

श्री एस० डी० मिश्र : श्रीमन, शुक्रवार को कुछ घंटों के बाद पूरी डिटेल् देने में लाचारी सरकार को थी, लेकिन आज भी वही थोड़ी डिटेल् जो उस दिन लोकसभा को दी थी यहाँ पर दी। शुक्रवार को थोड़े फैंक्ट्स थे लेकिन शुक्रवार से आज तीन दिन बीत गये और उसके बाद भी वही बयान देते हैं जो लोकसभा को दिया था। तो क्या मैं समझूँ कि तीन दिन में कोई फैंक्ट्स नहीं मिले या नहीं आए या और कोई फैंक्ट्स नहीं हैं, बात क्या है ?

श्री विद्याचरण शुक्ल : उपसभापति महोदय, हमने एक रिपोर्ट मांगी थी राज्य सरकार से और हम उसकी प्रतीक्षा अभी भी कर रहे हैं। अगर वह रिपोर्ट मिल जाती तो विस्तृत सूचना जो मिलती वह हम दे देते, लेकिन दुर्भाग्यवश वह विस्तृत सूचना राज्य सरकार से प्राप्त नहीं हुई है। जैसा कि माननीय सदस्य जानते हैं, शनिवार और इतवार की छुट्टी थी। हमने विस्तृत सूचना मांगी है, अगर वह मिल जाती तो हम अवश्य वह सदन को दे देते।

REFERENCE TO SMUGGLING OF GOLD—*contd.*

MR. DEPUTY CHAIRMAN : Mr. Rajnarain wants to raise the question of smuggling of gold, but I have been given to understand that the Chairman did not allow him to raise this question in the House. therefore the House stands adjourned for lunch till 2.30 P.M.

The House then adjourned for lunch at twenty-five minutes past one of the clock till half past two of the clock.

The House re-assembled after lunch at half-past two of the Clock, MR. DEPUTY CHAIRMAN in the Chair.

THE BUDGET (MANIPUR), 1970-71

THE MINISTER OF SUPPLY AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. K. KHADILKAR) : I beg to lay on the Table a statement of the estimated receipts and expenditure of the Union Territory of Manipur for the year 1970-71.

THE BUDGET (GENERAL), 1970-71—*General Discussion*

SHRI M. S. GURUPADASWAMY (Mysore) : Mr. Deputy Chairman, the Budget of this year is significant in three ways. This is the first Budget of the seventies. Secondly, this is also the first Budget of the Prime Minister in the capacity as Finance Minister and thirdly, this comes in the wake of the historic split of the Indian National Congress. Besides, this also comes against the backdrop of many pronouncements and promises made by the Prime Minister in the past. She has been talking about a new wind of change coming and she has been promising a new deal for the 95 per cent. of the people of India and she has been giving a new vista for the downtrodden. Further, the Prime Minister is performing a remarkable feat of simultaneously promoting economic development and political instability in this country. In such circumstances, naturally, anybody would expect the Prime Minister and the Finance Minister to give a new profile to the nation, a new programme of progress for the people for this year and the coming years. But looking at the Budget I was greatly disillusioned. I was disillusioned because the Budget has followed the same outworn and beaten track of the past and it has reflected the same tendencies and patterns and it has also reflected the same colours and the same mould. I think, if I may say so, continuity has been very well maintained in this Budget. That has been the hallmark. No doubt a few frills have been added here and there like the pension and allowances for the industrial workers and the increases in personal taxation on higher slabs and they have been added only to give a face-lift to the Budget. Even these frills lack lustre, if I may say so. Anybody would have done these things in the place of the Prime Minister and the Finance Minister because in the political circumstances of to-day, she has to find an alibi, an alibi to her game of split-politics, to her game of political automisation and pyrotechnics; otherwise, the same moulds and the same strategy have been adopted and the Budget proposals run on the expected lines. Take for instance, the taxation proposals she has put before the country. In the previous years, the bulk of the revenue for the Central exchequer came by indirect taxes, especially the Excise Duties. Since 1967,

the revenue from this source has increased by 50 per cent., from Rs. 1034 crores. to Rs. 1526 crores. The present Budget of Mrs. Indira Gandhi increases the excise revenue by another Rs. 135 crores. Thus, the increase in Excise Duties has been there all these years and in absolute terms, the duties are increasing very fast every year. Year after year, new duties and new levies are levied on various commodities and they are very high relatively to other Direct and Indirect Taxes. The Prime Minister has justified these levies on the ground that they do not affect the poor consumer and they have been resorted to strengthening the fiscal system but I would point out that when we are considering the Excise Duties levied this year, we are also to take into account the duties levied in the previous years. As I said, in the last three years, this has been area of the Finance Minister to gather the harvest of taxes and taking those taxes together with the new excise levies of this year, I am afraid the burden cast on the common man, the poor consumer, the lower middle-class, and the upper middle-class will be really heavy. Added to this we are facing an inflationary potential operating in the economy. So if we take together the levies of the Excise Duties of the previous year and the levies of the present year and also take into consideration the inflationary situation that is already there, I am sure the House will appreciate my remark that the burden on the common man has been increasing. Besides these duties, the Prime Minister has levied Customs Duties also. As a result of these levies, we are getting this year something like Rs. 20 crores. So my main point is the indirect taxes have been increased from time to time, from year to year, as a result of which, the burden on the common man and the poor consumers has been increasing. There is also another significant trend which we notice in this Budget and which we noticed in the previous Budgets. There is similarity running through. Direct taxation has been resorted to even this year and there were direct taxes imposed last year by Morarjibhai, but let me go on record that direct taxation, as an instrument of distribution of income or transfer of money of the rich to the poor has not been effectively used so far even by the Prime Minister, Shrimati Indira Gandhi. The result in disparities has been growing and even this year, with the additional raising of resources of Rs. 15

crores by increasing in personal taxation this disparity is not going to be prevented or restrained. There is the growing trend in the economy that the disparities between the richer classes, the haves, and the havenots have been increasing, and they are very glaring particularly in the urban sector. Sir, there was a survey made by the Planning Commission and also a survey made by some of the experts, and according to the surveys nearly 20 per cent. of our people control nearly 41 per cent. of the national income, and another 20 per cent. at the bottom do not have even *per capita* Rs. 20 per month. It has been estimated, Sir, that for subsistence living a person should have at least Rs. 27 per month. But we have not even reached Rs. 20 per month. With a view to reaching this target by 1975-76 we need a massive investment programme and a growth rate of 27 per cent. I am giving these figures to show how slow we are in achieving economic growth, in bringing about a rapid change in the economic transformation of both our rural and urban sectors. I say that direct taxes have been diminishing relatively to indirect taxes. This is my main criticism about direct taxes. I think the Prime Minister has herself admitted in her Budget speech that 75 per cent. of the tax revenue comes from indirect taxes and only 25 per cent. come from direct taxes. Therefore I am right in saying that over a period of time the ratio of direct taxes to indirect taxes is diminishing. Sir, the Prime Minister in her capacity as Finance Minister has made some changes in direct taxes. She has imposed Higher taxes on higher incomes, and it has appeared as if she is making a very progressive step. As I said, the net result of all these direct taxes—personal income-tax, wealth tax, gift tax and the other taxes—is that they together will yield only Rs. 15 crores, whereas the indirect taxes as a whole will yield something like Rs. 155 crores.

SHRI AKBAR ALI KHAN (Andhra Pradesh) : Don't you welcome this measure of increase?

SHRI M. S. GURUPADASWAMY : I think my friend is not appreciating my criticism. My criticism is that the proportion of direct taxes to indirect taxes is diminishing, and this year in particular the Prime Minister is taking shelter in the plea that she is bringing

[Shri M. S. Gurupadaswamy]

about progressive taxation and is introducing a dose of socialism in the way of collecting more money from the affluent. But that is not the case. I am pointing out that as a result of all these taxes she will be realising only Rs. 15 crores. The rest of the amount is coming from indirect taxes. Then in regard to the ratio also I may point out that year after year the ratio is dwindling. Sir, if I can quote some figures, the House will appreciate them. In the First plan period the proportion of direct taxes to total revenue was 38.4 per cent. In the Second Plan period it was 34.8 per cent of the total revenue. In the Third Plan period it was 30.7 per cent of the total revenue. In the year 1967-68 it was 24.5 per cent of the revenue. That proves my thesis that there is progressive reduction in the rates of direct taxes compared to the rise in the rates of indirect taxes. In other countries, Sir, this is not the case; the picture is different. In countries like Australia, Canada, the U.K., the U.S.A., West Germany, Japan or even in Burma, the proportion of direct taxes to total revenue is higher than 50 per cent. And here, to call this a socialist budget and to say that she is attacking the tall poppies and bringing about a radical change in the economy and giving distributive justice to the people is, to my mind, far-fetched, is wrong. And to say that this is a very progressive budget, as some of my friends have said in the other House, is, I think, a big lie, and to call it a socialist budget is a bigger lie. Sir, as I said, this Budget runs on familiar lines and it follows the same beaten track and this Budget is not different from the previous Budgets, and this I would show further by saying that for mobilisation of resources the Prime Minister is depending upon the same things as in the past. What are the methods to mobilise resources apart from taxation? In the past resources were mobilised through market borrowings, and Government also depended upon external assistance and deficit financing. In all these aspects this Budget conforms very well with the previous Budgets.

SHRI AKBAR ALI KHAN : What are your proposals?

SHRI M. S. GURUPADASWAMY : I am making some criticisms.

SHRI K. P. MALLIKARJUNUDU (Andhra Pradesh) : We are not in the Government.

SHRI M. S. GURUPADASWAMY : I am not the Finance Minister.

SHRI K. P. MALLIKARJUNUDU : It is for you to make the proposals.

SHRI M. S. GURUPADASWAMY : My complaint is that this Budget relies heavily on foreign loans and deficit financing. And what is the picture here? In the year 1969-70 the total non-PL 480 loans amounted to Rs. 580 crores. PL 480 loans amounted to Rs. 134 crores. In the present Budget a credit of Rs. 600 crores is assumed under non-PL 480 loans and Rs. 119 crores under PL 480 loans. Sir, this is not the whole picture. Since some time past the foreign assistance programmes are becoming rather very very inconvenient for us. Take the case of the PL 480 Agreements. What do we see there? Since Madam Prime Minister assumed charge there has been a considerable shift in the approach to these Agreements by the U.S. Government. Since 1967 up to now there have been a series of changes in the terms of the Agreements to our detriment. And what do we have to do now? We have to pay more dollars. Repayment obligations have to be met through dollars, not through rupees. Since 1967, Sir, the payment in dollars for food imports has increased from 20 per cent. to 60 per cent. Previously it was not so. Now we are paying more in terms of dollars for our food imports from the U.S.A. The result is that our foreign exchange resources are dwindling. They are dwindling and it is affecting our foreign exchange position very adversely. Look at the total situation itself. What is the total overall situation about debts. In the case of external debts...

SHRI AKBAR ALI KHAN : Are these the figures after devaluation?

SHRI M. S. GURUPADASWAMY : I am pointing out this fact that since 1967 the percentage of dollar payment for food import from USA has increased from 20 per cent to 60 per cent. That means our foreign exchange resources will to that extent be affected and the situation is becoming acute.

Now, Sir, the overall debt position is deteriorating year after year. The total external debt is now placed at Rs. 6659.37 crores and this has been growing year after year and the most

unfortunate part of it is we have not been able to meet our repayment obligations and we have been asking the foreign Governments to reschedule these payments. I think if I remember correct—I am saying this subject to correction—we have even asked for moratorium in one or two cases. This has not been noticed by many Members of the House. To our shame we have asked for moratorium that is, relief from payment, and these debts are accumulating and increasing and it becomes all the more serious when we remember that these debts have to be paid back over a period of 40 to 50 years. It is binding our next generation. Besides what do we get in return as a result of this external assistance on a large scale? It is for the Members to ponder over this fact. I will come to that later.

Sir, as I said the Budget leans very heavily also on deficit financing. Deficit financing has been undertaken by previous Finance Ministers also. In the last two or three years we have already resorted to deficit financing on a massive scale. In the non-Plan period, that is, in the two years when there was no Plan at all the total deficit financing comes to something like Rs. 400 crores and last year, that is, the year that ended now, we have had another dose of deficit financing to the extent of Rs. 290 crores. And this year what do we find? The Prime Minister has asked us to vote for deficit financing to the extent of Rs. 225 crores. Please remember these figures, in particular the figures for the last year. The Planning Commission has envisaged deficit financing to the extent of Rs. 850 crores for the whole Plan period. In the two years, last year and this year, we will be having deficit financing of nearly—Rs. 290 crores plus Rs. 225 crores—Rs. 500 odd crores. If this is the rate of deficit financing that we are having then I am afraid by the end of the Fourth Plan our deficit financing will go to beyond Rs. 1000 crores and it will create a difficult situation. Sir, as I said earlier, with this huge external assistance coming in, with the repayment obligations mounting, with deficit financing of this nature and with levies of all sorts of excise duties and customs duties on various commodities, I am afraid the cost structure of the economy will radically change. I think we are going in for a high cost economy. Our economy is already based on high costs and this

will accelerate the high costs further and the situation will become more serious and more acute when we take into account the fact that much of the resources, external or domestic, have been misapplied, misdirected. There is mismanagement of the resources that we have been raising in India and outside. Otherwise there is no reason to ask for rescheduling of repayment of our debts. If the rate of growth has been phased, if the return is high, if there had been proper management of our resources, external and domestic, there is no reason why we should not be able to pay back these debts. My complaint is that as a result of the external assistance that we got and the domestic borrowings the Government became rather very soft in the utilisation of the resources and lost the power, the competence to manage the resources effectively for the benefit of the economy. My charge against the Government is that there has been misapplication, misdirection and mismanagement of the resources on a massive scale as a result of which there is crisis in the economy today. The rate of growth is only 3 per cent or 3.5 per cent. Do you want us to believe that in the next two or three years we will be reaching the target envisaged in the Plan? The Plan seems to be thinking of a six per cent rate of growth. In the past we have been having 3 or 3.5 per cent only. Even this six per cent that is envisaged, as I said earlier, is not adequate to reach the national minimum living standards.

Sir, the Prime Minister has avoided the corporate sector. The corporate sector is a very important sector for mobilisation of resources. On the contrary she has resorted to more excise levies and personal taxation. So this has got to be taken into consideration as to why she is leaving the corporate sector. The corporate sector, hon. Members should bear in mind, has got considerable relief in the previous Budgets. Shri Morarji Desai, when he was the Finance Minister, gave certain reliefs to the corporate sector in respect of taxes on dividends etc. and also gave some relief on bonus shares. The corporate sector has been enjoying certain reliefs already and the Prime Minister in her wisdom has thought this time, with a view to giving some sort of an encouragement to savings and investment, that the corporate sector should not be touched. But I would like the

[Shri M. S. Gurupadaswamy]

House to remember that when we take into consideration the progressiveness of the income-tax and other taxes levied by her we should also bear in mind that the corporate sector which is very very powerful—it is that sector which is creating disparities, tensions and irritations in our economy—has been left untouched.

SHRI M. PURKAYASTHA (Assam) : It has been touched.

SHRI M. S. GURUPADASWAMY : Then you have not read the Budget papers properly.

Sir, I was talking about inflation and deficit financing. One adverse effect of this deficit financing is that since 1960-61 to 1967-68 this deficit financing has driven prices up by 58 per cent and reduced the real value of money by 37 per cent. As a result there has been no income shift or income transfer from the richer sections to the poorer sections. On the contrary as a result of this huge deficit financing and misapplication of foreign loans and grants we are only producing prosperity for the few and poverty for the many.

Recently there was a very interesting study made by a few young economists and they have said, with a view to reaching the national minimum standard of living we should increase our investment many fold. If every individual in India has to get Rs. 27 per month for his living, a hundred thousand crores have got to be invested. I do not know what attempts are being made to improve the rate of growth and at the same time prevent disparities, prevent distortions and prevent disturbances in the economy.

Sir, our foreign assistance programme visualises that in the Fourth Plan we require about Rs. 503 crores per year for various developmental projects. I ask the Prime Minister whether this figure cannot be raised by us. If only the public sector had been managed properly and efficiently by competent men, if there had been proper accounting by the public sector industry, I am sure a good part of this amount could have been found. Further, many industries are still running with unutilised capacity. If this capacity had been used properly and effectively, it would have given us sufficient resources and by that we could have avoided this component of foreign assistance alto-

gether. You could have only taken foreign technical know-how. We could have created our own resources and we could have also created enough foreign exchange for this purpose.

The Planning Commission has set the target of doubling the net domestic product at the end of 1980-81. That is the perspective that the Planning Commission has given to us. If we are to reach this target, the economy would require in 1980-81 an investment of the order of Rs. 10,250 crores, which is more than three times the investment in 1967-68. At the same time, the Planning Commission aims at a net saving of Rs. 300 crores. So, from a deficit of Rs. 780 crores now to reach a surplus of Rs. 300 crores by the end of 1980, is a great challenge. It is a stupendous task. This is the challenge that we have to face. I want to ask you whether the Prime Minister would be able to take up this challenge. Then, what is the use of saying that by 1975-76 we will be giving the national minimum for the people? What is the use of saying that by 1980-81 we will be doubling the national income without making proper arrangements for the mobilisation of resources in a proper way and more than that by making use of these resources in the most effective manner to produce results? I am not sure whether this Government can successfully meet the challenge of the seventies. The challenge of the seventies is to achieve a rate of growth so as to give a national minimum to the people and to release the productive forces whereby we can give employment to millions.

When I talk of employment, the problem stares me at my face and I think it is a nightmare to all of us. The more we are advancing in industrialisation, the more areas we are gaining in planning, the more unemployed we are having in our list. The more we are developing, the more the millions of people are seeking employment. We are in a vicious circle. Here is a situation where millions of people are wanting employment and their number is increasing while we are developing. Unless there is close relationship worked out dynamically between employment opportunities which we are going to release through industries, agriculture and other social services and the total personnel available in the country, I am afraid we are in for trouble, for a great

crisis. My point is that the Plan that we have been envisaging is not being implemented properly and what the Prime Minister and the Finance Minister is thinking runs counter to the proposals and targets fixed by the Planning Commission and there is very little effort made to create a working-force in the country. The biggest factor is the human factor. That is our greatest asset and greatest capital. I do not know whether during all these fifteen years or twenty years we have been able to concentrate our attention on utilising the man-power in this country. The most important aspect of economic development is the man-power utilisation. I do not think this Government has got any man-power planning or any data about employment. The other day I was listening to the Minister. He was fumbling. He was not able to give correct figures about unemployment in this country. All of us know that the unemployment situation has worsened. The main reason for this is we have not taken human resources as a factor of development. We have not created a working-force physically strong, mentally alert and morally elevated. Too little attention has been given to create an environment for enterprise and innovation.

The Prime Minister has given out a few things, a few crumbs in the name of social welfare. What are these? Even here she has not deviated from the previous Budgets. Let me remind the House that some of the things which she has given here as social measures are nothing new. Take the case of the rural works programme. The rural works programme was there in the previous Budgets. Only last year it was dropped. It was dropped on the ground that the Central sector was to be wound up, that the Centrally-sponsored schemes had to be transferred to the State sector. I pointed out—I was a Minister then—it was wrong. During the whole period of twenty or twenty-two years, the benefits of development have not reached the agricultural labour and the sub-marginal cultivators in the villages. The rural sector has been very much discriminated against and there is a bias in favour of the urban sector. I pointed out that the rural works programme had got to be there as a permanent arrangement in our scheme of things. I said that nearly a hundred million people living in the villages are either rural proletariat without land

or they are sub-marginal cultivators and they have not been given any opportunity for employment in the past. So, when these rural work programmes were conceived in the past as an *ad hoc* measure, to give relief in famine-stricken areas, I said it was wrong. On the contrary there has got to be a permanent arrangement. There has to be the rural works programme in all the five thousand odd blocks in the country. It was not approved either by the Cabinet or by the Government or by the Planning Commission. I wrote a long letter to the Prime Minister as a Minister then. I wrote a long letter to the Deputy Chairman of the Planning Commission. It was not heard. Today there is a resurrection of this programme. Why? There is no other motive, except political motive for this. But what is the amount that has been provided? Only Rs. 25 crores have been provided and it is only confined to forty blocks.

The rest of the country will have to be without it. That is one. Then she has talked of relief to the dry farmers. This was also there. This is nothing new. It is a part of our scheme of things that dry farming has got to be improved if the farmers have got to prosper. In the past we have made a mistake, consciously or unconsciously, in having a selective approach, to concentrate agricultural development in wet areas. We selected 16 incentive agricultural districts and another 16 agricultural intensive areas. Thus agricultural activities are going on at high speed only in these 32 districts so far. So we pointed out that this is creating a hiatus, a cleavage, a disparity between those areas and the rest of the areas and it increases imbalance between areas and areas. So, it was realised that we must have an integrated approach of development for all the areas. It was conceived of in the past, and now the Prime Minister says it is her scheme. Let her own the scheme, but what is the amount given? It is only Rs. 2 crores for research and development of the dry areas. Is it enough for a great country like this? Can people believe that it is a progressive measure? On the contrary, it will create a lot of problems and tensions among people if we dangle only Rs. 2 crores before them. There are people who will want to have more and more money in their areas. You will not be able to satisfy them. Expectations will be released and

[Shri M. S. Gurupadaswamy]

you will not have the ability to satisfy the expectations. Then what? She talks of feeding programmes for the children. What is this feeding programme? There are feeding programmes already in a number of blocks. There are what are called applied nutrition blocks. These applied nutrition blocks have been there, and nearly 500 to 600 blocks are covered in the whole of India. Foreign agencies like the UNICEF, FAO and other agencies are giving material assistance for this purpose. Madam Prime Minister has said, we have greater concern for our children in future, and children from zero to three should have feeding. How much is provided and in how many blocks? She has made provision only in tribal blocks. Tribal blocks are provided with this money as if children of other blocks do not want this feeding. Please remember that we have already covered 600 blocks with applied nutrition programme for pregnant mothers and children, and she has come now with a small token of help for the children in tribal blocks. Tribal blocks occupy no doubt a very important position in our scheme of development in rural areas already. It is managed by the Social Welfare Ministry and the Community Development Ministry. The provision made is inadequate. Take for instance the small farmers development agency. That is also an old scheme. We thought some districts at least should be selected in India for identifying the small farmers for giving specific help for them in the matter of agricultural activities. So 40 districts had been selected. This was there. It was there last year. The only unfortunate part of it is Mr. Morarji Desai did not mention these things. The lady is mentioning these now. Three blocks were already selected last year. This scheme had been introduced, and Madam Prime Minister is claiming credit for it. I have no objection for this, I do not blame her, but the point is this is a continuation programme. The so-called social justice, economic justice for the poor, the down-trodden and the low and the lost was conceived of by others in the past. There is nothing big about it, there is nothing strange or novel about it, there is nothing in it which we can hail as a very important change. Let me tell you that these so-called socialist programmes or progressive programmes are a drop in the ocean. They will

only touch the fringe of the whole problem.

Sir, may I come last to a very important point, that is about the rural areas in general? The main point I have been stressing about rural areas is that the rural sector has been denied proper attention in the past. As a result of this there has been a migration of people from rural areas to urban areas, and we have not been able to utilise even the semi-skills available in those rural areas, what are these skills? We find in the rural areas the dhobis, scavengers, tailors, caterers, blacksmiths, barbers and so on. What is happening with them? There is a flight of these people. The young people do not want to use them in village services because they are outdated. What have we done for these professional people? I had pointed out, when I was a Minister, that some schemes have got to be formulated for training these young professionals who are already there in rural areas and to utilise them. Otherwise how do you modernise the villages? Modernisation process in the villages can start only through modernising the service there, and no schemes have been evolved by this Government. When I pointed out this factor, the Prime Minister did not agree, the Planning Commission did not agree. I said that the young professionals in the rural areas have got to be trained properly, have got to be utilised properly, only then modernisation of villages would start. Some money has got to be allotted. Not even one project was approved by the Prime Minister or the Planning Commission. I had said one area in the north and one in the south should be selected for training dhobis, blacksmiths, tailors, caterers, barbers, etc., so that that might be modernised. In the training they must have the necessary help with equipment so that village people may not go to urban areas for such services. That was not done. I think what I had said was not pursued. I want to point out that the whole approach of the Planning Commission and this Government is urban-biased. Take the money invested. I would like the Finance Minister to come forward with figures—I have no doubt I would have given some figures—for the last several years the investment in the rural sector is far less than the urban sector. If 75 per cent of the people live in the rural areas and the majority of the poor people live in the countryside, how is it that we have

even today not realised their difficulties and provided adequate money for their development? It is not done. Therefore, to claim that this budget is a socialist budget is a big hoax, is a big lie. The Prime Minister perhaps is given to this kind of imagination for political purposes. As I said, she is trying to promote, very strangely, political instability and economic development simultaneously. How can she achieve this? She has been promoting political instability and at the same time wants to promote economic development. Please remember political instability will lead to economic debility...

THE MINISTER OF SUPPLY AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. K. KHADILKAR): Will you kindly point out where it is mentioned in the Prime Minister's speech that this is a socialist budget? Will you please pin point?

SHRIMATI YASHODA REDDY (Andhra Pradesh): If the hon. Minister does not know what she has said...

SHRI R. K. KHADILKAR: The point is how people have received it.

SHRIMATI YASHODA REDDY: If it is not a socialist budget, let them admit it.

SHRI M. S. GURUPADASWAMY: If it is not a socialist budget, then may I say it is a "Dr. Jekyll and Mr. Hyde" budget. It has got two faces, and if it is not a socialist budget, I have no objection, but your favourite commentators, pressmen, have been saying what a wonderful, progressive budget has been brought, a revolution is coming, and so on, and Madam Prime Minister has been saying all along that a new wind of change is blowing, and she is a friend of 95 per cent of the people.

Where is that 95 per cent people's interest reflected in the Budget? I do not see in the Budget any reflection of their interest. The disparities will continue and they will be perpetuated in the future and we will not be able to realise the minimum, modest targets placed by the Planning Commission. This is my criticism. I say that this is happening because you do not have the power and the capability of managing the economic affairs of this country. The very crudest thinking is going on in the offices—the crudest thinking is that economic development is only a matter of investment. Human factor is missing.

Therefore, this Government is destroying, pulverising or paralysing the people's institutions in the country. If you want to develop this country, if you want to prosper, if you want to involve and commit the people in the various project activities, you have got to take the people into confidence. I will give the example of Maharashtra. Maharashtra has done a good piece of work in regard to Panchayati Raj institutions. The Panchayati Raj institutions there have brought about the necessary social and economic transformation. You need not take credit for it; it goes to the Maharashtra Government. Anyway this has been done there. But what is the Central Government doing for the last several months, for the last three or four years? You have no scheme, no plan to help these people's institutions. You have starved them. Today the Panchayati Raj institutions are suffering for want of encouragement and help; without people's participation, without utilising the people's institutions like the Panchayati Raj and the voluntary agencies like the cooperatives and others, we will not be able to move forward. I am sure the Government will realise even now that what they have politically and what they are doing economically is a big mistake. They must have a new approach where by they will speed up the rate of economic growth. And the rate of economic growth has got to be fostered greater than what is being achieved today.

Sir, I end by saying that this Budget has created a lot of misgiving. I have no doubt in my mind that by now many friends who have studied the various Budget proposals would also have come to the conclusion that it is nothing different from the old Budgets, it is a continuation of the old theme and there is no radical departure, break, and there is no new path shown by it. I am not a policy-maker now. That is why I say, make me the Prime Minister; I will give all the funds necessary for that.

SHRI ARJUN ARORA (Uttar Pradesh): You will have to topple Mr. Mishra before you talk of that.

SHRIMATI YASHODA REDDY: You topple Mrs. Gandhi. Then, as far as our party is concerned, I promise that we will try to adjust between Mr. Gurupadaswamy and Mr. Mishra. But firstly the fact is that Mrs. Gandhi is to be toppled.

SHRI M. S. GURUPADASWAMY : Let this Government not make tall claims. Let them concentrate on performance. Let them concentrate on results. And it is very difficult unless political stability is brought about. As I said, political instability leads to economic debility. This is bound to happen. Whatever may be the economic schemes and programmes, they will be all toppled, because political toppling is going on.

Sir, I do not want to go into more details. I am glad that you have given me this time. I thank you.

SHRI A. G. KULKARNI (Maharashtra) : Sir, I am really surprised to hear my colleague, Mr. Gurupadaswamy's remarks on the Budget. Really, he is my brother-cooperator. We have worked together and I expected something constructive from him. He being a co-operator, I thought that he would not copy his senior colleague, Mr. Mishra, who could have given a theoretical lecture on anything. From Mr. Gurupadaswamy I expected certain pragmatic proposals and I am very sorry.

THE LEADER OF THE OPPOSITION (SHRI S. N. MISHRA) : You need theoretical education more.

SHRI AKBAR ALI KHAN : He cannot speak from there.

SHRIMATI YASHODA REDDY : Mr. Kulkarni, do not get excited.

SHRI S. N. MISHRA : Your schooling is not yet complete.

SHRI A. G. KULKARNI : I know that Mr. Mishra is aggrieved. I know the Planning Commission people and theoreticians given theoretical lectures. I did not expect this from Mr. Gurupadaswamy who is a co-operator to the core; I was really interested to listen to him that he would give certain constructive counter-suggestions.

I agree with him at the outset that there are inadequacies in giving funds to the Plans or programmes which are for the amelioration of the weaker sector. There I agree with him. But, Sir, when he says that he has not found any social directions, any social slant, given in the Budget, there I do not agree with him. I am very sorry to say. Perhaps he is pleading a bad case, because he

had joined that party and he has anyhow to speak as the Deputy Leader of the Opposition.

Before going to my speech, I want to bring to your notice—I do not understand how, when we say that in this Budget the Finance Minister has achieved social justice that growth, he expects that the corporate sector which is groaning under the taxation to bear more taxes? What the Prime Minister has achieved is, she has not touched the corporate sector, but touched the rich men in the corporate sector by taking away their personal income. Actually, he should have paid all laurels for that. I am very sorry to see him making this statement.

Another statement of his, before I go to my speech on the Budget, is this. I do not understand how he says that there is no scheme for educating the rural craftsmen. At every taluk place the Government has set up training institutes, industrial centres, for teaching every type of craft in which the entrepreneur is trained. Where has he got this information? Having been a Minister, he ought to have known this. I do not know about Mysore. At least in my State at every taluka level a training scheme for training the rural entrepreneurs in any cottage industry he likes or in any vocation he likes, is set up.

SHRI K. P. MALLIKARJUNUDU : Your State is to be complimented.

SHRI A. G. KULKARNI : I can say, it is also the Central Government which has provided funds in the Plan itself. I am thankful to him for complimenting my State.

SHRI AKBAR ALI KHAN : You are a prosperous cooperator, he is a famished cooperator.

SHRI A. G. KULKARNI : About the rescheduling of debts, etc. I do not know whether Mr. Gurupadaswamy is doing justice to himself. He was uninformed. He knows that in a underdeveloped State, economic prosperity and all these things have to be undertaken. And he talks of a high-cost economy, yet, it has to be there; if we want to bring prosperity to the weaker sector, we have to indulge in it. Otherwise, we cannot do that. But what I may plead for is to hold the price

line. If he had placed that matter before the House, I would have been in agreement with him. In dealing with this and other matters, I think Mr. Gurupadaswamy has not done justice to himself.

About the Budget proposals proper, actually they constitute an imaginative and significant step towards a programme to satisfy certain minimum needs and fight poverty and achieve growth in the economy. The Prime Minister has certainly done well to highlight areas where the two factors can be achieved by presenting a judicious Budget. With determination she has forged ahead to put the economy back on the rail without losing sight of the inflationary threat and its economic and social impact.

For this purpose, whether she recognises it or not, she has adopted the Keynesian prescription of enhanced public works programmes and other experiments for which special allocations are made—Mr. Gurupadaswamy did not put his hand on enhanced Plan expenditure—up to Rs. 400 crores, a mark up in subventions to States and a whole host of welfare schemes including the pursuit of new concepts of family pensions, contingency relief, etc. Shrewdly all this has been balanced with a rather drastic curb on ostentation and other wasteful consumption expenditure. Here the usual weapon of indirect taxation has come in handy, sweeping through a whole range of articles of middle and upper class consumption, from shaving blades to the TV sets, from typewriters to petrol. There is also an implicit transfer of income from the so-called have to the have-nots. For example, various perquisites and other expenditures which qualified for tax remission are now disallowed, while the conveyance expenditure of low income groups will now enjoy a tax free badge. This relief is super-imposed on an enhanced exemption limit of Rs. 5,000. At the other end, unearned income-earners will be pegged to a ceiling of something like Rs. 2,250 per month. This implies an incentive for earned income. A dose of family planning is also introduced in the abolition of preferences given to married assesseees. All this may herald some new social reform measures.

In keeping with her economic policy, Mrs. Gandhi has inflicted the main burden of direct taxation progressively on

the richer classes. Yet she has managed to experiment with some concessions and selectivity to ensure that the mainstream of developmental activity is left unimpaired and unhindered. First, corporate taxation is left untouched, thereby responding to the needs of corporate planning and expansion. Secondly, a positive incentive for savings and investments in various forms including, for the first time, deposits in banks. This is in addition to existing exemptions for small and postal savings. The third major innovation is the introduction of rural debentures intended to mop up savings in rural area, and make these resources available for developmental activity. The main advantage here is the recognition of the need for an element of stability and continuity of the core of direct taxation so far as investment activity is concerned. This together with the seemingly insignificant but important concessions on export duty should provide at least a firm basis for planning for a surge.

The prime Minister has provided Rs. 115 crores under the budget for various employment-oriented schemes designed to help small and marginal farmers and agricultural labourers. I do not know how Mr. Gurupadaswamy lost sight of this point. This is a very welcome and a good start towards giving the fourth plan a far greater employment orientation than was noticeable in the Draft Outline. The drought affected areas have been provided with Rs. 25 crores beyond the Plan and the small farmers development agencies will really get moving this year. The Budget seeks to help marginal farmers on uneconomic units to diversify their activities in market-based, employment-oriented schemes such as poultry and dairy farming. It also indentifies key areas of research and extension such as dry farming, soil management, water management and new varieties that will permit double cropping. Employment will get a further boost from Operation Flood, the milk scheme of the National Dairy Development Board. The memorandum also gives overdue recognition to the need for integrated development of the command areas of major irrigation projects and announces the formation of 10 to 14 such projects. This is indeed a very important prospect and should rate top priority. I may add that these are indications where the social measures can take place. I am one with you that the money is a

[Shri A. G. Kulkarni]

little bit short. But now the directions are there which were never there for the last two or three years.

The sheet anchor of achieving the goals of social justice with growth is a capacity of the Government to encourage to mobilise savings and create new avenues for resources to be ploughed into industry. If the experience of the past is any guide, it is a sad commentary that the rate of saving of the household sector and also of the Government sector has declined lately to 6 per cent. So to meet the challenges of the population growth of 2 per cent. a minimum investment of 15 per cent. is called for. Leaving aside the advanced countries like Japan where rate of saving is 34 per cent., the conditions in this country are on a lopsided basis. It has been observed that with an investment of Rs. 899 crores in the first plan in large and small enterprises, it added 48 per cent. to the industrial production. However, in the Second Plan with an investment of Rs. 2,265 crores, it added to industrial production only to the extent of 23 per cent. It is thus seen that with heavy investment in the preceding ten years, its overall impact on production and employment is not significant due to erosion of value of the money on account of inflation.

It is interesting to note that between 1951 and 1965 though the industrial production rose by 138 per cent., the employment rose only by 35 per cent. So in my Budget proposals I want to give some positive suggestions to give more employment-orientation and to give a stabilised currency and to hold the price line in this country. It, therefore, goes without saying, to finance such increased investment, the rate of savings needs to be raised to 12 to 15 per cent. and it is more important that the savings must be in the financial assets which can only be controlled by the Government.

Perhaps the most novel contribution of the Budget is the new perspective adopted by the fiscal authority in regard to incentives for savings. The Budget has a number of interesting contributions to the goal of raising the ratio of savings to income. The Finance Minister is cognisant of the need to mobilise rural savings through financial intermediaries. A number of new types of small savings are introduced. Interest on these schemes has been raised, it

appears, by about 1 per cent. Income from interest through financial intermediaries including banks is exempted from income-tax. Financial assets to the extent of Rs. 1½ lakhs are exempt from wealth tax. The Finance Minister has stated that for the rural population "a higher rate of interest would be more attractive than a lower rate with corresponding tax concessions". This new angle on interest policy is a refreshing change from the attitude of the previous Finance Ministers.

It, therefore, implies that yield of financial assets should be comparable to the non-financial assets and on private lending. Though the Budget has tried to make financial savings attractive, the process is halting and complicated. If savers are to be attracted to the new assets, the rate of yield has to be increased commensurately. It would have been more rational thus to exempt all saving in financial assets other than currency and gold from income-tax and raise the rates of tax on consumption and non-financial investment. The concrete proposal seems to exempt from income-tax saving in financial assets up to 50 per cent. together with higher tax rates on rest of income at all levels of income and introduction of post office deposits more attractive.

The Finance Minister has rightly approached to augment resources by increased levy on urban and rural transactions on land. However, another bold attempt is necessary to tap more resources from rural areas in the form of debentures and tax on high-priced land transfers above the ceiling. The Finance Minister has rightly turned her back on the insistence of bourgeois propaganda of introducing agricultural income-tax because it is not only complicated but even in assured irrigated lands, these is an element of risk, and industry plays its part. I, therefore, propose that rural resources can only be tapped in the form of savings and by guaranteeing more remunerative prices to the dry farmers. An increased return in the form of money that will then be realised can be collected again through debentures.

The Finance Minister has rightly adopted the attitude of taxing increased funds in the hands of persons rather than firms, that is, the corporate sector. In the present proposals the only valid objection to the corporate sector which has to be given attention is the withdrawal of the schemes of tax credit

certificates in respect of new equity issues. This seems hardly rational. The budget proposals are more harsh on personal income above Rs. 40,000 and harsher still on incomes above Rs. 2 lakhs. However, it would be worthwhile to find out whether ploughing back to higher profits into industry in this country can be given certain incentives... May I request you, Sir, to ask the Leader of the House and the Leader of the Opposition to keep quiet so that my mind may not be distracted?

MR. DEPUTY CHAIRMAN : I do not think they are disturbing you.

SHRI A. G. KULKARNI : They are talking to themselves. They are cutting jokes.

MR. DEPUTY CHAIRMAN : Order, order.

SHRI A. G. KULKARNI : May I draw the attention of the senior Parliamentarians, the Leader of the House and the Leader of the Opposition, that when a junior colleague is speaking, they must give him a little bit of their appreciative feelings?

SHRI A. P. CHATTERJEE (West Bengal) : Mr. Deputy Chairman, Mr. Kulkarni is very much disturbed that Mr. Mishra has gone over to that side.

SHRI A. G. KULKARNI : No.

SHRI S. N. MISHRA : Which place, please mention.

SHRI A. G. KULKARNI : I am mentioning this because I am making out another point which is very important for the growth of industries.

The lack of giving direct financial support to the Industrial Development Bank and the Industrial Finance Corporation and dependence on the market borrowings by these institutions shows how ill-advised the Government is in utilising these agencies for development and growth of the industries. It would have been more prudent if the equity-debt ratio would have been raised to 20:80 as Japan from the 40:60 as practised in this country.

The proposal to withdraw deductions on entertainment expenditure ought not to have been at all applicable to the exporting industries. The need of the day is to treat the exporters in this

country as VIPs who will receive a red-carpet treatment whether it is in regard to tax, credits, or raw material supply. Sir, you might be knowing that the exporters send their salesmen abroad and foreign delegations are also coming into this country to negotiate purchase of machinery and other things. So, if entertainment expenditure is not allowed, no exporter will find it worthwhile doing it. In regard to domestic matters, I can understand Government's intention to curb ostentatious spending. But in the case of exporters, the need of the day is to treat them as VIPs in this country. He deserves all credit because he is bringing foreign exchange to the country.

SHRI K. P. SUBRAMANIA MENON (Kerala) : But he is under-invoicing exports.

SHRI A. G. KULKARNI : This is an uncharitable view of the exporter. All are not like that. You must always appreciate that all are not Mundhras. We must believe in the human element of the industrialists. They are also nationalist.

However, I am very happy to see that the basic of the Budget is to shift the public focus from large companies and the corporate sector to the richer section of the society. The aim seems to be that no hurdles are placed on private productive initiative while at the same time, ugly disparities in personal incomes and all are reduced. However, in the case of small industries, I am very sorry to observe that though the Government announced from the house-tops that all support will be given to the small-scale sector, while giving incentives to the small-scale entrepreneurs it miserably lags behind. When I say this, I am suggesting certain new taxation methods for the small-scale sector. The partnership in Indian conditions is more of abuse and the failure is because it depends on the ethical behaviour of partners, and the general public does not risk investment in such partnership concerns because of the inherent weakness of the party law and the Company Act which are suitable for big industries but which are unsuitable for small industries. An effort worth experimenting is the Japanese Law of limited partnership known as "Goshi-Kaisha" which permits an entrepreneur to take partnership with limited liability without exposing himself to risk. This

[Shri A. G. Kulkarni]

induces the friends and well-wishers to provide the risk capital with limited liability. The same is the case in the U.K., West Germany and the U.S.R. In fact, the developing countries need a change from partnerships to corporate bodies. In our country the process is being reversed since corporate bodies attract taxes between 60 and 75 per cent as against 12.5 per cent in Hong Kong, 18.7 per cent in Egypt, 20 per cent in Turkey, 25 per cent in Korea, Laos and Thailand. Since the return is negligible, the capital is shy for investment in small enterprises. In the case of smaller companies, the dividends also should not attract taxes, which is another way of giving indirect incentives to create more employment in the country. It is also possible for small industries forming corporate bodies to get the first 10 per cent of their increase from taxable profit if they declare a reasonable dividend. Relief in corporate tax in small industries on profits should be given, as relief from taxes on dividends will accelerate the growth of small industries and we will achieve social and economic objectives by such selective tax concessions. The small-scale industries should also be permitted to draw a higher depreciation and since in this country the value of money is eroded because of developmental strains, the depreciation should be calculated not on the reduced value but on the original value plus some extra percentage.

The Budget is halting with respect to the policy on the export front. The revenue from export duties is sizeable. A steep reduction in duties with corresponding excises on domestic consumption can help. The fiscal angle is least important in respect of export duties. Our ability to obtain advantages through the measure of devaluation has been crippled by the export duties. However, the Finance Minister must be complimented on the import duties she has levied on certain key imports. These should have been levied at the time of the devaluation itself.

As compared to the three-year average between 1960 and 1963 the terms of trade appear to have shown a slight improvement between 1966 and 1969. But the index of the quantum of exports appears to have gone up at about the same rate as that of the quantum of imports. Bearing in mind the limitations of the data, it would

appear that we have deprived to ourselves the potential advantages of devaluation by not allowing the terms of trade to deteriorate, if need be, but to push up our exports at a higher rate than we have been able to do. It would be hazardous to take corrective action in respect of export duties only after the unit values of exports have declined. Devaluation would have been less of a gamble, or more in the nature of a more successful gamble, had we not undertaken fiscal action to offset any good that devaluation might have done.

However, two shadows linger between budgetary intensions and achievement of the desired results. Here I must say that these two shadows are very ominous. I mean the holding of the price line and earning of foreign exchange. In fact, monetary policy and credit planning will have to be about as innovative as new techniques of dry farming. Furthermore, larger imports would be required both for fixed investment and for materials while foreign aid would be declining.

I have grave doubts that the amount of deficit financing and indirect taxation has potentialities of a "Cost-push" inflation. If we take a review of the inflationary tendencies in this country, it is very incumbent on the Government to be painfully alert on this count. We find that in countries like Japan between the year 1952 and 1968, the wholesale price range was maintained between a narrow range of 97 to 106, while the inflation during the same period in this country is of a colossal character. Some economic indicators are worth studying.

During the decade ending 1961-62, the per capita income rose at an annual rate of 1.8 per cent but stagnated from 1960-61 onwards.

- Industrial production rose by 138 per cent. between 1951-52 and 1964-65, but industrial employment rose only by 35 per cent. The output per worker accruing to the employer after meeting payment of wages in 1964-65 was 2.3 times the output in 1951-52. But wages rose by only about 76 per cent, and much of this improvement in wages was wiped out by a rise of 57 per cent, in the cost of living. I am giving these figures to highlight the necessity of holding the price line.

Unemployment at the close of the First Plan was 5.3 million. It rose to about 7 million at the end of 1960-61 and to 12.5 million at the end of 1965-66.

The per capita availability of food-grains in 1968 was 3.7 per cent less than in 1965. As against this the production of luxury goods like motor-cars, air-conditioners and refrigerators went up.

The inflation has driven prices up by 58 per cent and reduced the real values of money.

There is another source of inflationary impact and that is black money available from large-scale income transfers from the community to the few lucky individuals who are acquiring and aggrandising these import licences.

It is estimated that roughly about Rs. 7500 crores might be even accumulated in the hands of unscrupulous people between 1960 and 1968.

I, therefore, demand that the Government must take care of the holding of the price line and judicious use of foreign aid available. The Government is at present empowered with the Industries (Development and Regulation) Act and the Essential Commodities Act which have to be used ruthlessly in curbing any inflation indicated in any sector of the commodities. The public distribution system in the case of food-grains has to be activated and the industrial raw material and a larger sector of the import trade have to be brought into the public sector so that raw materials will be made available to the growing industries at a reasonable price.

I also lose no sight of the bureaucratic approach towards the problem when we talk of the public sector. In this connection I bring to the notice of the Government that in doing all these things the basic tenets of economy, particularly, the holding of the price line and the utilisation of foreign aid are of immense importance.

With these words I commend the Budget for being adopted by the House.

SHRI M. K. MOHTA (Rajasthan) : Mr. Deputy Chairman, Sir, I have listened to my colleague, Mr. Kulkarni, very attentively and it seems to me that ac-

cording to his thesis higher expenditure by itself is a very desirable thing to do. Unfortunately, if this idea enters the minds of our young people, then, many of us who have young children, will suffer. What I want to say is that higher expenditure *per se* has no virtue. What is necessary is productive expenditure, productive investment. This unfortunately this Government which has been in power for the last twenty years, has dismally failed to do. There are different ways of evaluating the Budget of a Government. But it seems to me that the most meaningful way in our context, in the context of a developing economy, is to see whether it would have the desired impact on the growth of the economy or not. The present policy that the Government is following and which is nothing but a continuation of the policy that it has been following for the last 18 or 20 years, is not conducive to growth at all. In spite of the fact that the Government spokesmen have been fond of saying that their policy is one of growth with stability, what I find is that the policies which have gone into the framing of this Budget promise neither growth nor stability. It is no wonder then that our country has one of the slowest rates of economic progress in the Continent of Asia. The per capita income of our country has hardly risen from 307 in 1960-61 to 319 in 1968-69. This has to be compared with Japan's progress which is at the rate of 15 to 20 per cent per annum. At this rate it is inconceivable that we will ever catch up with Japan which would not be standing still but which would be progressing, not to speak of other countries of the world. Japan today with a per capita income of something like 1100 American Dollars is very much ahead and that is the country which we should have as our ideal. It is an Asian country and it is a country which was devastated during the last World War. And still, due to hard work and the correct economic policies followed by that country it has today become one of the great powers of the world. Naturally it poses the question : What is the main reason for our backwardness? How is it that in spite of our efforts, in spite of the three Plans that have been put into effect, we have been so backward? The reason is not difficult to understand. Fundamentally the reason is this. The Government has been following a persistent policy of transferring the resources from the hands of the public to the hands of the State. It is well known that a

[Shri M. K. Mohta.]

rupee in the hands of the Government is worth no more than 25 paise in the hands of a private citizen. It is very clear from the record of the State enterprises which have a glorious record of a loss of Rs. 35 crores on an investment of Rs. 3500 crores that a rupee which can earn a return of 7 or 8 per cent in private hands yields a negative return in the hands of the State. It is well known that in a poor country like India, savings have to be necessarily low because essential items of expenditure take up most of the income. Now, these savings such as they are, if they are expropriated by the State and then squandered away in useless projects, it is no wonder that the economy will not progress. This is what has been happening for the last 18 or 20 years, and it is really a pity that this Government has not learnt its lesson from the experience of the last two decades. A very misleading statement is made sometimes on behalf of the Government by trying to relate the tax effort to the gross national product of the country. It is said that the tax effort, which is hardly 12½ per cent. of the GNP, is rather on the low side if it is compared with the tax effort of other countries. It is conveniently forgotten in this context that the tax effort in a country like India has to be necessarily low because out of a population of 54 crores the number of tax-payers is hardly 28 lakhs which will be reduced to only 23 lakhs by the exemptions proposed to be given by the Government in the Budget. This has to be compared with 31 per cent tax-payers in the U.S.A., 39 per cent in the U.K. and 41 per cent in Australia. The point that I am trying to make is that when the income is low, when the number of tax-payers is low, naturally the tax effort as a proportion of the GNP would be low. But that is no reason to be disappointed about the effort or not to have confidence in the power of the people of the country to make progress. Another significant factor that should be borne in mind in this connection is that non-agricultural income of something like Rs. 17,000 crores yields an income-tax of Rs. 780 crores whereas agricultural income of Rs. 15,000 crores yields only Rs. 11 crores. Just by looking at the tax effort as a proportion of the GNP it does not necessarily follow that the tax effort should be higher. As a matter of fact, if the taxes had been lower, the economy would definitely have progressed and advanced at a

faster rate. Driving at a breakneck speed is not always, perhaps never, the best way to reach your destination. By following this policy of going at a breakneck speed, all that will happen is perhaps you will never reach your destination at all. On the one hand the Government talks about growth and on the other it completely destroys all enthusiasm, all incentive, for productive effort. How can you talk of growth when the Government does not want to take into confidence the hundreds of thousands of small, medium and big businessmen. Not only does it not want to take them into confidence but it does not want to have their active cooperation, because, the kind of taxes that have been levied by the Government, the kind of taxes that have been increased in this particular Budget, will leave absolutely no incentive for productive work. The Prime Minister has been pleased to say that an income of Rs. 25,000 would become a virtual ceiling by the application of the income-tax and wealth-tax rates proposed in the Budget. If that is going to be the case, naturally the public sector alone will have to bear the brunt of the development of the country because the private sector, once it is subjected to such heavy taxes, would not be able to do its bit. Let us be quite clear about it. The tax structure has been proposed in such a way that an extra one lakh income in a small company would leave no more than Rs. 10,000 with that company because, first of all, an income-tax on the company itself of Rs. 55,000 will have to be paid, and then dividends of Rs. 35,000 will have to be declared to enable its shareholders to pay the higher rate of wealth-tax that has been proposed by the Government.

4 P.M.

It means that hardly 10 per cent. of the income of the company would be saved by it. I venture to state that with this kind of saving no company would be able to repay even the loans that it might take from financial institutions for the expansion of its business. If this is the kind of saving you are going to have, it is futile to hope that the private sector would be able to do anything at all for the development of the economy.

Then, Sir, a very pertinent question in this regard is this : Is it really necessary to have any additional tax effort

at all? Every year non-development expenses of the Government go up. In 1951-52 these expenses were 32 per cent. of the revenues which rose to 40 per cent. in 1960-61 and 56 per cent. in 1968-69. The PAC of Parliament pointed out cases of leakage of public funds to the extent of no less than Rs. 90 crores during the last 2 years. Then another aspect is that a return of mere 6 per cent. on the investment that has been made in the public sector undertakings would yield an amount of Rs. 210 crores every year to the exchequer. As against this they are having a loss of Rs. 35 crores a year. The point that I am trying to make is that a better husbanding of our resources is the real need of the hour. Is it necessary to make any additional tax effort, merely in order to provide funds which the Government has been pleased to squander away in its wasteful public sector undertakings? If a better husbanding of resources is done, if public sector undertakings are made to yield a reasonable rate of return on their investment, there is absolutely no necessity for any further tax effort.

Secondly, Sir, if conditions are brought about which would accelerate the growth of the economy, then tax revenues would rise automatically even at the existing rates. Even if the economy were to advance at the rate of 8 per cent.—it is not very high, it is a common joke in America and Europe that 8 per cent. growth rate is Japanese recession, whereas we cannot achieve even 3 per cent.—what I am trying to say is that if we were to achieve a growth rate of 8 per cent. at the existing rates of taxes, the Government can get another Rs. 125 crores every year, which should be quite sufficient for our developmental needs.

Now coming to the question of deficit financing, the Budget has proposed an uncovered deficit of Rs. 225 crores. But it seems to me that unlike in the earlier years this year the revenues have been over-estimated and the deficit is likely to be much more than the stated figure of Rs. 225 crores. The reason is that at the existing rates of taxes the Government has taken credit for an additional revenue of Rs. 234 crores. A more careful study of fact and figures drives one to the conclusion that this sum of Rs. 234 crores of additional revenue cannot accrue to the Government during the course of one year. The result would be that the real deficit would be not

Rs. 225 crores but something like Rs. 325 crores. This deficit of Rs. 325 crores along with the deficit of Rs. 290 crores which was indulged in last year makes a total of Rs. 615 crores. This has to be compared with the figure of Rs. 850 crores which was provided in the Draft Fourth Plan as deficit financing. So we see that in the first two years such a huge deficit is accumulated by the Government and it will have its bad consequences on our economy which cannot be avoided. The prices are already under pressure; during the course of last one year the prices have already risen 7 per cent. Not only that, since the middle of November last year the prices have been rising at an annual rate of 15 per cent. This should make the Government sit up and take notice because, if prices are allowed to rise, if a situation of inflation is created, then all these efforts that we are making will go absolutely waste and the common man, the middle class with fixed incomes, would be put to great inconvenience. During the last 8 years or so, more or less the same story has been repeated; the prices have risen by 73 per cent. So much so that today our rupee is considered absolutely valueless in foreign countries and even Yugoslavia which used to trade with us in terms of rupees has given notice that it does not want to trade with India on rupee terms.

Sir, I now come to some of the rather novel proposals in the Budget for raising additional revenues. I would first of all take the proposed tax on charitable trusts. This is the result of a gross misunderstanding of the whole situation and is going to hurt charitable and public causes. One of the provisions in the Budget says that unless 100 per cent. of the income of a charitable trust is spent in the same year or the next three months, the income of the trust will be subjected to tax. I cannot understand why the provision should be so rigorous. Up till now 25 per cent. of the income of a charitable trust was allowed to be accumulated. Is it not desirable for even a charitable trust to have something in reserve? Why should it be asked to spend 100 per cent. of its income? If it is unable to spend even 1 per cent., tax will be levied on the entire income of the charitable trust. Secondly, there is a provision that even if a single rupee of a charitable trust's funds is invested in a concern in which the

[Shri M. K. Mohta.]

founder of the trust is interested, the trust will be disqualified for tax exemption. There have been numerous cases where people have donated to charitable trusts not in cash but in kind and by doing so they made the charitable trusts their partners in business. Today the trustees may find that it is impossible for them to sell these shares because everyone knows the condition of the capital market; it is not easy to sell shares. Then what will happen is that the founders against whom the Government might have some grudge will not be hurt; the people who will be hurt will be those who get help from those charitable trusts which have undertaken very worth-while charitable and public causes. If a charitable trust today has an income of Rs. 10 lakhs and has a charitable commitment of Rs. 10 lakhs, tomorrow we will find that Rs. 9 lakh will go to the coffers of the Government and only Rs. 1 lakh will remain with it for spending on worth-while projects. I fail to understand what kind of social justice is expected to be achieved by such expropriatory measures.

The second novel proposal in the Budget is as regards urban property. I can understand if the Government wants to come down on the property owners like a ton of bricks, on such property owners who have very large property and are enjoying them for their own benefit. If somebody is living in a house which is worth Rs. 20 lakhs and you want to tax him, very good, go ahead, but what crime or anti-social act has somebody committed if he has constructed a building in which scores of middle class families live or scores of small businessmen have their offices or godowns. I cannot see any anti-social act in such construction of buildings and yet these are the very people who will be subjected to a Wealth Tax of 12 per cent. That means, in 8 years, the whole wealth will go away. Does Government want more housing or less housing? How would the middle class families be able to invest on their own? Somebody else is investing and they are enjoying the fruits of that but the Government, since it is committed to slogans only and does not want to go deep into such economic questions, naturally brings about measures which will harm the economy as a whole and the middle and lower classes in particular. The Government has proposed extra excise duties on a number of commodities

and the duties will fall on not only the commodities which are consumed by the rich or the super-rich but also on such commodities which are consumed by common men like tea or coffee or aerated water or sugar or petrol or kerosene. If the idea of the Government is that it will provide some relief to the housewife, I suppose the housewife can have a very legitimate excuse for not only not serving liquor and other drinks but also not to serve any coffee or tea or aerated water but just serve *thunda pani* and if she has the good fortune of living in South Delhi, she need not serve or entertain anybody because nobody would come there because that water also will be contaminated. As much as Rs. 135 crores are expected to be collected from excise duties on these commodities. Every year the indirect taxes go up, the cost of living goes up, inflation goes up but the economy goes down. This is the lesson the Government has not learnt and this is definitely going to ruin the Indian economy. I have no hesitation in saying so.

A very intriguing statement in the course of the Budget speech of the Prime Minister was regarding 175 crores of rupees provision for giving to the States which may be in need of special grants. I can understand the need of States because they do not have a printing press as the Government of India has at Nasik, but the fear is that this provision of Rs. 175 crores would be used politically instead of economically and I demand with all the force at my command that this kind of finances should not be left at the discretion of the Government of India. It should be dealt with only by a quasi-judicial body so that there is absolutely no fear that the Government of India would patronise only such States which may agree to toe their line.

SHRI A. P. CHATTERJEE : A good point. I agree with you.

SHRI M. K. MOHTA : I am glad he agrees with me at least on one point. There should not be any circumstance in which the Government of India can play foul with the States which do not toe their line and therefore, it is very necessary that such extraordinary sums which are meant for distribution to States are managed by only quasi-judicial bodies. Thank you.

SHRI BIREN ROY (West Bengal) : Mr. Deputy Chairman, I shall not dabble with all the subjects dealt with

in the Budget and I will restrict myself, as usual, to the subject in which I am interested, that is, civil aviation in India. Last year as you would remember Mr. Deputy Chairman—unfortunately you were not there then—I practically spoke on the flying training, piloting, aircraft types and the ICAO regulations and such matters. This year I shall not deal with these subjects but shall take up other items and in the beginning I shall take up the IAC. We had been trying in this House and also in the other House to have a Parliamentary Committee to go into the affairs of this Government body. There is the other line Air India of course, but the Government is unable to touch it because Mr. Tata is too big for the Government but the IAC I think, they can touch and in this case we find that the IAC is gradually going down because, from its own economic reports I find that on the domestic air-routes 23 out of 91 scheduled services are losing. The loss was Rs. 541.83 lakhs in 1968-69 as against Rs. 354.08 lakhs in 1967-68. Gradually the losses are coming up. Why? That also is found very easily. We find, for instance, that the IAC are operating certain aircraft which are really uneconomic. They are going to replace them at a tremendous cost. I understand their using Rs. 30 crores to have Boeing 737 but at the moment they are not trying to reduce the losses where they are using DC 3 by replacing them with our own HS 748 from our own aircraft establishment. Also the IAC is becoming very, very top-heavy. For instance, we find that they have recently expanded the Industrial relations Department, which have failed also miserably. In 1968-69, they have made 8 new appointments and many more to maintain industrial place there within 1½ years. Many get salaries of more than Rs. 2000 and that is adding also to the fares and the airline costing. So when in 1948-50, the fare was between Rs. 180, or some thing, from Calcutta to Delhi, gradually it has increased to Rs. 328 to-day. The Government cannot explain this except on the basis that the IAC are losing. One other aspect of this loss is also the incidence of tax on kerosene for the jet aircraft; and this high tax on the one hand they are having and on the other they are subsidising their own officers and most of the M.Ps for this increased fare—because they are also flying—and most business houses are also sending their officers and they charge it on the consumers. So after all

at the lowest level, the consumer pays for all these higher aviation fares. There is no reason why in this vast country of ours, they will not take the outlook in which the airlines should be available for fast travelling to the general public.

And it can be done. It has been done in Russia and other countries and so on. But when we compare the cost of our flying rate, we immediately go to America and say that there it is 5.6 cents and here we have 6 cents or so. Now they do not know what a cent means there and what a cent means here to us. There the rupee and the dollar are practically, according to the living standard, the same value. When we pay our pilots salaries and pay for their other things, we say, "They are paying 5,000 dollars. We must also pay 5,000 rupees or more. They do not see in Russia or Czechoslovakia or East Germany or other countries, which they are trying to copy, how their pilots are paid.

SHRI LOKANATH MISHRA (Orissa) : How much is a pilot's salary in Russia?

SHRI BIREN ROY : In comparison to India? It is about 1200 to 1500. (Interruptions.) No, no, in old roubles today the rouble value is very much higher. So don't compare the rouble.

Sir, apart from these rising costs we find that the route pattern is also irrational in many of the cases if we study it, because we have always tried to put before this House, "please better the route pattern." For instance, I am coming from the eastern sector. There are three flights which go from Calcutta to Cooch Behar and to Jalpaiguri. In between they can easily land at Malda or at Raigunge. They would not accept it. The plane IAC use here is DC-3. There are suitable landing grounds for DC-3s. They can have also more passengers and then there is the facility to be available in this area which is practically cut out now. We cannot reach there easily. They always say that the Farakka is coming up and then we will be able to reach there by road and rail. Now this is not the point. The point is you should open up these areas for air traffic.

Then we come to another aspect. Because certain sections are losing, the Minister declared here that they are going to hand them over through the DGCA—perhaps the Indian Airlines

[Shri Biren Roy.]

desired it—to certain private operators. (*Interruptions.*) I am not mentioning names. I say “certain private operators.” Now, Sir, if it is the question that just because of loss they are going to give them to private operators, then out of 91 routes only 23 are profit-making and so the whole of the remainder would have to be given to them, even when you have formed this Indian Airlines Corporation by nationalising all the private airlines which were operating quite all right. You have done it only in 1954. And today you are in this position where you want to reverse the trend as obtained prior to nationalisation. We have not suggested it and, of course, this remains frozen as the Minister said, “up to 31st of March.” It is only a few days more. Now we have to study the situation. It seems as if we are going to take such a decision. If we do this, we should revive or form the Air Transport Board and the Air Registration Board at the same-time, so that tenders will be called for from those who are able to provide such services, and in these matters first the State Governments, who are more interested, should be allowed to take over these services rather than their being given to private parties. If they fail or if they refuse, and also the Air Transport Board cannot find or select from among the tenderers a good party, you can give it to anybody you like. In some cases, even the State Government is subsidising the air-route.

SHRI LOKANATH MISRA : For your information, Mr. Roy, I would like to submit here, add to that here, that Mr. Biju Patnaik's Kalinga Airline has been given a licence to operate between Calcutta and Patna and Muzaffarpur and Darbhanga.

SHRI BIREN ROY : I know, but we are not stating all these things. I will come generally to these ideas. There are others like Jamair also. There are parties flying in Bikaner and other places. I am coming to the principle that no private company should be given right to operate unless there is the Air Transport Board, which like an R.T.A. make such arrangements that tenders are called for and see how many amenities are offered by them. If we look to the other side, Sir, if we see what is happening today in the U.K., they have the biggest, also an international, airline the British United, which was fighting with the BOAC and

competing at the same time, is now being merged with it. The British United have many big jet aircraft. These are being taken over today through the BOAC. They are not going to give-lines of BOAC to the British United. They are also expanding their BEA, which they call ‘domestic sector’. But England being a very small country, their domestic sector means up to Europe. Our Indian Airlines Corporation is also our ‘domestic’ airline but it also covers surrounding areas. We used to go to Burma; today we don't but we go to Kathmandu. Our Indian Airlines fly to Kabul and fly to Ceylon too, and I proposed that it should fly also to Thailand and to Burma. But that has not yet happened.

Anyway now coming to the operations of these aircraft by IAC, we find that the operating cost of the Viscount is nearly Rs. 3,200, and that of Friendship and HF-27 is Rs. 2,200. Though we know that the operating cost is about one thousand rupees more for the Viscount, still in many sectors we are shifting the Viscounts, and taking the Friendships out where they were paying proposition. It is a very funny thing. We have done that also in the Patna sector, and we get there sometimes five or six passengers and, therefore, the loss is more. It is not only irrational; it is also because their executives, from the Chairman—I am telling you—the General Manager, the Financial Controller and the Director of Personnel—all are non-technical fellows. They have no experience in airlines' operations. Not only that; there was a convention before that the experienced pilots, those who retired. I mean those retired after having been as operation managers and so on, should be given such responsible executive positions. And if such people would have been given these jobs, they would have run these airlines better and they would have been satisfied at their older age when they might not be allowed to fly these aircraft themselves. And then the matter would have been also cheaper for these airlines. But they have not doing it and so there is discontent there too.

Sir, let me now come to other aspects, for instance the safety factor. Last time I mentioned about the case of an aircraft with the American Ambassador on board losing its way at night. I think here I need not repeat these things, but we find that, today, Sir, even the meteorological facilities are not

available at night sometimes for the night air mail service, in some sectors. Now there are diversionary airfields fixed for that, e.g., they are at Chakulia and for checking Rourkela but without meteorological facilities and altimeter setting. There are the run-ways occurring on the way, for example after the plane has taken off, say, from Calcutta or Nagpur. There are other run-ways elsewhere met on the way. We find in this particular case of Chakulia or Rourkela that, when the altimeter setting is wanted, there is no arrangement. Suppose an aircraft is flying at night, there is no arrangement to indicate to the pilots whether the reading of the altimeter is correct or not. There is no arrangement to give him the information whether the altimeter is indicating correct readings or not. Now, after a lot of fighting we have in Panagarh, which is now very near to Calcutta of course, an altimeter. There they have set up an ordinary aircraft altimeter, which can go wrong even, to check up the other one. That kind of thing in airline operation is an unusual thing. It is never done in any part of the world. There should have been another kind of arrangement for altimeter-checking. They don't give meteorological information. They don't give altimeter-setting, and in a new order they have come out with a directive that for those diversionary airfields, where there are no lighting arrangements at night, if you want it, you have to ask nearly an hour ahead. Because they have no facilities for electric lighting on the runway for the aircraft at night, what they do is to have now the kerosene lit gooseneck flares. The gooseneck flares would have to be laid on the runway, if by radio contact you say, "I am in emergency. I want your gooseneck flares," say, at Chakulia or at some place near Nagpur, and this you must say half an hour before by RIT because it takes nearly half an hour to put this lighting on, then only they will do it. It may perhaps be that within that half an hour a crash may occur. This is D.A.R.A. Circular No. 16 of 1969 where they have said: "Aerodromes provided with M/T link with the FIC/ACC concerned need not have the gooseneck flares laid on the runway, but these shall be laid and lighted only if required by the FIC/ACC concerned or on request from aircraft in flight." Now an emergency does not wait for you, and when an emergency is wanted, they will take half an hour to put these lights on. And by that time anything might happen.

What kind of a thing is this? When they are spending so many crores of rupees, why can't they have diversionary airfields with electric light installations set up on runways and the lights are lighted automatically when they themselves know that the night airmail is expected within half an hour and they themselves do this before that half an hour, so that the pilot knows that he is at least safe while flying over or passing by? I do not know how even the office of the D.G.C.A. is working. This is the kind of service in which at the present moment we are in for in Civil Aviation in India.

Sir, then there are other aspects coming in, and there is the modernisation of the engine overhaul section. At the moment we have the engine overhaul section modernisation in four areas, Calcutta, Delhi, Bombay, and Madras a little. But now, as the engineering things are growing complex and so on, and we are having jet aircraft and other things now, it is necessary that you concentrate in one particular sector, where these planes are stationed, to overhaul them and have all the spares too for it.

It is a very funny thing that for some aircraft the overall station is in Calcutta and the spares are in Delhi or the overall station is in Bombay and the spares may come from Madras. I do not know whose idea it is to have these things in this way because this will mean always lightning telephone calls perhaps at night and then nothing will happen. It is not only this but as I have said they are gradually trying to take control in other ways over civil flying in India. They are bringing in, as they say in the Tata Airport Committee's report, a new International Airport Corporation. That will mean the control of the DGCA will go over to this body because the Boeing jets and Jumbo jets will be operated to and from these airport of Calcutta, Bombay, Delhi and Madras. We are spending Rs. 72 crores on 3 Jumbo jets carrying 350 passengers a piece and we have been told that if we fly these Jumbo jets and bring in so many passengers our tourism will go up. Now while doing this I find at the same time a provision in the Budget, with an explanation given on Demand No. 133, that the Air India has been allowed in respect of Indians purchasing tickets in Air India with foreign currency from Europe or any other place, the passengers would be refunded 37 per cent in cash in rupees. This is meant to prevent passengers

[Shri Biren Roy.]

being taken away by other airlines giving more facilities and so on. But have you realised what will happen in the case of your own Jumbos taking 350 passengers? In the first flying leg between London and New York they may have sufficient passengers but there the other airlines will also be flying these big planes. What will happen is—the brothers will go in the brother's planes—but not in the friends' airline and thus we will lose heavily. This is a point which we should have considered before we went in for these big Jumbos. We should have gone in for faster aircraft, that is, Concorde and other supersonic planes like TU-144. The problem is to have faster planes and not to take too many passengers in a lump which may not be able to get. And unless you have at least 50 per cent of these 350 passengers we would not break even. This is the problem which faces us today. Besides, for bringing them to India we have only the Calcutta airport today which is still being completed although it has been opened for International airlines to open their offices and to operate from there, nobody has done so. Perhaps Bombay will be ready in another two years; in Delhi the runway is ready but not all the facilities. The problem then would be of unloading all the baggage and so many passengers and immediately getting them removed from the air-field and that facility we have not got today. The result will be a complete mess if the Jumbos start operating soon. That is the present position.

I would now just touch the aspect of flying training. Now, in our flying clubs we have already stopped commercial flying but we have allowed in certain flying clubs that those who have completed more than 100 hours or so and found fit, may be trained as commercial pilots. They could be taken up later by the CATC. The first CATC at Bamrauli was closed down a few years ago. We are getting another Hyderabad now. It costs over 10 lakhs rupees now as capital cost and Rs. 7 lakhs a year for training personnel have been provided; otherwise no other explanation can be found for this provision. It was Rs. 27,000 last year. This sum of Rs. 7 lakhs must be then for this purpose. I could not correlate it with anything else. Now the flying clubs trained more than 150 commercial pilots. Out of that by advertisements the IAC selected 70 of them to be taken in, for the future vacancies. They took first

25 and then another 25 and rest have been told that they would not be taken. Those poor fellows are sitting quiet; having spent all their money they are unable to renew their licences or take up flying. They have been told that unless they are taken in by IAC in April, they are gone. Last time I raised this matter privately and also through the party sub-committee with the Minister of Civil Aviation. Even in previous years such things did occur. Then the pilots who were selected but could not be absorbed, i.e., you could not give them jobs in the IAC, they were otherwise provided. I say at least give them jobs as Aerodrome Officers by giving them some training for 2 or 3 months. If you cannot employ your own potential of these trained pilots, what is the use of subsidising and paying so much money to the flying clubs? That is why I have been saying from the very beginning that if you are subsidising the flying clubs you should not subsidise the rich people at all but only those who will be taken later on for employment and whose parents do not have an income of more than 1,000 rupees per month should be given subsidies. The rest who are taking to hobby flying should not be given any subsidy. But that has not been accepted and we are subsidising not only the rich people but we are subsidising even the foreigners in our flying clubs and paying for them from tax payers' pockets. And for that we have provided Rs. 36.34 lakhs as subsidy. Over and above this we are not utilizing even those whom we train at such a cost because we cannot provide jobs for them.

Coming to the other aspect this CATC should have arrangements for training Aerodrome officers, meteorologists, special radio telephone operators, WT workers etc because within the next few years we are going to have these Jumbo and other supersonic flights for which purpose we are not making any arrangements now though we are going to spend so much money on hobby flying and also on CATC that we have now re-established.

These are some of the points I wanted to make today Sir, in the short time available. Thank you.

SHRI BALACHANDRA MENON (Kerala) : Mr. Deputy Chairman, Sir, I support this Budget not because I believe it is going to take us out of the crisis in which we are, not because

it has got any socialist content, not because it is going to lead us forward in industrialisation, but only because I do not want the old order of things to come back. At a time like this when there was every possibility of reaction coming up if the Swatantra Party, Jan Sangh and also that wing of the Congress which went over to the Opposition and greater following, the situation would have been that even the very semblance of democracy would not be there. That is why I support this; not because that it is very progressive. I said I support it because I know the greater danger and therefore, I will not allow it to come. And that is my stand.

The Prime Minister spoke of the strategy of growth plus distributive justice and her tactics for that is, strengthen public sector and promote the private sector. I do not know how this can be done. In a backward country like ours, my honest feeling is unless we are in a position to have bigger and bigger State sector, unless we are in a position to go into the consumer industries also and get sufficient profit we will not be able to have proper planning. This plan which you are having is only a plant to get money through taxes from the people to help the private industry.

The Swatantra Party must be very happy at that. This is what they wanted and this is what they still want. Their attack is only from that end and nothing more than that. The State sector is not in a position to increase the price of its commodities. They will not allow it. The steel price cannot increase. They will not allow the price of power to increase. They must always see that they get cheap power and this is what they have been doing. The State sector has been always kept at the mercy of the private sector and they want to continue it. They go on attacking the State sector and at the same time see that it continues to help them develop their sector. That kind of tactics of theirs will have to be smashed and that can be done only when we enter the consumer sector also. The co-operative sector and the State consumer sector will have to come in a big way and this is the only way in which we can keep them in the right place. Such tactics cannot be adopted now because we know fully well the correlation of forces in the country. At a time when there

is real difficulty to go forward, when there is so much of political instability, careful steps have to be taken. I do not grudge that, but still I believe a bolder step could have been taken and should have been taken. This you have failed. The Prime Minister has, in her new sense of urgency in the economic policy, assured big business that well-established industrial companies will be able to participate in the core sector and in industries with export orientation. That means that they will be there in the core sector and in the export industries. From where we expect to get our maximum profit and foreign exchange, we will leave it to them. The very people who have brought about such a big crisis in our economy will again be taken into the key places of our economic life, which I believe, is very wrong.

[THE VICE CHAIRMAN (SHRI AKBAR ALI KHAN) in the Chair.]

While we speak so much about the rural sector and while we want to encourage the rural sector, my own feeling is that a good deal of help has been given to the rich peasant in the country. Without being taxed, they have been able to go forward, the industrialists, the upper bourgeois section, the officers, all of them go about and buy lands in the rural areas, double crop lands, removing the hereditary peasants in those areas. This is what is happening. A rich-peasant economy is sought to be built up. There is no tax on them. The agricultural income-tax should well be attempted again or some other tax. The agricultural income-tax and income-tax can be brought together. They will have to be taxed. The State is spending so much on the rural sector. The State is spending so much on agriculture. Why should it not also pay something for the progress of the country? Your policy is not taking us out of the mire. All talk of socialism is meaningless.

With the deficit financing that we are having, there is every possibility of prices again rising. All through this has been happening. We have seen that with profits productivity also has increased, but the workers' wages have not increased to that extent. Production has increased, output has increased by 230 times during fifteen years. Wages increased only by 76 per cent and the cost of living has increased by 57 per cent. This is the picture. All through we have been having this state of affairs,

[Shri Balachandra Menon.]

The worker was never in a position to see that he got a proper wage. Why do we not start from a proper wage for the worker, a proper price for the agricultural commodity, a proper distribution of land, a proper tax on everybody, whether rural or urban? This should be attempted. The only way will be in a position to have proper planning of our economy.

Now, the Prime Minister has said that relief has been given to poorer sections. Yes, some insignificant relief has been given. The existing structure of corporate taxation remains unchanged. These are the two things in the Budget. I welcome the income-tax exemption limit to Rs. 5,000. This is a step forward, but I am afraid that the stand that she has taken, *i.e.*, the family and non-family people will both have the same exemption limit, is rather cruel. Why should we punish the babies? I do not think that was correct . . .

SHRI M. N. KAUL (Nominated) : They are not worse off.

SHRI BALACHANDRA MENON : I would suggest that for non-family people the exemption can be Rs. 5,000 but for family people it should be Rs. 7,500.

I want to point out that indirect taxes still predominate. Most of the present indirect taxes are on the upper middle-class and that is correct. They will have to pay for their drinks, for their high living. They will have to pay for their TV sets. They will have to pay also for their air-conditioners. Quite correct. They have corrupted our society. A section of our people have such a high living and they do not contribute much to our economy. I am happy that these taxes are on them. To that extent the upper middle-class should be taxed. The higher excise duties on all those items are correct, but I do not think that the increase in the excise duty of tea is a wise step. The export duty has been removed. The excise duty also should have been taken away, because we have seen a real crisis in the tea industry.

SHRI M. PURKAYASTHA : It is only on better varieties of tea.

SHRI BALACHANDRA MENON : I understand that. Even when it is a question of tea, why should not the people of this country get good tea and

why should they pay more? I would, therefore, say that in the case of tea, sugar and kerosene, you should certainly remove the excise duty which you are levying today. If you do not remove it on kerosene, it will only mean that the people will destroy more of your forests. Valuable timber will be more and more lost and that is going to be a great danger to our country. As it is, this is happening. Timber should not be allowed to be cut for fuel. When that is so, I suggest that we remove the higher tax on kerosene and also on the two other items I have already mentioned. That will be very helpful to the ordinary people.

I am not against the increase in the duty on petrol, but then I do believe that these private cars have become a real menace. The more private cars we are having the more the accidents. There is no necessity for so many cars. Why don't you have more taxis? Again the large number of cars only shows unnecessary luxury in a country like ours.

SHRI ARJUN ARORA : More taxis or buses?

SHRI BALACHANDRA MENON : If we can arrange some sort of relief for the taxi-owners, if they can be helped, that will be more helpful. Such of those who own a car may spend a little more for the luxury of owning a car, because in a poor country like ours it is not a question of more cars; you can have an arrangement to have more taxis.

AN. HON. MEMBER : How should the Ministers travel?

SHRI BALACHANDRA MENON : I am only saying about private cars. I am not against taxis. I am not against other kinds of transport. But then there must be a limit to all this. (*Interruption.*) It is not a bullock-cart philosophy. We have to arrange for more taxis. The private cars are only a sign of luxury. Even now we have seen how most of the advanced countries are finding it difficult, they are in a difficult position. For example, in Paris they are in such a difficult position

that they are thinking of even introducing escalators and moving roads. Here we are insisting that we should have cheaper cars. The time has come when we must see that our scarce resources are not wasted on such unnecessary luxuries. You make the scooter cheap, I do not mind that.

I am happy that a step has been taken regarding minimum pension for industrial employees. It is a good step, it is really a very progressive step, pension to all those who come under the schedule of provident fund. Additional outlay for programme of rural development scheme for small farmers, setting up of Urban Development Corporation, are all good steps. We shall see how far they advance and what they do. The money earmarked for all these will not be enough. Encouragement of savings in rural areas, that also is a correct step. But as I have said, at a time when we require an operation, we are now trying to have some medicines being administered. Will that help us? I would suggest that bolder steps be taken at least next year so that we are in a position to have a really powerful State sector, a really powerful co-operative sector, a dominant place for State sector and also a subservient place for the private sector. That is the only possible way. Of course we might say that the public sector has not been able to improve much. That is true. It has to be improved, and that can be improved only when you make the worker also feel that he has a big role to play in that. Today it is not there. The worker feels that his right is only to get a higher wage because the employer thinks that his right is to get the maximum profit. That has to change. The only way possible is to see that he is given a share in the management of the industry, which you have to do, and if once that attempt is made and we have confidence in our workers and in our peasants, we will be able to go ahead. I would also request that some steps be taken in the rural areas to bring about better farming societies or co-operative farming societies because we have come to a stage where we are having land distribution, and when that is so, the small 1 or 2 or 5 acre holding will not be in a position to remain long and immediate steps will have to be taken for bringing out better farming societies, for which also the Government must have a plan.

If these things are done, we might be able to move forward. As it is, it is just a continuation of the old understanding and nothing more. But even then, because it has got certain small, though hesitating, progressive steps, I welcome it. Thank you.

PROF. SAIYID NURUL HASAN

(Nominated) : Mr. Vice-Chairman, I venture to mention what I said last year, that the budget of last year had reflected a definitely reactionary tendency in so far as the expenditure on education and on scientific research was concerned, which had in fact gone down. It is such a refreshing contrast this year and I must confess my pleasant surprise at the bold step taken by the Prime Minister in reversing that reactionary trend. Whereas the total expenditure met from revenue has gone up by 8 per cent, the expenditure on scientific departments has gone up by about 11 per cent and on education it has gone up by 13 per cent. This means that there is an overall improvement in the relative expenditure on education and on scientific research.

I must congratulate the Prime Minister specially for providing more funds for the University Grants Commission. Last year an amount of Rs. 23.97 crores was provided, and this year it has gone up to Rs. 31.07 crores registering an increase of 30 per cent. This is a definitely forward-looking attitude. It is also gratifying to note that the expenditure on the administration of the Ministry of Education has shown a decline, that is to say, whereas the total budget has gone up, the administrative expenditure has declined from Rs. 1.24 crores to Rs. 1.15 crores. This is extremely satisfying. But I would submit for the consideration of the Prime Minister the fact that in terms of the percentage of total expenditure, although there is a definite improvement as compared to last year, there is not much of an improvement as compared to the year before last. Year before last the expenditure on scientific departments was 1.5 per cent of the total. This year again it is just over 1.5 per cent. On education there is a slight improvement. Year before last it was 1.7 per cent and this year it is 1.8 per cent.

On the other hand in so far as the CSIR laboratories are concerned the

[Prof. Saiyid Nurul Hasan]

situation continues to be alarming. Between year before last and last year whereas the total expenditure had gone up by 10 per cent, the expenditure on laboratories had gone up by 2.3 per cent. This year while the total expenditure has gone up by 8 per cent, the expenditure on CSIR laboratories has gone up by only 3 per cent, that is to say, in terms of percentage of the total expenditure, the expenditure on laboratories is in fact going down, whereas the expenditure on the administration of the CSIR has gone up by 15 per cent.

This is a continuing trend.
5 P.M. It was observed last year that the administrative expenditure of the CSIR was increasing rapidly but expenditure on the laboratories was not increasing at the same rate as the total overall increase in the Budget. This year, again, as compared to the 8 per cent total increase, the administrative cost has gone up by 15 per cent whereas the increase in respect of the laboratories is only 3 per cent.

I would also like to draw the attention of the Education Minister to another point which I had ventured to raise last year, namely, the fact that the principal duty of the Archaeological Survey of India is to conserve and to preserve the monuments. Now, in this respect the expenditure, I am afraid, has been going down. In 1968-69, Rs. 20.55 lakhs were provided for special repairs. Last year it was raised to Rs. 20.65 lakhs. But this year it is only Rs. 20.50 lakhs. This means that the work of special repairs will not be attended to. It is already being neglected. And although costs are going up, the actual amount provided in the Budget has gone down. So far as maintenance and up-keep are concerned, the provision was Rs. 30.99 lakhs last year; it is Rs. 30.70 lakhs this year. On the other hand, the expenditure on exploration and excavation has more than doubled or about doubled since year before last. The year before last it was Rs. 7.66 lakhs, last year it was Rs. 13.25 lakhs and this year it is Rs. 15.09 lakhs. Now this is an enormous increase. I do not know whether it is justified because now the universities are, quite rightly, taking a greater interest in the work of exploration and excavation and the Archaeological Survey of India should concentrate and spend as much

as possible on the conservation and protection of our monuments because that work cannot be done by any university or a learned body.

Having made these general observations about the Budget, I would venture to submit that while most people in the country who are pledged to work for socialism and who want to bring about a social transformation in our country recognise the role of science, technology and education in such a struggle, nevertheless, the overall consciousness of the importance of science, technology and education is still sadly lacking. We do not yet have a well-defined Science Plan. There is, of course, the Science Policy Resolution of 1958 which is a very fine document. I think all of us can be proud of that document but it lays down the general principles and in any case, it is 12 years old.

SHRI K. P. SUBRAMANIA
MENON : It is not implemented at all.

PROF. SAIYID NURUL HASAN :
Now the situation has changed. It has not only to be implemented but it has to be spelled out and we must ensure that our economic policy conforms to the broad objectives that have been laid down there.

For many years scientists as well as others have been raising the demand for the establishment of a National Science Council which will have on it scientists, educationists as well as political leaders because after all, the determination of priorities has to be a political decision although it should be aided by the experts. I hope that this will be done as soon as is possible so that in the formulation of a National Science Plan we are able to involve all the young scientists who are actively working in the laboratories and not merely leave it to high-powered secret Cabinet Committees or Committees appointed by it, who take decisions or formulate policies without the general body of the scientists knowing anything about them. I am referring particularly to the rumours about the dismemberment of the Council of Scientific and Industrial Research. This is, Sir, a matter of major concern to the entire country. There is nothing secret about it. It is not a type of decision which should be worked out or even discussed in secret chambers. If there is any proposal to reorganise the CSIR even without waiting for the

recommendations of the Sarkar Committee—I do not know when the Sarkar Committee would give its recommendations on this part; perhaps you, Sir, might know better—it should be withheld. We hope that the Government would wait to see what the Sarkar Committee has to say; it should find out what the scientists in general feel about it and then take a decision rather than ask—as the Press reports say—the Committee on Science and Technology or the Cabinet Secretariat to prepare working papers on this matter. And in any case, this is the only powerful body of scientists, howsoever defective its functioning might have been. If it is dismembered, then the authority of the bureaucrats and of the Secretariat over science would increase and that would increase the frustration of the scientists. Sir, many of us have had the unfortunate experience of dealing in academic matters with Secretariats and I can assure you, Sir, that the overwhelming majority of the academic community would not like it. I hope the Government would bear this point in mind.

If a National Scientific Plan is to be evolved, then its principal objective will have to be the achievement of scientific self-reliance. Now that means an immediate review of all the collaboration agreements and a review of the policy of import of technical know-how. This is absolutely vital for the economic development of the country. We must have a forum in which the scientists, the technologists, the politicians, the industrialists, the working class, everyone, should be able to participate so that the policy which is evolved is based on democratic discussion and is in the widest interests of the common people. I also hope that the Government would appoint a high-powered Inquiry Committee just as the Dutt Committee was there to enquire into licensing—to enquire into the terms of collaboration agreements and to report to the country so that it might form the basis of discussion.

But, Sir, no national policy is going to succeed unless we face facts. That is to say, money should be provided. The modest objective of 1 per cent of GNP as being the very minimum needed for Research and Development is nowhere near achievement. This was the recommendation of CASTASIA; it has been accepted by our Government. But I still do not see any urge to achieve that, nor are steps being taken to bring

about a situation in which within the next three or four or five years 1 per cent of the GNP would be spent on R. and D.

(Time bell rings.)

I will just take a few more minutes. The second thing is the question of scientific and technical manpower. Sir, in the Draft Plan that has been circulated to us it has been pointed out that the intake capacity in the Engineering colleges would be 25,000 per year. But the actual capacity has been reduced to 18,000 per year. And the training facilities are going to be provided to only 11,000 per year. I have a very strong suspicion that in fact what the Planning Commission is thinking of is that while the capacity remains 25,000 per year, the actual intake would be something like 12,000 to 14,000. Now this is going back to the Sapru Committee on Unemployment when the late Sir Tej Bahadur Sapru's Committee was asked by the British to suggest a solution to the educated unemployment problem, it recommended a reduction in the number of educated persons! We have got to utilise our educated and technical manpower in various projects which will ultimately lead to an increase in production.

There must be a diversification of technical education, its modernisation to suit the new needs and requirements of the country, its linking up with basic sciences and social sciences and humanities. And for this purpose we must have a U.G.C. type of organisation to plan, to diversify and to guide the development of technical education in the country. It cannot be left to the Ministry of Education. It is too serious a matter to be dealt with by the bureaucrats.

Sir, while the expenditure on the U.G.C. is to be increased, the *per capita* expenditure on university and college education is going down. As a result of this, the recommendations of the Education Commission, especially in regard to the changes in the methods of instructions and examination and the modernisation of courses which are vital for raising standards, are not going to be implemented.

Finally, Sir, I would like to urge that we must realise that education has a role to play in national integration. Educational policies must be modified

[Prof. Saiyid Nurul Hasan]

to bring about enlightenment, to fight against obscurantism and superstition, to fight against dogmatism and backwardness, to create among the Indian people a sense of respect for others, a willingness to understand the new ideas, to tolerate the points of view of other people and, above all, to develop a scientific outlook. I deeply regret to say, Sir, that our educational policy is not geared to the attainment of these objectives. On the other hand, if any one comes forward with an obscurantist scheme he is likely to find any number of willing supporters in the Ministry of Education.

SHRI R. T. PARTHASARATHY (Tamil Nadu) : Mr. Vice-Chairman, I thank you for giving me an opportunity to place my views before this august House on the Budget that has created so much of public opinion in this country both for as well as against.

Sir, it would be very difficult for me to speak immediately after Prof. Nurul Hasan as I have always found myself in a difficult predicament to speak after the torrential eloquence of Mr. Chengalvarayan. In any case, I would like to place my views in a humble manner.

As a student of economics I see in the Budget of Mrs. Gandhi a bitter and biting mixture of socialistic pills in capitalistic waters. After studying the whole of it I am constrained to exclaim, "whither socialism?" The Prime Minister, known in recent times for her mighty Machiavellian efforts, and even exceeding the cleverness of a Chanakya, has produced a Budget, which, in my humble view, Sir, is full of camouflage wherein she has adroitly concealed many factors that helped the top capitalists, which at the same time hit the common man, not the mythical common man of the day's saying, but the common man and the general public including the middle classes in a very unjustifiable way and through unjustifiable taxes.

Her Budget goes the cavalier way, respectable in appearance but irresponsible in its contents, hard-hitting the suffering general public and I said a little earlier, imposing no additional tax burden on the corporate sector, which, for her own good reasons, she has allowed to go scot free this year. Sir if that is the

content and outfit of her much advertised and much-awaited progressive socialistic Budget, I am afraid that the word 'socialism' will not only be distorted but will lose all its good meaning.

Sir, as soon as the Budget was announced, I found that there was an immediate sense of relief all round, a relief particularly from the richer among the rich. Only when we went through the various paragraphs of the Budget speech and the proposals it contained we found what a camouflage it was. Sir, it strikes me to graphically describe this Budget as Morarji's coconut water in Indira's coloured bottles.

The Prime Minister has provided not a new Budget, but in pattern and in essence she has confined herself to the old tradition and, may I say, that she has decorated the interior as a Swiss housewife would do it very cleverly. Take the case, for example, of the additional taxes that have been burdened upon the public of India by the former Finance Ministers from the year 1967. This Budget of Mrs. Gandhi very much conforms to the same pattern.

Sir, in 1967, the amount recovered by way of additional taxes was Rs. 114 crores. In 1968 it was Rs. 118 crores. In 1969 it was Rs. 152 crores, and what is proposed to be raised now is Rs. 170 crores. Take the case also of the corporation taxation wherein the Prime Minister has obligingly not altered the corporate structure; it has remained as it was before. In 1964 the revenue yield from this sector was Rs. 313 crores, and today it is only Rs. 342 crores. In spite of increased production in this country, particularly after the recession during the last three years, in spite of the intensive production and diversification of the industrial growth, the pattern has very much remained the same. Take the case of income-tax, for example. Only incomes of over Rs. 40,000 have been excessively taxed. In this also she has confined herself to Morarji's and Sachin Chaudhuri's Budgets; there is nothing very much new. The only difference is that while in former years on an income of Rs. 5,000 per month one had to pay Rs. 2,983, today it comes to Rs. 2,900. But on the whole this additional taxation has given an increased revenue to the Government from Rs. 75 crores to Rs. 85 crores.

Sir, I would certainly welcome one thing in this Budget, namely, the increase in the rate of wealth tax. As one speaking from this side of the House, wedded to the concept of socialism and as one who belongs to a middle class family, I would certainly say that concentration of wealth should be reduced by all manner or means. And in this I would say that the increased levy of wealth-tax would be most welcome.

Sir, in 1968, as a result of Mr. Morarji Desai's Budget, revenue on this account was Rs. 11 crores. It increased last year to Rs. 14 crores and with the prospective increases under the new Budget, it would come to Rs. 18 crores. And the Prime Minister has given a leap forward not by one year but by two years in this regard.

Sir, I would like to have a word about indirect taxation which I fear is very severe on the general public of this country. During the last three years, we have had increases in the revenue to the tune of Rs. 500 crores through indirect taxation and by various tax duties. The increased levy in this Budget on items like tea, kerosene, sugar, khandsari and other essential commodities, hard as they are, would hit the common man below the belt; I am sorry to say this. There is no justification whatsoever for the Government to come forward with this increase in these levies. Sir, I belong to the middle class, as I said earlier. I would like to quote a simple instance to show how it affected my family budget. This national budget affects every family budget. As soon as the Budget was announced, when I went home my wife gave me a cup of coffee. Surprisingly it was bitter. When I asked her why it was so, she said "You must thank your Prime Minister for the increase in the cost of sugar." Well, it did happen; I am not putting it graphically. I had to submit to her sweet reasonableness and I had no courage to complain. Now I have come to the House to make a complaint here to you and through you, to the Prime Minister. I hope when the Finance Bill comes, the Government would think of reducing the excise duty at least on these essential commodities that go a long way in the running of the homes of the middle class, the salaried class and the workmen.

Sir, one thing that I would like to say is that the Prime Minister has proved to be a very able player not only in the

framing of the Budget but in the field of politics also. May I use, with your permission, a cricket language? I am a cricketer myself. She has proved, in these taxation measures, to be a guileful bowler who in six balls has bowled six batsmen, through the taxation deliveries, thus performing the double hat-trick, confounding all the able batsmen, in spite of the fact that they played all the time with a straight bat. Well, that is how I would end it. I would not say anything more with reference to the taxation measures.

SHRI A. P. CHATTERJEE : We who are not cricketers have not been able to understand.

SHRI R. T. PARTHASARATHY : The strategy of the Budget, Mr. Vice-Chairman, is to bring about a change in the social and economic content of the whole country. But this social and economic content will be able to meet a satisfactory end only when the rate of growth is about 10 or 15 per cent. But to-day the rate of growth, even as per the Government's figures, is not even 7 per cent. If you go deeper into it, out of this 7 per cent., 5½ per cent goes to the agricultural sector. So, would it be possible within our means to see that we could achieve the desired change in the social and economic content throughout the length and breadth of this country and satisfy the economic needs of the 500 odd millions? That is a question I leave for the Government to answer.

Sir, I congratulate the Government for providing Rs. 4 crores for nourishment to the young children. This is a very salutary measure and though I am sitting on the Opposition, it is my duty to congratulate the Government on any measure that is in conformity with the social change. Here I would like to emphasise that merely by pronouncing a scheme, Government will not be able to work it out. In this connection, I would like the Government to study the principles expounded in the British Social Welfare Scheme which is known to all of us as the Beveridge Plan. The child welfare scheme under that plan is something which we can emulate with great advantage to our children. I do hope that the Government would make a thorough study of the whole thing and see how the scheme could be worked out without much expenditure and how

[Shri R. T. Parthasarathy]

they can get for the small expenditure that they incur the best possible benefit for the children of this country.

With reference to the 65 per cent flat rate on discretionary trusts, it is a very salutary piece of proposal in the Budget. Sir, I congratulate the Government, and particularly the Prime Minister, on raising the exemption limit of income-tax from Rs. 4,200 to Rs. 5,000. Here, she has not conformed to the principles of Mr. Morarji Desai, though she conformed to the principles of Morarjibhai when she taxed liquor and cigarettes which I welcome. The previous Finance Ministers including Mr. Morarji Desai adopted a wooden attitude to the legitimate demands of the lower middle class, and the salaried class. We have been persistently consistently and insistently urging upon the Government to accept the Bhoothalingam Committee's recommendation to have the exemption limit fixed at Rs. 7,500, or at least at Rs. 6,000. But they did not do it. Here the Prime Minister has scored a point over Mr. Morarji Desai in studying the psychology of the salaried class and the middle class and in accepting the recommendation to the extent of Rs. 5,000. An explanation given in the other House by the Minister of State for Finance was that Rs. 20 crores would be lost on this account if the Government accepted the recommendation of the Bhoothalingam Committee. Sir, the figure that the hon. Minister has given is not correct. What is the cost of collection? What is the total number of assesseees? If we deduct that, it would come to only Rs. 10 or 12 crores. The Government should re-think the whole issue and accept at least the limit of Rs. 6,000. The loss then would be Rs. 3 or Rs. 4 crores and it would be a great relief to the salaried and the middle class population of this country. I hope the Prime Minister has a soft heart and she would take into consideration the opinion expressed throughout the length and breadth of this country and also in the two Houses, and if she is going to make any concessions at all, then she should accept our demand to fix the exemption limit at Rs. 6,000. I make this earnest appeal to her.

(Time bell rings.)

THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN) : There are many speakers from your side.

SHRI R. T. PARTHASARATHY :

Only a few minutes more. My friend, Mr. Mohta, and my Deputy Leader Mr. Gurupadaswamy explained in detail about the nature of deficit financing and its consequent effects. About our general economy, I do not want to go into the details, but it is crystal clear that the expected surplus income during the next year will not be on a par with what the Government has stated. It will be positively Rs. 100 to Rs. 150 crores less than what they expect. There is already the deficit shown in the Budget of last year at Rs. 290 crores and the gap kept open in this Budget is Rs. 225 crores. It is simple and elementary arithmetic that if we add all these figures, the country will be faced with a deficit financing of the order of Rs. 600 or Rs. 615 crores. Are we fit to face that position? Well, I am afraid the way it works out from last year to this year and from this year to the next year, we will be in still greater difficulties and this Rs. 600 odd crores of deficit financing will wreck the economy of our country. And not only that, the logical end of this will be at least a 15 per cent rise in the price level. I am sure the Finance Minister cannot reply to this point because we are also well grounded in the principles of public finance. If a 15 per cent in the price level rise will be there at the end of this year, you know how it will affect the general economic life—industrial and agricultural—of the whole country. I am afraid darker days are ahead. More than that, I would like to take this opportunity to warn the Government that the Budget has opened the doorway for the Government to prepare for yet another dose of devaluation of the currency in not too distant a future.

And I make bold to say in a very responsible way on the floor of this House—I repeat it—that if the Government should resort to another dose of devaluation, woe unto our country, and our economic and financial structure will be completely ruined and there will be no hope of getting out of that position.

I welcome the urban property tax as well as the increase in the tax on farm wealth. This is a very resourceful revenue. But I would like to ask the Government of India why it should not direct the various States of India

not to keep open a deficit Budget for all times to come. It is only with a political motive that all the States of India keep open their Budgets with a deficit and do not balance their Budgets, and they come to the Centre with a begging bowl. Is this right from the point of view of a progressive national economy?—I ask. I am afraid it is not so. So, it is high time that while the Government of India should try to give an additional amount of Rs. 400 crores in the Plan. Outlay to the various States, the State Government should make the fullest use of all their sources of revenue by taxing their own people as empowered under the Constitution under the various items of the State Lists because it will be futile for them to go to the Centre any longer and ask for more aid which they will not be justified to get. May I take your permission to say that today there are Rs. 1800 to Rs. 2000 crores of additional revenue, additional agricultural income, in the various States of India that has yet to be channelised or properly harnessed? What steps have they taken to channelise these sources of revenue? They would not touch the agriculturists because they have an eye on the elections, because the political parties would like to return to power by not taxing the people. They forget that the Centre has also got similar difficulties. Here I would like to say that the Centre should be vigilant, and the Centre should not be partial also in its approach. It must here and now direct the Reserve Bank that it must see that every State should have a balanced Budget and that the Centre would not give it more than what has been allotted under the Plan.

Sir, the provision of Rs. 175 crores as a discretionary grant in the hands of the Government of India is not an economic weapon, but it is a political weapon which is to be used as a double-edged weapon or as a bait, as the case may be, to get benefit to the Central Government, whichever party might be in power. And it is a very dangerous weapon. I do hope that this House will not accept that amount to be treated like that. If the Government is sincere about it, let it include that amount of Rs. 175 crores in the Plan aid to the various States. The Chief Ministers of Andhra Pradesh and Tamil Nadu ever since the Budget has been published, have been complaining that the allotment to the various States has not been

sufficient. And if the Central Government is really keen to give them some more money, then, let this amount of Rs. 175 crores be added to the amount of Rs. 400 crores, for allocation to the various States and let the different States have their respective shares from out of this fund and not from a separate fund which may be kept by the Government of India or by the Prime Minister.

Before I conclude I would like to say only one thing. It is dangerous for any Government to experiment with finances. Many nations have failed before in attempting such experiments. This will be true in the case of India too—to keep open a deficit financial structure of the magnitude of Rs. 600 crores and above, to have found little hope in finding a good climate for increased production, investment and saving, to frame Budget policies that are being adopted today relying solely on increased currency expansion backed only by rupee securities whose strength is a stable political-cum-economic situation both of which are suspect today. One shudders to think as to where we are heading for. Truly and surely it strikes me that we are heading for an economic crash through an unbridled inflation for which pressures are built up. As I said earlier, unless checks and balances are applied here and now through the Reserve Bank by making the States live up to a balanced Budget—not only that—by the Centre cutting down its defence expenditure by at least Rs. 100 crores by reshaping its foreign policy, darker days will envelop our country and once the economic crash comes, there will be no hope of recovering and this Government will not be there.

SHRIMATI YASHODA REDDY : It will not be there even before that.

THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN) : Mr. Parthasarathy, you must send a copy of your speech to Mrs. Parthasarathy.

DR. (MRS.) MANGLADEVI TALWAR (Rajasthan) : Mr. Vice-Chairman, Sir, I rise to congratulate the Prime Minister on presenting a production-oriented Budget for 1970-71. It has been held as a Budget for growth and social welfare. The Prime Minister has stood up to her promise and has presented to the country a refreshing new look and a new direction. It is easy to pick

[Dr. (Mrs.) Mangladevi Talwar]

up several faults in the framing of the Budget as many honourable Members of the Opposition have done. But there is no getting away from the fact that there is something that has happened in the country which perhaps it is not easy to define, but a new enthusiasm has come up, a new sunshine has shone and a new awareness among the people is discernible that hereafter they are participants in the wealth and progress of this country. Eighty per cent of the people feel that they are no more second class citizens to be exploited by the monopolists and the like. That is the change that has come. In the past, after independence, the great economists of the country had advised the Government to frame Five Year Plans. And Pandit Jawaharlal Nehru, once he trusted a man, trusted him completely. He trusted those people completely and left everything to the Planning Commission. What happened then? After they planned and planned for ten or fifteen years, they found that the Plans left all the wealth in the hands of a few people. So, they themselves began writing reports. After two Plans the people began to criticise on the floors of both the Houses and outside in the country that high taxes were being levied, but the wealth was going somewhere else. At first it was denied on behalf of the Government that that was not so. But ultimately Commissions were appointed. Then came the Monopolies Inquiry Commission and other Commissions to investigate the matter. It took a number of years for the people to realise, for the politicians to realise, and for all those who were in a state of complacency to realise, that the whole thing had gone wrong. Now the present Prime Minister wanted to clear the mistakes and set the country on a new path. Everything that is done can be spoiled if the administration is not run well. Therefore, in my humble opinion, it is the first duty of the Government to tone up and clean the entire administration. Apart from the isms, as one old Englishman said, whatever administration is there, if the administration is best, the results are best. The essence of democracy is rule of law, the majority rule, and the protection of the minorities, whether they are regional linguistic or other minorities. The protection and welfare of the minorities is the special care and charge of the majority.

Unless that is done, we cannot have real integration, national integration. I have already said that the poor man was neglected in the past, the middle class is being gradually squeezed out. If we want to preserve our constitutional democracy, it is the educated middle class which has to be looked after and sustained. He is the watchdog of our constitutional democracy. If you nurture the middle class and also the poor people who constitute 80 to 85 per cent. of the people, you are nurturing the nation. Half the imbalance in the thinking of the educated men, the semi-educated men and the unemployed men in the cities is due to the slum conditions in which they are obliged to live. Slums are not merely those cottages which contain only 100 sq. ft. of land. There are big buildings and huge constructions that obstruct the sun and air reaching these dwellings. They are congested and overcrowded providing little room to individuals. There is absolutely no privacy for the people. Vigorous measures should be taken to clear these slums as soon as possible. Some revolving fund is sought to be made but that is not enough. A sum of Rs. 200 to Rs. 300 crores should be set apart for this purpose. I welcome the formation of the Urban Development Corporation for slum clearance.

श्री गनेशी लाल चौधरी (उत्तर प्रदेश) :
उपसभाध्यक्ष महोदय, हाउस में कोरम नहीं है।

SHRI VICE-CHAIRMAN (SHRI AKBAR ALI KHAN) : It is being arranged.

DR. (MRS.) MANGLADEVI TALWAR : Sir, I welcome part (d) of para 14 on page 4 of the Prime Minister's speech—Part I—where she has said that a substantial provision has been made in the Fourth Plan for the supply of drinking water. She has shown great concern for the thirsty people. The western parts of Rajasthan, like Jaisalmer, Jodhpur, parts of Bikaner and other areas which are hit by drought. There is no drinking water available there. This is supplied at great expense. The Central Government should take over and complete the Rajasthan Canal as soon as possible. Nearly 40 to 50 per cent. of our villages in other parts of the country suffer from lack of good drinking water. There is no use of giving money for wells as was done in olden days. Wells too are absolutely necessary to meet the urgent

needs of the people. But a long-term solution has got to be found for this problem. There are huge rivers submerging north Bihar and Bengal. By cast-iron pipe-lines—there is enough iron ore in our country—we can connect distant rivers and by booster pumps we can supply drinking water to the thirsty people.

THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN) : It is time you wind up your speech please.

DR. (MRS.) MANGLADEVI TALWAR : Yes, Sir. Just one or two more points. Now I will refer to what she has said in part (g) on page 6 of her speech. She has said :

“To supplement existing schemes for school-feeding and the like, a beginning is being made with a programme to meet the nutritional requirements of the age group 0-3.”

The children in our country have been neglected; they require nutrition and a balanced diet. Two things in this connection are necessary, one training to their mothers and then providing a well-balanced diet to them.

THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN) : Now you must finish your speech.

DR. (MRS.) MANGLADEVI TALWAR : Now, Sir I will say something about the problems of the housewives. The rising prices of the commodities like sugar, tea, coffee, etc. are creating problems for the housewives. These things generally are used by the poor people as also the rich people but the poor people are hard hit by this rise in the prices. Therefore I request the Finance Minister to reconsider the taxes on these commodities.

THE VICE-CHAIRMAN : Thank you, that is all.

DR. (MRS.) MANGLADEVI TALWAR : Sir, I had some more points to make but since my time is up, I finish my speech by saying that I support the General Budget. Thank you.

SHRI T. CHENGALVAROYAN (Tamil Nadu) : Mr. Vice-Chairman, it is rather difficult to be enthusiastic and much less eulogistic about this Budget. In the times past we were accustomed

to Budgets which were elegant essays on economic realism, Budgets which were conceptual and perceptual, Budgets which had a sense of direction and a vision of destiny. But I am sorry to state, Sir, that this year's Budget is dull and dim, dry and dragging, disquieting and disappointing. I should have expected, Mr. Vice-chairman, with no unseasonal hope that much of the trumpeted tone of the new economic radicalism should have found at least some feeble and faint echo in the provisions of this Budget. The bombastic Bombay balloon burst into magnificent meagreness in some of the provisions of this Budget. Mr. Vice-Chairman, I am rather tempted to characterise this Budget as a familiar household preparation perhaps in a prestige cooker with a worn-out washer through which some of the socialist steam has escaped leaving provisions half-baked and half-boiled. But there is one peculiarity and, if I may say so, a singularity about this Budget that it has not travelled in its sweep and sway long enough either to assuage the socialistic compulsions or to avenge the moneyed minorities. It has succeeded in betraying the hopes of the one and belying the fears of the other, Sir, it is no verbal vengeance when I say that this Budget is a financial memorandum to the politics of survival that we witness today.

Mr. Vice-Chairman, I am very much enamoured with the Economic Survey that precedes this Budget and it is usual that the traditional track is also followed by this Budget. As I was reading the Economic Survey, it has given a brilliant and, if I may say so, a bureaucratic briefing for the Budget. Any other economic team would have given a different assessment but to the extent to which this Economic Survey gives the indication, it has given a most heartening feature of the agricultural and industrial progress, of the good harvest for the third successive year and the dramatic recovery of the industry and also the improved position in the balance of payments, as also a fair availability of the foreign resources. For all this, Mr. Vice-Chairman, I am inclined to praise my great leader, Shri Morarji Desai, for the loyal labours and the dedicated direction along which he was carrying on the burden with abuse and anger and calumny and criticism.

In politics, as in life, some sow the seed, others reap the harvest. With the economy so well poised for accelerated

[Shri T. Chengalvaroyan]

rate of growth and for ascending the commanding heights of economy, I have to test this Budget as to how far and to what extent this Budget galvanises and channelises these favourable features. I am particularly fascinated with the laudable objects that are declared to behind this Budget. All that we wish is that these are not merely slogans and shibboleths, the vast vocabulary of the politics of survival. For example, the object of growth and the proposition of stability as the end of social justice are really inspiring as a piece of economic philosophy but I will only examine, with your leave, how far and to what extent this Budget tries to satisfy for the purpose of realising and achieving these laudable ends.

May I first take the question of growth? I must respectfully endorse here the warning that the great Prime Minister of our country has given that if we do not have an accelerated rate of growth, we will never have any growth at all for times to come but may I most respectfully point out that in this matter of accelerating the rate of growth which is of major political as well as economic importance, one should expect the Budget to deploy certain well-known principles and policies of allocating efforts and capital for the purpose of three directions. Firstly there must be an attempt to increase the quantity of reproducible goods. Secondly there must be the attempt to increase the quality of the produce, and thirdly, there must be an attempt to raise the level of the art of production. In this task, if we can just examine the dimension and the magnitude of the colossal problem of growth in our country as in other countries, I am rather willing to endorse most respectfully what my esteemed Deputy Leader, Shri Gurupadaswamy, said that the magnitude of investment, at any rate in the year of 1980-81 is going to be so colossal that not only we have to wipe out the deficit of Rs. 780 crores but much more so, we have to find a surplus of Rs. 300 crores because our target for doubling the net national investment by that time is going to be Rs. 10,250 crores. In this context one should have expected that this Budget should certainly reveal the great earnestness on the part of the Government to become, what I will call, the leader of investment and an era of investment being started. Now what is that we find? There is absolutely no policy, no plan and no purpose of increasing invest-

ment and producing a greater and greater investment era in order to mobilise sufficient momentum which will generate the rate of growth. For example, I find that this question of programmatic and promotional policy towards investment are absolutely not clear and convincing so far as the provision of the Budget is concerned. If we just examine, another aspect that will contribute to the rate of growth is the profitability of our public undertakings. I am an undying votary of public undertakings and almost a hard diehard in the great belief that the public undertakings of our country are going to be the real salvation and solution for all the socialist impulses and movements of our people but what is it that this Budget provides? It is supremely indifferent to the profitability endeavour on the part of the public undertakings. There is absolutely no plan, there is absolutely no purpose and there is not a programme to have any audit performance with regard to the public undertakings and to the extent to which we are not going to have that much of siphoning of the income from the public undertakings to our general revenues, I am afraid the problem of greater growth will still remain the problem and all talk of rate of growth will either be a farce or a fraud or both.

The second aspect of the object of the Budget is with reference to stability. Stability in economic undertaking is a multi-lateral concept. Stability of production, stability of prices and above all, the political stability. Now with reference to stability of production, I must certainly express my very grateful appreciation for the policy of untouchability that this Budget has imposed with reference to the corporate sector. Time was when I heard in this House echoes and reverberating condemnations that this corporate sector was not touched or at any rate not touched to the extent to which it ought to be touched but today this policy of untouchability is indeed laudable because it generates the fulfilment of the very important aspect of the stability which is one of the objects of this Budget, namely, stability with regard to the production. I only hope and trust that this question of stability will certainly be responded to by the corporate sector in their greater investment and commitment for the socialist expansion and satisfaction of our direction. The

other aspect of the stability is with reference to the stability of prices. I fail, in spite of my very earnest efforts to find out here or there in the Budget, any conscious effort to control the prices. There are well-known methods of controlling the prices either by the direct methods of fiscal, monetary and taxation measures or by indirect methods but unfortunately if there has been any attempt in this Budget in regard to the stability of the prices, it is enhancement of the indirect taxes which all economists have agreed that it will have a definite tendency for pushing up the prices. May I respectfully warn this Government that if there is no price stability, there cannot be any rate of progress or rate of growth.

There is the third aspect of stability and that is with reference to political stability. When I just refer to this aspect of the important object of stability, my heart quivers my eyes become dim and even my voice becomes a little feeble because what is it that I find to-day in the country, in the politics of the country? What is it that we are witnessing the political drama, or may I say, the melodrama that we are witnessing?

This political instability of the country caused by a variety of factors contributed by different forces is going to be the death-knell, if I may say so, of any stability either economic or even national stability of this country. Therefore this Budget has to take note of this important aspect of stability which is very essential as an element of growth.

There is a third object and that is the principle of giving social justice. Who is there in this great country of ours irrespective of any political affiliation, who will think that social justice should not be done? But I am particularly pained to find out what has been the economic direction through which this social justice is to be achieved. Has the standard of living been raised? Has the employment potential enhanced? Has the employment opportunity been maintained? Has there been any new purpose envisaged? In the absence of these diversified and multi-lateral push in economic enterprise and endeavour, all talk of social justice will be moonshine but I am certainly honest enough to confess that the provision of certain ameliorative measures which have been envisaged in this Budget, for example, for agricultural labour or for rural sector or for nutrition for children, I can

only appreciate it as a symbolic and token value and if anybody were to say and think that a millennium has dawned upon this country, they are sadly mistaken.

May I have your permission to get more minutes by your grace, in order to deal with one or two other important aspects of the Budget and with that I will close my submission? I am particularly pleased with reference to the treatment of the taxes in this Budget. Time was when there has been certain sophistication in regard to the levy of taxes but on this occasion I am happy to note that there has been some amount of simplicity and also a kind of, what I may call, an approach to the taxation system generally that the Budget provides not so much of load of taxes but one thing we cannot but certainly commend and that is with reference to the absolute absence of any other taxation except upon individuals. All that I can say is that Rs. 170 crores of the load of taxation are placed upon the individuals. The mills of God grind slowly. They grind exceedingly small. Yet they grindeth us all. This is the tax that we are now witnessing, Mr. Vice-Chairman. I do not at all mind the tax burden if what I could bear could definitely get itself reflected upon the further progress of economy in this country. There has been a marginal exemption limit of direct and personal taxation. But if we examine it in the balance and in the real focus, if we examine the effect of the increase of indirect taxes on many consumer commodities, I am inclined to agree with my friend, Mr. Parthasarathy, when he said, "That is why my wife was giving me a cup of coffee with very little quantity of sugar". May I say this, Mr. Vice-Chairman, that I get a cup of coffee even without a pinch of sugar? Now that shows to what extent it has affected the family budget and it would be certainly affected by this rigorous enhancement of the indirect tax. I do not want to go into very difficult and debatable points with reference to the ratio that direct tax and indirect tax must bear. But I must certainly say this, Mr. Vice-Chairman, that the policy of progressive enhancement of the tax will have a very devastating effect on the return of the tax. As a great economist has once said, a progressive tax is far better than a regressive tax, and the tax

[Shri T. Chengalvaroyan]

that we are now having in this Budget is more regressive than progressive and therefore the taxation proposals and the taxation system that this Budget has provided are not at all wholesome and certainly liable to very great apprehensions in the minds of those who wish that the progressive of economy must be on even keel.

I may also refer to one aspect, Mr. Vice-Chairman, with regard to the taxes. There is a complaint both in the press and the platform that the higher rate of tax on direct income with reference to the higher group of income will have a rather deleterious effect and will affect the quantity of savings and investment. I do not share that complaint. I am sure that the Budget has been very gallant in regard to that provision, and I can say, Sir, on the authority of the estimates and the report that have been submitted by no less an authority than the National Council of Applied Economic Research who have said it, that since 1950-51, in spite of the progressive rise in the higher level of income-tax, there has been no depletion of the investible funds in our country, and that shows that this provision of higher tax with regard to the direct income is not at all to be objected to. On the other hand, I for my part would very heartily welcome it.

One word more, Mr. Vice-Chairman, with regard to the policy that is underlying this Budget, and that is, I am afraid, with reference to the principle of inflation. Inflation is such a thing that its effect is like cancer. We may not know it, but we will feel it, but in this case, Mr. Vice-Chairman, the deficit financing, even though it may not be to an alarming extent now, will have to be reviewed constantly, and particularly I am afraid it will collapse and give rise to serious distortions in our economy if there should be either crop failure or some other national calamity. I therefore most respectfully want to warn the Government, if I may, that they have to be on constant and perpetual vigilance in regard to the operation of the inflationary margin, and to the extent to which they will be careful, to that extent they can save the economy.

Mr. Vice-Chairman, Sir, I very rarely crave your indulgence for more time, but now I have to conclude, Sir, with

one or two important aspects, and these being important aspects. . .

THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN): Two minutes more.

SHRI T. CHENGALVAROYAN: . . . and I most probably being the last speaker of the day, I may have your indulgence and of the House as well, Mr. Vice-Chairman. I wish to just to say this, Mr. Vice-Chairman. This Budget gives a new tone, a new turn and a new twist. But there is one aspect which is rather alarming and disquieting, and it is the provision of nearly Rs. 175 crores for the purpose of State aid. I am one of those, Mr. Vice-Chairman, and you know it personally that I have been always a staunch advocate of the good relationship between the Centre and the States. And there cannot be a better relationship than financial relationship. But my grievance, Mr. Vice-Chairman, is that this haddock, if I may say so, is arbitrary and without any guidelines, I mean this provision of Rs. 175 crores for the purpose of allocation to the States, and I am afraid it will lend itself to abuse and misuse on the part of the Government. I do not at all mistrust the Government. I do not at all distrust this Government but I desire to save this Government from this possibility of an abuse and an absolute condemnation that this amount lends itself to political motivation.

Mr. Vice-Chairman, Sir, I will conclude with one word and then I have done. Mr. Vice-Chairman, we have marched many miserable miles. We have crossed through dark forests. We have wandered over dry deserts. We have climbed up steep hills. We have gone down deep valleys, but nevertheless we kept our march. But today, Sir, when I look around, East or West, South or North, all that I feel today is the political instability that is rocking the very foundation of our democracy and of our economic progress. All talk of economic growth, all talk of economic advancement, will be absolutely useless because, Mr. Vice-Chairman, I have the high authority of the Finance Minister of Japan. The other day, when he was telling the Press Club of Tokyo in reply to what was the secret of Japan's growth, he said, "There is no secret, and that is the secret of Japan's growth". But incidentally he

said, "Because of our continued political stability we are able to have this growth". Mr. Vice-Chairman, may I appeal to the God at Olympus, nay the Goddess at Olympus, to realise that there is this writing on the wall that all the tears and the piety of a nation can not wipe out the line, this Budget does not have either the piety or the tears.

THE VICE-CHAIRMAN (SHRI AKBAR AILI KHAN): The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at seven minutes past six of the clock till eleven of the clock on Tuesday, the 17th March, 1970.