

6

Our Unbound Unproductive Expenses

This is an important head consuming most of the nation's wealth and is vital to determine its impact on our economy and plight of our people. The unproductive expenses can be classified in two heads,

1. Cost of governance (salaries, perks, retirement benefits, security and other overheads on offices, buildings, their upkeep and maintenance etc.). This is also the head that generates most of the black money.
2. Expenses on defence, subsidies, interest payments and debt servicing. We shall even put most of our relief dole-outs also as unproductive.

6.1 Cost of governance

The cost of our governance is rising with jumbo-size cabinets to accommodate all allies, their enormous expenses and kleptocracy. It also accommodates the sprawling bureaucracy and their staff that is falling surplus with the selling of PSUs while fresh recruitments of bureaucrats continue. The policy of self-appeasement adds many more expenses in the name of security, upkeep of such staff and luxurious furnishing of their houses. The gun-totting security, a fleet of blinking cars in the front and as many at the back is a style in which all those in power swagger in public and private lives. Bigger the paraphernalia, higher the status it displays, adding to the cost of governance. To cite an example, our then Vice-President chartered a whole plane to attend the funeral of King Hussein at Amman and King Hassan II at Morocco during 1999. When media questioned its propriety, came the curt reply, earlier VP's had also been availing of such facilities. One more in the series is the luxurious overspending by Chief Minister, Mayawati on her birthday (U.P. 2003) while the country reeled under grave financial crisis, galloping debts and people suffering due to destitution. Such spendthrift events are on the rise and becoming official events. When people asked for its propriety, came another curt reply "if the state can spend on such events for Pandit Nehru and Charan Singh why not on me? Because I am a scheduled caste?." No one is concerned with the

welfare of the people. Agony is that no one tries to leave behind a mark of its actions and deeds for the people to follow.

6.2 Other unproductive expenses

To estimate this we have made the following assumptions,

That the revenue expenditure on development (plan) and non-development (non-plan) heads that are not used for any development activity forms a major part of unproductive expenses. These expenses are used on the expense heads as noted above.

(I) COMPUTATION OF UNPRODUCTIVE EXPENSES

As per annual budget¹ of 2004-05 (combined for union and state governments) Revenue Expenditure on "development head" is Rs 3.34 lac cr and on "non-development head" is Rs 3.88 lac cr.² The total therefore comes to Rs 7.22 lac cr.

Revenue expenditure is the day-to-day expenses in running the government and its services. This expenditure does not result in creation of assets. Even the grants to states are to meet their expenses only and not for any developmental work. A part of it may sometimes be used to create small assets but such assets too are only for the functioning of government and not for any development work.

Capital expenditure non-plan expenditure is the expense for the acquisition of capital assets - land, building, machinery and investment in shares. In case of plan expenditure this money is supposed to be used on development work. Instead it is often spent on relief operations and bulk of it travels back to the government machinery.

(II) COMPUTATION OF INDIRECT EXPENSES

Because of black economy

The generation of black money is discussed in Chapter 9. It is not possible to accurately evaluate the quantum of this money and only a wild guess is possible based on our experience. The actual figures than what have been arrived below may be a little more or less but can surely give us an idea of the enormity of this menace that is eating our nation like termite.

Out of 14% elite and upper middle class (Section 5.3), those in power or those who have means (about 3%) and rich upper middle class another (about 6%) totalling 9% of our total populace alone are the real

1. Source : T-219 of *Statistical Outline of India* 2004-05.

2. It includes the interest payments of Rs 1.92 lac cr.

beneficiaries (the remaining 5% are average middle class). According to our rough estimate, about 15-20% of this 9%, i.e. about 1.35-1.8% of the total population may be contributing to about 90-95% of the total *black money* generated. The remaining 10-5% of *black money* may transact amongst the rest (about 7.65-7.2%) of the population.

Therefore cost of unproductive expenses :

Revenue Expenditure	Rs	7.22 lac cr
<i>Black money</i> distribution (Table 5.5)	Rs	9.26 lac cr
Total	Rs	16.48 lac cr

(Besides the swindling of wealth of our natural resources and forestry).

▪ Notes

1. *Black Money* (BM) Rs 22.71 lac cr (Table 5.5, Column 8) : We have considered the distribution of this money between the government and the public as roughly 40:60. In view of large to very large government commercial deals and large scale swindling of public funds and corruption throughout the country practically in every department and office of government, police and judiciary, even if we consider the ratio between government and public as 60:40 it may not be an exaggeration. Our assumptions are therefore very conservative. Small industries as such save little and are mostly hand-to-mouth, sick or limping to closure and generate money largely for the system and little for themselves. This is true of all small and tiny industries. For the rest it would depend upon the size of industry or business house and their profitability.

In fact this money belongs to the government and should have strengthened country's economic base. But it circulates out of the economy and contributes little to the development work.

2. These expenses also include the expenses of the state governments and the union territories.

3. These expenses also include costs on polity, bureaucracy, police, president, governors, judiciary and defence and all the ministries (except railways, forestry and PSUs who prepare their own balance sheets and show their expenses there).

▪ Inferences

1. Unproductive expenses at Rs 16.48 lac cr is 32.2% of total gross domestic product of Rs 51.09 lac cr computed in Section 5.3. That means irrespective of what our country can generate in terms of wealth and resources, our unproductive expenses consume most part of this leaving little scope with the government for doing any developmental work for the people.

2. Most of the country's wealth is going back to the system.

3. Because of this large flight of country's wealth to a handful few, this class is getting wealthier by leaps and bounds while the country is being leached dry and people dragged to pauperisation.

4. The paying capacity of the common man (86%) is dwindling while that of affluent society is rising leaps and bounds post- liberalisation.
5. Lack of means of livelihood and job opportunities.
6. Ratio between haves and have-nots shows a staggering disparity and that is rising.

Populace 100%	45.32%	23.37%	10%	7.46%	6.54%	2.19%	2%	1%
Income Rs	4,400	7,850	8,200	18,000	50,000	1,50,000	9,85,000	11,55,000
Ratio	1	1.78	1.86	4.1	11.36	34.1	223.9	262.5

7. The wealth is gradually concentrating in the hands of a few and there exists an enormous gap between these 3% and the rest. The making of the new nation will address this disparity automatically when this wealth shall gradually distribute amongst the people of the land. We are of strong conviction that when the system is scrupulous and people loving and everybody is cared, people will become conscientious and desist from unscrupulous means of earning in the larger interest of the nation. When all will work for a cause, no one shall act to undermine his own self-esteem and rather shun all acts that are not in national interest. **We will like to reiterate that in normal course a person is honest and nation- loving and likes to work hard for his living.**

We are quite conservative in the above estimates; the real situation may be worse, because we have witnessed closely the magnitude of poverty and appalling living conditions of the majority of our people even post-liberalisation. Seeing the heart of a city or sitting in Delhi or Mumbai one cannot imagine the stark poverty and inhuman conditions in which the majority of our masses live. If we go into the interiors of a city or its outskirts we can witness the pavement dwellers, the *jhuggi-jhopri* clusters inhabiting hundreds and thousands of families cuddling in a small area. In urban areas (at least 45-50%) of a city's population lives in this manner. One can imagine the condition of villages and towns. The whole country is turned into a massive ranch with heaps of human beings living like cattle. **What should one do of a system that has made our country a ranch and its people worse than cattle. The plight of those who are perennially afflicted with droughts, floods, epidemics, cyclones, earthquakes, tsunamis or such disasters is harrowing and cannot be expressed in words.**