

PROF. RAMLAL PARIKH: It would not be possible unless it is put on the Table of the House.

MR. DEPUTY CHAIRMAN: All right.

PROF. RAMLAL PARIKH: What is the difficulty?

MR. DEPUTY CHAIRMAN: Perhaps you were absent when he explained. (Interruptions)

PROF. RAMLAL PARIKH: The Government has the mechanism. Making copies requires not more than 24 hours.

MR. DEPUTY CHAIRMAN: That point has been made

SHRI MANUBHAI PATEL: I said it.

MR. DEPUTY CHAIRMAN: Why is he repeating it? You have already said that.

#### THE BUDGET (GENERAL) 1981-82 General Discussion—Contd.

MR. DEPUTY CHAIRMAN: Now we start the reply. The hon. Finance Minister.

THE MINISTER OF FINANCE (SHRI R. VENKATARAMAN): Mr. Deputy Chairman, Sir, I deeply regret that owing to the simultaneous discussion of the General Budget in both the Houses, I had to deny myself the privilege and the pleasure of hearing some of the speeches made in this House by very erudite and panstating Members of this House.

Though I had read them and also had the advantage of being briefed by my colleague, Shri Sisodia, Sir, the void has not been filled. You are aware that cold print cannot substitute the soul-filling speeches. In particular I would have loved to hear my esteemed friend, Shri Sankar Ghose, Dr. Bhai Mahavir, Mr. Kalyan Roy with whom I may not agree but I still understand and appreciate, my old classmate, Dr. Malcolm Adiseshiah, and also a number of Members from my side, Dr. Rafiq Zaka-

ria, Shrimati Adivarekar and Shrimati Saroj Khaparde. I had the advantage of hearing some Members notably Mr. N.K.P. Salve, Shri Murasoli Maran and a few others. Thirtyseven Members including my colleague, Shri Sisodia, participated in the discussion and I am thankful to them for the contribution they made. The task of replying to this debate has been rendered easy and light by the invaluable contribution which my colleague, Shri Sisodia, made on Thursday last. Shri Sisodia is a very senior Member of this House and has sound knowledge and great maturity. He brings to bear on the subject he deals with clarity and precision, and his reply to the points relating to subsidies, Centre-State financial relationship, the administrative and enforcement action taken against tax dodgers and smugglers, was a complete answer to the points raised by a number of critics from all sections of the House. I am sure that this talents will find greater use in the country in future.

Criticism of this Budget as regards the proposals was almost negligible. There were a large number of concessions which were given, there was only one levy, namely, a 5 per cent auxiliary duty on customs. Therefore, both here in the House as well as outside there was no criticism worth mentioning. Eminent elder statesmen like Babu Jagjivan Ram and Shri Y. B. Chavan had certified that this Budget—and I quote their words—"is good"...

SHRI MANUBHAI PATEL (Gujarat): You needed a certificate!

SHRI R. VENKATARAMAN: These two leaders are men of—great eminence and have handled almost every Department of administration in the Government of India, and their assessment should carry the highest weight in the country...

SHRI PILOO MODY (Gujarat): Even otherwise!

SHRI R. VENKATARAMAN: I am glad to concede it. They are not only people with rich experience but they are really men of very high integrity

[Shri R. Venkataraman]

as well as very high ability. I am very happy to agree with the impromptu that was made by the honourable Member. I felt proud the day when these two Members paid a compliment to the Budget. Praise in one's face is flattery. I am now making it here so that it may be taken as genuine admiration for them, not for me.

Now I shall deal with the criticism of the Budget. The Budget was criticised from two angles. One was that the state of economy was not sound. The other was the economic strategy adopted is not proper. There was some other not so relevant criticism.

Some debated as to whether the Janata Party did better or the Congress did better. Some people said that in the golden age of three years of the Janata-Lokdal administration, they did wonderfully better than in the misrule of 30 years of the Congress. On this very issue we went to the people of India in 1980 and the sovereign people of India have given their verdict. And their verdict was that they preferred the so-called misrule of the Congress for thirty years to the golden rule of the Janata Party for three years. Therefore, it is profitless to discuss it. We will have to wait again till 1985 when we will go with the same argument before the public for a verdict from them...

AN HON. MEMBER: If the Lok Sabha is not dissolved earlier.

SHRI R. VENKATARAMAN: You are hoping for several things which may not happen.

I have also been in opposition and I have been the main spokesman for the Congress in all the Budget debates that occurred during the Janata rule. I have never been given to denigrating the country for the sake of decrying the Government. I have said so. But unfortunately my esteemed friend, Shri Piloo Mody started denigrating the country itself in his attempt to decry this Government. He said that this country has come to a very low

level in the hierarchy of countries having higher per capita income, it is the fifteenth from the bottom and this is all its position today.

Sir, I do not know if Shri Piloo Mody is an economist. But I wish to remind him that the per capita income is not the only test of the economic strength or the economic progress of a country. Occasionally, per capita income can give a distorted picture. A country with a very low population and having a very low GNP—Gross National Product—can give a higher per capita income than a country with a very large GNP, but having a very large population. I can even give one or two instances.

Some of the States which have very small population within India will show a higher per capita income than those States which have a larger population and yet a higher State income. Therefore, this is not the only test. This is only one of the tests to measure the economic strength or the economic standing of a country. There are a number of other tests. For instance, India even today stands tenth in the order of highly industrialised States in the world. Today the latest World Development Report—my friend Dr. Adiseshiah will confirm it—states that among the countries which have the highest value added to manufacture India is one. It is one of the twenty countries which have the highest value added out of manufacture. Not only that we are today not merely an aid-receiving country, we are also today an aid giving country. We are giving Government concessional aid to a few countries of Africa and Asia. We are giving concessional aid at the rate of 5 per cent to certain countries and commercial aid at the commercial rates of 8 to 9 per cent to a number of countries.

The fifteen countries which Shri Piloo Mody referred to are all described in the World Report as the Least Developed Countries and India is not described in the World Report as one of the Least Developed Countries. Again, if you look at the OPEC classification,

the Least Developed Countries are entitled to certain concessions and India is not entitled to that concession, because it is not classified as the Least Developed Country. I, therefore, wish to say that merely because there is a per capita income index which is very low, because of the very large population that we have and also a growing population, we cannot be said to be worse off than these countries or equal to those Least Developed Countries. I am sure, Sir, that the world recognises India as one of the developed among the developing countries, as one of the countries in the intermediary stage of development which can not only give aid and assistance to other countries, but which can also transfer technology to other countries. I would only earnestly appeal to our Members not to denigrate the country. It does not do us any good. You can say that this Government is rotten and it must go. But don't say that the country is rotten. This is all my appeal.

Now, a number of Members have stated that the economy is not sound and the state of the economy causes concern and this aspect, they referred mainly to the inflation in the country. I have, in my own Budget speech, stated that the country's inflation has moderated, but not abated. I have also conceded that the dangers of inflationary pressures mounting are still there and they got to be combated and I am not in any way minimising the threat which exists arising out of that inflation. To a large extent this inflation is not due to any policy of our own, but, to a large extent, it is due to international factors which cause inflation not only in our country, but also all over the world. Even the developed countries are suffering a very high rate of inflation on account of the price of oil. Recently, a Foreign Minister of one of the developed countries was in India and he was discussing with me the rates of inflation in his country as well as ours and I pointed out to him that our rate of inflation in 1980 was of the order of about 14 per cent. He told me that he would like to congratulate this country. I replied that I

wished he were in our Parliament than in his own Parliament! This is the condition in respect of all the countries, even the developed countries of the world.

SHRI SYED SHAHEDULLAH (West Bengal): Not in respect of all the developed countries. Not in the Soviet Union.

SHRI R. VENKATARAMAN: I will deal with the Soviet Union separately and it is a class by itself.

SHRI PILOO MODY: As always.

SHRI R. VENKATARAMAN: It is *sui generis*. Just as we say in law, it is *sui generis*.

Now, take this rate of inflation. People thought that I had juggled with figures and shown a different or smaller rate of inflation that what it really is. I affirm that if you want to compare the inflation in our own country between one period and another the correct comparison is the point-to-point comparison between these periods. But, if you want to compare over a period, a decade, saying that in the last decade the inflation was so much, in the next decade the inflation is so much, then what you compare is the average over the decade. The point at dispute was not what the rate of inflation in India was, but that I had caused a greater inflation than what occurred in the previous year and what I was at pains to explain, both to the Members of Parliament and to the world outside, was that the rate of inflation during the previous year was very much higher than the rate of inflation during the year in my charge. I will give the figures now for that. We assumed office on the 14th of January. The figures are from week to week. So if you want to compare one year performance of this Government with the one year performance of the previous Government, I have to compare the 14th January or the nearabout date of January 1980 as compared to the 14th of January or the nearabout date of 1979.

SHRI B. D. KHOBRAGADE (Maharashtra): What about 1977-78?

SHRI R. VENKATARAMAN: I will give that answer. I have an answer to it. Now, in 1979, in the week ending 13th January, 1979, the index of wholesale prices was 186; on January, 16, 1980, two days after we assumed office, it was 231.7. The rate of increase was 24.6. On January, 14, 1981, it was 267.7, and the rate of inflation in the year 1980 is 15.5. There is a slight variation in figures, because I took in this calculation the year exactly before I took charge and after I took charge. In the figures we have given earlier we have taken the calendar year up to 31st December. Now, I repeat the figures for your benefit, and particularly for the benefit of Mr. Piloo Mody. On 13th January, 1979, the index of wholesale prices was 186. On January 16, 1980, it was 231.7. On January 14, 1981, it was 267.7. And the rate of inflation in the previous year 1979 was 24.6 and the rate of inflation during the year 1980 is 15.5. All that I said was that I will reduce the rate of inflation that has been prevailing in the previous year. Somebody very cleverly asked me the question, why don't you take 1978?

SHRI B. D. KHOBRAGADE: 1977-78.

SHRI R. VENKATARAMAN: Sir, I inherited an economy in January, 1980, with Rs. 2700 crores deficit but with 22 per cent inflation. The patient was in a delirium and I had to put him in the 'Intensive Care Unit' and bring his temperature down from 22.4 to 15.5. My hon. friend says, a year before he was a gladiator who fought the lion in the arena. But the year I was called upon to treat the man was before, I was called upon to treat an economy which had deteriorated. (Interruptions) What is this question? Sir, I had to improve an economy which was given to me. And the economy that was handed over to me on a plate was one in which the infrastructure had totally collapsed, where the rate of inflation was very high and where the deficit was the highest.

DR. BHAI MAHAVIR (Madhya Pradesh): Drought was the single, big factor.... (Interruptions)

श्री सुलतान सिंह : (हरियाणा) आपके ही तो पैदा किया गया है, आपको पता होगा ।

SHRI R. VENKATARAMAN: The next point which many people raised was that the prices of administered commodities like steel, coal and all that have been raised and, therefore, it is another way of indirect taxation. Having levied this indirect taxation already, the Budget now comes and says that there is no taxation at all. Sir, it is a new economics I am learning from the hon. Member of Parliament or some hon. Members of Parliament. If Tatas increase the price of steel it is not taxation. But if SAIL increases the price of steel, it is taxation. This is exactly the argument of the class to which Mr. Piloo Mody belongs who are totally against the public sector and who use this in and out as an argument against the public sector.

SHRI PILOO MODY: If the Finance Minister will excuse me I did not say that the increase in prices was taxation. I said it was a cost push contributing to inflation.

SHRI BHUPESH GUPTA (West Bengal): We said that it is robbery of the people all the same, whether Tata does it or Mr. Venkataraman does it.

SHRI R. VENKATARAMAN: In that case, I am in the great company of Mr. Bhupesh Gupta in the robbery because both of us want the public sector to thrive. In that sense, I think we are partners in the game, the game which you just now mentioned. The logical absurdity of the argument which Mr. Bhupesh Gupta introduced that public sector must produce goods and sell them free, otherwise even the price that they charge is a tax. This is the absurdity to which your argument reduces. You said whether the Tatas increased the prices or the SAIL increased the prices, it is robbery. (Interruptions). This is the abstract result of your argument. (Interruptions) I

again want to point out that it is necessary for every consumer to pay the price or the cost of goods and services that he uses.

DR. BHAI MAHAVIR: Even when it is because of inefficiency and corruption as in Coal India?

SHRI PILOO MODY: This is a part of the class he represents.

SHRI R. VENKATARAMAN: I am not going to answer these things because I will be diverted from the main thing.

SHRI PILOO MODY: Why did you start it. This is not a class war. It is an economic discussion.

SHRI R. VENKATARAMAN: The point which I have been making is that if I do not charge the cost of the product or the price of the services, then it will have to be met in the case of the public sector either through taxation or through deficit financing. If it is through taxation, it will be largely by indirect excise duties and so on. The result will be that a person who has never seen a railway station will be called upon to subsidise the person who uses the Rajdhani Express. (Interruptions).

MR. DEPUTY CHAIRMAN: Let him reply. Please sit down Mr. Rameshwar Singh. (Interruptions)

SHRI PILOO MODY: Why are you coming into it?

MR. DEPUTY CHAIRMAN: He is not yielding. That is why I am asking him.

श्री राधेश्वर सिंह (उत्तर प्रदेश) : मेरी बात सुन लीजिए . . . (व्यवधान)

श्री उपसभापति : आपकी बात सुन ली गई है । आपने बजट पर भाषण दे दिया है . . . (व्यवधान)

श्री राधेश्वर सिंह : मेरी बात सुन लीजिए . . . (व्यवधान) आप हमेशा हमारे साथ क्यों ऐसा करते हैं . . . (व्यवधान)

MR. DEPUTY CHAIRMAN: Nobody has disturbed like you. He is not yielding. What can I do? (Interruptions) This is not the way.

श्री राधेश्वर सिंह : (व्यवधान) आपकी बात हमारी समझ में नहीं आती . . . (व्यवधान)

श्री उपसभापति : आपकी समझ में . . . (व्यवधान)

श्री राधेश्वर सिंह : . . . (व्यवधान) यह तीन सौ करोड़ से ग्यारह सौ करोड़ हो गया है । इस पर आपका क्या कहना है ।

MR. DEPUTY CHAIRMAN: He is not yielding. Why are you wasting the time of the House . . . (Interruptions) You have already spoken on the Budget. If you go on repeating, it will be an endless discussion. Please sit down.

SHRI R. VENKATARAMAN: I see that it hurts. And now take the steel. Again, if I sell it below the cost of production, the persons who are using it for their factories for their mansions and all that, they will be subsidised by persons who do not even use steel for putting their huts and hemlets. Therefore, to say that the producer, be it a private producer or a public sector producer, should not charge the legitimate cost of production is something which is totally unreasonable and a concept which is totally uneconomic. And, therefore, Sir, we cannot afford really to subsidise these things. My point, therefore, is this that when you increase the prices of these commodities, it is just to cover the cost of production. I can conceive of a situation in which the State has a monopoly and by monopoly pricing.

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policy charge a higher price than the cost of production and then transfer the surplus to the general revenues of the country. This is what is being done in the socialist countries. That is a tax. But to say that when you charge the cost of production or the cost of services to the consumer that it is a tax, is a total misconception.

Sir, the next point which agitated many Members was about the deficit. Sir, I have already mentioned that the deficit that was left as a legacy to me was the highest ever—Rs. 2,700 crores. I have assured the hon. Members of Parliament that I shall endeavour to preserve this record for eternity as one which has been made by the previous Janata-Lok Dal Government, never again to be shattered by anybody who comes afterwards.

श्री राजेश्वर सिंह : 32 वर्ष की सरकार ने जो दे रखा है, ढाई वरस की सरकार का नाम लेकर क्यों कोसते हो? ढाई वरस की सरकार को आपने क्या दे रखा था ?

श्री सुलतान सिंह : मुल्क का दिवाला निकाल दिया ; यूँ बात करते हो ।

SHRI R. VENKATARAMAN: My second point in respect of this deficit is that the deficit of Rs. 1,440 crores which I envisaged when I presented the Budget in 1980 went upto Rs. 1,975 crores. But all the economists, all the politicians and everybody was saying that the deficit would go to Rs. 3,000 crores, Rs. 4,000 crores and so on. I am sorry to have disappointed all of them.

SHRI BHUPESH GUPTA: What did you say?

SHRI R. VENKATARAMAN: They were all disappointed. I am sorry to have disappointed all of them because it was only Rs. 1,975 crores. And they are very angry and, therefore, they are finding all sorts of excuses to say that this is a deficit, if you did

the other way, it was a deficit, and so on. And how did Rs. 1,440 crores go to Rs. 1,975 crores? We gave additional allocation for the Plan to the States in the sum of Rs. 300 and odd crores. We spent Rs. 200 crores more on Defence. And we also spent about Rs. 100 and odd crores for drought relief. And the result was that the deficit went upto Rs. 1,975 crores. I do hope that by the time when I present the Finance Bill, when the Receipts for the whole year will be available, my deficit will be less than even Rs. 1,975 crores. Some points were made that we should have resorted to zero deficit budgeting. One of the economists who propounded it was himself a Member of the Planning Commission and he did not do it when he prepared the Plan. I see knowing Members laughing at it. Secondly, it is not very difficult for a Finance Minister to prepare a zero deficit budget. If a Plan of Rs. 97,500 crores is reduced to Rs. 90,000 crores there will be no deficit budgeting. Zero deficit can be achieved. But, at whose cost? All the investments and infrastructure, investments for the benefit of the poor and the weaker sections, the national rural employment programme, the integrated rural development programmes, crores and crores of rupees on agricultural development as well as the rural water supply schemes, all these will have to be pruned. Is it good for this country to have a theoretical success of a zero deficit budget or a practical situation in which the people of the country will benefit even though there is a deficit? As far as I am concerned, I have no difficulty at all in making the choice and choosing the option.

SHRI BHUPESH GUPTA: Now, say something about the black bonds.

SHRI R. VENKATARAMAN: I am coming to that. You are very clever. You have anticipated me. That was my next point.

SHRI NARASINGHA PRASAD NANDA (Orissa): You yourself said that you would not like to be called a clever person.

SHRI R. VENKATARAMAN: I did not hear.

SHRI PILOO MODY: You said, you are clever by half.

SHRI R. VENKATARAMAN: Then somebody said, there is liquidity in the economy and by some method I must absorb this or reduce this liquidity. Several people before me have tried several methods of absorbing this liquidity. Some people thought that by demonetisation you can absorb the liquidity in the economy. They demonetised notes of Rs. 1000 and notes of higher denomination. The total volume of notes of Rs. 1,000 and higher denomination circulating in the country at that time was around Rs. 150 crores. Out of that the notes which were surrendered through treasury as well as through banks was nearly Rs. 130 crores and the notes which did not surface at all were only Rs. 20 crores. And, how does it reduce the liquidity? If you say demonetise, they will find ways and means of distributing it through nefarious channels and bringing it back some how or the other and this is exactly what happened. All that was not cashed was Rs. 20 crores. There is another method which was tried, namely, the voluntary disclosures scheme. And that had also its weaknesses because many people were not prepared to come and disclose and even when they came to disclose they distributed their money over different people for disclosures so that the maximum rate of taxation was reduced. Then, we issued Gold Bonds in 1965 in which we said that irrespective of the source of gold, whether it is smuggled gold or tax-evaded gold, whatever it is, you can deliver that gold to the Government, and the Government will pay according to the international price of gold without asking any questions. It had all the features which I now have, that is, free from Wealth Tax, free from Gift Tax, and so on. Even that did not attract very much. The only course I could do it was to see

whether we could attract this money which is in circulation, by an inducement in which they will forgo about 40 per cent of the money circulating outside the banking system, and then be able to convert it into legitimate money. The average rate of tax in respect of incomes is about 35 per cent, though the maximum marginal rate is 66 per cent. It was 72 per cent earlier. But here, in the case of these Bonds, everyone will pay 40 per cent and, therefore, this would be a method by which Government will not lose revenue; at the same time, Government would be able to absorb the liquidity in the economy and if over Rs. 10,00 crores had come in, to that extent, operation of money circulating outside the banking system, putting pressure on essential commodities, would have been reduced and price management would have become a little easier...

SHRI BHUPESH GUPTA: In the process, the Finance Minister becomes liquid himself.

SHRI R. VENKATARAMAN: You don't know; this Finance Minister will become a gaseous matter. After all, in politics, we are only to go by the art of possibility. I have never said that this will be the most moral and just and equitable thing to do; but when you are faced with a very difficult and desperate situation, I cannot allow that thing to continue. People would say that we should not do anything. We are prepared to live with the sin but we are not prepared to attack the sin. If we did not do anything, this money which is circulating outside the banking system, will continue to exert all the pressure and nothing will be done. If I had to do something, you say that I have done the wrong thing. Now, this is a matter to attempt and do something and fail rather than not attempt at all and allow the situation to go on rotting. To relieve the tension, may I say it was Johnson who said: It is better to have loved and lost than never to have loved at all...

SHRI BHUPESH GUPTA: You can ask those who deposit the money and get the particulars.

SHRI KRISHNA CHANDRA PANT (Uttar Pradesh): It does not apply to Bhupeshda.

SHRI R. VENKATARAMAN: This particular quotation from Johnson was meant for you, Mr. Bhupesh Gupta. It was better to have loved and lost than...

SHRI N. K. P. SALVE (Maharashtra): How do you know it applies to him?

SHRI R. VENKATARAMAN: Therefore, I beg to submit that this is a measure which one has to take.

SHRI BHUPESH GUPTA: I think the next Government will annul it in such a way...

SHRI R. VENKATARAMAN: I can assure you, Mr. Bhupesh Gupta, even if they do, I am sure, all the contracts entered into will remain valid and they will have to pay.

SHRI BHUPESH GUPTA: They will amend the law to get the particulars of those who have declared.

SHRI R. VENKATARAMAN: I have taken care to see that nobody can get all those facts.

SHRI BHUPESH GUPTA: Why? Has the law of the land changed?

SHRI R. VENKATARAMAN: Even if you change the whole world, you will never get it.

SHRI BHUPESH GUPTA: This is forestalling the Parliament. Suppose an Act of Parliament is passed which says those who had declared, taken bonds, under this scheme, will now in retrospective effect be under obligation to disclose all the particulars about it.

SHRI N. K. P. SALVE: Only the holder can be held liable.

SHRI R. VENKATARAMAN: I am glad, Mr. Bhupesh Gupta has asked this question. I must answer this, because, people will have some apprehensions about Mr. Bhupesh Gupta and others who may come to power. The bearer bond is just like a currency note. Therefore, whoever presents it, will get it, and it will not be possible for anybody to say that he is the purchaser; a third party, a fourth party, anybody can get it.

SHRI BHUPESH GUPTA: Somebody will be holding it, ultimately, X, Y or Z.

SHRI R. VENKATARAMAN: The ultimate holder will pass it on as they did in the case of one thousand rupee notes.

SHRI BHUPESH GUPTA: The ultimate holder will be subjected to investigation. He should say from where he got it.

MR. DEPUTY CHAIRMAN: This point has already been replied to.

SHRI R. VENKATARAMAN: I have already replied to this point. The position is the same as in the case of one thousand rupee notes which had come back and which had to be cashed. This will all come through the nominal persons and individuals.

SHRI BHUPESH GUPTA: Put the fear of God into them.

SHRI R. VENKATARAMAN: I am glad, Mr. Bhupesh Gupta has faith in God. I did not know that you had faith in God.

SHRI BHUPESH GUPTA: I never said 'Put the fear of God into Mr. Bhupesh Gupta and his likes'. I only said 'Put the fear of God into them and the likes of you'.



SHRI R. VENKATARAMAN: I am glad he recognises the existence of God.

SHRI N. K. P. SALVE: For others.

SHRI R. VENKATARAMAN: You should now permit me to go ahead with the debate. (Interruptions)

DR. BHAI MAHAVIR: Just one minute.

SHRI R. VENKATARAMAN: In a tense debate, I just wanted a little relaxation. But you should not allow this whole debate to go that way.

The point which was made by my esteemed friend, Dr. Adiseshiah, was that the non-development expenditure has increased very much and unconscionably. I would like to give the figures. In the Budget for 1980-81, the non-Plan expenditure was Rs. 13,051 crores and in the Budget for 1981-82, it is Rs. 15,000 crores, the difference being Rs. 2,049 crores. This Rs. 2,049 crores is made up of additional Defence expenditure of Rs. 600 crores—and I am sure nobody in this House will grudge this Defence expenditure in the current context of our international situation,—an additional expenditure of Rs. 426 crores on subsidies—I will deal with subsidies when I come to that—interest charges which have gone up by Rs. 526 crores and non-Plan assistance to States which have gone up by Rs. 101 crores, making up a total of Rs. 1,653 crores. In the net result, the increase in non-Plan expenditure is only Rs. 396 crores which even my friend, Dr. Adiseshiah, will not say that it is very high in the present context of the inflationary situation.

I will take up the next point that the fiscal taxation in our system is regressive. This point was made by Dr. Adiseshiah. Incidentally, Adiseshiah and I were classmates and I have a grouse against him. You know why? He may not know. He got one rank above me. Now, Sir, the arguments that the direct and indirect taxes are regressive are all old theories. Today, even in indirect taxes, we have introduced progressivity. For example, in the case of luxury articles like

refrigerators, airconditioners and so on, we have higher rates of tax and in the case of articles of common consumption, we have lower rates of tax. Hence, this is no longer a very substantial point, though there is an element that if you increase the indirect taxes, even those who buy these luxury articles will pay a higher rate of duty. But then our answer is, if a person buys a luxury article, he should be able to pay a higher duty charged on it.

The next point which I would like to deal with is that there is not much benefit to the poor. Now, so far as poor are concerned, the benefit can be conferred only through public expenditure. In a system in which the poor do not pay any tax, what is the tax relief I can give? So, if I want to give benefit to the poor, I must incur a lot of public expenditure which will go directly to their advantage. For example, if I give free education, free medical assistance, subsidies on food, on controlled cloth etc., all this public expenditure goes to the benefit of the poor. Therefore, if you look at the whole system of our public expenditure, you will find a very large element of assistance accruing to the poor people. Particularly, I would refer to the scheme, the national rural employment programme, which some people mistook and thought that it has been reduced. The programme has been recast in consultation with the States. Last year, before the plans had been finalised it was done entirely by the Centre. After the plan have been finalised after discussion with the States, fifty per cent is borne by the States and the 50 per cent by the Centre, for which allocation has been made. So, it is Rs. 180 crores by the Centre and Rs. 180 crores by the States, which works out to a total of Rs. 360 crores, as against the last year's allocation of Rs. 340 crores.

Again the integrated rural development is Rs. 190 crores by the Centre followed by a matching grant of Rs. 100 crores from the States. That works out to Rs. 380 crores.

(Shri R. Venkataraman)

The component programme for the Scheduled Castes and the Scheduled Tribes is Rs. 110 crores. In addition, there is going to be a contribution to the Scheduled Castes and Scheduled Tribes Corporation of Rs. 15 crores. On the rural water supply scheme there will be another Rs. 110 crores. If you take up all these specific programmes, the amount which goes particularly to the weakest section in the society, compares very favourably with any allocation that has been made for that section in the past.

Sir, I will now deal with the question of subsidies. We are giving food subsidy of Rs. 650 crores, fertilizer subsidy of Rs. 679 crores, on controlled cloth we are giving a subsidy of Rs. 76 crores, on exports it is Rs. 406 crores. Now many people talk very lightly that you must remove all the subsidies. But they do not understand the implications of making that kind of suggestion. If I remove all the subsidy on wheat, I will have to raise the issue price of wheat by 74 paise. I would ask all the hon. Members here, would they agree to it? If I remove the subsidy on rice, I will have to raise it by 64 paise per kilogram. Is it possible to do so? If I remove the fertilizer subsidy, I will have to increase the price of fertilizer from Rs. 2000 to Rs. 2700 per tonne. Therefore, these are all directed towards the weaker sections and the vital sections of our economy. And willy-nilly, whether you can afford it or not, it is a burden which one has to bear and one has to take. It is not possible to shirk this responsibility. Many people who can afford will say, no, they must also bear a certain portion. It is generally a middleclass elite's argument that you must reduce the subsidies. The subsidies in respect of the poorer sections will continue to be given and I assure this House, they will continue to be given as long as the people are so poor and are so low in the poverty line.

The next point is the attack on export subsidy. People think that a lot of money is given on subsidy to exports. What actually happens is, we are paying draw-back money on the duties and taxes which these exported goods carry and unless you do that, it will not be possible for these goods to be competitive in the international market. In order to help our goods to be competitive in the international market and earn foreign exchange which is so necessary for us, we have to maintain this subsidy. But I hope that in consultation with my esteemed friend, we will try to prune when the next policy is prepared in April. We will try to reduce it and see that the subsidies in respect of exports are more or less contained and made more rational and, if possible, reduced.

The next point which Shri Sankar Ghose and also Dr. Adiseshiah made was that in the Centre-State relationship, this kind of relief given to the income-tax assessee has eroded the States' resources. In support of this Shri Sankar Ghose pointed out that in the last year's budget, the Centre provided Rs. 9010 crores and in this budget they have provided Rs. 9041 crores and, therefore, it is negligible. I am sorry Shri Sankar Ghose is not here, but I am afraid he has compared the non-comparables. The Budget Estimate for 1980-81 in respect of State assistance is Rs. 8412 crores; the Revised Estimate is Rs. 9010 crores. He compared the Revised Estimate of the last year with the Budget Estimate for this year. The Revised Estimate, Sir, includes certain items like extra assistance to the States, special assistance to the North-East area and drought provision. I do not think that Shri Sankar Ghose wants me to make a provision for drought and other things, expecting another drought or another calamity. We provide for the schemes as and when they arise and we will come by way of Supplementary Estimates. But we do not want to anticipate a calamity and

provide for it. Therefore, this comparison is based on an erroneous reading of the figures.

I would like to say in respect of the income-tax relief, that this is nothing new. The Janata Government also raised the exemption limit from Rs. 8000 to Rs. 10,000. Earlier Governments have done it. The point really is, in the Centre-State relationship today what is the total amount which we are giving to the States and does it take care of all their Plan expenditure? If their resources go down in one thing, we make it up in another. This way, the question which was very important in the earlier days—of certain resources for the States and certain resources for the Centre—has ceased to have that importance now in the present context in which almost the entire amount of Plan finance is met by the Centre. In this year, they will not get less; on the other hand, they will get about Rs. 50 crores more than what they got last year and as and when allocations are made, it will be our endeavour to see that the States get their Plan allocations according to their requirements, and not necessarily on the basis of one or the other tax.

The next point I would like to deal with is the line of argument presented by the Communist Parties—the CPI and the CPM. The argument of the Communist Party is that we have surrendered to the corporate sector, the corporate sector has increased its assets, the monopoly houses have grown, the concessions to these foreign companies are enormous and so on. At the outset I would like to make this point very clear. While I understand the line of thinking of the Communist Party who do not want to have a private sector at all in the country, the philosophy of this party which has been returned to power is one which is committed to a mixed economy in which the private sector has a role to play. Once you concede that the private sector has a role to play, then it must be enabled to play that role within the broad parameters

which we have fixed for it. The broad parameters are...

**SHRI BHUPESH GUPTA:** Monopoly.

**SHRI R. VENKATARAMAN:** I will tell you. I am ready for every question of yours. The broad parameters are: There should be no monopoly because it is governed by the MRTP Act. We prevent the growth of monopolies through the MRTP Act. We do not allow foreign companies because of the FERA.

**SHRI BHUPESH GUPTA:** Your President Sanjiva Reddy talked about monopolies while addressing the Governors, saying that the number has gone up from 42 to 103.

**SHRI R. VENKATARAMAN:** You can discuss it in the President's Address. I am giving the figures now. I am now saying that we have fixed the parameters. We say that we will not allow the development of monopolies in this country, by regulating it through the MRTP Act. We said that foreign companies and multinationals cannot come into this country in a big way, because they are governed by the FERA. But if within the parameters fixed by those Acts they are able to contribute both goods and services for the benefit of the community, they should be allowed to do it and the facilities should be given. From this point of view if you analyse each one of the concessions, you will find that they are consistent. I have said that in order that the companies may grow, they should have a certain concession which they can plough back for development.

**SHRI KALYAN ROY (West Bengal):** You have given concessions—admitted. Now, what is the response?

**SHRI R. VENKATARAMAN:** I am going to give you. I am not going to escape. I have come prepared for all the possible questions.

**SHRI SADASHIV BAGAITKAR** (Maharashtra): May I bring to your notice that in nine years only 45 cases were referred to the MRTP Commission? That is how the MRTP Act is working.

**SHRI R. VENKATARAMAN:** That is the criticism of the working of the MRTP Act, not the principle behind it.

Now, Sir, Mr. Kalyan Roy, naturally, asked me and I have anticipated this question: "You gave these concessions last year; what is the response?" Between April and December, 1979, the number of consents for capital issues given was to the extent of Rs. 307.66 crores. Between April and December, 1980, the number of consents for capital issues given was to the extent of Rs. 702.64 crores. You cannot give consents for capital issues unless the people have come forward with applications for starting companies with a certain amount of capital. Now I will also give you the other figures. In 1979 the IDBI sanctioned Rs. 513 crores and in 1980 it was Rs. 626 crores. We will come to disbursements also. In 1979 it was Rs. 257 crores. In 1980 it was Rs. 358 crores. I would only say that the trend is favourable, that the industry is picking up. After a disastrous 1.4 per cent growth in 1979, it has picked up to 4 per cent. We could not achieve a miracle and that is all I could do. I am hopeful that with this it will achieve an 8 per cent growth this year, with the kind of incentives that we have given.

If I accepted the philosophy put forward by that group, then I should say that I should not give any of these concessions, that private sector should not be allowed to expand, it should not be allowed to grow. But when I say that in my system I have provision for various sectors—small-scale sector, large-scale sector, medium sector, private sector and public sector—I must provide for every one of them, and if you analyse my Budget, you will find that I have provided for each one of them in some form or other. I would, therefore,

urge my good friends to see that whatever be their approach to this problem, I have not done anything which is contrary to the election manifesto on which I have been returned. I am sure Mr. Kalyan Roy and Mr. Bhupesh Gupta will not expect me to implement their own election manifesto.

**SHRI BHUPESH GUPTA:** I never expected it. Sir, I can assure him that I never expected him to implement our election manifesto. Then our manifesto will not be the kind of thing that we want.

**SHRI R. VENKATARAMAN:** Sir, I have got a few more points.

**SHRI BHUPESH GUPTA:** But don't misunderstand us.

**SHRI R. VENKATARAMAN:** I know you; I understand you. In fact, I am one of those...

**SHRI BHUPESH GUPTA:** We never said that the private sector has no part to play. Small and even medium industries in the private sector have an important role to play in the present stage of our economic development. In fact, they should be given help. But what we are opposing to is the kind of treatment you are extending to the monopolists.

**SHRI R. VENKATARAMAN:** I am glad be mentioned it often times in the House and elsewhere. They say that the Tatas' assets have increased, the Birlas' assets have increased. If you look at it properly, actually they have gone and borrowed from IDBI and SFCS. All the increase in assets is on account of loans by these institutions. So the borrowing has increased. It is not that their personal assets have increased. What has increased really is the company assets. And the company assets consist of various things, of which the borrowings from the public sector institutions is one; it is somewhere 30-32 per cent.

**SHRI KALYAN ROY:** And yet Rs. 2000 crores remain unpaid. (Interruptions)

**SHRI R. VENKATARAMAN:** Mr. Kalyan Roy is a leap-frog. When he finds something uncomfortable, he turns to another subject. Mr. Deputy Chairman, I will deal with the external loans and assistance. So far as the external aid is concerned, Shri Sankar Ghose said that our external assistance extends to 11 per cent, which is more than what it has been in the past. The answer to that is very simple. When you are going for a bigger and bigger Plan, naturally your borrowing goes up. Now I would like to ask him one thing because he is a person who knows this subject very thoroughly. We go to the international meetings and say that there should be a greater North-South dialogue and greater transfer of assets and resources from the developed countries to the developing countries; and we also say that the money which is in the OPEC countries should be re-cycled in a way that the developing countries get the benefit of it. Now, if you say all these things, to whom will it go? Will it not go to India? Now we are expecting it from the multi-lateral agencies like the World Bank and the IMF and the Asian Development Bank and because of the high credit rating—which I want to repeat to Mr. Piloo Mody—that India has in the commercial world today we can borrow a very large amount.

**SHRI PILOO MODY:** Why are you surprised over the increase?

**SHRI R. VENKATARAMAN:** It is because a country which is so low, almost at the bottom, can have such credits.

**SHRI PILOO MODY:** Why not? That is due to morality and *imandari* and not performance.

**SHRI R. VENKATARAMAN:** When you say so, you are mistaken, it depends on your economic viability, not on your *imandari*. Nobody cares for your prestige, your honesty and all that. The international businessmen are very crude, calculating

business people. They will not give you anything unless it is backed by assets.

**SHRI PILOO MODY:** They will not give unless it is returned. That is a question of *imandari* and not well-being.

**SHRI R. VENKATARAMAN:** All right. You are entitled to have your views. I do not protest against others' views. But how do you reconcile these two views? You say that there should be a recycling of the fund, there should be a North-South dialogue, people must give funds to the developing countries. Then you say: Why do you borrow from others? So there is a lack of symmetry in the arguments of this kind. Sir, I do not want to say more than this on it.

So far as the newsprint is concerned, I have already said elsewhere that I will take care of the small papers and the...

**SHRI BHUPESH GUPTA:** How will you give concessions? Please explain it.

**SHRI R. VENKATARAMAN:** We do not know because we have to examine it in consultation with my colleague, the Minister of Information; but we will work out a scheme by which the smaller newspapers will get a benefit.

**SHRI BHUPESH GUPTA:** They should be exempt from this levy.

**SHRI R. VENKATARAMAN:** It is your suggestion. I will also bear it in mind. You cannot expect me to accept all.

**SHRI BHUPESH GUPTA:** I am not asking you to accept it just now. Do you think I am such a stupid person? (Interruptions).

**SHRI R. VENKATARAMAN:** No, no. Anyway, you are an old friend of mine.

**SHRI BHUPESH GUPTA:** But accept in principle that smaller newspapers should be given total exemption from the impact of the levy. First

we were opposed to it. Now we are not going into it. I have no sympathy for the monopoly, big, press who get so much benefit through advertisements and the small and medium news papers in the country will suffer.

**SHRI R. VENKATARAMAN:** I accept this proposition that I will give my utmost consideration to the small and medium newspapers.

**SHRI PILOO MODI:** All his papers are small and medium. (Interruptions)

**SHRI R. VENKATARAMAN:** There are a few miscellaneous points which were made, which I thought would be necessary to deal with.

One was made by Mr. Ramakrishnan. He said that the raising of the import duty on the stainless steel rods and bars from 75 to 175 per cent, was intended—I do not know why he used that word—to benefit some, the Bihar Alloy Steel etc. Sir, the point really is this. Government was forced to increase the import duty on the stainless steel rods and bars from 45 per cent to 75 per cent in November last year and subsequently to 175 per cent. on receiving intelligence reports that somehow the importers were diverting the imported material for rolling into strips and sheets used in the manufacture of utensils. They stood to benefit immensely by doing this because the import duty on the stainless steel sheets was being levied at 220 per cent. This is the kind of information we got. The information is that there are some people who are importing the stainless steel rods and bars. They convert it into sheets and strips. And the duty on strips and sheets is 220 per cent. Therefore, they are abusing and cheating Government of revenue. On that account Government raised it to 175 per cent on the advice of the Ministry concerned. This is not a revenue measure. This is a protection measure for giving protection to the industry. In this process a number of units have benefited. One of them may be the Bihar Alloys. Others are the Visvesvarayya steel Bhadravati, the Durgapur Steel in the public sector and a number of small scale units elsewhere,

and, I understand, one unit owned by one Member of Parliament, to which Mr. Ramakrishnan also referred. I am glad he referred to it because I made further research and found that the Member of Parliament belongs to the Opposition. He has enhanced my frail reputation for fairness at least in this.

**श्री रामेश्वर सिंह :** एशियन गेम्स पर कितना खर्च होगा ?

**SHRI R. VENKATARAMAN:** Sir, I do not think the other points very much require to be answered. The Asian Games is a commitment which we want to hold. Much of the expenditure is not going to be wasted. The assets will actually be used by the future generation. Therefore, it has been agreed to.

I once again thank the Members for very pleasant and very cordial reception given to me, and I am thankful to them for their kindness. Thank you once again.

**श्री उपसभापति :** सदन की कार्यवाही अगढ़ाई बजे तक के लिए स्थगित की जाती है।

The House then adjourned for lunch at twenty-nine minutes past one of the clock.

The House reassembled after lunch at thirty-two minutes past two of the clock. **Mr. Deputy Chairman** in the Chair.

#### REFERENCE TO THE REPORTED THEFT OF CARTRIDGES FROM ARMY DEPOT

**MR. DEPUTY CHAIRMAN:** Now we shall take up Special Mention. **Shri Rameshwar Singh.**

**श्री रामेश्वर सिंह (उत्तर प्रदेश) :** श्रीमान्, उपसभापति महोदय, मैं आपके द्वारा सदन का ध्यान दिलाना चाहता हूँ कि किस तरीके से जो हथियार राष्ट्र की सुरक्षा के लिए उपयोगी है और राष्ट्र की सुरक्षा के लिए ही उसका इस्तेमाल होता है, फौज का हथियार, ग्रामीणों का हथियार और जो आर्म्स बनाने वाली फेक्ट्रीज हैं, उनके अन्दर से किस तरीके से—मैं तो इसको चोरी नहीं कहूँगा, बल्कि इसको मैं मिली भगत,