

directions on a question of balancing their budgets, the methods used have adhered more to the letter of the recommendations than to the spirit behind them. Taking an example of a commodity used in the manufacture of finished articles, the memorandum stressed that if, for instance, yarn is exported from Bombay to Madras, it has to pay a sales tax, and if Madras makes cloth out of it and exports it, that cloth will again bear a further sales tax. It may be that the province in which the finished article is finally sold also levies a sales tax, in which case the over-burdened consumer will be paying not only the high price of the cloth brought about by circumstances which are largely unavoidable, but also various forms of taxes to three or four Provincial Governments. The common argument is that each individual tax is small, but their cumulative effect is undoubtedly considerable. Government will never succeed in their declared policy of lowering the general price level, nor will India be able to compete in overseas markets, if Provincial Governments are allowed to vie with one another in imposing varying and ingenious taxes, all of which throw further burdens on the consumer and tend to raise the prices of the articles which must be sold abroad if a balance of payments crisis is to be averted.

TAXES AND THE CONSTITUTION

When the Constituent Assembly comes to consider that part of the Draft Constitution which deals with the allocation of sources of revenue between the Central and Provincial Governments, it will be committing a grave error if it fails to ensure a far greater degree of central authority over all powers of taxation. We have repeatedly emphasised the economic folly of permitting a situation in which Provincial Governments persistently make use of various forms of impost which tend to restrict trade and raise the nation's cost of living at a time when the Central Government are striving to bring prices down. The Committee of the Federation of Indian Chambers of Commerce and Industry is now to be congratulated on a most factual and exhaustive memorandum on the subject which its President, Mr. K. D. Jalan, sent to Pandit Nehru in time for the recent conference of the Provincial Prime Ministers. The memorandum, the first part of which is published on this page today, is in no way biased against the provinces and it is appreciated that, entrusted with the task of social regeneration of the country, they need increased finances. But the aspect to which pointed attention is drawn is the tendency towards overlapping and conflicting taxation measures and the "fissiparous and autarchic trends that are developing in the field of provincial finance."

A reasonable suggestion made is that the Central Government should have exclusive control of all imposts levied on commodities of all-India importance, like food-grains and industrial raw materials. To meet the needs of the provinces an agreed proportion of such revenue should be handed over to them on a basis of each province's production and consumption. A particularly pertinent point made in the memorandum is that the rigid Constitution of the United States has prevented a revision which might be in the best economic interests of that country. Other countries which have subsequently framed their constitutions have made every attempt to profit by the experience of the United States. "In India," it is stated, "we have the privilege to live in the most formative era of Indian history. We have the fortune to proceed on the basis of the experience and errors of other countries. The present opportunity will never come again."

It is to be admitted that although the various provinces have largely followed central