

My Budget Wish!

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Two very recent events have led me to write this column. First, recording of a new show in which we tried to debate 'Economic Reforms: As Good as Dead?' The panel included a leading corporate face, a former Union Minister and a well-known stock market expert. You will have to wait to see which way the debate ended.

But the key takeaway was that the government should stop subsidizing the poor by taking money from the rich, it should instead look at other means of deploying tax revenues in order to benefit of millions of Indians who don't lead the lives the privileged do in urban India.

The case in point was the National Rural Employment Guarantee Scheme (NREG). A lot has been written regarding leakages in the scheme leaving the so-called "Aam Aadmi's" UPA government a bit red (!) in the face. This column, however, is not about problems but solutions.

Second was my visit to Sivagangai, the Lok Sabha constituency of our Finance Minister P Chidambaram. To my surprise, I did not find many factories or corporates with IT parks. Normally, one would expect a rush of these if not for economic reasons but just to keep the Finance Minister happy. If you know the way our politicians work, you would expect massive development (maybe, like in Amethi), examples of state owned units being set up to give employment etc.

But, all I found were some successful examples of Central and state welfare schemes at work, which at least to my journalistic mind are having a significant impact on the ground. Well, that is the least you expect from the constituency of the FM who is known to be a man of details. But when I say successful examples, rest assured I did not talk to those people who were made to speak to us for the sake of cameras but those who I found were away in the background even as Mr Chidambaram came calling.

I met two young people, one about 28-year-old woman and another 25-year-old man. Both can't speak English, Tamil is all that they knew. But I don't think they needed a common language to tell me what has now become my new theory. Both these individuals studied till class tenth.

Since, they don't have any other means of employment, they are presently working under the NREG digging a rainwater drain in order to store water if there were to be a flash flood in the region. They get paid 80 rupees a day. At the rate of 240 working days a year, this translates into 19,200 rupees a year. This is enough for them to feed their family and live a respectable life.

I asked them two questions. First, would you like to be employed in a factory in case one is set up? Their answer was if they get trained, of course. Second for now, what would you like to see in this year's Budget? The answer, we want such schemes to continue until that factory comes up!

So here goes my new theory. While corporate India may not like the underlying premise, to Mr Chidambaram, it may sound like a compliment from a cynical journalist!

In this Union Budget, Mr Chidambaram should step up on this scheme. But he should not do so by allocating more funds. Instead he should do the following. If it needs 19,200 rupees for every individual to survive in rural India then if one increases it a bit at the rate of 100 rupees a day for 240 working days. We are then talking of 24,000 rupees per individual. If I were to go by the 2001 census, India had 5.94 lakh villages with a population of over 74 crores. Even if 50% of this population were to be adults who need a job we need to give employment to 37 crore people. At the rate of Rs 24,000 we are talking of Rs 8,880 crores, little over 2 billion dollars. In India, we have about 3.2 crore people paying income tax. If the Finance Minister were to make an offer to all these tax payers that they can claim extra relief of Rs 24,000 only on the condition that they will also have to spend an equivalent amount under their own supervision on some scheme. This way, he could actually ensure Rs 800 crores are well spent. Remember, the condition that the FM needs to put is that this 'tax relief' will be given only if the tax payer personally oversees this amount being utilized properly. Basically, the tax relief comes with a condition of participation!

Unrealistic? Not quite. Each one of us living in the cities can choose the nearest village where such government schemes are being implemented. Pay a visit once a month, make it into a family outing but go and see if your money is being well utilized. This will serve two purposes. One, you will get to see that there are no leakages in the system and as a result we will not abuse the state machinery. Second, you will feel much closer to the realities of an India, which co-exist within miles of our urban prosperity. While this amount may not be enough to fund the employment of all the 37 crores who may be needing that 100 rupees everyday, it will be a small drop in the ocean with several

objectives. No one can then complain of leakages in the system. The remaining amount of Rs 8000 crore can be deployed from the rising kitty of corporate tax revenues.

And this is why I say corporate India and tax experts may not like my idea. One it is some form of subsidy in the garb of nationalistic ideas, second it may challenge some tax theory devised by our Western economists. But India offers to experiment with a different tax theory altogether.

For corporates, who devour theory of subsidies, it is time to realize that they are yet to invest in areas where they don't see possibility of super natural profits. And if they believe economic reforms are as good as dead and that their performance has nothing to do with government action then why not agree with this wild radical thought of direct tax relief with a condition of direct participation. If you are not willing to set up a factory to earn super natural profits then it is time to give back. If moments of happiness like victory against Australia or Sunita Williams living in space can evoke emotions and national pride, I am sure being witness to good work being done and participating in it by visiting one the 5.94 lakh villages can also evoke a sense of nationalistic pride. Because until corporate India or the urban privileged class owns the rest of India by some direct visible action they will not be on the radar screen of the 28 year old woman and the 25 year old man. Until then it is only the politician who is their best hope. And even as we remain cynical, one can't deny it is the politician who will be their bridge to prosperity.

So Mr Chidambaram, this is my wild and radical idea of giving direct subsidy and tax relief as well. Your best hope to evoke national pride to help the poor, raise some extra money to see it being put to good use and prove that the theory of inclusive growth can be put to use at ground zero. I am in Davos now for the World Economic Forum summit, where the FM is leading a 80-member delegation, the priorities will be very different and they should. But we are also in Budget mode and this time round corporate India could do well by not raising their expectations of more incentives but some serious commitment to 'inclusive growth'.