

Intended Remarks of Dr. P.T. R. Palanivel Rajan, MLA (Madurai Central)

Inaugurating the Debate on the 2019-2020 Tamil Nadu Budget

11<sup>th</sup> February 2019

Hon. Speaker,

At a time when many criticize Hereditary Politicians, I am proud to state that I rise to speak in this historic house, where my Grandfather Tamizhavel Thiru P. T. Rajan first spoke 99 years ago, and where my father Thiru P.T.R. Palanivel Rajan first spoke 52 years ago. I am grateful to my party leader, who is the Tamil Nadu Assembly's Opposition Leader, to our Whip, to you, and to all the Members present here for affording me this privilege, 13 months since my last opportunity to address this house.

Some members may recall my Maiden Speech in this house in July 2016, during the Debate on the Amended Budget for 2016-2017, due to my speaking mostly in English, and with many statistical details. When inaugurating the 2017-2018 Budget Debate in March 2017, I spoke in both Tamil & English, though I continued with my trend of focusing on statistics.

However, this year I have decided to adopt a completely different approach and speak about only one principle – why we as inheritors of the Dravidian Legacy, must focus on reducing Economic Inequality as our primary financial goal. And in order to achieve that goal, why it is critically important that the Government tries to Maximize both its Revenue and its Expenditure, within the constraints of the principle of fairness, or equality – referring to History, Philosophy, Economics, and Politics only, and avoiding any statistical references as far as possible, in Tamil as far as possible.

I do so for two reasons. First, in following my Leader's advice to try to ensure that my remarks are comprehensible, and of at least some interest, to as many members of this house as possible, as a way of giving due respect to their time and attention.

Second, I remember vividly that in 2017, the then Hon. Finance Minister, now Hon. Fisheries Minister Thiru D. Jayakumar, gave due importance during his final reply to the debate, to my remarks on the budget made outside the house, and posted on my personal social media pages. Since I have released 2 reports this time, and their reach has been expanded by our party's IT Wing which was recently formed, and most of all since the current Hon. Finance

Minister Thiru OPS is known to me for even a longer time than the former Hon. Finance Minister, I thought that he may consider giving the points in these 2 reports a fitting response during his reply. If the Hon. Minister does intend to reply to them, I'm happy to submit copies of both my reports to you, Hon. Speaker, to include in the proceedings as spoken by me. This will help avoid the incongruity of last time, when the Hon. Minister was seemingly answering unasked questions (as my outside comments were not recorded in the proceedings)

I also have a request of my fellow members. Based on tenure in public life, I am the most junior member in this house, and so in the context of our community dedicated to public welfare, I am like your younger brother. As such, I request you to view my remarks as put forth by someone with the humility of a younger brother speaking to his elder brothers, and not as someone presuming to give advice based on special insight.

Let me first turn to History. Though it might seem very odd to hear in the context of the last half century, there was once a time when this house had very few members from the Dravidian Movement. Between 1937 when the last Justice Party Government fell, and 1967, when the first DMK Government was formed under Perarignar Anna, our strength was 3<sup>rd</sup> tier, at best.

When the first Assembly of Madras State (undivided, prior to the formation of Andhra) after Independence was held in 1952, Rajaji became the Chief Minister of a Congress-led Government, and the Left parties constituted the primary opposition. My grandfather was the lone MLA elected on a Justice Party ticket, and hence was classified as an Independent. Though they were diametrically opposed on some principles, Rajaji & my Grandfather P. T. Rajan shared a great bond of friendship and mutual respect. So much so that Rajaji had invited my grandfather to join his cabinet in 1952 (which he declined) and asked him to serve as *Pro Tem* Speaker to swear in all the first-time MLAs of Madras State after Independence (which he accepted).

I say this because I was enlightened by the contents of my Grandfather's maiden speech on 10<sup>th</sup> July 1952 (after he had already served as Member, Whip, Minister & even Chief Minister in the much larger Madras Presidency for 17 years between 1920 & 1937), which I only discovered in our Assembly Library after becoming a Member of this great house! Despite their deep friendship he admonishes Rajaji in his remarks, for allowing Assembly debates to get too heated and personal, and for not doing enough to maintain the

decorum of the house and establishing good standards for future generations to follow. He reminds him that the Members represented (at that time) a few crore citizens and suggested that the standard of behaviour they should all strive towards was one where any citizen who came to the Gallery as a visitor, would leave satisfied that the people's work was being conducted by them with dignity and ability.

I am proud to say that our Party President, the Opposition Leader of the Assembly has an identical mindset on this issue. From day one, when he announced that we would be an “எதிர்” (Opposition) Party, and not an “எதிரி” (Enemy) Party, he has guided us on a path of single-minded focus on the people's issues, and the complete avoidance of extraneous efforts like flowery praise. I consider it my great fortune to serve under the guidance of such a leader.

Though I do not hold anyone up to the same level as my leader, I must also admit that the Hon Chief Minister, the Hon. Dy Chief Minister, and many others, have also shown a tendency towards a more dignified and measured debate, as opposed to incendiary accusations & rhetoric, and effusive but unproductive praise.

In fact, the conduct of the entire house on the day of the Eulogy for our departed, but never forgotten in our hearts and minds, leader Dr. Kalaignar, left me proud to be a member of such a dignified house.

In every personal (outside the house) interaction with the Hon. Speaker, Hon. Dy. Speaker, Hon. Ministers & Hon. Members of the Ruling party – bar none – I have experienced mutual courtesy, and even affection. And my experience is likely the norm, not an exception. Which should not be very surprising, because we are all an intermingled bunch! Many on that side of the Aisle were once with our party, and some on our side were once with your party.

And though I am your younger brother, I humbly request all of you, as a 4<sup>th</sup> Generation Dravidian, and as the son my father, former Hon. Speaker Late Thiru PTR Palanivel Rajan, who brought credit to this house, that we interact in this house exactly as we do with each other outside it – with courtesy and decorum. We now represent ~8 Crore people, who would like to see their business conducted in this house with dignity & ability. Please let us leave the accusations to Released Statements, which will increase the odds of somewhat prudent behaviour as we will be perpetually accountable to the public, and the

acrimonious debates to the Debate Shows on Television Channels, since they specialize in that!

Let me now start my comments on the budget by taking several steps back.

In many interpretations, the field of Economics is grounded on the Philosophy of Human Nature & Existence itself, and that an Economic Philosophy in turn is the basic motivator of most Politics. Some of the Greatest Economists in history, Adam Smith, Karl Marx, Alfred Marshall, John Maynard Keynes, all started as Students of Philosophy. At prestigious Universities like Oxford, the only way to do a degree in Politics, is to do a combined Philosophy, Economics & Politics major. As testimony to the soundness of this approach, alumni of this major from Oxford include prominent politicians globally, like Bill Clinton (US), David Cameron (UK), Malcom Fraser & Tony Abbot (Australia), and in our region, like Benazir Bhutto & Imran Khan (Pakistan) & Aung Sang Suu Kyi (Myanmar).

Our own Dravidian political history, shared by many of us in this great hall today, also validates such a view of the connection between Philosophy, Economics and Politics. The very word “Justice” in the Justice Party, the founding institution of the Dravidian Movement show the extent to which fundamental Philosophy shaped our politics. For 102 years, Social Justice, or Equality, has been the biggest motivation of all Dravidian Politics.

But there are different types of Equality/Inequality. Economic Inequality is significantly related to, but distinct from, Social Inequality. And even among those equally committed to Social Equality, the approach to achieve it is noticeably different. The words of Annal Dr. Ambedkar under his photo in this great house state “சமத்துவம் கண்டு சமூகநீதி காண்போம்” which I translate as “Through achieving General Equality, we will attain Social Equality”. In my understanding of the Justice Party’s philosophy, the sequence was reversed for them – Through legislating & ensuring Social Equality, they aimed to attain Economic Equality.

For some, the relationship between Social & Economic Equality may seem like a Chicken or Egg question. But developments around the world, especially over the past decade or so, suggest that in fact there is one clear sequence - the Justice Party’s – which is more likely to succeed. Why do I say that? Social Inequality is prevalent at varying levels across various countries, but through legislation and education it is declining in most countries around the world. In

places like Western Europe, it is practically non-existent. Yet Economic Inequality is rapidly rising – all around the world!

***The lesson I extract from this evidence is that on the one hand, there can be no real reduction in Economic Inequality if significant Social Inequality remains. But unfortunately, reducing or eliminating Social Inequality cannot, on its own, guarantee an accompanying reduction in Economic Inequality.***

In some countries, Globalization is seen as the reason behind Economic Inequality reaching decades-high levels, and this has resulted in an Anti-Globalization backlash. This trend has led to major political upheavals in the US (Tea Party, Donald Trump), in the UK (Brexit), and in much of Europe (Rise of Fascist & Xenophobic Ultra-Right parties).

But in truth, there are factors beyond Globalization that propel Economic Inequality. In a 2003 book titled “Saving Capitalism from the Capitalists”, my fellow MIT Alumnus, and former RBI Governor, Raghuram Rajan has explained how in Democratic Countries, extremely successful Corporations (& other Entities) are often able to hijack Government policy to perpetuate unfair advantages for themselves.

The India of Adanis, Ambanis & Essar Rujas, is the living proof for his theory. This is the India where Oxfam reports that the top 1% of the population owns at least 25% of the country’s wealth, and top 10% owns 73%. Where in the last year alone, 17 new Billionaires were minted in India, bringing the total to 101.

At a technical level, some of this can be explained by the insights of the Economist Thomas Piketty, In his book “Capital in the 21<sup>st</sup> Century” he argues that the increasing returns to Capital, (as compared to Labour), is the most identifiable driver of Increasing Economic Inequality.

But I think that at a more philosophical level, Human Nature itself tends to push a country or society towards greater Economic Inequality. That is as true in Tamil Nadu as anywhere else. For example, we have all read the recent news that over 4,600 people, including many Engineers and MBA’s applied for only 14 Sweeper (10) & Sanitation worker (4) vacancies in this very Assembly Department.

While that may seem shocking to some, to me it is a natural corollary to the fact that in a State of ~ 8 Crore people, of whom around ~3.3 Crore are actively engaged in work, and roughly 1 Crore people are registered in the Employment

Exchange, over 60% of the State's Own Revenues are spent to pay Salaries & Pensions to roughly 15 lakh (less than 2% of the population, and ~4.5% of the working population) current & former Government Employees.

And against all these natural & structural forces spurring Economic Inequality, there is only **ONE** stable force in a Democracy to fight Inequality, and that is the Government! And it is both the Government's natural tendency, as well as its bounden duty to do so, through all means possible.

For example, most Government Schemes or Projects have the built-in benefit of reducing Inequality. Laying a drinking water pipeline in a colony that didn't have one before, automatically reduces Inequality. Before the pipeline, the richer houses could afford to buy tankers for their private consumption, and the rest queued at pumps. But once the line is put in, all are equal.

In addition to Schemes, Legislation & Enforcement (e.g. Reservations in Jobs) are other tools the Government can use to reduce Inequality. But as much as any other tool, Money is a most important means to get results. Without it, no Government can succeed. Inherent in our desire to help the weakest and most needy, is our responsibility to raise resources from those that can afford to pay their fair share. To be very specific a desire to redistribute income more fairly is the reason we have progressive taxation (such as Income Taxes).

But raising revenues through taxes – fairly – is not a simple matter. We must Tax & Spend wisely, and most importantly, fairly.

On the Revenue side, success is defined as not failing to tax those who can & should pay, while at the same time not burdening those who can't pay, or we shouldn't extract funds from.

There are many examples of people who should pay, who get away without doing so – starting with those in the Mining Sector & continuing through many affluent people who are able to subvert the tax net in one manner or another. Closing these loopholes will raise more money for the Government & enable it to fund schemes that will reduce Inequality.

On the other hand, raising more than 40% of the Total Tax Receipts from Indirect Taxes (like Excise/VAT), which are clearly established as Regressive (i.e. effectively greater rates from the less well off) is a Tax policy that in fact raises Inequality. We must avoid such collection methods.

On the Expense side, success is defined as ensuring that the benefits reach those who are really in need, while at the same time ensuring that some do not unfairly receive benefits that they are not eligible for, or that they do not corner the benefits of public investments.

For example, we have read of the many cases in North India where the Government's forced conversion to Aadhaar Cards & Biometric Scanning as the pre-requisite for availing food supplies at Ration Shops cruelly left many people starving due to the multiple inherent flaws in the system. Such failures increase Inequality to unconscionable levels and must be deeply shameful to any Government. I hope and pray that this Government will not follow such ill-advised actions at our PDS system.

In terms of unfair/unintended recipients, we all know examples of misappropriated resources, such as instances where loan waivers intended only for small farmers, find their way to the hands of others – through means the Government may not be monitoring. As a personal experience, I find that many individuals illegally connect electric motors to their Corporation Drinking-Water Supply thereby depriving their neighbours of their fair share – a problem I'm not able to find a solution for right now but will keep trying to.

To fully illustrate how Government actions can sometime have greatly unintended consequences in terms of exacerbating Inequality, I would like to use a personal experience.

There is a school called the American International School in Tharamani, which was formed in the early 1990's, under a 3-way agreement between the MEA in Delhi, The American Ambassador to India, and our Tamil Nadu Government. It operates on about 12.5 Acres of prime land, leased from the Government of Tamil Nadu at the nominal rate of Rs. 1 lakh a month – though a conservative estimate of the value of such prime land is ~800 Crores. There is no political angle to this example, as some of this land was leased by a DMK Government & some by an ADMK Government. At the inception of the first lease, the school committed to building capacity for **~1,500 or so children of Expatriates coming to Chennai to work for MNC entities here** – thereby acting as a magnet to attract more investment. But today, the school only has about 800 fee-paying students, largely because the fees are ~ Rs. 28 LAKHS as the year-of-joining fee, and ~Rs. 20 LAKHS a year as the regular Fee!

A vast majority of expatriates cannot afford such high fees, and therefore send their children to study in the many quality private schools in and around Chennai. In a desperate attempt to increase headcount, the American School then admits many Indian students from very wealthy families who can afford to pay such huge Fees, in direct violation of the School's charter's directive to accept only Expatriate or NRI students.

Just contemplate that, in its entirety. In our state, where we are under constant stress to improve our public schools, where MLA CDS funds are not enough to fulfill all the Govt. school-related projects we see as critical for our constituents, where we have just passed a new law to regulate private school fees – in this our state, consider the extreme unfairness of allocating these resources for this outcome? Think now of how many lakh Government Students would be benefitted if we used these Rs. 800 Crores for their benefit, instead of subsidizing these wealthy students and their families?

To make matters worse, the school operates as if it is on another planet, by violating local labour (e.g. public holidays not adhered to) and revenue laws (e.g. doesn't close for declared rain days) here in Tamil Nadu, among so many others - which they would not dare to do even in America.

I must admit with regret that my own children studied there while I myself was an Expatriate in Singapore, at which time I didn't know the extent of these issues. But once the whole truth was clear to me, and especially after seeing the conditions of the Corporation schools in my constituency, my conscience forced me to withdraw my children (despite the good fortune of being able to afford the fees) and put them in a different school.

I urge the Government and the Ministers of Education, Industries, Labour & Revenue to conduct a thorough investigation and find all means available to correct this extreme policy failure, immediately.

At the end of this long address, I must revert to type, and point out that our State's Revenues as a % of GSDP have fallen from roughly 15% eight years ago, to about 10-11% now. Having stressed how important these revenues are in the context of achieving our ultimate Philosophical, Economic, and Political goal of reducing Inequality, I urge the Hon. Finance Minister to take all efforts to fix this issue first, above all others.

Hon. Speaker, and all Hon. Members, I thank you for your time and kind indulgence, for which I am grateful, and hereby conclude my remarks.