

MR. DEPUTY CHAIRMAN: I will go through that.

SHRI M. KALYANASUNDARAM: This is a matter concerning...

MR. DEPUTY CHAIRMAN: I have heard it.

SHRI M. KALYANASUNDARAM: ...the privileges of the House.

SHRI NARASINGHA PRASAD NANDA: It is a very important matter.

MR. DEPUTY CHAIRMAN: When the matter comes before the House, we shall discuss it.

THE MINISTER OF STATE IN THE DEPARTMENT OF PARLIAMENTARY AFFAIRS (SHRI SITA RAM KESRI): The Minister is here. He wants to reply to your point. Why are you wasting the time?

SHRI NARASINGHA PRASAD NANDA: It is a serious act of impropriety.

SHRI SITA RAM KESRI: That is all right. Let us hear the Finance Minister first.

THE MINISTER OF FINANCE (SHRI R. VENKATARAMAN): There is no need for any instance of breach of privilege. There is no need that there should be a written motion. Any Member in this House can bring it to the notice of the Chair.

MR. DEPUTY CHAIRMAN: But I have not allowed the motion. I have not allowed that point to be raised as a privilege issue. That has not been allowed. He raised a point of order.

AN HON. MEMBER: How can you say that?

MR. DEPUTY CHAIRMAN: He has raised a point of order.

SHRI M. KALYANASUNDARAM: Because the Members have raised it,

let the Finance Minister, in his own way...

MR. DEPUTY CHAIRMAN: Please allow him to say.

SHRI R. VENKATARAMAN: Mr. Deputy Chairman, Sir, *ex facie* the publication looks to be wrong because the Finance Bill was adopted by the Lok Sabha on the 31st, and according to the hon. Member's version, the book says that the Finance Bill, as adopted by the Lok Sabha on the 30th...

AN HON. MEMBER: The book was published on the 30th.

SHRI R. VENKATARAMAN: That is what I say. I am just supporting what you say. Now, this is a matter where there is an obvious error on the face. Sir, the question is whether it is a matter of privilege or whether any other action is open. I am entirely in the hands of this House. If the House would like to take it up, I have no objection. But if the House wants me to examine it in consultation with the Law Ministry, I am willing to do it. It is for the Chair to decide.

(Interruptions)

MR. DEPUTY CHAIRMAN: Now, the Finance Bill.

THE FINANCE (NO. 2) BILL, 1980

THE MINISTER OF FINANCE (SHRI R. VENKATARAMAN): Sir, I beg to move—

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1980-81, as passed by the Lok Sabha, be taken into consideration."

Sir, the Finance Bill has been before the hon. Members for nearly seven weeks. During the general debate on the Budget, hon. Members made valuable suggestions for the improvement of the provisions of the Bill. A number of useful suggestions were also received from members of the public, chambers of commerce, other trade and professional associations and economists. I am grateful to hon. Members and to all others who have made such constructive

suggestions for the improvement of the provisions in the Bill.

On a careful consideration of different suggestions, it has been decided to make a few modifications to the proposals contained in the Bill and these have been incorporated in the Bill as passed by the Lok Sabha. With the permission of the House, I shall confine my observations to explaining the main changes that have been made in the Bill during its consideration in the Lok Sabha.

The Bill seeks to continue till 1985 the tax holiday in respect of new industrial undertakings which are set up after 31st March, 1981 or approved hotels which start functioning after that date or ships which are brought into use after 1st April, 1981. Under the new provision the tax holiday benefit will be available with reference to a specified percentage of the income derived from the unit instead of on the capital employed therein. The Bill as introduced provided that the new tax holiday would be available for a period of ten years in the case of co-operative societies and seven years in the case of other categories of taxpayers. It was represented that the new tax holiday provisions would result in reducing tax benefits, particularly in the case of industries with a long gestation period. On a careful consideration of these representations, the period of tax holiday concession has been extended from seven years to eight years in the case of co-operative societies and operative societies. The tax holiday period in the case of co-operative societies has, however, been retained at ten years as originally provided in the Bill.

The tax holiday provision has been liberalised in another direction also. Under the Bill as introduced, the tax concession would have been denied to any industrial undertaking which was formed by the transfer to a new business of machinery and plant previously used for any purpose. This provision has been amended so as to secure that tax concession is not

denied in cases where the machinery or plant so transferred does not exceed 20 per cent of the total value of the machinery or plant used in the new business.

Sir, with a view to stimulating new investment in industry, the Bill as introduced provided for an allowance, in the year of installation, in respect of additional depreciation in an amount equal to 50 per cent of the normal depreciation on new machinery or plant installed during the new Five-Year Plan period. Under the Income-tax Act, depreciation is admissible only in respect of machinery or plant which is actually used for the purposes of business or profession in the relevant accounting year. It was represented that the benefit of the new provision may be lost in cases where the machinery or plant is installed in one year but is actually put to use in the next year. The point made was accepted and the Bill has, therefore, been modified to provide that additional depreciation will be available in the year in which the new machinery or plant is installed or, if the machinery or plant is first put to use in the immediately succeeding accounting year, then, in respect of that year.

Additional depreciation was not admissible in respect of road transport vehicles. The tax holiday concession has also not been extended to the transport industry due to practical difficulties. With a view to providing some incentive to the transport industry, it was decided to increase the rate of depreciation admissible on motor buses, motor lorries and motor taxis used for hire from 30 per cent to 40 per cent per annum. The Income-tax Rules have been amended to give effect to this decision.

Sir, the Bill as introduced sought to restrict the exemption in respect of income from livestock breeding or poultry or dairy farming to one-third of the aggregate of the income derived from these sources or Rs. 15,000, whichever is less. It was represented that this provision was too harsh and

restrictive. The provisions have accordingly been so modified that the profits and gains derived from the business of livestock breeding or poultry or dairy farming up to Rs. 15,000 will be exempt from income tax in all cases. It has also been provided that where the aggregate amount of such profits and gains exceed Rs. 15,000, deduction will be admissible in respect of one-fifth of the aggregate amount of such profits and gains or Rs. 15,000, whichever is higher, subject to the condition that the deduction in respect of profits and gains from poultry farming will, in no case, exceed Rs. 15,000. The provision as modified will exempt from income-tax the vast majority of genuine poultry and dairy farmers and livestock breeders and, at the same time, curb misuse of the provisions for passing off tax-evaded moneys as income from these sources.

The Bill seeks to make certain amendments to the Income-tax Act with retrospective effect to overcome the difficulties caused by some judicial pronouncements which ran counter to the intention underlying the provisions. Several representations were received against the retrospective operation of these provisions. After careful consideration, it was felt that the application of some of the provisions with retrospective affect will cause hardship especially in the case of persons who have developed scientific skills and technology and helped in making our technology popular in other countries as well as in India. Section 80AA sought to be inserted in the Income-tax Act provided that the deductions admissible under various provisions of Part C of Chapter VIA would be available with reference to the net income from the specified sources after allowing for expenses incurred for earning such income and not with reference to the gross amount of the income from the qualifying sources. The provisions in Part C of this Chapter relate to special deduction in respect of inter-corporate dividends; royalties received by Indian companies from foreign enterprises or from concerns in India,

remuneration from certain foreign sources in the case of professors and teachers; professional income from foreign sources in certain cases, etc. The provision in the Bill has been modified so as to apply the new section retrospectively only in relation to inter-corporate dividends eligible for deduction under section 80M. As regards other sources of income mentioned in Part C of Chapter VIA, the provision will have effect prospectively with effect from 1st April, 1981.

Another provision in the Bill sought to amend section 80G of the Income-tax Act relating to deduction in respect of donations for charitable purposes with a view to clarifying that limits specified in that section would apply with reference to the aggregate amount of the donation and not with reference to the quantum of deduction admissible thereunder. Under the provision in this Bill as introduced, the amendment will take effect retrospectively from 1st April, 1978. This provision has also been amended so as to apply prospectively from April 1, 1981.

As hon. Members are aware, the Bill as introduced has sought to revive interest-tax in respect of interest accruing or arising to scheduled banks after 30th June, 1980. Interest received by All India industrial finance institutions, namely, IDBI, ICICI, IFCI and IRCI will also be covered by the Interest-tax Act. It was represented that it may not always be possible for the financial institutions and scheduled banks to pass on the incidence of interest-tax in respect of past loans to the borrowers and that even if they could be enabled to raise the interest rates to cover the interest-tax liability, this would adversely affect the cash flow of some of the on-going projects. Having regard to these considerations, the Bill has been amended to exempt interest on term loans sanctioned by financial institutions and scheduled banks before 18th June, 1980, that is, the date on which the Bill was introduced in the Lok Sabha. For this purpose, a term loan would mean a loan which is not repayable on demand. Interest on such term loans would be

exempt in cases where the agreements under which the loans have been made, provide for the repayment thereof during a period of not less than three years.

The interest-tax Act has been modified in another direction also. Interest received by the scheduled banks on deposits impounded by the Reserve Bank of India under section 42 of the Reserve Bank of India Act will be excluded from the tax base. This modification will apply retrospectively as it was never the intention to charge interest-tax on the interests on deposits impounded by the Reserve Bank of India. A few other amendments have been made to the provisions in the Bill, as it was introduced, relating to direct taxes with a view to correcting drafting errors or bringing out the intention underlying the provisions in the Bill more clearly.

In so far as indirect taxes are concerned, as I said, in my Budget speech on the 18th June, 1980, my effort in this direction has been both mild and modest. I am gratified to note that my proposals on the indirect taxes side have met with a large measure of support both from Members of Parliament and outside. It has not, therefore, been found necessary to modify any of the proposals relating to indirect taxes.

As the House is aware, the present Finance Bill contains provisions for setting up an independent tribunal on the lines of the Income-tax Appellate Tribunal to hear matters relating to customs, central excise and gold control laws. There have been representations urging that the Income-tax Appellate Tribunal which is equally important and which performs an equally responsible function, should be placed on a par, with regard to the status, emoluments and other matters, with the tribunal which is being set up on the indirect taxes side. I see considerable force in these representations. I, therefore, propose to bring forward legislation in the next Session of Parliament for amending the law relating to the Income-tax Appel-

late Tribunal, so as to place the Tribunal on par with the tribunal on the indirect taxes side. I hope, the Indirect Taxes Appellate Tribunal would be set up by about the 1st January, 1981.

Sir, I hope, the Finance Bill, as amended by the Lok Sabha, will receive the unanimous approval of this House.

Sir, I move.

The question was proposed.

SHRI SANKAR GHOSE (West Bengal): Mr. Deputy Chairman, Sir, in regard to the Finance Bill, we have submitted detailed amendments and, hence, I shall confine myself now to the general policy behind the Finance Bill. The detailed proposals we shall deal with when the amendments are taken up. Sir, in presenting the Finance Bill based on the Budget, the Finance Minister has delinked the price rise of petroleum and fertiliser from the Budget proposals. He has delinked the price rise to the extent of Rs. 2,765 crores. This petroleum and fertiliser price rise coupled with the imposts of about Rs. 204 crores in the Railway Budget and Rs. 445 crores in this Budget, in a full year, which comes to a total of about Rs. 3400 crores, have had a very strong effect on the prices. These Budget proposals have increased the inflationary pressure in the country. It is clear that the inflation this year will be a two-digit inflation. The national newspapers have predicted a 30 per cent price rise. Some economists have said a price rise of 15 to 20 per cent is inevitable.

As the Finance Minister has delinked the petroleum and fertiliser price rise from the Budget, he has also delinked the anti-inflationary proposal from the Budget. The Budget is the weakest so far as the price policy or the anti-inflation policy is concerned. We have a very great and an almost unprecedented price rise. I think, the Government has already said that the prices of petroleum products—this is Government's own admission—have risen by 37 per cent. The price of gur

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has risen by 24 per cent. The prices of all other commodities have risen by 10.4 per cent. This is Government's own admission. Hence, in view of this unprecedented price rise, we had hoped for a massive, determined and resolute policy for controlling the price. In the short run, you control the prices by strengthening the public distribution system. In the long run, you control the prices by increasing production.

[The Vice-Chairman (Shri Dinesh Goswami), in the Chair]

But so far as the public distribution system is concerned, there is not much emphasis on it in the Budget. One of the colleagues of the Finance Minister has said in one discussion that he does not believe in any control. He said, he believes in self-control by the traders. This kind of a statement creates confusion. But if we have to stop the price rise, there should be a strong public distribution system. But in our country, we have only 2.38 lakh fair price shops for a population of 600 million. Therefore, there has to be budgetary support to strengthen our public distribution system and we have to have greater budgetary support for essential commodities whose shortage we are having. The allocation for textile mills in the public sector, which are to produce controlled cloth, has also been reduced.

Government should have a very firm policy so far as prices are concerned, so far as speculators, hoarders and blackmarketeers are concerned. Prices are rising, stocks are being built up and inventory is going up. Speculation is taking place by money from two sources, one from regular bank money and the other from black money. With regard to regular bank money, after the Finance Minister nationalised six banks, we have control over 91 per cent of the banking resources. Still some credit is going to speculators because there is a cultural norm that whoever was getting credit, will go on getting credit. Therefore,

on credit policy there has to be greater surveillance and greater monetary check so that those who hoard do not get credit. Otherwise, this anti-inflationary policy will not succeed. This is so far as white money going into speculation and hoarding is concerned. So far as black money going into hoarding and speculation is concerned, on black money the Wanchoo Committee was there. It had pointed out that 7,000 crores of rupees of black money were circulating into the market. Somebody said that it is Rs. 20,000 crores and somebody's estimate is still higher. It is said that there has been a tax evasion of about Rs. 1400 crores. Therefore, on black money the Finance Minister has to take strong and firm action. The raids are not taking place. And sometimes when the raids take place, there is something uplashed in the newspapers, but later nothing comes out of it. Therefore, strong and firm measures are to be taken so far as black money, hoarders and profiteers are concerned. On black money the question of bearer bonds was also mooted. It was not successful in Ceylon, but in Singapore and Hong Kong they have succeeded. About the steps, I would not ask the Finance Minister to disclose to the House, but I would ask him to take them as he did it in the case of nationalisation of six major banks, for which he deserves credit. So, on black money I hope the Finance Minister will do something very very firm without giving any warning to anybody.

SHRI SADASHIV BAGAITKAR (Maharashtra): He said that the economist who finds solution to the problem of black money, will deserve a noble prize. That shows, he has already surrendered before the fight.

SHRI SANKAR GHOSE: I hope the Finance Minister is rethinking on this question.

SHRI R. VENKATARAMAN: That is his own interpretation.

SHRI SANKAR GHOSE: So far as price-rise is concerned, apart from about Rs. 3,400 crores which is the burden from petroleum and fertilizer price

rise, railway fare rise and the excise duty rise of the Finance Minister, the deficit is about Rs. 1400 crores. But the Finance Minister is also taking credit of Rs. 540 crores from International Monetary Fund which is of doubtful nature, but I hope this has come in Lok Sabha also—whatever loan we take, we should not bow down to any pressure from any international body. We must be very careful so far as this credit is concerned. Now if we take Rs. 540 crores, which is really a loan, the deficit is of the order of Rs. 2000 crores. If we cannot control price rise, and as I said the Budget is very weak on the price front which has delinked price rise from the Budget, the deficit will double from Rs. 1400 crores to Rs. 3,000 crores. Unless corrective methods are taken, the position will be very very difficult. On the prices, the Government thinks that they have reached the level of plateau, but this plateau or the hill, is too high for the common people to reach. It is beyond the reach of the common people. And when we think of the plateau, it is also, I think, only a pious hope.

On inflation we are relying on good monsoon. The weather god will help the Finance Minister. It will be good if the weather god helps the Finance Minister, but we are relying only on the weather God and the utilisation capacity. But so far as our developmental efforts are concerned, the resources allocated are not sufficient enough.

So far as this deficit is concerned, we have taken Rs. 450 crores of foreign loan. This dependence on foreign loan has increased to 800 crores this year. Rs. 209 crores more than the last year. What is happening? In the papers that the Finance Minister circulated, I find that last year, of the foreign loan of Rs. 1000 crores, Rs. 398 crores had to be repaid. Therefore, repayment of foreign loan is to the extent of 40 per cent. The other book which he has circulated shows that 12 paise in each rupee is loan repayment. About

Rs. 11000 crores we have got in foreign loans; Rs. 29,000 crores as internal loans. In all it is Rs. 40,000 crores. This is a huge sum. There has to be some public debate on how much loan we can carry. But even more than the internal loan—on the internal and foreign loan, we are making 12 per cent repayment—but on the external loan only the figure is 40 per cent repayment. This requires very careful thinking on how much we should be dependent on foreign loans. If half the money is to be repaid as interest, then there is nothing much coming out of it. Therefore, we have to strengthen the base of our self-reliance.

Apart from the foreign loans, what is the foreign exchange position? Between April and July, the foreign exchange reserves have gone down by Rs. 550 crores. At this level, the foreign exchange reserves will go down by Rs. 1500 crores. Last year, what was the trade gap? The trade gap was Rs. 2236 crores. This year, if this trend continues, the trade gap will rise to Rs. 3500 crores. And I think the Governor of the Reserve Bank himself has also expressed his apprehension in this regard.

The trade gap is going to be Rs. 3500 crores and what is the policy in the Budget to control this trade gap? Now we are importing about Rs. 1200 crores worth of goods which we can produce. Four hundred crores of rupees of steel we are importing where there is still under-utilisation and Rs. 100 crores of paper we are importing where also there is under-utilisation; only 77 per cent capacity utilisation is there. Therefore, unless we strengthen the base of our self-reliance, unless we produce goods which we can produce in our country, this foreign trade gap will increase and the prices will go on rising. We are also importing 1 million tonnes of edible oils worth Rs. 550 crores. What is the budgetary support to increase our production of edible oils? If not, how do we stop inflation? And unless we give a real budgetary support to produce mass consumption goods, we shall be in great difficulty.

The Budget is the weakest so far as controlling inflation is concerned and

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weak so far as the plan and employment policy are concerned. On Plan, everybody knows, with price rise of 20 per cent last year, the Central Plan has increased only by 14 per cent and the total Plan by 16 per cent. With another 20 per cent price rise this year, the Plan in physical terms is very small. Even if we attain 5 per cent growth because of good agriculture, the 10 million tonnes' shortage of last year will not be there, is that enough. What is 5 per cent growth? Last year, there was 3 per cent shortage in growth and if 5 per cent is the growth rate, in two years growth will be net 2 per cent. or one per cent growth in each year. We have been capable of having a growth of 8 per cent. Therefore, we must have a very high growth rate if we have to solve the situation that we are in. It is a very difficult situation.

So far as the Annual Plan is concerned, it is unfortunate that the size is very small and it is unfortunate that in certain sectors which can produce mass consumption goods and generate employment, there have been cuts. On the employment question, I raised the question before about the pledge given that there would be one job in each family. The Finance Minister in his reply said that they would implement this pledge. He also said that the Planning Commission would come up with a scheme in this regard. We had the debate on the Planning Commission last Friday and when I raised this question, the Planning Minister did not say anything concrete about the scheme. Therefore, this matter must be taken up. I told the Planning Minister that because of the statement made by the Finance Minister that the Planning Commission will come up with a scheme, he can take it that the financial clearance has been given by the Finance Minister. With regard to employment there must be someone who has to do the prodding job. If it is nobody's baby, if it is just like the stepson, then nobody will look af-

ter this. Therefore, the question of having a full-fledged Minister of Rural Reconstruction and Rural Employment who can give his entire energy to this employment question has to be considered in this context. I hope the Finance Minister will tell the Planning Minister that the assurance that the Finance Minister had given to this House should be honoured. This is what is absolutely essential.

Then certain distortions have taken place in the planning process. So far as the labour intensive employment programmes are concerned, for the Khadi and Village industries, from Rs. 188 crores last year, the allocation has come to Rs. 150 crores in the Plan this year. Now this has to be rectified.

Again, in the Plan, for the small and marginal farmers the allocation has been reduced by 56 per cent; from Rs. 136 crores it has come to Rs. 56 crores. This must be rectified. What is happening here? In our country for 100 acres of land we employ 39 persons. In Japan they employ 87 people, in Egypt they employ 71 people. Therefore, double the present number of people can be employed in land. But for that we need irrigation, we need inputs, we need various supports and services. But in the Plan, under irrigation in the Central sector, I find that for minor irrigation the allocation has been less. I have got all the figures here. From Rs. 19 crores it has come to Rs. 10 crores. For agriculture in the Central sector, the allocation has come down to Rs. 242 crores from Rs. 398 crores. Soil conservation, from Rs. 18 crores it has come down to Rs. 13 crores. Command Area Development has come down by 72 per cent; from Rs. 44 crores it has come down to Rs. 15 crores. Forests, it has come down from Rs. 28 crores to Rs. 12 crores.

SHRI R. VENKATARAMAN: I have met all the points.

SHRI SANKAR GHOSE: What is the answer? Have you restored the cuts? If the answer is yes, I can understand. If you say that the Central Plan is there and the States will look after it, that is another thing.

Then, loans for agriculture by financial institutions have been reduced from Rs. 163 crores to Rs. 109 crores—a cut of 33 per cent. But unless there is a massive employment programme, unless there is a programme for giving income and purchasing power to the people, the shortage that is in the country and the difficulties our industry is suffering from cannot be solved. It cannot be solved by mere export-led growth because even in foreign countries there is protectionism, there is inflation, there is recession. Therefore, unless we can strengthen the base of our home market and unless we can put purchasing power in the hands of the people—and the best way of putting purchasing power in the hands of the people is by generating employment—these problems cannot be solved. Therefore, it is essential that these employment programmes, rural reconstruction programmes, should be there and, if necessary, a full-fledged Ministry of Rural Reconstruction and Employment—wholetime—should be there.

Sir, so far as the industrial front is concerned, for the public sector the allocation has not been very much. On the dilution of the convertibility clause I have already criticised, that it will weaken the control that we have over the industries. In the public sector we have invested Rs. 1,500 crores. Between 1974-75 and 1976-77 we were getting a return of 3 to 5 per cent on the capital. But now we are having losses. Therefore, efficiency has to be improved. Public sector has to be given to professional managers. Now it has got a bureaucratic set-up. Unless we get surpluses from the public sector, it will be difficult.

So far as the concessions that have been given to the private sector are concerned, the Finance Minister has said, "I have given the carrot but they have not responded adequately, in which event the stick has to be given." (*Time bell rings.*) Now we are not concerned either with the stick or the carrot. We are concerned with production. Therefore, there must be a larger allocation. Now, for larger allocations there must be more resources for the Plan or for developmental efforts.

SHRI NARASINGHA PRASAD NANDA (Orissa): The Finance Minister has got a broken stick only.

SHRI SANKAR GHOSE: So far as the Plan is concerned, it is inadequate, and there is no real programme for cutting down the non-developmental expenditure. In the *Economic Survey* it is said that wasteful expenditure will be carefully reviewed and pruned, if necessary. It is only "if necessary" and no detailed programme is given. We should see that tax collection is improved and evasion is stopped and non-Plan expenditure is controlled.

So far as Defence is concerned, there has been an increase in the allocation, by Rs. 550 crores. Nobody grudges any money for Defence. On Defence I would suggest and we do what was done in America. When Mr. McNamara was there, he went through the Defence allocation confidentially. So far as Defence is concerned, whatever is needed must be given. If more money is needed, it must be given. I do not want a public discussion on it. Like Mr. McNamara, somebody must go through it confidentially and see what economies can be effected. There will be difficulties otherwise. Now, finally on the secrecy shrouding the Budget, some changes have to be effected. For example, the Finance Minister has given exemption from income-tax to those people whose earnings are up to Rs. 12,000 a year but the nil rate of exemption had not been raised to that. This limit should

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be raised. Those who earn up to Rs. 24,000, should be exempted from it up to Rs. 12,000. I do not want that those earn lakhs of rupees should be exempted from it. For those who earn up to Rs. 24,000, the ceiling for exemption should not be Rs. 8,000 but Rs. 12,000. Then he is taking away the wealth tax on the agricultural income. It is clear that on equity it cannot be justified. If the administrative machinery is defective, that is not a ground for withdrawing the tax. Therefore, it is better that the administrative machinery is improved and not that an equitable tax measure eliminated. The other suggestions on the Finance Bill will be made when we move our amendments.

SHRI N. K. P. SALVE (Maharashtra): Mr. Vice-Chairman, Sir, I rise to support the Finance (No. 2) Bill, 1980. I am conscious and aware of the limited authority of this House in respect of the Money Bills, in which the Finance Bill is of the highest importance. In terms of article 109, this House is entitled only to make recommendations to the Lok Sabha and it is left to the exclusive discretion of the Lok Sabha to decide and take such decisions as it wishes on these recommendations. Article 108 excludes discussion on the Money Bills completely from the purview of a joint session. Sir, whatever may have been the compelling reasons and grounds that may have commended to the founding-fathers of the Constitution while they limited the authority of this House in respect of the Money Bills, after so much flow of waters in the Yamuna in the last thirty years, a time has now come when it must be realised that in the federal polity or in the quasi-federal polity, the finances of the Centre have become exceedingly important for the states; and the collection of the revenues of the Centre is by no means an uncomplicated process, and the disbursement of these resources is by every standard complicated exercising necessitating larger participation

and a larger authority for the states through this House in the Financial matters. But, Sir, more about it at an appropriate time. I have voiced my opinion on this issue at this juncture because I thought that ultimately if we were to recommend anything to the Lok Sabha, the present Bill having come from the Lok Sabha, as it is, has left very little for us to say in this matter. (Interruptions) That is a very serious matter.

Sir, I have gone through the criticism which has been levelled on the Finance Bill. Having read the debates in the Lok Sabha and having carefully listened to the criticism outside Parliament, I am inclined to consider that there are quite a few chronic critics of all the measures which my party may evolve in all the Finance Bills and the Budgets. And these are such criticisms as have in fact not yet reconciled to our basic economic philosophy and do not share with us our belief and faith in a mixed economy. To us, a mixed economy is the very basis and foundation of our economic system. In fact, the concept of a mixed economy conceived by Pt. Jawaharlal Nehru showed the genius not of a politician or a dreamer, but I thought in a mixed economy he conceived a very pragmatic economic system, a system which alone could nurse, nourish and strengthen and help grow all the institutions of parliamentary democracy. We ardently believe as an article of faith the parliamentary institutions could flourish only in a mixed economy. They are co-extensive; in fact, we believe that they are not only co-extensive but also co-terminus. Therefore, Sir, the criticism of my communist friends, and pseudo-communists who want complete extermination of the private sector and my other friends who subscribe to the theory of *laissez-faire* and who want complete extermination of the public sector, are entirely tendentious and motivated. They are critical of one measure or the other measure not because they quarrel with the measure Mr. Venkataraman has provided for in the Budget or in the

Finance Bill, but, in fact, their quarrel with us is on a much larger issue, which quarrel they can continue till the Doomsday, but we are not going to yield so far as that aspect of the matter is concerned.

Bur, Sir, as to those who accept the basis of the mixed economy, such critics do not seem to have fully realised the enormity of the grave problems and the economic distress, in the midst of which the Budget and the Finance Bill, have been presented by the Finance Minister. Sir, if one were only to evaluate objectively the quagmire of economic chaos into which the Finance Minister was enmeshed when he prepared his Budget and the Finance Bill, the position would be a little clear. Sir, the economy was at its beam end, and the predecessor of the Finance Minister had pushed it into an absolutely unenviable situation. What was the situation, Sir? The growth in the agricultural production was down by 10 per cent, that in the industrial production was down by 1 per cent, that in the GNP was down by 3 per cent; that in employment in the organised sector was down by 22 per cent. The only thing which had grown up was inflation by 20 per cent. There was an unprecedented spurt in the money-supply in the midst of unprecedented decline in supplies. There was a period of inflation on one side and shortages and more shortages on the other. There was shortage in power because there was shortage of rain and there was shortage of coal. There was shortage of coal because there was shortage of wagons. There was shortage of wagons because there was shortage of steel. There was shortage of steel because there was shortage of power, coal and wagons. The situation was an extremely horrifying one, Sir.

That was a period of political instability and indiscipline which led to total industrial unrest, and to accentuate this situation, an extremely

reckless, thoughtless and an indiscriminate 1979 Budget was presented by Chaudhury Charan Singh. In the shape of Finance Minister, he was the greatest mobile clamity which ever entered the portals of the North Block. It was only the pernicious infighting of the Janata Party which made an otherwise briefless district lawyer, but a political heavy weight, the Finance Minister; a person who could not have handled the affairs of a zilla parishad was given the complicated task of handling the finances of the nation. He was naturally the supreme ignoramus in the matters of public finances and of fiscal law. It was a golden opportunity for the bureaucrats to cook his goose and they cooked his goose. The only thing is that the nation had to pay a very heavy price for the follies of the Chaudhury.

Sir, at the same time, I wish to make it clear that I am not one of those who want, at this juncture, to wriggle out of our responsibilities. Having been elected to hold the reins of power and administer this country, it is our responsibility to see that the economy is pulled out of the abyss of chaos into which it has been left by the predecessor Government and the predecessor Finance Minister. Their fault is not enough for us. Certainly we are doing our best and we will do our best. And we must succeed because there is the only panacea. Mrs. Gandhi and her Government are making an effort and they are going to succeed. If they fail, there is no hope of Parliamentary democracy ever succeeding in our country. I am making a reference for only one reason for I am reminded of what Martin Luther King used to say:

"Lord we ain't what we ought to be. We ain't what we want to be. We ain't what we are going to be, But thank the Lord, we ain't what we used to be."

That is the redeeming feature. To tackle the problems, therefore, into which Shri Venkataraman had been

[Shri Sankar Ghose]
left, in the meeting of the Consultative Committee held at Madras on the 13th May, 1980, there was a paper published by his Ministry, a brilliant document, in which he spelt out briefly—two sentences of that I will quote—what he thought should be the best way of approaching the problem. And it is on that basis, he has proceeded ahead.

SHRI ERA SEZHIYAN (Tamil Nadu): It is better not to quote a document given in the Consultative Committee.

SHRI N. K. P. SALVE: I am only giving one line from the document given to the Consultative Committee.

SHRI ERA SEZHIYAN: It is not desirable. (*Interruptions*)

SHRI N. K. P. SALVE: It is not in that sense a privileged document which cannot be referred to in the House.

SHRI ERA SEZHIYAN: It is not a privileged document, but it should not be quoted. You can give the substance. You can say.....

SHRI N. K. P. SALVE: Sir, purely in deference to what my esteemed friend, Mr. Sezhiyan, says, I am not referring to the document as such. But he had spelt out in that paper which had been laid before the Consultative Committee.....

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): I think, Mr. Salve, it is better to put it as "The Finance Minister at some point of time spelt out....", without referring to the Consultative Committee. What I am saying is, normally we do not refer to documents or discussions in the Consultative Committees. Therefore, without bringing the Consultative Committee on the record, you can spell out what the Finance Minister said. I think then the procedure of the rule will be followed. Do not bring in the Consultative Committee.

SHRI N. K. P. SALVE: I shall bow down to what you say. Shall I refer to what he said in the Lok Sabha on the same point?.....

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): That you can do.

SHRI N. K. P. SALVE: It is similar to what he said in the Lok Sabha.

SHRI R. R. MORARKA (Rajasthan): You cannot quote it. Unless it is printed, you cannot quote it.

SHRI N. K. P. SALVE: There is no such rule in this House.

SHRI ERA SEZHIYAN: There is a rule. (*Interruptions*)

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): What I say is that the Finance Minister is here. If you quote something which is not correct, he will have sufficient opportunity to say that what has been quoted is not correct. Therefore, I permit you to quote.

SHRI N. K. P. SALVE: Sir, this is what he said. His theory has been—now, it is necessary for me to point out.....

SHRI R. R. MORARKA: He cannot quote now. He can quote in the next session.

SHRI N. K. P. SALVE: There is no rule like that.

SHRI ERA SEZHIYAN: There is a rule. He cannot quote the uncorrected documents of the other House. Once it is published, he can quote.

SHRI R. R. MORARKA: Yes, that is the procedure.

SHRI JASWANT SINGH (Rajasthan): Can you not possibly mention it without quoting it?

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): When the objection has been raised, I think you can very easily, as an astute lawyer, avoid the objection and make your point. Otherwise you will be spending time.

SHRI N. K. P. SALVE: Yes, Sir.

SHRI SANKAR GHOSE: Sir, as a lawyer one will be in greater difficulty. One cannot quote an authority unless the authority is dead. As a lawyer, he will be in greater difficulty.

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): I am only pointing out that sometimes a question not permitted by the court is put in a different way so that the court cannot raise any objection.

SHRI MURLIDHAR CHANDRAKANT BHANDARE (Maharashtra): The simple device is to say it without disclosing the source.

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): That he can do. In fact, that is what I am suggesting.

SHRI R. VENKATARAMAN: You can say, "Mr. Venkataramana has said elsewhere....."

SHRI N. K. P. SALVE: It was said that it was the approach of the Government that there were two ways of controlling the inflation. One way was controlling it through demand management, through controlling the volume of money in circulation. The other way was by augmenting in a massive way the supplies, the output. In other words one approach was an approach in terms of which he could, by various devices of taxation, take away extra money that was in circulation in the country and thereby reduce the volume of money in circulation in and try to control the inflation. The other method was, without raising the rates of taxation or without trying to go in for demand management as such, to go in for larger output; in other words to remove the shortages that we were having in the earlier period and to convert the economy from an economy of shortages to an economy of surplus. Now, that is a very dynamic approach, a very courageous approach, which was the key-point in the measures

which have been framed by 4 P.M. our Finance Minister. This approach of the Finance Minister is the only approach so far as I am able to see which can achieve in this country the miracle of an economic growth. Any other approach will not succeed. With respect to him, the only criticism which I am going to level against him is that some of the steps he has taken in that direction do not go far enough to meet this objective which he has before him. At least he has the courage of conviction to go on the right lines and those who criticise this approach do not know how the miracle of economic growth has been achieved in different countries which followed this approach. I should not cite the instances of Japan and West Germany, because it might be said that it was possible there on account of the massive aid from the United States of America. I would, therefore, refer to the Scandinavian countries. Sweden is a very great example of socialist country—my Marxist friends will be delighted to know this—and is the latest to subscribe to the theory of growth by incentives through human endeavour practised in China. I will refer to a brilliant booklet—which I had the privilege to read very recently—by Mr. Ralph Buultjens. This booklet has a caption "China after Mao" and has a foreword written by Shrimati Indira Gandhi. Mr. Ralph Buultjens is a Sinhalese who has settled down in the United States of America and is a great friend of India. He is a great political scientist and is an erudite scholar of Asian affairs and has a tremendous insight into the Chinese affairs. I shall refer to what he has said on the page 50 of this booklet. China has taken recourse to this approach which Mr. Venkataraman has chosen, after so many failures China's gross national product is today four times that of ours and in many fields they have done very better than what we have done. Even then they find that their rate of growth is not satisfactory. This is what they

[Shri N. K. P. Salve]

have done. The author says in this book:—

And so China has become virtually a member of the western alliance, vigorously supporting the NATO and increased arms expenditure by the United States and the western European nations, proclaiming that she wants to learn from capitalist economies and take many of their features of incentives to the people's of Republic.

Therefore, those Marxist and Communist friends of mine who are trying to find fault with this approach are not possibly abreast of the latest developments in this matter. In China this is the approach and I congratulate him on the very courageous and bold approach he has adopted and I hope he will see some measure of success as a result of his endeavour to convert the economy of shortages into an economy of surpluses. That is the only approach as a result of which our teeming millions who are today languishing below the poverty line will be able to find some relief or panacea for their malaise. If we continue to have economy of shortages for all times to come, I do not see any hope for the 306 millions of our people—a population more than the entire Europe.

With this, I wish now to come to some of the provisions of the direct and indirect taxes contained in the Finance Bill. I would have liked to speak on some other issues as well, but time being the limiting factor, I will come to the Finance Bill proper.

The first aspect that I should like to deal with is connected with the rates of taxation of income tax. It has to be understood clearly that the rate of income tax in developed countries is no longer an exercise in the realm of speculation. It is a highly scientific exercise and the rates have to be so determined that they ensure optimum growth of revenue

into the fisc and if optimum revenue in the fisc is ensured it will in turn mean optimum growth of incomes, productions, savings and investment. If this the approach of the Finance Minister— and I know this is his approach—I must welcome his raising the exemption limit of income tax from Rs. 10,000/- to Rs. 12,000/- and wealth tax from 1 lakh to Rs. 1.5 lakhs. I must submit to him and to the house that once we have adopted the theory of exemption in income tax; have to be careful about giving this exemption. It is because, Sir, that is the only way in which we would be able to save the middle class. Sir, the middle class or that class which has fixed incomes is the class which is hit the hardest on account of inflation and on account of the continuous decline in the purchasing power of the rupee. If there has to be any rationality about the exemptions, then, there has to be some linkage between the exemption limits of Income-Tax and the value of the rupee in terms of its purchasing power. The exemption limit was fixed some time in 1975-76 and, today, the value of ten thousand rupees should have been about fourteen thousand rupees or so. At any rate, if he has taken it to twelve thousand rupees, if he has not gone the whole hog, Sir, at least he has taken a step in the right direction.

Certainly, Sir, there has been considerable amount of criticism, and I have heard that criticism wherever I have gone and. Sir, on the TV especially when I was being interviewed and I was grilled by being told that he has reduced the taxation, the highest marginal rate of taxation, from 72 to 66 per cent and I was asked a question: "How is this reduction of taxation at the highest marginal level commensurate with your own avowed and pledged objective of socialism?" Sir, I put it to them and I put it to everybody and I challenge anybody to prove, that the highest rates of taxation bring in the highest revenues or that they eradicate the disparities. Higher rates of taxation neither bring higher revenues nor

do they eradicate disparities and they do not take us anywhere near socialism. The best way is to evolve a rate of taxation at which you are able to bring the maximum revenues, at which you are able to augment or optimise your growth in every sphere and, in that respect, I would like to make a request to him. He should make an announcement on the floor of the House because, I feel, in the non-corporate sector, there is still scope for further reduction and he should be willing to make a statement on the floor of the House that as a result of this reduction, if people respond and pay their taxes honestly and he gets bonanza and a much better amount of tax is collected by him, the policy will be pursued and there will be further reduction in rates of taxes. I personally feel that the personal rates of taxes of Income should not exceed fifty per cent. So far as the corporate rates of taxation are concerned, I feel that the existing incentives in the Income-Tax law are far too many and the effective rate of taxes in the corporate sector is extremely low. If one were to see the commercial income of a company—the 'commercial income' is a definite concept and the commercial income is ascertained on the basis of the Profit and Loss Account of a company and compare it with the ultimate total income that is computed after all the deductions are made of the reductions, rebates and the weighted reductions, etc.—one would see my point. Such an exercise was once done by the Reserve Bank of India three or four or five years ago when it was found that the effective rate of taxation was 35 per cent. If the incentives are to be retained as they are, then, Sir, I have no doubt in my mind that in the corporate sector there is still scope for increasing the rates of taxes

SHRI R. R. MORARKA: No. According to you, there is scope for reducing incentives.

SHRI N. K. P. SALVE: I personally feel that the incentives in the direct

tax laws and the whole of the Income Tax law is saturated now and is dripping in the incentives and that is the biggest bonanza to the people in the accountancy profession and in the legal profession, to Mr. Bhandare and to myself. I have no doubt in my mind about that, and also to the Income-tax practitioners. To avoid all the massive unnecessary litigation, the incentives should be reduced to the absolute and the barest minimum and the rates should be so rationalised that you know where you stand. In that case, there might be scope and there might be a possibility of reducing the rates of taxation in the Corporate Sector. But you will understand and you will know better where you stand or where one stands after act is administered without incentives. Today, Sir, with these incentives one never knows and I do not know to what extent these incentives can take the economy in the right direction. I am not for it for these two reasons: One is that I am not sure whether there is sufficient data available to determine whether these have served the purpose for which they are meant, and the second is that these incentives have led to any amount of litigation between the department and the assessee. I am not enamoured of such wasteful litigation which, in my view, is neither to the benefit of the nation nor to the benefit of the Department in any way whatsoever. Sir, next I come to Clause 10 Clause 10 of the Bill contemplates deletion of sub-section (3A), sub-section (3B) and sub-section (3C). These three sub-sections had imposed restrictions on genuine advertisement expenses—a figment of imagination of Mr. H. M. Patel. My friend, Mr. Piloo Mody is not here who was eulogizing Mr. H. M. Patel. I request him to learn a lesson from Shri H.M. Patel, in confusion. Genuine business advertisement expenditure all over the world is allowable expenditure. Advertisement is one method by which people are entitled to market their goods, sell their goods. If you want to convert your economy from shortage to that of surplus, one can never understand the rationale behind imposing these restrictions. We shouted from opposition

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end of deletion of this but nothing was heard. One is happy that Shri Venkataraman has deleted these sub-sections.

Sir, that brings me to section 164. And, here again, for discretionary trusts the Finance Minister has tightened up several loopholes, as a result of which a large amount of tax was being avoided. Earlier these provisions were made to ensure that the provision of discretionary trust was not abused to unnecessarily get away with large tax liabilities. But loopholes were left. And even in the law as it is framed, there are some drafting errors. Anyway, they will come before the court of law and then the Department will know where the drafting errors are. To that I will not refer just now.

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): But the Department will get more money (*Interruptions*).

SHRI N. K. P. SALVE: I am only warning. In fairness, I am warning him only. At any rate, while, in principle, I accept that it is necessary for him, that should have been done long ago. It has been done now.

There is one unintended hardship which is being caused as a result of this and this has reference to income of Labour Welfare Funds. I had also written to him earlier. Income-tax of provident fund is exempt, gratuity fund which offers medical relief, health service, educational facilities, supply of articles to the children of the poor employees, etc.—such labour welfare measures is liable to tax at the highest rate. I would request the Finance Minister to kindly consider. I am sure the Government which is pledged to creating a Welfare State would not want to tax the income made entirely for the welfare of employees. I am sure he will consider this and make suitable changes, so far as the point is concerned.

I shall now come next to the most controversial point with respect to the retrospective legislation, in respect of which vast sections of even my party could not move the Finance Minister from his original stand. Sir, normally having once submitted on this score I should have desisted from the temptation of ever speaking again on this. But I feel convinced that possibly we have not done our best in explaining what the correct position is in the matter to the Finance Minister. He is an able man and a responsible man. And despite explaining the correct position to the best of our ability, if he still feels that what he has done is the right thing to be done, I for one will have no grievance in the matter. But I do ardently feel that we failed in properly explaining our view point, that is what it appears from what is said in his speeches in the Lok Sabha.

Now, I submit, Sir, with respect to retrospective legislation that earlier I have referred to the task the Finance Minister has set before himself. Therefore, that is imperative that an all out effort to augment production is made. For the last 15 months, we have not used more than 50 per cent of our installed capacity so that in core sector and the consumer goods sectors, the figures show that the position has worsened from April 1980 onwards and the growth rate has declined further. From budgetary and not budgetary sources, the economy shall stand burdened to a tune of not less than 4500 crores over the year, the oil prices causing the heaviest burden. This is bound to give the biggest cost-cum-wage push to the prices. Inflation is, therefore, inevitable. What might be dangerous is any complacency. The uptrend in prices remains absolutely unchanged. Since this retrospective legislation in respect of 80J is directly likely to affect adversely the entire production, I am going out of my way to once again explain where we think we have been deficient in explaining our view point.

Sir, in the Economic Times of 3rd August, 1980, a small article appears "Price Uptrend Continues". It showed

a graph in which, during the months of March to July, the graph showed a steep upward trend. The article said that uptrend in wholesale prices continued for 8 weeks in succession with the index touching 258.2 points during the week ended July 19. Now, the budget was presented on June 16, 1980, when the wholesale price index was 245.4 points. It rose on 12th July to 255.8 points. On the 19th of July, it further rose to 258.2 points. The rate of inflation has been calculated to be more than 21 per cent. The same article further says that there was a 5.6 per cent fall in the index of industrial production during March. And what is most disconcerting is this. According to a Government press release, the growth rate during the first 3 months of this year showed a fall of 3.4 per cent. It is in the context of this disconcerting situation that I want him to calmly consider what I have to submit in respect of 80 J. It is a serious matter. He has not considered some aspects of the matter which I am going to point out to him now. This report in the Economic Times, in my opinion shows four things very clearly: that any complacency about inflation is most dangerous, that prices have not reached a plateau as yet they are on the ascent, that the rate of inflation if unchecked this year will be more than last year and the fourth is that the industrial production is not catching up as yet and we need to augment our own efforts. If we want to augment industrial production, the only solution to check inflation is more industrial production. If you have threatened and the others have also threatened serious consequences if the industrialists do not behave, it means nothing. Threats can only work if you are willing to back them up with regimentation. Otherwise, you know and they know what these threats mean. The threats mean absolutely nothing. In the absence of outright regimentation, no businessman can be pinned down to any discipline whatever may be the pious platitudes we may say by trying to threaten them in one manner or another. Therefore, kindly consider the provision of 80J and 80AA which I will submit about the

retrospectivity of section 80M. I submit that if they are legally untenable or unjustified, if they are counter-productive to your objective of augmenting production and if they are also wholly violative of the wholesome principle of fiscal legislation which was to inspire confidence and stability, then I am sure you will kindly, even now, reconsider whether the retrospective legislation must be put through. The basis of retrospective amendment, I was told, is Mr. Chavan's speech. Mr. Chavan's speech was reported. It was referred to and the Finance Minister said in the other House as well as in this House that the approval of Parliament had been obtained. While determining the capital employed, the disputes arose whether capital employed in the industrial undertaking would take in the borrowed capital or not. The courts held that the capital employed in the industrial undertaking was a concept different than assessee's own capital in the industrial undertaking whereas the Section said that relief has to be given with reference to capital in the industrial undertaking. The rule gave relief only with reference to the capital of the assessee in the industrial undertaking which might be much smaller figure. A poor man, an indigent man may have only one thousand or two thousand or five thousand of rupees as capital and may borrow a lakh of rupees. A rich man may not borrow the whole capital. And a rich man need not borrow any amount. So, it would not be the intention of the Parliament that that a person who has borrowed money would be considered as not having used that as the capital of the industrial undertaking. Sir, the rule was made in 1949, if am correct. But in 1968 the rule was itself amended, and the rule was so amended that the borrowed capital plus the capital of the assessee was considered the base for determining the relief of the industrial undertaking. Now, the industrial undertaking is a very sensitive area if we are considering the growth of industrial production. And whatever we do in that field, therefore, has to be very sensibly planned. We cannot be cavalier like in that situation.

[Shri N. K. P. Salve]

Sir, while making his Budget Speech of 1971, this is what Mr. Chavan said, and this is what was repeated by the Finance Minister. Sir, I quote from the Budget Speech of Mr. Chavan in 1971:

"At present, in the case of new industrial undertakings, ships and approved hotels, profits upto 6 per cent of the capital employed are entitled to tax exemption for a period of five years. Since debentures and long term borrowing do not in any manner represent risk capital and interest thereon is in any case deducted, it was generosity on the part of the Government to extend the tax holiday provision even to such constituents of capital. I now propose that in calculating the limit of 6 per cent of the capital for purposes of tax exemption, debentures and long-term borrowings will be excluded."

Sir, from this speech, the Finance Minister read only so far. There was one significant sentence which Mr. Chavan read. And I do not know whether the Finance Minister was told about it or not. He has not read that significant sentence. It is not there. And I do not know whether the bureaucrats pointed out that sentence to him or not. It reads: "This single measure will provided the exchequer with Rs. 10 crores during the current year; the yield for a full year will be of the order of Rs. 14 crores." In one year, the change in the rule was to yield Rs. 14 crores. As against that, I do not know how the Finance Minister could ever have said with respect to this retrospective legislation, as he did in para 85 of this Budget Speech that, "I also propose to make certain amendments in the Income-tax Act to counteract certain court decisions which have resulted in unintended benefits to taxpayers. The Finance Bill further contains certain proposals for the amendment of direct taxes which are of minor significance." Sir, in the Budget figures, because they are of minor significance, not a rupee worth

of credit is taken. Sir, 14 into 8 the period of retrospective legislation, is equal to 112 crores of rupees. Considering growth factor at least Rs. 150 crores is the money involved, just on account of this retrospective legislation. I am sure, Mr. Venkataraman did never have an idea of the magnitude involved in the retrospective legislation. If he did have an idea, I am sure, para 85 would have been worded differently. Either Mr. Chavan was not correct or Mr. Venkataraman is not correct. Both of them, I am sure, on the face of the record, cannot be correct.

SHRI R. R. MORARKA: He has got a cushion against that.

SHRI N. K. P. SALVE: I do not mind if a cushion is kept. If he had not said about it, what could be understood? It is up to him to state what he has to say. But, he says that it is of a minor importance, and no credit is taken. Sir, as a retrospective measure, one will have to show in the Budget what is going to come as a result of this retrospective measure. But nothing has been shown in the Budget. We should have known about the magnitude of the monetary liability of Parliament. Then the crucial question is this, Sir. This speech of Mr. Chavan itself in turn says that the Government has been generous and they are changing the rule; this is a speech communicating Government's decision to the Parliament to change the rule, which Government assumed it could. Now, where is the approval of Parliament? Sir, approval of Parliament is a definite concept. In the Lok Sabha the Finance Minister in terms has said that Shri Chavan had taken the approval of Parliament and therefore there is every justification. Where is the approval of Parliament to the changed rule or to the original rule for that matter? If the Finance Minister were ever to consider it, I am putting it to him with utmost respect, he is a man who has practised law and he was a very distinguished lawyer, he understands these matters, it is wrong to seek any legal or moral justification for fastening a new

liability retrospectively. I am not at all enamoured of incentives, get rid of them but not retrospectively. That is going back without the authority of law. He has done very well in amending the incentives, provision under section 80 prospectively. The disparity will come to an end. If he abolishes it, so much the better. I have further to say that if the liability falls on the exchequer as a result of rule being struck down and exchequer has to repay some money, let him increase the tax rates on the corporate sector. That also does not matter. He could have raised it by about 3 per cent to 5 per cent. The moneys would have come. That would have been the correct way. My respectful submission is that what is being done is not very just and fair, so far as that aspect of that matter is concerned, so far as the consent of Parliament is concerned, it was taken only for the capital of the undertaking as such. With reference to the rule such consent was not required. It was not taken and communicating Government's view is certainly no consent of Parliament in any sense whatsoever in Parliaments of the world. In that connection, Sir,....

SHRI R. R. MORARKA: The consent was required in 1968, not 1971. Parliament's amendment came in 1971. It was required in 1968 and not in 1972. (*Interruptions*).

SHRI N. K. P. SALVE: That is a point. It was neither in 1968, nor in 1971. Since the Government thought that the section itself was flexible and the Government could take one decision or the other, he mentioned it as a matter of gesture. He said, it was our generosity we were giving more. We have decided not to give more. We want Rs. 14 crores.

SHRI R. R. MORARKA: Why were they giving more?

SHRI N. K. P. SALVE: The question is he thought he could do so. I am on a different aspect of the matter.

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): Mr. Morarka, put the question to the Minister, I think, he will answer. (*Interruptions*)

SHRI R. R. MORARKA: Mr. Salve can answer it.

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): He will be competent to answer but not authorised to answer.

Mr. Salve, you have already taken 40 minutes. How much more time would you require?

SHRI N. K. P. SALVE: Sir, only five minutes more.

SHRI R. VENKATARAMAN: I want to put to you just one question.

The section itself says, capital employed in a business undertaking computed in the manner prescribed and the manner prescribed is in the rules. How do you say that the rule is *ultra vires*?

SHRI N. K. P. SALVE: Sir, if I were to answer this question because it is this question that I was going to answer. The Supreme Court has held that a rule....

SHRI R. VENKATARAMAN: The Supreme Court has held, is no argument here. We are going on the merits of the case. The section says that the capital employed shall be computed in the manner prescribed and we have prescribed the manner in the rules. Now, you must say that the computation in the manner, according to the rules, is illegal or invalid.

SHRI N. K. P. SALVE: Sir, the manner prescribed in the rule would still have to abide by how the section wants it to be prescribed and not outside the section. The rule cannot go outside the mandate of the section. That is the position in law, that is the law of the land. Sir, if I were to argue outside the law of the land I would have no case. If I were to go according to the law of the land

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then I want him just to listen to what I have to say, a very salient point. I am referring to (1977) 107 I.T.R. 909 and am reading from page 912, only three or four lines. "As was observed by the Supreme Court in the case of Commissioner of Income-tax v. Taj Mahal Hotels. The Rules framed under an authority could only be for carrying out of the provisions of the Act". The Supreme Court points out the position in England....

SHRI R. VENKATARAMAN: This case did not go to the Supreme Court. This case has been decided only by three High Courts and one High Court has taken a different view. You are reading a case of Supreme Court, which is different. This is not the decision of the Supreme Court in the case because there is no Supreme Court decision in this matter.

SHRI N.K.P. SALVE: I am reading from a decision of the Calcutta High Court:

"As was observed by the Supreme Court in the case of Commissioner of Income-tax v. Taj Mahal Hotel (1971) 82 ITR 44 (SC), the rules framed under an authority could only be for carrying out the provisions of the Act and could not take away what was conferred by the Act or whittle down its effect. In as much as I have held that the purpose of section 80J was being whittled down by rule 19A(2), I have held that such rule was beyond the competency and jurisdiction of the rule-making authority. In England in the case of Institute of Patent Agents v. Lockwood (1894) AC 347 (HL) it was held that where statute provided for laying of the rules before Parliament and Parliament had the authority to annul the rules, such a provision would make the rules beyond challenge on the ground of incompetency of the rule-making authority. But in India the position is different. Subordinate legislation cannot be said to be valid unless

it is within the scope of the rule-making authority. See the decision of the Supreme Court in Kerala State Electricity Board v. Indian Aluminium Co. Ltd. AIR 1976 SC 1031."

I would respectfully implore of the Finance Minister to kindly see these two decisions. I am not arguing the matter as I would argue before the Supreme Court. I do not want anyone to gain or anyone to lose. My objective is, if this liability is fastened on industrial undertakings, will it not put their cash flow chart completely off their calculations? From where are they to find money? Have they made provision in respect of this money? They have not made any provision in respect of this money. And the writ was filed in 1972. On grounds of morality I ask you: Why was your Department in a deep slumber, why was it sleeping for eight years? On the 24th May, 1972 this writ was filed.

SHRI R. VENKATARAMAN: I will give you all the answers.

SHRI N. K. P. SALVE: In 1975 it was decided. In the Year of Lord 1972 or 1975 nothing was changed. Now suddenly you awake and make them pay for eight years. I am not one bit interested in the incentive being given. I am not for a moment interested in the incentive being continued. It is just that if this sort of retrospective legislation comes about, it brings about an instability in the fiscal law. Sir, stability in the fiscal law to a nation is what stability in family life is to an individual. The Finance Minister has been one who has said "we had far too many insertions and far too many amendments and every time to plug loopholes we hastened to riddle our tax laws with doses of instability". We should never be doing this sort of a thing and retrospective legislation is the worst of all.

Sir, I only submit in all humility that I have been connected with

direct taxes in the last thirty years and in the last thirteen years I had the privilege of myself being a party to making some of the most stringent fiscal laws, a few of which are unreasonably harsh. But never have I seen a law so arbitrary and unreasonable as proposed by clause 17 excepting when wealth tax penalty for concealment was leviable with reference to the wealth concealed and not the tax sought to be evaded; in cases of concealment of wealth on the tax of Rs. 500 the penalty sometimes worked out to Rs. 6 lakhs. The law was repealed later on the recommendation of a Select Committee which I had the privilege to chair. The retrospective charge on industrial undertakings, apart from being discriminatory against the indigent, the poor and others who borrowed capital, for unreasonableness and arbitrariness, fastening retrospective liability must take the cake. This is a bureaucrat's dream but a ghastly nightmare for millions of unsuspecting shareholders and owners of industrial undertakings small, big or medium.

Sir, in the end, I only want to submit one thing with great respect to the hon. Finance Minister. What about millions of shareholders whose assessments have been completed on the basis of certificates given of tax deducted at source by the income-tax officers? These share holders are widows, there are orphans, there are disabled men, there are trusts and there are other people. Are you going to re-open all those assessments? Are you going to unsettle those assessments just because this directly affects assessment under section 80 K. We know that the bureaucrats put up a note and they are happy to make an amendment. Are the people going to suffer for this? I really hope it is not so. It is not a question for a moment, of relief for any sector as such. It is a question of principles. I have made these submissions to the Finance Minister who, as I have said, is an able man, a responsible man of our party. And because we have the

same objectives as he has, I have taken some pains in explaining this to him. The same holds good for section 80AA. I would respectfully point out one thing to him. He is a lawyer. I would like to point out that the litigation would go on for two generations. There are some cases in taxation, in which litigation is unending. For example, there is one case which relates to the assessment year 1943-44. I have been fighting it in the tribunal. My son has now come into practice. He has taken over. He will argue this. Now, this has been sent back to the ITO. This relates to the assessment year 1943-44. Now, my son is not married. I am sure, when my son marries, if he has a son and if his son goes into taxation practice, till that time, this litigation would go on. It is a bonanza so far as the legal and accountancy profession is concerned. But what a sad commentary on the people who draft the laws.

The provision which has been made by the Finance Minister in regard to the Customs Tribunal is a welcome proposal. I hope, this Tribunal would come under the Law Ministry. Lastly, Sir, in regard to indirect taxes, exemption has been given in respect of beedis. Sir, if he is good enough to listen to this....

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): The hon. Minister, he is mentioning something.

SHRI N.K.P. SALVE: You have given exemption up to 30 lakh beedis. I come from a part of the country where beedis are made. You can give exemption up to 30 lakhs. But kindly bring them under the control of the excise. Otherwise, all sorts of racketeering and spurious labelling will be there. You can give exemption if you want. But kindly bring them under the control of the excise authorities. This is one way of ensuring that this spurious business does not come in.

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): Shri Sezhiyan.

[Shri Dinesh Goswami.]

Your party has 42 minutes. There are three speakers from your party. Kindly keep it in mind.

SHRI ERA SEZHIYAN: I will take twenty minutes.

THE VICE-CHAIRMAN (SHRI DINESH GOSWAMI): If you take twenty minutes, the other two Members may remember that they have twenty-two minutes between them. I do not mind. You can take twenty minutes, or, you can exhaust all the forty-two minutes. But the other two Members have to co-operate.

SHRI ERA SEZHIYAN: We will adjust between ourselves.

Sir, the Finance Bill, as passed by the Lok Sabha, is for the consideration of our House. In respect of the Finance Bill, as you are aware, it has become an annual ritual to flood the Act with a large number of amendments so much so that we are now in a confusing and sickening stage and the tax-payers, the tax-gatherers, the courts and even experts like our Mr. Salve become confused. Any number of committees have gone into this. But one plea which is always given is that these amendments have been required to plug the loopholes in the existing laws. This plea of plugging the loopholes has become an alibi for ineffective administration. But I would like to point out that in spite of the very many amendments which had been suggested earlier and the committees which had gone into the question of codifying and simplifying the taxation laws, they have not had the desired effect. I had given one dissenting note to the Select Committee on the Taxation Laws Amendment Bill, 1973, for which Mr. Salve was the presiding authority then. In that note, I had pointed out how, during the earlier years, various committees had been appointed like the Income-tax Investigation Commission, namely the Varadachari Commission

of 1948, the Mathai Commission of 1954, the one-man Committee of 1956, headed by Prof. Kaldar, the Direct Taxes Enquiry Committee of 1958, the Bhoothalingam-Committee of 1967, the A.R.C. Reports, the Committee on the Taxation of Agricultural Wealth and Income of 1972 and so on. So many committees had been appointed. In that Select Committee, I wanted to know how many of these recommendations were accepted and how far they had been implemented so that I could, in the light of this information, suggest my own amendments. The answer I got was: "the files containing the detailed reasons for acceptance and non-acceptance of most of the recommendations of the following committees were not available." They also said, "in the absence of the relevant files, it has also not been possible to give the reasons for not accepting those recommendations".

Therefore, Sir, here is a Government, here is a Ministry that is functioning and boldly saying that they have lost the files, files of many of the important Committees, the Committees which are to go into the taxation structure in this country. When I put the question, they say the files are missing, we are not able to give those files. This shows the callous nature of the Government, this shows the conditioned attitude of the bureaucracy. I find it very difficult to resist the conclusion that the bureaucrats have vested interest to keep the taxation laws in a disarray.

I have every reason to doubt the sincerity of this Ministry and the machinery continuing to function under it. Unless the Finance Minister is able to control the Ministry, even if he appoints another Committee to go into the taxation laws, it will take another one year or so and after that the follow up will not be there and whatever report is given will be collecting the dust in the shelf or will, simply, be lost. So, before he proceeds on to the task of simplifying, codifying the Act, it will be better that an experts' body

is put to go into and make an assessment of what best of the best efforts could be made.

Sir, when the Act came into being there were 298 sections and four schedules and now it has accumulated 469 sections and 11 schedules. Many sections are hidden in alphabets. When the draughtsmen exhaust all the alphabets in English, they start with AA, BB, RRA, and so on. I think more than 1200 amendments have been issued since 1968.

SHRI B. N. BANERJEE (Nominated): He has said that the present Income Tax Act contains 469 sections. I think it is less than even 300 sections.

SHRI ERA SEZHIYAN: Originally there were 298 sections. Now there are 469 sections. Therefore, Sir, adding plethora of amendments, without going through into the spirit or sense of it, has become the attitude of the bureaucracy and I feel one more set of amendments is to be added in the Statute this year. Many of the recommendations have taken time. For example, the Mathai Commission of 1953 gave a recommendation for an Expenditure Commission. It took 25 years for the Government to put that into effect and it took this Government only 25 weeks to kill that Expenditure Commission. I would request to the Minister to bestow some thought, may be that was put by the previous Lok Dal Government and it was destined to be abolished, but now no harm will be done if a similar Commission is appointed again.

One of the serious aspects in the functioning of the Income Tax Department is the Settlement Commission. When it was considered in the amending Bill of 1973, on the basis of the Wanchoo Committee Recommendation, I pointed out that there should be an independent Commission presided over by a judge of a High Court or by a person of judiciary nature. At that time that was not accepted and in my dissent note I said: "the functioning of the so-called Settlement Commission in the proposed Bill

clearly revealed a desire on the part of the Revenue Department to keep its machinery as a creature functioning under it, staffed by men drawn mainly from the Department". I also sounded a note of warning: "One cannot escape the conclusion that the Settlement Commission is designed to help big tax evaders in reducing the liability and getting out of the provisions relating to prosecution penalties. It is clear that such a provision will be used for considerations other than purely administrative purposes".

This was the note I gave in March, 1975. Afterwards the emergency came and I could not discuss it; the subject did not receive the publicity that it deserved. What I said in 1975 in my dissenting note has been amply proved by the judgement of the Supreme Court. As the Settlement Commission was not put as an independent body, it has become a heaven for the retiring and retired officers of the Income Tax Department itself. It has proved the worst fears that I had mentioned earlier.

The Supreme Court in its judgement delivered in the case CIT Vs Bhattacharjee in the year 1979—which judgement was given by Justice Krishna Iyer—has clearly put it:

"A nascent chapter (Chapter XI A) in the Income-Tax Act, 1961, enacted by the Taxation Laws (Amendment) Act, 1975, whose beneficiaries are ordinarily those whose tax liability is astronomical and criminal culpability perilous, falls for decoding by this court in this appeal by the Commissioner of Income Tax-(Central), Calcutta (CIT) against an adverse order made by the Settlement Commission. Functionally speaking, this chapter, engrafted in partial implementation of the Wanchoo Committee Report, provides for settlement of huge tax disputes and immunity from criminal proceedings by a Commission to be constituted by the Central Government when ap-

[Shri Era Sezhiyan]

proached without objection from the tax department. It is based on the debatable policy, fraught with dubious potentialities in the context of Third World conditions of political peculium and bureaucratic abetment, that composition and collection of public revenue from tycoons is better than prosecution of their tax-related crime and litigation for total revenue recovery."

Therefore, when there is a tycoon and when you are afraid of launching a prosecution, you try to compromise with him. That is the basic philosophy that has been motivating the Settlement Commission. As I said earlier, this is very dubious and I appeal to the Finance Minister to rectify the defect and put it as an independent body. Now it is a part of the Ministry itself. If you see this case, on which the Supreme Court has given the judgement, it has got a very interesting background. There was a multi-national company. The name was Westinghouse. It had appointed an agent in India and this agent had been spending enormous amounts of money but he had not been showing it in the income-tax returns. It was brought out by the audit of the Westinghouse abroad that amounts were being pumped into India but not being shown in the accounts. These amounts had not been accounted for properly in the accounts abroad. Therefore, the question was raised here and the Income Tax authorities made a raid on the particular agent of the Westinghouse and recovered Rs. 30 lakhs during search and seizure and took some incriminating documents into possession. Assessments were made for Rs. 60 lakhs. One more year's assessment was made for about Rs. 35 lakhs. All these things accumulated and the Income Tax people put several cases on appeal to the Appellate Tribunal. He also put cross appeals. When this was going on, he approached the Settle-

ment Commission even without the permission of the Income Tax Commissioner, as required by the law. But when this was objected to, the Settlement Commission gave its findings. Peculiarly the Income Tax Officer went in appeal against the Settlement Commission. One part of the Government appealed against the other part. It filed a writ petition in the High Court of Calcutta and then the case came to the Supreme Court. The Supreme Court held that this has been much abused and the beneficiaries have been those whose tax liabilities are astronomical and criminal culpability perilous. Therefore, the Settlement Commission has been used for this purpose and I do not know what happened afterwards to the Bhattacharjee case. But there has been a strong indictment made by the Supreme Court on the working of the Settlement Commission. I would appeal to him that as suggested by the Wanchoo Commission, this Settlement Commission should be made a separate body, an independent body—-independent of the manipulations and free from retired and retiring officers.

Sir, the working of the Settlement Commission itself has been commented upon in the latest Audit Report which has been placed on the Table of the House. On page 28 they give for 1977-78 the number of cases disposed of by the Commission. Under income-tax there are 113 cases and the number of assessment years involved is 630. Then they say, the amount of income in dispute which is the subject-matter of applications under income-tax is Rs. 9.61 crores. There they show two asterisks and down below they say, "No. of cases involving quantified dispute is 99 out of total disposal of 113 Income-tax cases" because the rest of the cases could not be quantified. Here is a Department which has made an assessment. The assessment made is not of quality but quantity and still they say, in this book, that out of 113

cases only 99 could be quantified and the rest could not be quantified. I do not know why. Of the 113 cases, even taking Rs. 9.61 crores as the assessment by the Department, the amount offered for settlement by the parties is only Rs. 2.05 crores and in the end the Settlement Commissioner has awarded Rs. 4.55 crores. That means, out of Rs. 9.61 crores, about Rs. 5 crores has been reduced by the Settlement Commissioner. I would like to know from the Minister how many of these cases involve search and seizure. In search and seizure cases there should not be any waiver or any compromise because they are searched and seized. Or, wherever there is a case of fraud, in those cases you cannot show any mercy. In the end, what Justice Krishna Iyer has said been amply proved here. If there is search and seizure and the Income-tax Department is about to proceed, they go and try to settle at 50 per cent or so. This should be avoided.

Sir, regarding definition of "capital employed", I think the hon. Minister has said that when that section comes he is going to enlighten the House. Therefore, I am not going to take up the time of the House now on that. I will take it up at that time. But there is one thing worrying me and that is the interpretation that will be given about the MRTP Act. In the MRTP Act, in section 20 it has been defined that the MRTP Act will apply to an undertaking with a total value of assets of not less than 20 crores or to a dominant undertaking whose value is not less than one crore. Therefore, what is being taken into consideration is, "capital employed" means the fixed assets minus the depreciation plus working capital. That formula is being taken. If this formula is altered then many firms that are now attracted by MRTP Act will escape. The Hon. Minister can say this is applicable to income tax, not to MRTP. I think in two or three High Courts when this question was contested by some of the big concerns

on the plea that the loans taken should be excluded in valuing the assets of the company for the purpose of section 20. But the Government itself argued that the loans should be included. I think that an appeal also is in the Supreme Court. The Supreme Court has not given a decision on that. We should not adopt different yardsticks for different cases.

I will make a point now on the agricultural wealth tax. The Finance Minister in his speech had said, "Our experience over the last decade has been most disappointing. The amount realised as wealth tax on agricultural property has generally been less than one crore per annum. The valuing of agricultural land has posed difficulties leading to complaints and harassment... I propose to discontinue the levy, etc." Sir, this argument I am not able to accept. When it was introduced in the year 1969, it was then said by Shri Morarji Desai, the then Deputy Prime Minister and Finance Minister under the Government headed by Mrs. Gandhi:

"Agricultural wealth has so far been exempted from wealth tax. This has encouraged purchase of such lands by richer professional and business classes. While this has often acted as a spur to greater productivity in agriculture, there is no case in equity for taxing other productive wealth, from exempting the tax in the form of agriculture also."

They took the advice of the Attorney General also. Therefore, what was good in 1969, how, on principle, it has to be given up now? You can say the Government is incompetent or they are not able to account for it. If they say they are not able to account for it, if they say that agricultural wealth cannot be computed, how are they going to compute agricultural income? In your own Finance Bill, in part IV of the Schedule, page 45, you are prescribing rules for computation of net agricultural income?

[Shri Era Sezhiyan]

There are twelve rules provided. So, if you are not able to compute agricultural wealth where you have got the machinery to compute agricultural income? If you can do the exercise for one, you can do the same for the other also. Because it is less than Rs. 1 crore, you are going to leave it. Then what about the gift tax? The same argument can apply there also. There are many other taxes which do not procure you much but which give you so much of difficulty in computing the taxable income. In this case also we should adopt the same formula. If you can do it for agricultural income, why can't you do it for agricultural wealth? This is a principle which we enunciated in 1969 and we should be able to do it.

PROF. D. P. CHATTOPADHYAYA (West Bengal): Thank you, Sir for giving me an opportunity to put across a few of my stray thoughts on the management of economy envisaged by the Finance Bill in pursuance of the policy decision already enunciated in the Budget speech.

In the Finance Bill, the Government delineates primarily its management approach on the economy rather than the policies. But since this is a professional area and for that a very narrow area, and I, being a pedestrian person, have thought of referring only to some policies which in the process of implementation need, perhaps, an in-depth attention of a very competent and experienced Finance Minister.

[**The Vice-Chairman (Shri R. R. Morarka)** in the Chair]

Sir, I did endorse and I continue to endorse his main thrust of the policy, namely, increased production. Sir, I also substantially endorse the strategy he has prescribed to realise this objective. I find, all strategies—or, if one might say, tactics in the good sense—are converging on one

main objective, namely, increased production. Whether it is re-defining the floor of wealth tax or the period of tax holiday or the items qualified for concession in tax, are all intended for the same objective, namely, how to increase production. And it is also clear that this is his main plank of, and perhaps his main proposed answer to fight inflation. Still the fury of inflation is unabated. But on his authority we learn that it has reached the plateau. It is re-assuring when it comes from a person of his eminence and position. But being less informed and having less access to the precise data he has at his disposal, I am not quite persuaded whether we have indeed reached the plateau because, Sir, you yourself know very much of both economics in its policy frame and also in its management aspect. Inflation in a developing country in general and in a country like India in particular, is imported inflation, and it is as important as the other inflation of the indigenous origin.

In this context, perhaps, our country, I would say, is unfortunately placed and in a unique position with all the weaknesses and deficiencies of a developing economy but attended by wrong presumption in some developed countries and also in the developing OPEC countries that India is a rich country and a big country, as if the bigness of the size is indicative of its richness, of its wealth and its paying capacity. So, this imported inflation is crossing our borders and the shore of our seas at a furious rate. This is really disturbing, and on inflation our economic policy and the management of the economy from within are not likely to have a big impact. And inflation will continue. If I am not mistaken, in the next one year the petroleum and other oil products will cost the exchequer much more. You are aware, Sir, that already we have to pay, of our total import Bill, 70 per cent,

may be a little more, if not now, in the none too distant future. If that is the extent of how we depend on imported materials, I do not know whether inflation taken as a whole, both of imported and of indigenous origin, can be said to have reached a plateau by this time.

I am also disturbed, Sir, because of the declining trend of foreign remittance, a source of some assurance in an otherwise straight-jacketed and strained payment position. I am also of the view that this is not an *ad hoc* casual feature of our invisible earnings because the sources wherefrom the remittances had been coming all these years, particularly for the last five or six years, are themselves drying up in respect of their overflowing capacity. In other words, from the Gulf or the West Asia the money that had been coming in India will gradually witness a decline in their production, and, therefore, the employment of our people in the foreign countries will decline. Naturally, this declining rate of remittances should be taken as a trend. It may not be a very uniform trend, but it will be a trend none-the-less downward. Therefore, while the important part of our inflation originates from abroad—the causes multiply in number—and our earnings from abroad go down, thereby reducing our capacity to foot the import bill, I am not quite sure whether we should not be very vigilant and careful about managing our economy. But as a main plank of fighting inflation, it is a good thing that a climate is being created—particularly the tax holiday to the middle class—giving a sort of motive force for saving more and investing more for production purposes.

Sir, if you look at the process of capital formations and savings in the country in the last five years, it has been encouraging. Whether it is saving or capital formation, if you look at it, we have reason to believe that

a situation is/being gradually created for investing more for production purposes. But the question is—and it is a very intriguing question—whether our investment is matching the savings and capital formations. I find that perhaps it is not. Sir, the gross capital formations have been of this order. In 1975-76, it was Rs. 4,664 crores. It was 20 per cent more than the capital formations in the previous year. In 1976-77, it was Rs. 4,991 crores, and the rate of added capital formation was 23 per cent. It was nearly 23 per cent; to be exact, it was 22.9 per cent. The next year, that is, 1977-78, it was Rs. 5,686 crores. Again it was nearly 23 per cent; actually it was 22.9 per cent. And in the year after that it has gone further up. The rate is 23 per cent and the total figure of capital formations is Rs. 7,217 crores. But in spite of this higher capital formation, the investment is not matching proportionately. Therefore, it is not a question of savings as such or a question of capital formation as such. The saved money transformed into capital and going into the production process is what should be ensured. Otherwise the main objective of this Budget will not be realised or, if realised, will not be to the extent desired by the Minister and all of us. Therefore, Sir, I will refer here to an old theme, which is almost a cliché, a jargon; but some of the clichés, despite being old and worn out, do not lose their relevance. Here I refer to the cumbersome procedures, the time-taking rules for production planning, for project evaluation and project clearance. Sir, I had my innings in the Ministry and outside Parliament. I have myself been attacking these bad rules and I have myself been listening that rules should be simplified, that the tax laws should be simplified and that the whole process of project formulation, appraisal, clearance and starting of production is very cumbersome, encumbered with so many laws, rules, by-rules committees and sub-committees. After all the hon. Minister who

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is an experienced lawyer and has the experience of the generality of the law and the specificity of the rules and the danger of specificity of the sub-committees spread over different Ministries, knows that things just do not move. He must have realised that between what he desires and what ends up there is a big, frightening gap. I think the hon. Minister should concentrate on it and see that all the offices under his control also concentrate on simplification of the procedures, whether it is a tax matter or whether it is clearance of an industrial project. You know when a project is formulated either in the Industry Ministry or any other economic Ministry, it has to be scrutinised from the DGTD angle. Then the Bureau of Public Enterprises also comes into the picture. I do not say that these are redundant or superfluous. Control or regulations, management and coordination are a standard part of any project. The question is time. Time is an input. We often forget that, besides capital, time is an important input. Otherwise, in a period of inflation, more time means you are a victim of cost escalation. In a poor country where an enterprising Minister like Mr. Venkataraman is fighting inflation, if the production processes take a long time due to cumbersome rules and procedures, time being an input, the result is cost escalation. In between the substance of the policy and procedures and implementation of the policy there should be a strong functional coherence. This is what I say is the relationship between the Finance Bill and the Budget. The substance of the Budget and the procedures envisaged in different Finance Bills should converge. Otherwise this exercise which is otherwise administratively necessary is not sufficient for the purpose of ensuring a fight against inflation on the plank of production increase and steep production increase.

Some distortions in the capital market are sought to be injected systematically over the years by some non-banking financial institutions offering as much as 48 per cent. Everybody knows in Calcutta there is an organisation which used to give 48 per cent..

SHRI B. N. BANERJEE: Now reduced to 36 per cent.

PROF. D. P. CHATTOPADHYAYA: Because of a veiled threat by Mr. Venkataraman it is reduced to 36 per cent. Another threat may bring it down to 35 per cent. If that is the case, from where nationalised banks will get money? Savings are good for the country. But it has become the traders' capital, not the producers' capital. It will add to the traders' hoarding capacity leading to a further push to the price front rather than giving an impetus to the production front. The concessions given to the middle class people in the income tax law and poor people's savings will not go to Mr. Venkataraman's banks. They will go the chit funds..

SHRI R. VENKATARAMAN: Cheat funds.

PROF. D. P. CHATTOPADHYAYA: That is why I say that it has reached even the polite and cultured ears of Shri Venkataraman that it is not "chit fund", but it is "cheat fund". It has reached his ears and I am sure it has reached everybody's ears. If that be the case, then, Sir, notwithstanding our policy, these institutions are, though unlawfully, but successfully, operating, scuttling the objective the Finance Minister is running after. Savings and capital are going to the hoarders making Government's task of holding the price line more difficult. So, Sir, I think he should pay more attention to this. I am told that some legislation is in the offing and I wish it was expedited and this distortion in the capital market was reduced and, if possible, eliminated as far as possible.

Then, Sir, there is the question of the lack of raw materials. This is another constraint on industrial production. In the name of this factor, that is, lack of raw materials, often we have resorted, in the last two or three years, to indiscriminate import liberalisation. Sir, I am all for production. But we should take an integrated view. Raw materials shortage is there. So, the easy solution is to rush for import liberalisation because you have a comfortable foreign exchange position. So, what happened? Foreign exchange position was comfortable and it became more comfortable. But now the declining trend has set in and you will appreciate, Sir, that the trend that has set in might stay because the Gulf oil, as I said, is drying up, draining our resources. Therefore, this import liberalisation because of comfortable foreign exchange position was a myopic, shortsighted, and *ad hoc* anti-national policy as a result of which some of the public sector corporations producing raw materials have gone sick and even some of the private companies have gone sick and their capacity remains unutilised or dangerously underutilised. Therefore, the craze for import liberalisation should be somewhat halted and the cry should go from the Finance Ministry to other concerned economic Ministries.

Of course, the power position, the very bad power position, is there and he has to look into it, because, almost all the State Electricity Boards are bankrupt and I am glad to note that the other day the Prime Minister herself wrote to the Chief Ministers. But here also there is a curious incursion of politics into economics which has created this problem. Now, any Government, any Chief Minister, to be popular or to play to the gallery, dabbles with this. I am not criticising anyone and I understand their predicament. But you must also take a national view. They write off the loans and, Sir, the biggest beneficiary of power, the agricultural sector, does not even pay back what it gets and

the Government is the loser because of this entire sector and it loses huge amounts of public money. A huge amount of public money, after all, is being wasted and it is a very sad thing. The Bureau of Public Enterprises or any such agency of the Government—I do not know which—should look into the question why almost all the State Electricity Boards are bankrupt and why, most of the Chief Ministers, on assumption of office, write off the farmers' loan and at what cost and at whose cost. At what cost and whose cost they do it, I do not know.

Also, Sir, I think for the better management of the economy, the Minister and the Government as a whole should take a little more active interest in consulting the trade union leaders. Sir, industrial relations have a very big say in the matter. The actual producers, I mean, the labourers should also be involved in the process of building better industrial relations, Sir. Now to remedy the problems, whether it is raw material shortage or power shortage or industrial relations, we must diagnose the disease and once we diagnose the disease, the treatment line we can easily think of. Whether we follow it up or not is another proposition. I must say that what the Minister has said in this Budget formulations or proposals should now be put into practice. That is, first thing should be done first. That is, charity should begin at home; that is, governmental expenditure should be cut. Sir, we have been hearing quite for some time that the working days should be reduced to five. Sir, it was done in the wake of energy crisis in the West long before. As we all know, individual persons of rich countries like America pay much less than what we in a poor country, pay for a unit of oil. But because of this crisis, in order to save energy, they have introduced—many of these countries have introduced five days' week; some countries have 4-1/2 days or even 4 days or something like that. I know there are some difficulties in the

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matter which I need not go into now. But the advantage of reducing the working days from six to five is enormous. Of the import bill, 70 per cent is accounted for by petrol and other products. I think it is very serious, imperative and urgent to reduce the working days, thereby saving both the administrative cost on the score of oil consumption and also other ancillary things. So I think that governmental expenditure should be cut, and drastically cut. This is the kind of cliché, I am never afraid of repeating clichés. They are well known—like “Speak the Truth” “*Ahimsa Paramo Dharma*”, etc. For 2500 years we have been hearing these and simply because we have been hearing these for so long does not mean that they are useless; it shows that they are valuable.

Then, I agree that more and more production projects should be planned first and immediately cleared as quickly as possible in the short gestation period. Here I will again utter a word of caution; that is in the name of indiscriminately encouraging small-scale industries. In the last three years we have somewhere gone wrong. Sir, we give rightly small-scale industries some benefit. But there must be cost efficiency and also quality control. I for one do not like big monopolists to become bigger. No. But, at the same time, as a consumer, when I want to use a match stick I must see that match sticks give me fire. I strike it, but it does not work at all; it is useless. Yesterday I was to use a ‘small scale’ match stick on my son’s birthday at Calcutta. It just did not work. And then I had to ask for a multi-national match. (Interruptions)

AN HON. MEMBER: Wimco.

PROF. D. P. CHATTOPADHYAYA:
It did work.

SHRI B. N. BANERJEE: The quality of the multi-national match is also deteriorating.

PROF. D. P. CHATTOPADHYAYA:
I do not know.

SHRI B. N. BANERJEE: Because we smoke, we know it.

PROF. D. P. CHATTOPADHYAYA:
I do not smoke; I do not know.

Yesterday I found that it worked. The other one patronised by Mr. Venkataraman and his predecessors did not work. As a consumer, I am just not concerned primarily who is the producer, but only on second thought as a politician, as a man in public life, I am concerned. Sir, in this country, cost efficiency is a very important factor. Sir, you cannot remove big industries on that score alone, nor patronise the small-scale industry irrespective of its quality of functioning. In this context, the biri was referred to by Mr. Salve. I do not know because I do not smoke biri either. Here, I will say...

SHRI NARASINGHA PRASAD NANDA: Biri is smoked only by labourers. Prof. D. P. Chattopadhyaya has never worked as a labourer.

PROF. D. P. CHATTOPADHYAYA:
I am a teetotaler. I never chew *pan* like Mr. Nanda nor do I smoke biri or cigarette or anything of the kind. I have not done it in my life. It is not that I have left one thing and taken to another thing. Friends say that I have foregone many pleasure of life. I do not regret, Sir.

Another disturbing feature for fighting inflation is money supply. There also the trend continues to be really disturbing. I have heard the warning that Venkataraman Ji uttered and I find that it is going to be pretty bad. In 1977-78, the net money supply, I find, was 2359 crores. That is 14 per cent more than the previous year. The next year, it was 3643 crores, that is 20 per cent more than the previous year. In 1978-79 it was 3437 crores, that is slightly down.

In 1979-80 it was 10 per cent more. This increase is much less compared to previous years. In 1977-78, the increase was 14 per cent, in 1978-79 19 per cent and in 1979-80, it was only 10 per cent. But the spin-off effect of the last 3 years is disturbing. I know he is not responsible for much of this inflation which is so much regretted and critically commented—upon in this year's budget. This inflation is the spin-off effect of the last years' budget. I remember—it still rings in my ears—Mr. Charan Singh presenting the budget and claiming that it will entail not more than 1 per cent inflation. I do not know whether we have reached the plateau of inflation. I do not know whether my friend, Mr. Salve's caution addressed to the Finance Minister was very harsh. But I think that let us be wrong on the right side. Let us think that it will be something more than what we are thinking. Let us be wrong on the right side. If this rate of money supply continues, then I think this spin-off effect will not lose its momentum so quickly. That way, I belong to a very old school of monetary theories. I am an orthodox monetarist. The other day when we met in Madras before the presentation of the budget, I said that unless you can control money supply, there will not be appreciable difference in inflation. I know the difficulties of policy framers. For me, it is very easy to say so. I am demanding increase in production. At the same time, I am asking him that money supply should not increase. I know the difficulties of the policy framers when they have to control money supply without constricting the nerves, sinews and muscles of production. But the balance has to be struck. The policy framers have to decide it. I think that money supply can be regulated without damaging the muscles and nerves of production, although it is a delicate and difficult exercise which the Finance Ministry and its ancillary agencies have to undertake.

On the front of fighting inflation, the next important thing which is well-known is distribution. I am not blaming only my Janata friends. Even in our times I have found that we talked much about it, but we did not give enough attention to it. But we do not give good enough of our attention to it. It is a second front that we should think of to fight inflation. But I am also an incurable pro-emergencist in the sense that with all liberalism, all the rule of law, all the flexibility and benign concern for all concerned—the thugs, the thieves and the smugglers—you cannot have a fair distribution system. Therefore, some strong laws, some strong measures, some arrests are necessary. Here again is a meeting ground of politics and economics. If the Government comes with some strong measures against economic offenders. Sir, certain people think that they smell the danger of emergency by the back door. But, Sir, whether you call it back door or front door, to effectively fight the economic crimes, the enormous money power, if you have to follow the rule of law, then what will happen has been very ably, autobiographically illustrated by my friend, Mr. Salve, when he said that he was fighting a tax law suit for two generations; he himself fought it and now his son is fighting it. Sir, I submit to the rule of law, the discipline of law. To fight the extra-ordinarily powerful, extra-ordinarily economically influential people, if you want to follow the rule of law as understood in the White Hall or the White House, you are suffering from a misplaced concept of legal equality.

Sir, I will just say a few words about another thing, and that is balance of trade position. The balance of trade position, is pretty bad. As I mentioned earlier there is a declining trend of foreign remittances and an upward trend of trade deficits. Not only that, Sir, we had the first ever surplus trade budget, perhaps in 20 years, in the year I laid down the office in 1976-77. Perhaps, after 15

[Prof. D. P. Chattopadhyaya]

years, we had a marginal surplus budget. Then it was deficit of Rs. 1100 crores. Now, perhaps, it is more, and it is bound to be more. It is not because of but in spite of the Government's policy. That is why I talk of imported inflation. With any amount of ingenuity and concern within, we cannot reverse the picture. But we can somewhat change it, even if we cannot reverse it.

Therefore, Sir, we have to think how we can export more. If Venkataramanji's main plank is production or perish, I will say that the second plank is export or perish. Again, it is a very controversial thing. I have said it for four years and I have been criticized that I am a fool; in the Indian context, you cannot have export led growth. Nobody is fool enough to say that in a country like ours, unlike Taiwan or South Korea, we can have an export led growth because the export sector does not account for more than perhaps, 5 per cent or 6 per cent of the total economy. So, there cannot a tail which can move the whole body of the economy. This is nobody's proposition and nobody's case. But export is very important because we are going in for a more and more widening trade deficit. Therefore, Sir, export or perish means production increase should not be construed in a very ordinary sense. There should be special planning for export production. Export production is not an automatic production process. (Time bell rings.) Sir, I am always obedient and I will conclude very soon. Therefore, Sir, by export or perish, I mean export production should be planned. Whatever you produce, the world is not going to buy. Because of their cost efficiency, because of their capital intensive mode of production and because of their superior technology in most fields, they are in an advantageous position, and our country being labour intensive as it should be, have limited areas where we can compete with the other countries in the world market. Electronics is one such

area. And then electronic processing zone in Bombay, that was established in our time, was working very well. I do not know why it should not be expanded. Free-trading zone may be one experiment because the first one, the Kandla one, was ill-conceived. Sir, a bad use of a good argument is no argument against its good use. The Kandla experiment failed; its reasons have to be ascertained and then those causes and factors removed. There can be a Santa Cruz free trading zone. There can be few others in a big vast country like ours, without distorting the economy of the country as a whole, without unnecessarily, unwisely invoking the parallelism of Taiwan or South Korea or Ceylon. We can have two more or three more trading zones. We can have one near Dum Dum, that we have talked of for seven or eight years. There was a case also from Madras, if I am not mistaken. Cochin also came forth with a claim. There may be four or five claims. But then, in between claims and claims there can be relative project evaluation or appraisal, locational advantage, etc., etc. So, I say that export should be taken up again as an important factor because of the craze for import. In the last three years export was not seriously taken care of.

Self-reliance, another plank of our national economy, accepted path of our national economic policy was also given a good bye. Therefore, what I would suggest is that production or perish is the plank of Shri Venkataraman's economic policy and we endorse it. But export or perish is also an important thing. But that export does not mean denuding the home country of all consumer goods and thereby given a push to the upward price level. It does not mean that Sir, there is always a question of difficult and delicate balance between controlling money-supply without damaging nerves and muscles. Exportable surplus you produce. Surplus will not be automatically in these countries where the suck—in effect of the national economy is so big that there will not be automatic export production. That has

to be planned. Economic production as such logically does not entail export production, for that is a different sort of approach in altogether different parameters, but sub-parameters within the general parameters have to be defined the general parameters have to be defined and implemented. I would again suggest that in addition to Economic Coordination Committee you should have an Export Committee. During the years 1974 to 1977 we had one and that was being presided over by the then Finance Minister. I am quite persuaded and absolutely convinced that we do need it not only for policy matters but for quick decisions. Time is the main investment in an economy fighting inflation.

Sir, I think that while the policy which has been formulated by Shri Venkataraman on behalf of the Government is very good, the occasional criticism that I have made here and there is mainly meant for appropriate steps while they think of implementing it. But, Sir, the question is that time is of the essence in the whole thing. Another cliché I am re-uttering for the simplification of the procedure, quick-decision making, and so that some of the cumbersome rules and bye-laws are dispensed with and given a good by for good otherwise fighting inflation merely on this policy will not be possible. The management of the economy is equally important and I am sure Shri Venkataraman and other colleagues will take care of it and do the needful.

श्री सदाशिव बागाईतकर: उपसभाध्यक्ष महोदय, मैं कुछ और कहने के पहले अर्थ

मंत्री जी को यह बताना चाहूंगा इसी सदन में 31 जुलाई को प्रश्नोत्तर के दौरान उन्हीं के सहयोगी नियोजन मंत्री श्री तिवारी ने क्या बयान दिया है। तिवारी जी ने जवाब में यह कहा—उस दिन गरीबी की रेखा की चर्चा चल रही थी—कि 316 मिलियन लोग गरीबी की रेखा के नीचे रहते हैं, जिसका मतलब 31 करोड़ से ऊपर हो गया, और जिसमें से, उन्होंने यह कहा था, .25 करोड़ देहातों में और 5 करोड़ शहरों में रहते हैं। इस तरह के आँकड़ें उन्होंने पेश किए। अभी जो सारी चर्चा इस फाइनेन्स बिल के ऊपर करनी है, वह क्या इस बुनियादी तथ्य को नजरअंदाज करके करते रहेंगे? तो हम कहाँ पहुँचेंगे? इसलिए मैं यह चाहूंगा कि जो बजट है, जो फाइनेन्स बिल सामने है, उसकी तरफ देखने से पहले देश की सही मानों में क्या स्थिति है इसको देखना चाहिए।

अभी-अभी प्रोफेसर चट्टोपाध्याय फरमा रहे थे कि सब्सटेंस आफ फाइनेन्स बिल का और बजट का एक संबंध होना चाहिए। मैं तो यह देख रहा हूँ, गए 30 साल में जितने बजट पेश हुए हैं, उन में तीनों चीजों में किसी तरह का कोई संबंध नहीं था। डाइरेक्टिव प्रिंसिपल्स आफ द कांस्टीट्यूशन और जो योजना आप बना रहे हैं और आपका संकल्प, इन तीनों में क्या सही मात्रा में आपस में कोई रिश्ता था? और क्या ये अलग-अलग चीजें मान कर आपने सारे देश का अर्थ-करण नहीं किया है? मैं मानता हूँ यही हुआ है, और नतीजा क्या हुआ है? नतीजा यह हुआ है कि 30 साल की प्लानिंग के बाद अब देश में इतने मामले उभर गए हैं जैसे प्रादेशिक असंतुलन का मामला

[श्री सदाशिव बागाईतकर]

ले लीजिए, रीजनल इम्बेलेन्सेस की बात ले लीजिए, पुरा नार्थ ईस्टर्न इलाका आज टूट के कगार पर खड़ा है। इसी सदन में मेरे मित्र श्री बिपिन पाल दास जी ने भाषण दिया, आपने भी सुना होगा जो आर्थिक असमानताएं हैं वर्गों के बीच, शहर और देहात के बीच में, केन्द्र और प्रदेशों के बीच में, वे इतनी चौड़ी खाइयाँ बन गई हैं कि देश का अस्तित्व ही खतरे में आ गया है। जब आप सारी अर्थ नीति को नियोजन करके पेश करते हैं तो मैं आपसे पूछना चाहूंगा कि क्या उस से देश को लाभ दे सकते हैं, जो देश का सारा संतुलन हम खो रहे हैं। ऐसी स्थिति आज आ रही है 7 करोड़ के करीब बेरोजगार लोग देश में खड़े हैं। आज मणिपुर का नौजवान, गौहाटी का नौजवान, सारे नार्थ ईस्टर्न के नौजवान जो क्रोध से तड़प रहे हैं उसका कारण यह है कि कोई अपना अस्तित्व और भविष्य देश में उनको नहीं दिखायी दे रहा है। वह पढ़ा-लिखा है तो भी भविष्य नहीं, बे-पढ़ा-लिखा है तो भी भविष्य नहीं। यह परिस्थिति आज आपकी सारी योजनाओं के चलते पैदा हुई और उसके नतीजे में देश में जो स्थिति हो गई है उस से आप इन्कार कैसे कर सकते हैं? पहले तो आप समझ लीजिए, जो नियोजन आप बनाते गए, जो अर्थ संकल्प सदन के सामने लाते गए उस से देश की बुनियादी आर्थिक स्थिति में परिवर्तन करने में आप कामयाब नहीं हुए हैं और इसमें मुझे लगता है कि मंत्री जी आप सेटेलिस्ट बन गए हैं, फिलोसोफिक बन गए हैं जब डाएम्ण्ड जुबली सेशन आफ चैम्बर आफ कामर्स एण्ड इंडस्ट्री में आप फर्माते हैं—ग्रॉप्टिमिज्म एज एन एलिमेंट आफ ग्रोथ। आशा ही ग्रोथ की परिक्रमा में एक एलिमेंट है।

अब आशा की ही बात अगर करनी है तो जिन उद्योगपतियों के सामने उन्होंने

भाषण दिया—उन को तो जरूर आशा है आप लोगों से तो वे ज्यादा आशावान, हैं; आप उनके लिए ज्यादा करेंगे यही मानते हैं। उन के मन में आशा सदा जग सकती है लेकिन वह मणिपुर का नौजवान विद्यार्थी, वह देहात में रहने वाला पढ़ा अथवा अनपढ़ आदमी जिस के लिए आजादी के कुछ मानी नहीं हैं और आपका नियोजन जिस के लिए बे-मतलब हो गया, उस आदमी के मन में क्यों आशा आप पैदा कर सकते हैं? उस के मन में गरीबी से उत्पन्न होने वाला भयानक निराशा का अंधकार है और उसे दूर करने में आप बिलकुल नाकामयाब रहे हैं। यही तीस साल की आजादी की कहानी है। मैं समझता हूं कि जो भी विचार फाइनैस बिल पर करना है उस की पृष्ठभूमि में जो ये सारे तथ्य छिपे हैं उन को नजर नंदाज करेंगे तो हम कभी सही रास्ते पर नहीं पहुंचेंगे। मेरा कहना यह है कि किसी भी देश का बजट उस के सामाजिक, आर्थिक उद्देश्यों की तरफ बढ़ने का एक औजार होता है। यह कभी आप ने माना नहीं। वक्ती जो चीजे करने की आवश्यकता आप ने समझी उन को करते गये। परिणामतः यह हुआ कि देश का विकास करने में और लोगों के मन में आशा का निर्माण करने में आप लोग बहुत नाकामयाब रहे।

दूसरी बात मैं यह कहना चाहता हूं कि औद्योगिक नीति को आप देश में किस तरह चला रहे हैं। बेरोजगारी को काबू में करने के लिए आप के उपाय बिलकुल असफल रहे हैं। लोकदल के जमाने में यह हुआ, जनता के जमाने में यह हुआ, यह कहना कतई निरर्थक है। यह सिलसिला आजादी के बाद से चला आ रहा है। बेरोजगारी पहले से बढ़ती जा रही है और उस को काबू करने के

लिये जो उपाय सुझाये गये उन को आप ने नकारा। पूरे देश को उठाने के बजाय आप ने देश के एक तबके को—भले ही चार-पांच लाख लोगों को योजना का फायदा पहुंचाने की कोशिश की। इस तरह से देश का परिवर्तन पचास सौ साल के बाद ही जायेगा, यह कल्पना आप लोगों ने की होगी। जो सब से नीचे का आदमी है उस को ऊपर लाने की आवश्यकता और उस के लिए जो उपाय करने हैं वह आप लोगों ने नोचे नहीं हैं। लैंड रिफार्म की बात ले लीजिये, खेतिहर मजदूर की बात ले लीजिये, खेतिहर मजदूर की गिरी हुई आमदनी की बात ले लीजिये, जो छोटे कस्बों में रहने वाला कारीगर है उस की बात ले लीजिये इन सब को आप ने बढ़ावा नहीं दिया। फिर भी आप ने चर्चा की कि आर्थिक स्थिति सुधारने का एकमात्र तरीका एक्सपोर्ट करना है। आप कहां एक्सपोर्ट करने जा रहे हैं। उकटाड में क्या हुआ? योरोपियन कम्युनिटी में क्या स्थिति है? टेक्सटाइल्स जिस का आप एक्सपोर्ट कर सकते थे और करते भी थे उस के लिए भी मार्केट नहीं बना। तो बुनियादी दृष्टि आप की गलत रही है। बुनियादी दृष्टि यह है कि यहां के लोगों की क्रय-शक्ति बढ़ा कर उन के पास कुछ पैसा ज्यादा हो जाने दिया जाये जिससे यहां की मार्केट में अपनी जरूरत की चीजें पा सकें तो काफी विकास हो सकता है। यह स्थिति है जिस की तरफ आप लोगों ने अनदेखा कर दिया और ऐसी गलत योजना का तमूना बना लिया, सामने रखा जिस से कि देश के गरीब, सर्वहारा वर्ग को किसी तरह का फायदा नहीं पहुंचा सके। यह कोई नयी स्थिति नहीं है और इस लिये मैं कहता हूं कि लोकदल के जमाने में क्या हुआ, जनता के जमाने में क्या हुआ, इस की चर्चा करना अर्थ-संकल्प के सम्बन्ध में विलकुल निरर्थक

है। मैं आप को बता देना चाहता हूं कि सेन्ट्रल स्टेटिस्टिकल आर्गनाइजेशन है उस ने नेशनल एकाउन्ट्स स्टेटिस्टिक्स 1971-72 से 1977-78 के प्रकाशित किये हैं। अब इन आंकड़ों से जो तथ्य सामने आते हैं वे यह हैं :—

“The rate of growth of national income during the seventies would be the lowest for three decades since Planning began in India. Again, in terms of annual compound growth rates, there has been a steady decline from 3.83 per cent per annum in the fifties, to 3.66 per cent in the sixties, to 3.05 per cent in the seventies.”

आखिर आंकड़ों का उपयोग क्या है यह जो तथ्य आप के सामने हैं आप इन से इंकार करेंगे तो अर्थशास्त्र की दृष्टि से आप के दम्भ का कोई मतलब नहीं है। साफ साफ नजर आ रहा है कि नियोजन के पहले दशक में और दूसरे दशक में यह स्थिति बनती गयी जिस का चित्र हमारे सामने आ रहा है। अर्थ मंत्री और अर्थ विभाग को चाहिये तो यह कि जो अलग अलग सबज की रिपोर्ट हैं और उन से जो तथ्य निकलते हैं उन को हमारे सामने रख दें, ऐसी भाषा में रख दें ताकि सामान्य सदस्य उन्हें समझ सकें। इन तथ्यों से न केवल यह स्पष्ट होता है कि आप के नियोजन की दिशा गलती नहीं बल्कि जो आप की विकास की दर रही उस में भी गिरावट आ गयी। मैं जब सेविन्टीज की बात करता हूं तो आप का डायनेमिक डिक्लेड भी आ जाता है। जिस डायनेमिक डिक्लेड के चलते आप लोग यह कहते रहे कि देश में यह हुआ, देश में वह हुआ, मैं कहना चाहता हूं कि उस में कुछ नहीं हुआ। डिकलाइन हुआ है। हमारी पर-चेजिंग पावर गिर गयी है और बेरोजगार तबका ज्यादा तकलीफ में रहा है। असम में हुआ यह है कि लोगों की जो रियल इन्कम थी :

[श्री सदाशिव नगईतकर]

In terms of compound growth rate, *per capita* real income growth has steadily declined from 1.34 per cent to 1.24 per cent, and further 0.94 per cent.

यह है जो दुआ आप के उस डायनेमिक डिफेंड में। रियल इनकम में इस तरह की गिरावट आ गयी है और आप चर्चा करते रहेंगे कि हमारी एक्सपोर्ट औरियेंटेड इकोनामी हो। बेसिकली बात यह है कि आज एक रुपये की कीमत 19 पैसे रह गयी है। दस रुपये की कीमत दो रुपया 20 पैसे या दो रुपये 90 पैसे रह गयी है। तो यह स्थिति में गिरावट है और इसलिये इस तरह की चर्चा फिजूल है। इसलिये रोजगार बढ़ि हुई नहीं। यह घटा है। दूसरे मैं आप के सामने यह बात रखना चाहता हूं कि और मिसालें बनती जा रही हैं कि जिन के चलते देश की आर्थिक स्थिति बिगड़ती है। व्यापार और राजनीति का संबंध इस देश में बहुत बिगड़ा हुआ है। व्यापार से राजनीति फायदा उठाती है और राजनीति से व्यापार फायदा उठाता है। यह कुचक्र इस तरह से और इतने जोरों से चल रहा है, चल पड़ा है कि इस से देश का भविष्य खतरे में आ गया है और कई दुखद घटनायें हो गयी हैं और अगर आप इस को ठीक नहीं करेंगे तो राजनीति में ऐसी ताकतें पैदा होने लगेंगी और उन के कारण ऐसी समस्यायें पैदा होने लगेंगी कि जो देश के बिखराव का कारण बनेंगी। अभी अभी हाल में जो स्थिति बनी थी उसकी तरफ भी मैं सदन का ध्यान खींचना चाहता हूं। इन सब के कारण एक दुर्घटना हुई और उस दुर्घटना में हुई श्री संजय गांधी की मृत्यु। इस के सारे जो तथ्य सामने आ रहे हैं वे क्या हैं? वह यह तथ्य है कि एगोजी शिपिंग कारपोरेशन एक है। पांचवीं लोक सभा में उस पर सारी लम्बी बहस चलती रही थी।

उस में जो लोग हैं- स्वराज्य पाल और दूसरे लोग यह वे ही लोग हैं जिन्होंने यहाँ एक अपनी कंपनी बनायी दुर्गापुर के स्कैप को खरीदने के लिये और जिस कंपनी का नाम अभी अखबार में आया है। उसी कंपनी के नाम से विमान मंगाया गया और बाद में यह कहा गया कि यह विमान उस को भेंट कर के दे दिया गया। असल में मैं एक बात आप के सामने कोट कर के रखना चाहता हूं। यह "न्यूयार्क टाइम्स" है 24 जून का और इस में यह खबर है:—

"The manufacture of the stunt plane in which Sanjay Gandhi was killed said today that the plane was purchased by Mr. Gandhi about two months ago.

Herb Andersen, general manager of Pitts, Aerobatics, said the plane had been sold to an English dealer more than two years ago and that nothing had been heard about it until it was learned that Mr. Gandhi had acquired it.

"About two months ago", Mr. Andersen said, "this Company in London told us it had been acquired by Sanjay. They wanted the usual paperwork that goes with an airplane."

Mr. Andersen said the Afton facility turned out 25 of the sports planes a year, with each costing 45,000 dollars.

"They are used almost exclusively by air show and competition pilots", he said. Others are bought by 'air-line pilots, lawyers, doctors, anybody who can afford a rich toy'."

मैं आप के सामने जो बात रखना चाहता हूं वह यह है कि आखिरकार यह बात होती कैसे है। व्यापार में जो लोग हैं वह राजनीति में इस तरह से घुस पड़ हैं कि पूरी आर्थिक स्थिति का डिस्टर्शन उन के चलते हमारे देश में हो रहा

है। जिस तरह का करण्डन घुस बैठा है आज सारे देश के जीवन में और राजनीति जो बिगड़ गयी है और अलोकतांत्रिक बन गयी है उस का सब से बड़ा कारण यह है कि पैसा जो व्यापार में लगता है उस के लिये उन लोगों को राजनीति की शरण में जाना पड़ता है। तो इसलिये जो फाइनेंस बिल हाउस के सामने रखा गया है उस में मैं नहीं समझता कि किसी बुनियादी चीज को तब्दील करने की मंशा है। आपने इस देश के सबसे अच्छे डायनामिक सेक्टर खेती वाले सेक्टर में जिसमें हरियाणा और पंजाब में चौगुनी वृद्धि की है राईस हाईक में, उसके बारे में आपने कुछ नहीं कहा है। उनके ऊपर आपने बोझ बढ़ाया है। इसलिये मैं समझता हूँ कि अर्थ संकल्प देश को नई दिशा में ले जाने में बिल्कुल असमर्थ रहेगा और जो परिपाटी और परम्परा चलती आ रही है जिससे गरीब पिसता जा रहा है, बेरोजगारी का बोझ बढ़ता जा रहा है उसी स्थिति को हम को आगे चल कर बर्दाश्त करना होगा।

उपसभाध्यक्ष महोदय, आखिर में सिर्फ एक-दो कोटेशन देकर खत्म करता हूँ।

THE VICE-CHAIRMAN (SHRI R. R. MORARKA): Mr. Bagaikar, you have already taken 16 minutes.

SHRI SADASHIV BAGAIKAR: I will just finish in half a minute. एशियन ड्रामा के डा० गुन्नार मिरडाल का यह उद्धरण है। उसके पहले वोल्थूम के पेज 278 पर लिखा है:

"Behind its impressive parliamentary facade. India is still very far from being controlled by the majority of its people, or even from having its policy devised as to the interest of the masses."

यह हकीकत हमारे आर्थिक जीवन की है इसकी तरफ अगर हम लोग आँखें बंद करके परिपाटी को चलाना चाहेंगे तो फिर देश के भविष्य के बारे में हम लोग ज्यादा उम्मीद नहीं कर सकते। इतना ही कह कर मैं अपनी बात समाप्त करता हूँ।

DR. BHAI MAHAVIR (Madhya Pradesh): Mr. Vice-Chairman, Sir, when Mr. Venkataraman presented his first budget, it was greeted with a great feeling of euphoria and liberal praise was showered upon him for having presented a new type of budget. It was described as the best budget since Independence, as something unprecedented. These six weeks, Sir, have been enough to wear out the cosmetic touches which the budget had and to expose all the crude and ugly features it had contained.

It is not secret, Sir, that the party which runs the Government, today—whatever that Government is—won the elections on the basis of two planks—of fighting inflation and restoring law and order. The earlier Government were condemned for having been unable to protect the common man's interest which were being eroded because of uncontrolled price rise. What is the picture, Sir, even during this limited period of the experience we have had since the budget was presented? I have, Sir, a few figures before me and I shall just mention two or three points to illustrate what I wish to say.

In ten days after the budget, the price increase was 6.2 points, which was more than the increase in the first two years of the Janata rule and also more than the price hike which followed the budget which was presented by Ch. Charan Singh and which was condemned as a "ghastly, cruel and devastating" budget. Sir, the fact of the matter is that in 28 months of Janata rule, the price rise was 27.6

[Dr. Bhai Mahavir]

points, less than an average of 1 point a month. In the 5 months of Lok Dal-Congress rule, the price rise was 14.5 points—i.e., about 3 point a month. But during the period of this Government's and this budget's domain, in the rule of the 'dynamic Government', 'the Government which works' or the Government which knows how to run the country, the increase is 4 points a month. I have got all the figures which I do not wish to bore the House with. But the fact has to be conceded that this first plank on the basis of which the party had won at the hustings has belied the expectations of the people and people never expected that this disillusionment would come so soon.

Then the second plank was the law and order situation. The less said of that the better. Open any day's newspaper; even a casual glance is enough to convince people that today the law and order situation is nothing less than chaotic, devastating and, what is worse, our great leaders of the Government do not know what to do about it. I, Sir, have never experienced or heard of a situation like the one we were in this morning, when the issue was raised. The Home Minister of the Central Government made a statement which was in direct contradiction of what had been observed by the Chief Minister of State and weeks were passing and we were not able to get from the Home Minister either a proof of what he had said or regrets if he had made a mistake. This is the type of Government, Sir. This is not the only qualification of the Government. We continue to have a Cabinet which has so many important

portfolios going abegging, and so many portfolios huddled together as temporary charges with one Minister or the other. With all this, lots of important and lots of important offices without any work to do. (Interruptions)

THE VICE-CHAIRMAN (SHRI R. R. MORARKA): All right. Order, please. The hon. Member may continue tomorrow. Now a message from the Lok Sabha.

MESSAGE FROM THE LOK SABHA

The Mica Mines Labour Welfare Fund (Amendment) Bill, 1980

SECRETARY-GENERAL: Sir, I have to report to the House the following message received from the Lok Sabha signed by the Secretary of the Lok Sabha:

"In accordance with the provisions of Rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith the Mica Mines Labour Welfare Fund (Amendment) Bill, 1980, as passed by Lok Sabha at its sitting held on the 4th August, 1980."

Sir, I lay the Bill on the Table.

THE VICE-CHAIRMAN (SHRI R. R. MORARKA): The House stands adjourned to meet again at 11 o'clock tomorrow.

The House then adjourned at two minutes past six of the clock till eleven of the clock on Tuesday, the 5th August, 1980.