"THE MACROECONOMIC BACKDROP

- Growth rate in 2004-05 estimated to be 6.9 per cent, with the manufacturing sector expected to grow at 8.9 per cent

- Inflation has been reined in.

- Investments in 2004-05 buoyant; non-food credit has increased by 21.2 per cent.

INVESTMENT

- Equity support of Rs.14,040 crore and loans of Rs.3,554 crore to Central Public Sector Enterprises (including Railways) in 2005-06.

- Agricultural Marketing Infrastructure: A new scheme for Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization to be introduced to induce large investments from the private and cooperative sectors for setting up agricultural markets, marketing infrastructure and support services such as grading, standardization and quality certification; to be implemented through NABARD and NCDC in those States which amend their APMC Acts.

- Rural Credit and Indebtedness: RBI to examine the issue of allowing banks to adopt the agency model by using the infrastructure of civil society organizations, rural kiosks and
village knowledge centres to provide credit support; agricultural credit of Rs.108, 500 crore to be disbursed in the current year; increase in the flow of credit by another 30 per cent in 2005-06; public sector banks to increase the number of borrowers by another 50 lakh;

- Farm Insurance: National Agricultural Insurance Scheme (NAIS) to continue for kharif and rabi 2005-06.

- Micro Finance: Target for credit-linking to be enhanced from 2 lakh Self Help Groups (SHGs) to 2.5 lakh SHGs; Micro Finance Development Fund to be redesignated as the “Micro Finance Development and Equity Fund” with an increased corpus of Rs.200 crore; RBI to open a window to enable qualified NGOs to use the External Commercial Borrowing (ECB) window.

- Micro Insurance: NGOs, SHGs, cooperatives and MFIs to be invited to become micro insurance agents.
MANUFACTURING

• “Manufacturing Competitiveness Programme” to be launched to help small and medium enterprises; design to be worked out by the National Manufacturing Competitiveness Council in consultation with the industry.

• Textiles: Allocation of Rs.435 crore for the Technology Upgradation Fund (TUF); a 10 per cent capital subsidy scheme to be introduced for the textile processing sector; cluster development approach to be adopted for the production and marketing of handloom products; 20 clusters to be taken up in the first phase at a cost of Rs.40 crore; coverage of life insurance scheme for handloom weavers to be enlarged to 20 lakh weavers in two years at a cost of Rs.30 crore per year when fully rolled out; coverage of the health insurance package for weavers to be increased to 2 lakh weavers at a recurring cost of Rs.30 crore per year.

• Sugar industry: NABARD, in consultation with State Governments, RBI, banks and financial institutions to work out a scheme for providing a financial package with a moratorium for two years, on both principal and interest, and a schedule of payment having regard to the commercial viability of each unit; interest rate of 2 percentage points below the bank rate to be made applicable to outstanding loans as on October 21, 2004; Indian Banks’ Association (IBA) and NABARD to work out a scheme under which factories may renegotiate their past high interest loans.

• Pharmaceuticals and Biotechnology: Corpus for the research and development fund to be increased in phases; stable policy environment and incentives to be provided to help the two industries become world leaders.
• Small and Medium enterprises: 108 items identified for dereservation; provision for
“Promotion of SSI Schemes” enhanced to Rs.173 crore in 2005-06; units in knowledge-
based industries such as pharma, biotech, and IT to be provided equity support through
the SME Growth Fund.

• Skills Training: 100 ITIs identified for upgradation; out of them, 67 ITIs in 15
States/Union Territories linked with industry to be upgraded at a cost of Rs.1.6 crore
each; Skills Development Initiative (SDI) to be introduced as Public-Private Partnership.

• Foreign Trade: Target of US$ 150 billion for exports by the year 2008-09 fixed in order
to double India’s share in world exports to 1.5 per cent.

FINANCIAL SECTOR

Banking:

• Amendments to be introduced to the Banking Regulation Act, 1949 –
  “ to remove the lower and upper bounds to the statutory liquidity ratio (SLR) and provide
  flexibility to RBI to prescribe prudential norms; “to allow banking companies to issue preference
  shares; “to introduce specific provisions to enable the consolidated supervision of banks and
  their subsidiaries by RBI;

• Amendments to be introduced to the Reserve Bank of India Act,1934 -
  “ to remove the limits of the cash reserve ratio (CRR) to facilitate more flexible conduct of
  monetary policy; and ” to enable RBI to lend or borrow securities by way of repo, reverse repo or
  otherwise.
Capital Market:

- FIIIs to be permitted to submit appropriate collateral, in cash or otherwise, as prescribed by SEBI, when trading in derivatives on the domestic market.

- Definition of ‘securities’ under the Securities Contracts (Regulation) Act, 1956 to be amended so as to provide a legal framework for trading of securitized debt including mortgage backed debt;

- A high level Expert Committee on corporate bonds and securitization to be appointed to look into the legal, regulatory, tax and market design issues in the development of the corporate bond market.

- A one-time exemption from stamp duty on the notional transfer of assets, to be granted to the three stock exchanges that are not yet corporatized.

- A high powered Expert Committee to be appointed in consultation with RBI, to advice on how to make Mumbai a regional financial centre.

- SEBI to be asked to permit, in consultation with RBI, mutual funds to introduce Gold Exchange Traded Funds (GETFs) with gold as the underlying asset, in order to enable any household to buy and sell gold in units for as little as Rs.100.

OTHER PROPOSALS

- VAT: All States have agreed to introduce the value added tax (VAT) with effect from April 1, 2005; Central Government to compensate the States, according to an agreed formula, in the event of any revenue loss.
• Twelfth Finance Commission: Generous, but deserving package covering higher devolution of taxes, debt relief and grants.

FISCAL CONSOLIDATION

• A mechanism to be put in place to measure the development outcomes of all major programmes; schemes not to be allowed to continue from one Plan period to the next without an independent and in-depth evaluation.

• Ministry of Agriculture intends to make procurement of food grains more cost effective through decentralized procurement, especially in the non-traditional States, without impairing the present MSP-based procurement.

• Working Group constituted by the Department of Fertilizers examining issues for implementing the next stage of the New Pricing Scheme for fertilizers commencing from April 1, 2006.

INDIRECT TAXES

Customs:

• Policy of making the customs duty structure closer to that of East Asian neighbours to be pursued; peak rate for non-agricultural products to be reduced from 20 per cent to 15 per cent.

• To promote investment, customs duties on selected capital goods and parts thereof to be reduced to below 15 per cent, to 10 per cent in some cases and to 5 per cent in some others.
• Duty on textile machinery and refrigerated vans to be reduced from 20 per cent to 10 per cent.

• Duties on seven specified machinery used in leather and footwear industry, to be reduced from 20 per cent to 5 per cent; duty on ethyl vinyl acetate (EVA) to be reduced from 20 per cent to 10 per cent.

• Duty on nine specified machinery used in pharma and biotech sectors to be reduced to 5 per cent."¹
BUDGET ANALYSIS 2005-2006

Budget 2005 is an absolute combination of good politics and good economics. By meeting expenditure requirements of the food for work scheme, larger education outlays and greater spending on irrigation and rural development, Union Finance Minister Sri Palaniappan Chidambaram has been able to meet the political demands of the National Common Minimum Programme. Unlike Budget 2004, which was alleged to have paid only lip service to some of the demands of the National Common Minimum Programme, in this Budget the finance minister genuinely meets some of the demands placed before him by the Leftists and Left-of-centre partners within the UPA. Fortunately, though, it is not just good political acumen that characterises this exercise. Chidambaram has managed to deliver good economics as well. The Budget keeps sight of the fact that the National Common Minimum Programme demands large resources. A short-term strategy, for instance, would have been to raise tax rates. This approach would have given him the resources to spend in the current budget but would not have generated resources for later. The finance minister, therefore, has chosen to place his bets on higher tax collections that will come with a simpler tax system and a lower tax rate.2

Tax reform then forms the heart of this Budget effort. Expectations about significant tax reforms in this exercise had already been raised by both Prime Minister Manmohan Singh’s and Finance Minister Chidambaram’s references to Budget 2005 as a budget of tax reforms. A rationalisation of direct taxes, both on the front of personal taxes and corporate taxes, as well as the change in rates is welcome. The cut in custom duties is a move toward reducing tariffs to get to ASEAN rates and to increasing the competitiveness of Indian industry. The reduction of duties on crude oil and petroleum products to increase efficiency within industry and reduce the burden on the consumer is welcome. Chidambaram’s Budget speech indicated the setting up of a Special Purpose Vehicle for infrastructure, more funds to the National Highway Project, the removal of

303
108 items from the Small Scale Industries’ reservation list and money for the National Common Minimum Programme’s promises of food for work and education.

"Most of the reforms in the Budget have, of course, not come as a surprise. While the official secrecy enshrouding the Budget-making proposals remains, there was little in these proposals that had not passed the scrutiny of the public. In fact, there was little on which there was no general consensus. On the direct tax proposals — which are the most radical elements of this Budget — Chidambaram has accepted the recommendations of the Kelkar Task Force, either in full, as in the case of corporate tax — or in part, as in the case of changes in the tax rates. The blueprint of the budgetary tax proposals can be seen clearly and concretely in the Kelkar Task Force report. The finance minister has also made good use of the fact that for once there was a clear road map laid out — with rates, their expected impact on taxes and their effect on deficits — all painstakingly and scrupulously worked out. In addition to the tax proposals, the proposal of the Planning Commission on using foreign exchange reserves for infrastructure has also been debated in public. This can be said for roughly 18 of the 20 proposals in this Budget. This transparency in the budgetary process is to be commended and taken further in the exercises of the future. The making of road maps for budgetary proposals, as well as revenue and deficit targets, is new and will take budget-making in India to new heights." An important reform in this Budget, then, is the reform of the process itself. Rarely have budget proposals been debated at such lengths any time before. The debate and discussion serve to strengthen the democratic aspect of the exercise and also place more responsibilities on the media, as the primary source of information in the public sphere. The next item on the agenda is more public discussion on subsidies and indirect taxes with a move towards evolving a Goods and Services Tax. The finance minister has already said that in the medium to long term he would like to see a national
level Goods and Services Tax. At the end of the day, then, Chidambaram has managed a two-in-one Budget combo: political sense and economic savvy.

There are three sets of issues that have been balanced: (a) tax reform (revenue neutral) and raising tax revenue (tax-GDP ratio); (b) fiscal prudence and revenue deficit reduction and new expenditures mandated by the Common Minimum Program of the United Progressive Alliance; and (c) broader economic reforms and narrow budget issues (taxes, expenditures) within the purview of the finance ministry.

"Since 1991 most finance ministers have used Part A of their speech to send a broader reform message by announcing reforms that do not fall strictly within the purview of the finance ministry. These reforms have often been left unimplemented for many years. For instance, three years ago the budget speech promised labour policy reforms, but they could not be implemented by the government in the remaining two years of its tenure. The 2005-6 budget has minimised the announcement of specific non-fiscal/financial reforms that would require action by other ministries. Even in the case of FDI, though the possibility of raising FDI caps has been indicated, there is no specific announcement, in contrast to the previous budget. Criticism of the budget by the Left has therefore been minimised, while FDI actions, including liberalisation of FDI in "real estate", were announced the previous week and liberalisation of FDI in retail is likely to follow after the budget has been passed."

Relatively non-controversial financial sector reforms have been carried forward. The SSI (small-scale industry) reserved list has been rightly pruned further so as to take on the challenge of labour-intensive Chinese exports in global markets.

The second set of balances is that between tax reform and raising the tax-GDP ratio so as to finance new expenditures or bring down the revenue/fiscal deficit. Reforms have been carried
out in all three areas, though to different degrees. The most radical reform is in personal income
tax followed by customs duties and corporate tax and excise.

The so-called “peak rate” that applies to all manufacturing and mining has been reduced from
20 per cent to 15 per cent. Though there was scope for reducing the very high agricultural tariffs,
these have not been touched for political reasons. Duties on capital goods imports have been
reduced to 10 per cent in the expectation of greater productivity boost from machinery
investment.

Excise tax reforms are modest but significant in that PFY (polyester filament yarn) duty has
finally been brought down to the basic rate along with that on tyres and ACs. The reduction in
customs and excise rates on oil products can be justified as a temporary response to high oil
prices, though in the long term they should not be given special consideration and must have
uniform ad valorem rates.

Personal income tax reform has been the most radical, with the raising of tax brackets,
elimination of the very complex standard deduction and the unification of the savings deductions
into a single integrated one of Rs 1 lakh. Corporate tax changes are a mixed bag, with a reduction
in the rate from 35 per cent to 30 per cent, the imposition of a surcharge of 10 per cent and the
reduction in the depreciation rate.

The third set of balances has been that between the social imperatives of the Common Minimum
Programme and the requirement of the Fiscal Responsibility and Budget Management Act. The
Common Minimum Programme asserted the need for raising expenditure on education,
employment, health, agriculture/ rural and infrastructure sectors. As some of us have pointed out,
throwing more public money at these problems will not solve them unless the effectiveness of
these expenditures in achieving their objectives is enhanced. Thus higher allocation for the social
sectors and rural infrastructure has been balanced by a search for innovative ways of making these expenditures more effective in reaching those who are in greatest need. An output based approach to monitoring and evaluation is promised, in place of the current input/expenditure based approach.

Overall the finance minister has produced a very good budget by minimising the opportunity for political criticism while introducing substantial reforms in taxation.
CONTENT ANALYSIS OF SIX NEWSPAPERS

ON

BUDGET 2005-2006

This year budget was announced on 28th February, 2005 by Finance minister P. Chidambaram. The graph Figure-37 depicts comparative study of the total space coverage on budget news at the front page of six chosen newspapers.

Figure-37

Hindu gave maximum coverage on Pre Budget and Budget Day and coming next were The Times of India and The Telegraph. Very small amount coverage was given by The Statesman, Hindustan Times and Indian Express. But in Post Budget Day all the six newspapers have allotted proportionately near about same amount of coverage in front page.
In Pre budget day i.e. 27th February,2005, The Hindu published two news articles regarding railway budget in its front page and those were:- “Fares, Freight spared, a slew of concessions too” (In what is seen as yet another populist budget, the Railway Minister, Lalu Prasad, today left untouched the passenger fares for all classes. Nor did he touch the freight rates and parcel tariffs, and still managed to shower ... ) and “Another Shatabdi to Bangalore, 150-kmph New Delhi service proposed” (Introduction of six new trains on congested routes, a proposal to operate a superfast train at 150 km an hour between New Delhi and Chennai and a commitment to complete gauge conversion between major towns are some of the...... )

In Budget Day i.e.28th February,2005, The Telegraph published a news article in its front page written by Sri Jayanta Roy Chowdhury “A Question of Reform Timing-Budget May Not Be A Battle” where it was stated that “Sri Palaniappan Chidambaram is the man the country’s Left politicians love to hate. In the run-up to the budget, the finance minister has been quietly doing what is anathema to them. Reforms in areas which they do not want him to touch, such as banking. Chidambaram softsoaps the Left at all meetings, but does not do its bidding. He had made his reformist resolve clear in last year’s budget speech. He quoted the Tamil poet Thiruvalluvar to say, roughly, the king shall consult all, but take decisions alone.

That budget saw layers of duties being compressed and announcement of higher foreign investment limits in telecom, insurance and aviation. The signals were clear even then. Despite the communist parties on whose support the Congress-led government lives, reforms would continue. But the big question is will he announce big-ticket reforms in this year’s budget? Perhaps and perhaps not. He has already demonstrated he does not need to use the budget to announce reforms, which can happen at any time. The time zone for the war between pro- and anti-reform camps has shifted from the budget month and been spread thin over the whole year. Chidambaram’s budget, consequently, is expected to be far more subtle than the dream budget?
He came out with when he was finance minister in the United Front government in 1997. That budget carved out a place for him in history by gambling heavily on lower taxes generating greater compliance.

It will promise a new deal for the rural poor by offering more jobs, higher spends on healthcare and education, insurance for farmers, better housing, drinking water and sanitation. In other words, this will be a remodelled “Garibi Hatao” programme which his party leade’s mother-in-law Indira Gandhi coined in 1971. Not that the finance minister is likely to give reforms a total miss. He has already said duties, customs and excise will be cut close to Asean levels to make industry more competitive.”

In Post Budget Day i.e. 1st March, in the front page of The Times of India several news were published and prominent among them were “Foreign top-end durables more do-ables now”8, “Sugar gorges on bitter chocolate”9, “More funds check in for tourism”10, “PC makes speech,Sensex history”11 etc.
The graph Figure-38 depicts the comparative study of the total space coverage of budget news at the business page of selected six newspapers.

**Figure-38**

![Graph showing comparative study of business page coverage](image)

The Telegraph and Indian Express gave maximum coverage in Pre Budget Day and coming next were Hindustan Times, The Times of India, The Hindu. The Statesman allotted minimum space. On the other hand in Post Budget Day maximum coverage was given by Hindu and The Times of India and after that Indian Express, The Statesman, The Telegraph and The Hindustan Times. But in Post Budget Day The Statesman gave maximum coverage compare to other five.

The Telegraph published a news article written by S.P.S.Pandu in its Pre Budget Day’s Business page with a headline “Scare in the air for railways” where it was told that “The railways are beginning to feel the pressure from cheap airline fares. Result: it has slashed the anticipated earnings from upper class passenger fares by Rs 417.31 crore in the revised estimates for the financial year ending March 31 this year. Railway Board chairman R. K. Singh said the railways
would introduce a frequent traveller scheme but this would be some time in August. He claimed that finishing touches were being given to the scheme and most of the modalities had been worked out. Singh admitted to The Telegraph that some upper class passengers, especially those travelling by the Rajdhani trains, had switched to air travel ever since the Apex fares had been introduced.

In contrast, the anticipated earnings from second class passenger fares and goods freight have been raised in the revised estimates by as much as Rs 502 crore and Rs 1,705 crore, respectively. Interestingly even Laloo Prasad Yadav’s budget has projected a target of Rs 2,992 crore for earnings from upper class fares, which is lower than the estimate of Rs 3,226 crore in last year’s budget. However, this represents a 6.5 per cent increased over the revised estimate for 2004-05.”12

Whereas that day The Hindu published a report with a headline “Adopt innovative methods to augment tax revenue” where it was written that “The Standing Committee on Finance has asked the Union Government to adopt more innovative and stricter methods to mobilise more tax revenue and undertake a review of the plethora of tax exemptions and various concessions now available under direct and indirect taxes to widen the tax net.

In its report on ‘Widening of tax base and evasion of tax’ tabled in Parliament on Friday, the committee, under the chairmanship of Maj. Gen. (Retd) B. C. Khanduri, said that it was disheartening to note that in a country with a population of more than one billion, only a few thousands were showing their income as Rs. 10 lakhs and above. “This is totally unrealistic, more so where there is an open, blatant and vulgar display of luxury,” the report said. And this, when the total number of people filing income-tax returns, is estimated at a mere 3.5 crores.”13
In Post Budget Day i.e. 1st March, 2005 several news appeared in the business page of The Hindu and prominent among them were “Sensex on a high as market greet budget” (The Finance Minister P. Chidambaram embarked on a ‘growth and equity’ oriented budget and the markets reacted overwhelmingly with the Bombay Stock Exchange 30-share Sensex increasing by 144 points. "Mr. Chidambaram has played to ...)14, “The budget and the financial sector” (The financial sector comprising banking, insurance and the capital market is one sector where previous reform measures have made a visible impact. Besides, for reasons that have not been fully substantiated, the stock market's ...)15, “Growth-oriented and balanced budget, says industry” (India Inc today generally lapped up the Union Budget 2005-06 as "growth-oriented" and "balanced" even as they had some reservations in relation to some of the proposals made by the Union Finance Minister, P ...)16.
The graph Figure 39 depicts the comparative study of the total space coverage of budget news at the special page of those six newspapers.

**Figure 39**

![Graph depicting comparative study of special page coverage](image)

In Pre Budget and Budget Day all the six newspapers published more or less same number of special page though The Hindu beat the other five. But in Post Budget Day Four newspapers like The Hindu, Indian Express, The Times of India and The Statesman Published quite a good number of special pages compare to The Telegraph and The Hindustan Times. Here the regional English daily The Statesman published eight numbers of special pages on budget news where as its competitor newspaper The Telegraph published only four numbers of special pages.

In Post Budget Day i.e. 1st March, 2005. The Hindu published six special pages on budget news and most important news among them were “A deal expected to revive the UPA in Bihar”( The Lok Jan Shakti Party president, Ram Vilas Paswan's letter to the Bihar Governor, Buta Singh,
today may have created the impression that the efforts to form a new government have got stuck but sections of the United ...)17, “Budget takes care of CMP and growth: Manmohan” (. The Prime Minister, Manmohan Singh, today said the budget proposals had achieved the twin objectives of fulfilling the promises made to the people in the National Common Minimum Programme (NCMP) while simultaneously improving ...)18, “Actual expenditure fell short of expectation: Left” (The Left parties today welcomed the shift in the Union budget towards emphasising employment generation, development of infrastructure especially in rural areas and investment in social sectors but said the actual expenditure ...)19, “Bihar, Jharjhand crises overshadow budget” (Election— that great leveller in a democracy — cast its shadow on the presentation of the budget by the Union Finance Minister, P. Chidambaram, today. Bihar and Jharkhand seemed uppermost in the minds of the key ...)20

The Times of India in its six special pages on the Post Budget Day i.e. 1st March published several news articles and the headlines of those few articles were “The more you earn, the more you keep”21, “Chidambaram fights shy of FDI proposals”22, “Smells of roses, but there’re thorns”23, “Even FDs, bank draft will be taxed”24, “PC wins numbers game”25, “Bollywood stars speak on the Budget”26 etc.
The graph Figure-40 depicts the comparative study of the total space coverage of budget news at the editorial of those six newspapers.

**Figure-40**

Only The Hindu published editorial on three consecutive days and The Times of India, The Statesman and Indian Express published it on Budget Day and Post Budget Day. But in Post Budget Day no newspapers were failed to publish editorial.

In Post Budget Day i.e. 1st March, The Hindu published an editorial with the headline “Expectations met in fair measure” where it was told that “If expectations from Mr. P. Chidambaram's second budget were rather high, he seems to have met them in a fair, even if not full, measure. On the one hand were the imperatives of the United Progressive Alliance’s mandate that called for much more of direct action to redress mass poverty and deprivation characterised not just by low income, but also by illiteracy, ill health, and unemployment. On the other was the need to push growth on to a higher plane of 7 to 8 per cent through tax cuts and reforms. In the event, perhaps because the economy is coasting along at a 6.9 per cent growth
rate this year, the Finance Minister has chosen to meet more of the expectations in the social sector through substantial increases in the outlays for employment, education, and health. The stimulus for industrial growth has been either selective for specific industries or has been in the form of simplification and rationalisation of tax laws. In coming out with higher social sector outlays, meeting the new burden imposed by the recommendations of the Twelfth Finance Commission that call for devolving more funds to the States, and managing to do both with little additional taxation, the Finance Minister was pushing at the limits of prudence and has had to put fiscal consolidation on hold.”

Where as on the same date, The Times of India published an editorial about budget with a headline “How Sweet Is It?” where it was written that, “The weeks prior to the Budget session have seen almost all the UPA allies angry with the Congress. After Sunday’s verdict, Lalu Prasad Yadav will have little love left for the Congress. The DMK is up in arms over a remark made by a Congress minister from Tamil Nadu. The Left has been blowing hot and cold since the UPA came to power, upping the ante every time there is talk on FDI. At least one ally of the Congress in the UPA will now be happy. The Nationalist Congress Party has got what it has bargained for all this while: An economic package to rescue the sugar industry and cooperative banks. Chidambaram has announced that sugar factories that were operational in the 2002-03 seasons will be helped to restructure their finances with the help of state governments and banks. Interest rates will be cut not just on new loans but outstanding as well. Individual sugar factories will also be allowed to renegotiate past high interest loans with banks. The finance minister has also promised special financial assistance to cooperative credit institutions to clear accumulated losses and infuse fresh capital.”
The graph Figure-41 depicts the comparative study of the total space coverage of budget news at different columns of those six newspapers.

All the six dailies published column on three consecutive days though the sizes were different. Maximum lengthy columns were published by The Hindu on Post Budget Day and coming next were The Telegraph, The Times of India and Indian Express. All the five newspapers allotted larger amount of space for column on Post Budget Day except The Statesman which gave maximum coverage on Pre Budget Day rather than Post Budget Day.

The Times of India published a column written by Sri Arjun Sengupta in Post Budget Day i.e. 1st March, with a headline “A reformist gameplan-Soft approach to black economy” where it was said that “s finance minister in the UPA government, P Chidambaram has risen to the challenge. His budget addresses the need for economic growth, reforms and social justice. The essence
came through when he quoted from Amartya Sen: "We need economic growth. We need reforms for economic growth. But the success of our efforts for development will be judged by the expansion of freedom, freedom from hunger, ill-health, illiteracy, unemployment and the freedom to enjoy basic economic and social rights."

We have a comfortable baseline of economic growth today. With a domestic savings rate of 26-28 per cent and modest inflow of foreign savings, a growth rate of 7 per cent is clearly sustainable, unless something drastic occurs. Even if further reforms are not forthcoming, the policies should aim primarily at not reversing the established process of economic reforms. The FM has maintained the targets of fiscal discipline. But if the actual fiscal deficit turns out to be higher because of the additional burden imposed by the Finance Commission, it may not have a major adverse impact on our economy. We have enough cushioning left in our economic variables. A foreign exchange reserve and a substantial liquidity in the credit system together with low inflationary expectations can help to absorb a modest increase in fiscal deficit."9

In the same day a column of Sri Ashok.V.Desai was published in The Telegraph with a headline "What brand is it?" where it was told that "the finance minister rose to present the budget. He thanked the Prime Minister for making him finance minister. He noted with pleasure the low inflation, the rise in export growth, and the record set by stock prices. He proposed to set the economy on a sustained, equitable and job-creating growth path of 7-8 per cent. He promised to give 11 per cent more for the Plan, and 29 per cent more for defence. Credit to agriculture would be increased by 20 per cent. He stressed the government’s commitment to reach the benefits of reforms to villagers, SC/ST and backward people, and to provide them with health, education, drinking water, housing and roads. He promised that 60,000 habitations and 30,000 schools would get drinking water in the next year. BPL people would be given 1.5 million houses. A task
force would be appointed under an eminent person on women in the national economy. He would allow Indian companies greater access to ADRs/GDRs for acquiring foreign companies and becoming Indian Multinationals?

Sorry, sorry; I have been reading the wrong budget statement. The finance ministry has not yet put this year’s budget speech on its website, and instead I read Yashwant Sinha’s budget speech delivered on 29 February 2000. But why did I ever think it was P. Chidambaram’s speech on 28 February 2005? Because large parts of the speech change little from year to year, except for the figures. It makes no difference where we are in time, and who rules us.

This should reassure us. Democracy ensures that governments focus on certain key concerns of the people; a functioning bureaucracy ensures rule of law and continuity whoever rules. It also reminds us that the scope for change, for innovation, for upsetting precedents however stupid, is limited in our government, whoever the finance minister.

But is it always so? Chidambaram himself presented two budgets in the 1990s; one was considered pedestrian, the second a dream budget. The Prime Minister he then served under had some understanding of foreign affairs and none of finance, and left the budget largely to his finance minister. Manmohan Singh presented five budgets; he overturned fiscal traditions of forty years. Economic straits compelled him to seek new ideas, new solutions; and his Prime Minister left him alone to implement them.

And now we have the dream team of Manmohan Singh and Chidambaram; why did we not see greater radicalism? It may be that they no longer have the urge to achieve; they are older and wiser, and see the wisdom of living in peace with their votebanks. It may be that they see the straitjacket of interests that surrounds the country’s finances. Thousands of political foot-soldiers live on funds intercepted on the way from the treasury to intended beneficiaries; there is an
unspoken compact between them and their leaders that their needs will be taken care of. Maybe, though, that is too cynical a thought. After all, the finance minister reeled off figures of the government’s achievements: 110 million children got midday meals, 5.82 million farmers got loans, 15 million families got food, 125,000 villages got electricity, 560 banks financed 200,000 self-help groups, and 172,000 kilometres of roads were given four lanes. Maybe our leaders believe these figures. And all we have to do to be happy is to believe the leaders."
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