as any one else and that, therefore, poor pays can only mean poor teachers, it marks an important step forward. The mistaken belief that somehow good teach ers can be produced and retained for absurdly low wages just through occasional verbal idealisation and observance of a "national teachers' day" once a year has already done enough harm. The National Education Commission may fruitfully investigate how much of the money so far spent on expansion of primary and secondary education has been permanently wasted as a result of the poor human material which the inexorable working of the allocative machanism of a market economy has left the teaching profession with.