AGRICULTURAL TAXATION AND RESOURCE MOBILISATION

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The need for raising resources through agricultural taxation or from the rural sector has been emphasised time and again in various quarters. The Government, however, has not been able to make any substantial advance in this direction. On the other hand whenever the Central or a State government has made any attempt to raise resources by imposing additional agricultural taxes, it has met with

1 "Among the chief influences accounting for the active interest in problems of land taxation are the disappointing revenue results of most land taxes during the post-war inflation, the strong pressure to find additional revenue for developmental financing, the necessity of changing the method of land taxation whenever there is a land reform and the awakening interest of many Governments in overhauling their tax systems in line with the modern principles of taxation." Wald H. P. Taxation of Agricultural land. Harvard University Press, 1959, p. 41.
See also article by Harold M. Groves and Murugappa C. Madhavan on "Agricultural Taxation and India's Third Five Year Plan" Land Economics Feb., 1962, p. 56.
See also an article by N A. Khan "Resource Mobilisation from Agriculture and Economic Development in India" in Economic Development and Cultural Change, Vol. XII, No. 1, October 1963. If we take combined current revenues of Central, State and Local Governments in India, the total current revenues in 1938-39 was of Rs. 179.02 crores; of which Rs. 25.58 crores was from land revenue alone. This formed about 14.3 per cent of the total. The land revenue contributed only 5.5% in 1944-45, i.e. about Rs. 30.52 crores in the total revenue of Rs. 550.52 crores, and again in 1953-54, it contributed about 8%. In the State finances, the land revenue contributed about 50% in 1921-22. This gradually declined to 33% in 1938-39 and 15% in 1953-54. See Report of the Taxation Enquiry Commission 1953-54 Vol. 1 Ministry of Finance, Government of India—pp. 16-17 Table 3.

2 Ibid—N. A. Khan, pp. 49-51. Also the Reports of the Five Year Plans refer to the difficulties of collecting betterment levies and water-rates.
formidable opposition, sometimes compelling it to withdraw. It is therefore necessary to examine this question in its right perspective with a view to indicating the real need of the Indian economy.

At the outset, it is necessary to clarify certain conceptual ambiguities arising from terms such as resources, the rural sector and the agricultural sector and increases in taxes.

In the first place, the term 'resources' may mean real resources such as real capital, labour and commodities, or financial resources such as purchasing power or any combination of them. It is possible that such surpluses can be mobilised by various means such as (a) taxation (b) loans (c) direct investment in industries (d) in cash (e) compulsory delivery of foodgrains or levy (f) migration or supply of cheap labour (g) voluntary labour tagged with projects and (h) changes in the terms of trade against the A-sector.

Secondly, the term rural sector is not strictly synonymous with the term A-sector, since there may exist non-agricultural pursuits even in rural areas; e.g. small-scale and cottage industries are increasingly being located in rural areas. The A-sector may exist in urban areas too. However, both the terms can be considered synonymous, especially when the question of taxation is to be discussed, for the raising of additional tax resources from the rural areas in fact means only additional agricultural taxes, such as an agricultural income tax, a land revenue cess on land, an increase in irrigation rates, and a betterment levy.

Lastly, the suggestion of raising additional taxes implies an increase in taxes in relative terms and not in absolute terms and also in real terms and not in money terms. For this purpose, the amount of money so raised may be related to national income, or to value of agricultural output, gross or net, or to the total revenue obtained by the Central and State Governments.

3 For example the budget proposals of Dr. Jivraj Mehta, the Chief Minister of Gujarat State in Feb.-March 1962 63.
5 By the term 'A sector' we mean agricultural sector and for all other sectors of the economy we use the term non A-sector.
Having cleared up the conceptual ambiguities, it is essential to examine the basis for such a proposal. The case for agricultural taxation is based on several groups of arguments, three of which have been often debated: (a) historical precedents in developed countries, (b) benefit given to the rural sector in developing countries, (c) economic necessity of creating a surplus and mobilising it. Regarding (a) it has been suggested that during the process of development in advanced countries heavy taxes on the A-sector were imposed. Even historically the land tax has remained as one of the old taxes and therefore, its burden has not been felt. The arguments in (b) refer mainly to the trend towards imposing the additional taxes on urban areas, and the rural areas. Similarly the arguments in (c) refer to the surplus theory which leads to the discussions on (i) the manner in which contribution from the A-sector can be made to economic development and (ii) the manner in which the surplus purchasing power created in the A-sector can be mobilised for the smooth and efficient working of the process of economic development started in the country. They also refer to the need for taxing land, which is a gift of nature and the returns from which should therefore be enjoyed by the community rather than by a few individuals.

To what extent do the arguments put forth in support of this view contain a grain of truth? Undeniably the arguments based on historical precedents have no relevance in this case. It may be that Japan, the U.K. and the U.S.S.R., the countries which attained the rapid economic development in the 19th and the first half of the 20th centuries, might have been able to do so by imposing land taxes. It may even be true that, except for a few developed countries such as the U.S.A., Argentina, Australia and Canada with high land–man ratio an many other favourable circumstances, all other developed countries so far have exploited agriculture in one way or the other. The U.K. obtained a surplus by way of a great exodus of labour from the rural to the urban areas; the U.S.S.R. did so

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6 See an essay by W.H. Nicholls Op. cit. P.17. Nicholls suggests that these countries had (a) large numbers of immigrants (b) extensive and fertile land (c) foreign capital and (d) a slow rate of growth of population.
first by high taxation on agriculture in the 19th century and then in the 20th century by way of the compulsory levy imposed on collective farms; China organised communes and also levied high taxes on agriculture; Japan imposed heavy land taxes. This does not mean that the same process should be adopted in India.

The fact remains that each of these countries which developed their economies by exploiting the A-sector did so by adopting different methods and also at different rates. The U. K. was not very much dependent on raising surplus from the A-sector in the form of taxes or even loans; she had a vast field of colonies and vast scope for extending inter-national trade with terms of trade in her favour, which enabled her to obtain the necessary surplus for economic development. Japan had to depend very much on land taxes, because she had a feudal land structure which enabled her to tax the land heavily, although there was no doubt an undue burden on cultivators at that time. The U. S. S. R. could do so, first because there was large amount of land available and secondly, the political set up made such a policy inevitable. Moreover, in the absence of foreign aid, and in a more or less closed economy which the U. S. S. R. had after the 1917 revolution, the method adopted by her was obviously effective.

But in all such cases one is not sure that the process adopted for economic development was the right one, or that there was no other more suitable method available. In the case of Japan, the land reforms introduced after World War II lead us to believe that Japan could have done better during the period 1880-1920 if there had been less heavy land-taxes. Similarly, on looking back, one may well

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7 Ibid.: He writes: “It [China] has exercised much greater control over savings through heavier taxation of agriculture which supplies at least 60% of total Chinese taxes as compared with only 20 percent in India.” See also Wilfred Malenbaum’s article, “India and China: Contrasts in Development Performance” *American Economic Review* — Vol 49, June 1959, pp 284-309.

8 “The Post World War II experience in Japan, following land reforms and more favourable prices, indicates that expansion might have been even more rapid in the earlier years if rural institutions had been changed to permit the peasants to share more fully in the fruits of progress” Presidential Address by Sherman-E. Johnson “Role of Agriculture in Economic Development” printed in *Proceedings of International Conference of Agricultural Economists* Oxford University Press 1963 p. 13
think that Russian economic development was not what it should have been in the agricultural sector; the adverse effects of the policies adopted after 1928 are still being felt in Russia, and one of the crusading tasks of Mr. Khruschev was to change his country’s agricultural policy. At present, the U. K. and other countries of Western Europe must subsidise heavily the A-sector as a result of faulty policies adopted in the past. In fact, the process and pattern of economic development need not be the same for all countries; it may be different for different countries, depending on circumstances; so for India too, it has to be different. Despite various obstacles in the free movements of capital from one country to another, the extent of foreign aid was never so extensive and so important in the process of the development of developed countries as it is today. The vast field of colonies available to the U. K. in the 18th and 19th centuries, is not available to India. Since India faces different circumstances—availability of extensive foreign aid, dense population, rapidly increasing pressure of population, absence of colonies, democratic set up and an intense cry for an egalitarian society by the masses—it is inevitable that India should have her own peculiar way of achieving economic development.

One may suggest that in the post World War II period, the development of all the small countries of Europe, and even of the entire area of the EEC, or of Japan, indicates that rapid economic development is possible even when the A-sector has been protected either by subsidies, quotas and tariffs or price-supports. If this recent experience is borne in mind, one may even think of achieving rapid

9 The Soviet agricultural policy was mainly evolved for political, rather than economic, reasons. cf".....it (agricultural policy) was primarily aimed at destroying the independent peasantry which remained the chief potential threat to the Soviet regime." William Nicholls Op. cit. p 22.

10 "Experience in several other countries indicates that rapid increase in farm output can be achieved by providing more adequate economic and other incentives to those who till the soil". Sherman E. Johnson, Op. cit. P. 13.

economic development by feeding the A-sector rather than by exploiting it.\(^{12}\)

Let us now refer to the history of taxation. In almost all countries, the land-tax was the only tax for a very long period. Even when other types of taxes were introduced, the land tax remained as the most important source of revenue until very recently. In India the government used to collect 1/4th or 1/6th of the gross produce in taxes; later on the land revenue was fixed in money terms which were revised from time to time. In India in 1938-39 this was about 15 percent of the total revenue, which declined to 5 percent in 1943-44 and again went up to 8 percent in 1953-54. The land revenue formed about 4 percent of the gross value of agricultural output and about 4.5 percent of the net value of agricultural output in 1938-39 in India but in 1950-51 it worked out to 1 percent of the gross value and 1.2 percent of the net value of agricultural output. It was hardly one half of one percent of the national income in 1950-51, and since then, it has been increasing due to the abolition of Zamindari; still it has never been more than 9.75 percent of the national income or 2 percent of the gross value of agricultural output. Thus, the land revenue and all other land taxes put together form to-day a small percentage of national income, value of agricultural output, and total revenue of the Central as well as the State governments.\(^{13}\)

All these arguments no doubt present irrefutable facts. However, merely from these, one cannot conclude that we should raise land taxes in India. For this one can give several reasons; one, land revenue was the only tax in ancient times because at that time, there was no other way in which one could keep one's wealth;

\(^{12}\) Sherman E. Johnson—op. cit p. 13.


The increase in the tax-burden on the A-sector is to be viewed (slightly) in a different way. Due to the abolition of Zamindari, the land rent from the cultivators in Zamindari area, which was formerly paid to the Zamindars, is now being paid to the Government; thus some part of the increase in taxation on the A-sector does not involve any burden on cultivators. This point should be borne in mind while considering the increase in tax-burden on the A-sector in India.
moreover, it served as the most appropriate criterion to judge the income. Therefore a land tax was then the most appropriate method of collecting taxes. This cannot be the position now; there are other forms of wealth such as houses, factories, gold and diamonds, cash and claims. Therefore, when wealth can be retained in forms other than in land, and when income can be obtained from sources other than from land there remains no justification for taking land exclusively as the basis of taxation. The fact that the land taxes were the main sources of revenue in the past has no relevance here whatever.

Secondly, in India, in 1938, although the position regarding sources of income and forms of wealth was changed, the tax structure was rather slow in adapting to changed circumstances and because of this the burden of taxes on the a-sector remained excessive. Agriculture as an industry was almost dead then. What is the justification of comparing the present position with that of 1938 which was in no sense an acceptable norm? If there was a smaller burden in 1951 on the A-sector than in 1938, this was simply due to the process of correcting the earlier mistake.

Third, it may be argued that since an old tax is no tax, land revenue is not a burden on the farmers. If alternatively, additional revenue is raised by any other method, those who will be affected by the new taxes will feel the burden. This argument is not relevant in dynamic conditions, when the structure of the economy, the distribution of income, and sectoral and income relationships are rapidly changing. Also, in the context of the objective of an egalitarian society, this argument is not acceptable. When everything is changing, why should we retain old traditions in taxes alone?

Is the total burden on the A-sector in India so heavy? One way of measuring the burden is to find out what part of the total revenue is obtained from the A-sector as well as the non-A-sector. Prof. Harold M. Groves and Murugappa C. Madhavan have tried to allocate the burden on the A-sector and the non-A-sector in India for the years 1950-51 and 1960-61. Accepting their calculations, we have tried to present in the table below the statistical position regarding the burden which the A-sector is carrying on in India.

14 See N.A.Khan Op.cit. P.50:
<table>
<thead>
<tr>
<th></th>
<th>Total Tax Burden</th>
<th>Total Income</th>
<th>Population depending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crores</td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>Agricultural Sector</td>
<td>239.1</td>
<td>433.4</td>
<td>4893.0</td>
</tr>
<tr>
<td>percentage of the total</td>
<td>(30.24%)</td>
<td>(32.74%)</td>
<td>(51.32%)</td>
</tr>
<tr>
<td>Non Agri. Sector</td>
<td>551.3</td>
<td>890.4</td>
<td>4640.0</td>
</tr>
<tr>
<td>percentage of the total</td>
<td>(69.75%)</td>
<td>(67.26%)</td>
<td>(48.69%)</td>
</tr>
<tr>
<td>For all India</td>
<td>790.4</td>
<td>1399.9</td>
<td>9530.0</td>
</tr>
<tr>
<td>(100.00%)</td>
<td>(100.00%)</td>
<td>(100.00%)</td>
<td>(100.00%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Per capita Income</th>
<th>Per capita Tax Burden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acri.</td>
<td>Rs. 165.76</td>
<td>Rs. 190.28</td>
</tr>
<tr>
<td>Non-Agr.</td>
<td>Rs. 749.6</td>
<td>Rs. 1987.82</td>
</tr>
<tr>
<td>For all India</td>
<td>Rs. 267.00</td>
<td>Rs. 330.00</td>
</tr>
</tbody>
</table>
Table 1 indicates that there has been a good deal of increase in per capita income in the non-A-sector, from Rs. 750 to Rs. 1988, an increase of about 2½ times. In the A-sector, the increase in per capita income has been just marginal, hardly 15 percent. Against this, the increase in tax-burden has been 70 percent on the A-sector, while it has only been 25 percent on the non-A-sector. Thus in relation to the rate of increase in per capita income, the increase in per capita tax-burden is higher on the A-sector than on the non-A-sector. In 1960-61, the A-sector paid in taxes about 7 percent of their per capita income while the non-A-sector paid less than 6 percent of their per capita income. As compared to the 1950-51 position, the condition of the A-sector had deteriorated by 1960-61. In 1950-51, it paid hardly 5 percent of its per capita income, while the non-A-sector paid about 11 percent of its per capita income as taxes.

The difference in per capita income in two sectors is also relevant in this regard. In 1950-51, the per capita income of the non-A-sector was about 4½ times higher than that of the A-sector; this difference increased up to 10 times in the 10 years' period.

If only the surplus over the level of subsistence is to be taxed, it seems that there is no justification in taxing the A-sector at all. Even the tax of Rs. 13.7 per capita is not justified when per capita income in this sector is only Rs. 190. Indeed at 1960-61 prices, one requires at least Rs. 200-250 to live a life of destitution, much less to talk of the level of subsistence. There is also a justification for a still greater proportion of per capita income of the non-A-sector being taken away in taxes. From the point of view of 'surplus' above, a subsistence of about Rs. 1000-1200 per capita should be made available for capital accumulation, and a greater portion of this should be in terms of taxes rather than in terms of loans or direct investment.

Perhaps one may not consider the tax analysis on the basis of the sectoral aggregates as relevant for this purpose. The burden of taxes on persons in the same income groups in the rural as well as

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15 cf Alfred Marshall and others suggested such a surplus as a measurement of taxable capacity.
the urban areas may be considered more relevant. And in this regard
the analysis of incidence given in the Report of the Taxation Enquiry
Commission is relevant. The Commission concludes that the tax
element and tax incidence is greater in all income groups of the
urban area as against the corresponding groups in the rural area;
however the disparity is greater in regard to the income group of
Rs.300 and above. (per month per household). This means that the
people belonging to the higher income groups in the rural area pay
less to the state, and therefore they should be taxed heavily to
remove this disparity.16

There are other studies of this nature with small changes in
methods and conclusions. What is relevant in this case is the real
income which persons in the same income group in both the areas
can enjoy after paying their taxes to the State. It may be that
persons earning Rs.300/- per month in the rural area may keep Rs.
270/- after paying all taxes, but they may be able to buy, say, \(x\)
basketful of goods and services from their disposable income. In the
urban area, persons with an income of Rs.300/- per month may
keep Rs.260/- after paying their taxes, but they may obtain \(x + \Delta x\)
basketful of goods and services if they spend all Rs. 260/-. This is
because people living in the urban area enjoy advantages of econo-
 mies of scale, competition and efficient transportation; they there-
fore pay less in money terms for the same basketful of goods and
services. The urban people pay less for vegetables, water, manufac-
tured commodities, and services, while the rural people have to
pay more on almost all commodities except those which they
produce themselves in the village. But even in food-grains now-a-
days we do not find self-sufficiency at the village level. Moreover
there is a good deal of monetary exchange in manufactured commo-

to the Taxation Enquiry Commission, the incidence of indirect taxes per
capita in rural area amounted to Rs.0.69 as against Rs. 1.62 in urban area.
In the year 1957-58 the burden increased to Rs.0.93 per capita in the rural
areas against Rs. 2.70 per capita in urban areas. (The latter estimates are
based on the results of the inquiry conducted by the Government of India,
Ministry of Finance, Economic Division - Taxation Research Unit 1958-59
New Delhi 1961.
dities in villages. The villagers must pay higher prices, due to the large profit margin necessary for village traders and also higher transportation charges. Any typical basketful of goods and services for a family in the urban area with an income of Rs. 300/- per month will cost considerably more in the rural areas.

If we add to this external economies of consumption which the urban people obtain, then the economic welfare received by persons in the same income group will be still smaller in the rural areas. Moreover, if one takes into account the opportunities of making progress in art, science and education, it is very clear that one must spend a larger amount of money to obtain a standard of living equivalent to that enjoyed in the urban areas. The approach of the Taxation Enquiry Commission in this regard is not correct; nor are their conclusions relevant in deciding whether or not one should impose a greater burden on rural areas.\(^7\)

There are two further changes which reduce the importance of the conclusions of the Taxation Enquiry Commission. First, there is already a ceiling imposed on land holding. It is difficult to earn more than Rs. 3,600/- per year from agriculture. Even before the ceiling on land, about 97 percent of the households in rural area had incomes below Rs. 3,000/- per year.\(^8\) Secondly, the yield from the agricultural income tax during the last few years leads us to believe that, except in Assam, there was no revenue worth mentioning from this source.\(^9\) The total annual income of 3 percent of the

\(^7\) The Report of the Taxation Enquiry Commission made use of the data of the 4th round schedules of the National Sample Survey, and the information in these schedules was collected in 1952. Since then, there have been several changes in the pattern of expenditure in rural areas, due to demonstration effects and the expansion of the monetary sector. The people in the rural areas prefer more oils, matches, sugar and superior cereals. There is also a good deal of criticism of the methods adopted by the National Sample Survey.

\(^8\) Although Mr. Kalder estimated for the year 1953-54 that the amount of assessable agricultural income in the states was around Rs. 300 crores, it is not likely to be any substantial amount now that land reforms have been introduced in all the states. Moreover, if the net income as it is calculated in business firms is to be taxed in the Agricultural sector one will not probably find any substantial income accruing to various families receiving more than Rs. 3000 per year.

\(^9\) The yield from the agricultural income tax was Rs. 3.3 crores in 1953-54 and Rs. 8.9 crores in 1959-60.
households in the rural sector is roughly about Rs. 800/- crores, which if properly taxed will not yield more than Rs. 15 crores per year. Probably even this ought not be taken away, in view of the fact that whatever little progress has been made in the A-sector since 1951 has been made in large part by those cultivators who are in the upper 10 percent of households.

Of course, there was some justification for taxing land when land was owned by big landlords, zamindars and absentee landlords, but with the introduction of land reforms in all the States of India, there remains no justification for increasing the burden on those who till the land. In fact, the peasant needs greater incentives rather than more obstacles.

Sometimes, the case in favour of high rural taxation is based on the plea that benefits of expenditure incurred by the State have been given increasingly to the rural areas, especially after 1951. Some people have attempted to find out the proportions of benefits to the A-sector and the non A-sector, and one such attempt has been made by Prof. Harold M. Groves and G. Murugappa C. Madhavan in their article in "Land Economics." The following two tables as prepared by them indicate the benefits received from Government expenditure by the A-sector and the non-A-sector in India during the years 1950-51 and 1960-61.

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20 We should allow cultivators to show any separate income which the housewife earns and also two income tax forms one H. U. F. and other individual just as we allow in non-agricultural pursuits. If this is done Rs. 15 crores will probably still not be obtained by taxing the households with more than 15 acres of land.

21 see an article by Philip M. Raup, in Economic Development and Cultural change op. cit.

CF—"...production effects are maximised and social dislocations minimised when the agriculturist can be attracted.....through opportunity instead of coercion" p. 21.
Table — 2 (a) Inter Sectoral Tax—Expenditure Incidence in India: 1951-52.
(millions Indian rupees)

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Agricultural sector</th>
<th>Non-Agricultural sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural development including multipurpose river valley projects and navigation</td>
<td>1,071.8</td>
<td>313.6</td>
<td>1,385.4</td>
</tr>
<tr>
<td>Education and public health</td>
<td>481.0</td>
<td>962.0</td>
<td>1,443.0</td>
</tr>
<tr>
<td>Security</td>
<td>905.6</td>
<td>905.7</td>
<td>1,811.3</td>
</tr>
<tr>
<td>Industrial development</td>
<td>—</td>
<td>83.4</td>
<td>83.4</td>
</tr>
<tr>
<td>Railways and post and telegraph</td>
<td>73.9</td>
<td>147.8</td>
<td>221.7</td>
</tr>
<tr>
<td>Other development expenditure</td>
<td>568.9</td>
<td>1,137.9</td>
<td>1,706.8</td>
</tr>
<tr>
<td><strong>Total...</strong></td>
<td><strong>3,101.2</strong></td>
<td><strong>3,550.4</strong></td>
<td><strong>6,651.6</strong></td>
</tr>
</tbody>
</table>

Table — 2 (b) Inter Sectoral Tax—Expenditure Incidence in India: 1960–61.
(millions Indian rupees)

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Agricultural sector</th>
<th>Non-Agricultural sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural development including multipurpose river valley project and navigation</td>
<td>4,236.1</td>
<td>1,324.7</td>
<td>5,560.8</td>
</tr>
<tr>
<td>Education and public health</td>
<td>1,296.1</td>
<td>2,592.3</td>
<td>3,882.4</td>
</tr>
<tr>
<td>Security</td>
<td>1,550.0</td>
<td>1,550.0</td>
<td>3,100.0</td>
</tr>
<tr>
<td>Industrial development</td>
<td>—</td>
<td>947.1</td>
<td>947.1</td>
</tr>
<tr>
<td>Railways and post and telegraph</td>
<td>454.2</td>
<td>908.4</td>
<td>1,362.6</td>
</tr>
<tr>
<td>Other development expenditure</td>
<td>1,154.6</td>
<td>2,309.3</td>
<td>3,463.9</td>
</tr>
<tr>
<td><strong>Total...</strong></td>
<td><strong>8,691.0</strong></td>
<td><strong>9,631.8</strong></td>
<td><strong>18,322.8</strong></td>
</tr>
</tbody>
</table>

**Deficit**

Adjusted Expenditure (Expenditure covered by taxes on sectors) | 6,279.8 | 6,959.6 | 13,239.4 |
Net Benefits (adjusted expenditure minus receipts)               | 1,945.1 | —      | 1,945.1  |
The tables given above show that since the A-sector has received larger and larger benefits from government expenditure, i.e. from Rs. 310 crores to Rs. 869 crores it is only just that it should part with a portion of these benefits for other sectors, or for its own further development. The net benefit available to the A-sector in 1960–61 was Rs. 195 crores, which the non-A-sector had to bear. Now in this case, the method adopted for measuring the net benefits of different sectors, as well as the approach to this question are incorrect. First, how do we expect the cultivators receiving water from an irrigation canal to pay for the entire cost of the project? Will they collectively receive the ownership of the irrigation canal if they pay up the entire cost of investment? Secondly, why should they pay for expenses of a capital project which includes in its total cost various doubtful expenses which, if left to themselves, the cultivators could have avoided? Thirdly, how can we assume that the benefits received by the cultivators are in proportion to the cost incurred by the State on the development project—(in this case on the irrigation project)? It may well be the case that the benefit received by the cultivators may be less than what the social benefit is likely to be and the state may have incurred the cost in order to receive social benefits which are bigger than cultivator’s benefits. Why is a cultivator required to pay for benefits which he has not received? In the fourth place, the expenses incurred for the development of agriculture are incurred to develop agriculture as an industry. They are not necessarily for the benefit of cultivators. The benefit available from the development of agriculture will be reaped by all. For example, the larger output in agriculture will reduce prices and thereby may reduce the income of the agriculturists, although it will enhance the welfare of the society. The State spend for the welfare of the society, and hence if an attempt is made to receive back from the cultivators, the same amount which the State has spent, the service will remain unutilised and thus be wasted. It is clearly understood that when the Government gives cheap loans to Tata Iron and Steel Co., its objective is not to improve the profit margin of Tatas but to strengthen the entire iron and steel industry. Once this is granted the arguments based on benefits from government expenditure will not lead us to think of imposing addi-
tional taxes on the rural areas. As a matter of fact, if these benefits are bestowed on agriculture with a view to increasing its productivity per acre as well as per man employed, it is clear that the surplus thus created cannot be mobilised back by imposing taxes; on the contrary, the imposition of additional taxes will discourage such development. What is then required is the adoption of some other methods except taxation to mobilise a surplus from agriculture.

Let us now come to the third group of arguments i.e. the necessity of creating and mobilising surplus either in terms of real capital, labour, commodities or purchasing power. It is true that for a closed economy there is an absolute need of a surplus in food-grains if rapid economic development is to be achieved. Without 'capital' in the form of 'means of subsistence', as Adam Smith defined it, it is difficult to feed a population engaged in non-agricultural pursuits. This means that one man or one family engaged in agriculture must produce enough output to support say, 2 or 3 or 4 families engaged in non-agricultural pursuits. Robinson Crusoe must have Mr. Friday to bring fish for him during the time Robinson Crusoe is engaged in preparing a fish-net or a boat or a bucket.

Alternatively, as Karl Marx has suggested, surplus labour is wasted when Robinson Crusoe ekes out his living by sparing about 4 to 5 hours a day catching fish for his food and another 4 to 5 hours preparing a boat or a net or a bucket.

These two types of surpluses are created (a) by extending the scope of division of labour and market and (b) by technological advances. Messers Robinson Crusoe and Friday may work with an understanding among them or they may invent some device for catching fish quickly so that they can have sufficient time to work for capital formation. Even by tightening their belts, they can acquire sufficient time for capital formation, provided of course, they work with equal efficiency. Possibly a bit of all these may be done in that Robinson Crusoe economy. The surplus available in the Crusoe economy can

22 cf. "Increased supplies of food and other farm products are essential to rapid economic development in any country." Sherman E. Johnson—op. cit. p. 7.
then be mobilised by Robinson Crusoe by making Friday as partner or as investor, by offering him entertainment in the evening in return for his services, or by making Friday a slave, or by asking him to pay taxes. Any one or combination of these alternatives can be adopted by Robinson Crusoe.

In an open economy, it is conceivable that economic development can be achieved without a surplus from the A-sector. Robinson Crusoe may obtain dry fish or tinned food from a steamer waiting for sometime near his island; he may even receive a band of workers on the island for a few days who work for him in constructing a boat and they all come with food of their own. A steamer passing nearby may donate or loan a boat to Robinson Crusoe so that he can catch his fish quickly and be able to devote his time to creating capital. Foreign aid in foodgrains such as that provided by P. L. 480, foreign loans and grants such as I. B. R. D. and I. D. A. loans and the, import of man, materials and capital by way of collaboration, as in the case of the development of Rourekela, Durgapur and Bhilai, or in the form of technical aid under the point four programme—all these provide a surplus from outside. A similar surplus can be obtained by developing foreign trade.

Under Indian conditions it appears that it is inevitable to create surpluses in the A-sector, although the extent to which India obtains resources from abroad is enormous. External economic aid to India amounted to 42.61 billion rupees by August 1962. This aid comes largely in the form of loans, commodity assistance, and grants. Yet, it provided 10 percent and 24 percent of total investment in the First and Second Five Year Plans respectively. In the Third Plan as well the dependence on external aid is 29 percent of the total investment as estimated in the Plan Report and may be even more.

But when we examine this question very closely, it appears that this aid along with the surpluses of the non-A-sector has provided the entire surplus needed for economic development. In all, India imports machinery worth Rs. 350-400 crores from abroad; we also receive that much money from abroad, so that we can say we receive additional ‘machines’ or real capital. Even if the A-sector in India
does not provide capital, the present pace of industrialisation may continue unhampered.

In commoditity assistance, we receive about $3\frac{1}{2}$ to 4 million tons of foodgrains which is just enough to feed about 5 to 6 percent of India's population. At present, the urban population comprises 18 percent of the total and if this is to be fed from the foodgrains received from abroad, we may need a far larger import of foodgrains, about 3 times what we receive to-day. But the increase in urban population since 1951 has been 4 percent of our total population (i.e. to the extent of 17 millions between 1951 and 1961). We can therefore say that this increase in urban population since 1951 has been fed by the import of foodgrains or by P. L. 480, which began in 1956.

Do we need a surplus from the A-sector in terms of labour? Normally this is necessary, but in India so far, there has been no shift of population from rural to urban areas. About 18 percent of the total population lived in urban areas in 1951, and this figure remained stable throughout the period 1951-1961. There was an increase in agricultural workers from 97 million to 131 million, an increase of 34 million or 35 percent over 10 years, the same as the rate of increase in urban areas (the total labour force increased from 140 million to 188 million).

As to the increase in productivity per acre there was an increase in the index number from 60 to 117 (base year 1950=100) indicating a gain of 20 percent, but this was not an increase, per man employed as a matter of fact, the increase in labour supply was 35 percent during the decade, while the productivity increased only by 20 percent, indicating a fall in productivity per man employed on the given area of land. On the whole, there was an increase of about 42 percent in agricultural production and an increase of 35 percent in labour supply, so that the over-all increase in productivity per man employed was hardly 5 percent if the increase in area is included. The surplus labour not only did not move from A-sector to non-A-sector, but there was not a significant increase in productivity per man employed in the A-sector.
What about the savings of the A-sector or the rural area? In this case, there are various estimates; the National Council of Applied Economic Research has suggested a figure of 2.3 percent of the national income as rural savings indicating a small contribution in total investment. The Reserve Bank of India has estimated about 2 per cent of the National income as savings from the rural sector. The total investment in the A-sector at present is 30 per cent of the total investment, and this shows that the A-sector is a deficit sector. It appears to be in deficit in the national income account as well as in the government account,

No doubt there has been an increase in investment in the A-sector. Apparently, this increase both on private account and on public account has been drawn from the resources of the non-A-sector and from foreign aid. In this regard, it can be observed that there has been a change in terms of trade between the A-sector and the non-A-sector. Between the year 1950-51 and 1960-61 the index number of agricultural commodities increased from 119 to 124, while the index number for manufactures increased from 103 to 124. During the same period the growth in income generated in agriculture was from Rs. 4890 to 6900 crores. The terms of trade during this period were adverse by about 13 per cent indicating a loss of about Rs. 900 crores from the A-sector. If we consider 40 percent of the produce as 'marketed', the actual loss to the A-sector comes to about Rs. 350 crores. If one works out the changes in trade and loss in terms of income accruing to the A-sector in its exchange transactions, the result is probably as much if not more than what the A-sector might have received in investment from the non-A-sector and from foreign aid during 1951 to 1961.

This analysis suggests that the process of industrialisation has so far been super-imposed from above (in India). It depends on the A-sector for neither labour nor capital, whether considered in real or money terms; it does not depend on a marketable surplus for the increase in labour supply which has been taking place since 1951; nor does it obtain capital from the A-sector. The surplus however defined has not so far been created at all in the A-sector for investment in the non-A-sector. If there has been any change
in the relationship between the A-sector and the non-A-sector, one can say that the burden of taxation has been increased on the A-sector since 1951 and that the terms of trade have shifted to the disadvantage of the A-sector.

What then is needed as contribution from the A-sector is: (a) increased savings for the non-A-sector (b) increased agricultural productivity per man employed, (c) a shift of population to the non-A-sector and (d) an increase in the marketable surplus both of foodgrains and other raw materials.

There are still a few more arguments in favour of increasing agricultural taxation. They are:

(a) If a greater amount of purchasing power remains with the A-sector, it is likely that this will exert inflationary pressure which may impede the smooth working of planning.

(b) An increase of cultivators' purchasing power may induce them to hold back their production from the market, with the result that prices may rise, creating difficulties in the implementation of the Five Year Plan. If this happens, controls will have to be introduced. It will then be necessary to allocate scarce resources for the management of controls a setback which we cannot afford at this stage.

(c) A rapid increase in the pace of industrialisation is impeded if surplus labour is not made available to the non-A-sector. Because of the availability of purchasing power in the A-sector, the labour already employed in that sector refuses to move to the non-A-sector.

(d) One may even suggest that equity among the cultivators of different income groups and areas is not being preserved. To achieve this objectives it is necessary to tax the A-sector inorder to mobilise a part of the net benefits available to the cultivators.

Here again the block circular structure of the Indian economy which has been found in the analysis of 30 Important commodities23.
indicates that income effects are not being imparted from the A-sector to the non-A-sector in any significant manner. Nor does capital formation take place in the A-sector for the non-A-sector. The importance of the A-sector resides only in its ability to supply wage goods at stable prices and thereby prevent the upsurge of inflationary pressure.

In fact the block circular structure of the economy suggests that there is a need for increasing agricultural productivity, but there is no need of a contribution from the A-sector for capital formation. Therefore incentives should be given to the A-sector and not additional taxes. To achieve this,

(a) steps should be taken to increase the savings which may be invested in the non-A-sector in the rural areas.

(b) steps should be taken to increase savings in the rural sector which may be mobilised as loans to the government or the non-A-sector of urban areas;

(c) steps should be taken to rationalise the expenditure pattern of consumers in the rural areas so that human efficiency is enhanced, particularly by improving health and by attaining higher levels of education and skill.

Before we sum up, it is important to refer to the role of land as a factor in economic development and taxation. Land is considered as a free gift of nature; it brings rent to its owner which increases enormously when population increases. According to Ricardo, this rent, which is a surplus, can be taken away from the owners of land by nationalisation. Henry George suggested the alternative of a land tax. Accordingly, there is nothing inequitable in increasing the burden on land, as this only enables the state to take over the surplus without adversely affecting the incentives to work. This is true of land which is purely an original and indestructible part of the soil but not of land which is cultivated. It is true of urban land meant for non-agricultural uses, but not true of agricultural land. Particularly when there is keen competition among farmers, a tax on land will add to their burdens the more so when agriculture is a way of life and not a business proposition.
In agriculture and especially in the context of Indian conditions, the returns from land do not constitute a surplus which should be snatched away by the state. On the contrary, one has to feed the A-sector to make it work properly.

Thus in brief we may sum up:

(a) It is necessary to raise a surplus from the A-sector in India. The capital or food supply we can obtain from abroad for this purpose will not be sufficient.

(b) Since the structure of Indian economy is block circular, the development of agriculture does not impart income effects to the non-A-sector in capital formation. Its proper role is to increase the supply of wage goods in order to control inflationary pressures.

(c) The empirical evidence from the economic history of developed countries in support of heavy taxation on agriculture for economic development is not relevant, since one can prove in all such cases that either peculiar circumstances led the country to follow a particular process or the economic development could have been achieved more quickly without putting such a heavy burden on the A-sector. Moreover, there is more than one way of achieving rapid economic development. Heavy taxation on agriculture does not suit India in view of her democratic set up and the very low standard of living of her masses.

(d) The benefit theory is also irrelevant in this case since it is difficult to measure the benefit available to cultivators. If at all one can measure such benefits, then in most of these cases the benefits available to the cultivators are not in proportion to the benefits available to the economy or to the costs incurred.

(e) It appears that it is necessary (a) to raise the agricultural output, and (b) to achieve high productivity per person employed on land so as to transfer labour from the A-sector to the non-A-sector.

(f) It is desirable that the contribution from the A-sector be obtained in the form of loans rather than taxes, since the loans enable the people of the A-sector to be partners in investment in the non-A-sector. To ask the poorest section of the community to
relinquish as taxes the hard-earned fruits of their labour will simply be criminal.

(g) So far there has been no contribution from the A-sector in India. The higher level of government expenditure in the A-sector since 1951 has been financed by the adverse terms of trade which have prevailed. And if any additional tax burden is taken into account along with the loss due to the adverse terms of trade, one can realise why the A-sector has not been able to contribute to the non-A-sector so far in terms of marketable surplus or in terms of labour. To enable the A-sector to fulfil its proper role in the development of India’s economy, it is necessary to subsidise it rather than exploit it and this should be done on the same lines as is being done in the post World War II period in Japan and Western Europe.
नेता तो ज्ञान छ है तो, जेती-विभाग पर बारे कर्पिता नामवादी विभाग इथार छ।
ते सिवाय विभाग अध्याय थाई छ।

पहेला नर्मन पर डर नामवादी आत्मन, कारण, कर्पिता नर्मन अत्यधिक साधन हँटू। अनेक मालस तेजू धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन धन


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ঞাঁ শে তেজশ্রু শুনে ঘোরাইল ডাকাতী। আফিকার ছে তেম মান্য করানা আরো তাঁ, মেটি-বিলালব্যান্ড। এক পাঁচ পাঁচ বেলি তে পাপ ছে তেম সাধুত ঢের নোংরা মাখাইল লা। ১০০০ থে দুইহাজা অখনা লুয়ে কোনে মাঙ্কা শহরে বিস্তারসংখ্যানী নাজিকিয়া সাধনে। রাত্রি ঘুম সহং তেম ক্ষুদ্র থেকে।

শুন মেজেনর দিয়ে পাঁচটি পাঁচটি বাল মাখে ছে লে মাখে হয় তা শামছে তেমনি শুনে দিয়ে। মেটি-বিলাল সাধারণ পাঁচটি আছে না আকাশ। আল্লাম বিলালব্যান্ড বুঝো তাঁল মেটি-বিলাল মাখে। পর্দু তে লাঝে ক্ষুদ্রের সাধারণ পাঁচটি বালানা হয় তো তা শামল নে দুঃখই ভুলতা হয় তা জ পাঁচটি শেক। পর্দু মেটিনে বাল তে দুঃখলন লাঝে হয় না শেষ না। আল্লাম দুঃখলন মারে তাতানে আনিষিলা সাধনায় দুঃখলন আপেল লেন না শেষ না। পর্দু দুঃখলন আপেল লেন ছে। তেনা না রেট মেটি মারে। লে তেমার কিছু জবান নে তাঁর পাশে পালাল নে তাঁর পাশে। পালাল নে তাঁর পাশে আপেল লেন না। তেনা না রেট মেটি মারে। লে তেমার কিছু জবান নে তাঁর পাশে। পালাল নে তাঁর পাশে। আনিষিলা সাধনায় দুঃখলন আপেল লেন না। তেনা না রেট মেটি মারে। লে তেমার কিছু জবান নে তাঁর পাশে। পালাল নে তাঁর পাশে। আনিষিলা সাধনায় দুঃখলন আপেল লেন না। তেনা না রেট মেটি মারে। লে তেমার কিছু জবান নে তাঁর পাশে। পালাল নে তাঁর পাশে। আনিষিলা সাধনায় দুঃখলন আপেল লেন না। তেনা না রেট মেটি মারে। লে তেমার কিছু জবান নে তাঁর পাশে। পালাল নে তাঁর পাশে। আনিষিলা সাধনায় দুঃখলন আপেল লেন না। তেনা না রেট মেটি মারে। লে তেমার কিছু জবান নে তাঁর পাশে। পালাল নে তাঁর পাশে। আনিষিলা সাধনায় দুঃখলন আপেল লেন না। তেনা না রেট মেটি মারে। লে তেমার কিছু জবান নে তাঁর পাশে। পালাল নে তাঁর পাশে। আনিষিলা সাধনায় দুঃখলন আপেল লেন না। তেনা না রেট মেটি মারে। লে তেমার কিছু জবান নে তাঁর পাশে। পালাল নে তাঁর পাশে। আনিষিলা সাধনায় দুঃখলন আপেল লেন না।

লাঞ্জু মুখভাগ্না নাস্তুল মেটিনিমায় মেলানায় আধিযাত্র ছে লা। লে সাধন্তানী অর্থ নার্লার, মুকুটে, মুরিয়া, মেটিনিমায় চেলাণা কোনে গুচ্ছান আরো তাঁ। অর্থ তে ভাল নর্তনী নোংরা শুনানোর পাঁচটি আখনা তেম গলাটু না। লে সাধু মেটিনিমায় সাধননা মাখনা হয় তেম গলাটু না। অর্থ তাঁ। আল্লাম বিলালব্যান্ড বুঝো তাঁল মেটিনিমায় সাধননা মাখনা হয় তেম গলাটু না। অর্থ তাঁ। আল্লাম বিলালব্যান্ড বুঝো তাঁল মেটিনিমায় সাধননা মাখনা হয় তেম গলাটু না। অর্থ তাঁ। আল্লাম বিলালব্যান্ড বুঝো তাঁল মেটিনিমায় সাধননা মাখনা হয় তেম গলাটু না। অর্থ তাঁ। আল্লাম বিলালব্যান্ড বুঝো তাঁল মেটিনিমায় সাধননা মাখনা হয় তেম গলাটু না। অর্থ তাঁ। আল্লাম বিলালব্যান্ড বুঝো তাঁল মেটিনিমায় সাধননা মাখনা হয় তেম গলাটু না। অর্থ তাঁ। আল্লাম বিলালব্যান্ড বুঝো তাঁল মেটিনিমায় সাধননা মাখনা হয় তেম গলাটু না। অর্থ তাঁ। আল্লাম বিলালব্যান্ড বুঝো তাঁল মেটিনিমায় সাধননা মাখনা হয় তেম গলাটু না। অর্থ তাঁ। আল্লাম বিলালব্যান্ড বুঝো তাঁল মেটিনিমায় সাধননা মাখনা হয় তেম গলাটু না।
છે, તેમ સૂચાર ખશે, અને ભારતનું અતિઅધિક ઉદ્યોગીકૂર્ણ જેતીઓની સામેના પર અભાવિત
નથી. પરંતુ બાપીનાં તે વિશાળમાંથી સાધ્યતા મેળવવા સિતારા ખૂઢેલ નથી, કારણ તે
પરિવારી સહાય લેવા માટે આઈટી અને વપુ વધારણ રાજ તેમ કરીને નથી.

આવા ભારતે આ વજુદી છે કે જેતી વિશાળના વજુદી વિક્રાલ તાર્થ. અને તેમાંથી
વાતી શાક્રાંબર જાણ અથવા ઉદ્યોગીઓના જાણ. તે મારે જેતીને ઉત્તરા આખું અને
જેતીઓની સામ કરતી શકક માટે વધુ વધુ વક્તાવી ખર્ચુ. સમરી પર શકેરા ଲેણા, અને
સુઝી-સહાય કરે તેમની વ્યવસ્થા કરી તેમની સરકારને લાંડશે નાગા અખાના
મારે ઉત્તરા આખું અને આમ નિવાશાંબર ઉદ્યોગી સામાઈને, તેમની નાગા વાયેલા
કરીને. પરંતુ વશેલ ભારતે અને પાસથી સાહિત્ય સાહિત્ય મેળવવામાં આવ્યે તો શાંતનું
ખૂબ શક્ય સંભવી ભારત નારાજ હોય અને ભારતીય. અભજિતના અધિક જરી. વપુ
સરસેલે તેમને વપુ વપુ વધારણી જેતી-વિશાળના વજુદી છે.