

not have any information before. It is never the custom, it has never been the practice that the Government should publicise the information that might be in their possession about these matters. These matters, as soon as they come to our information, should go into the press or get publicised. Publicising is not important but to take action to meet that situation is more important, and that is the direction in which we concentrate.

SHRI A. M. TARIQ: That the Minister has said is not correct...

*(Interruption.)*

MR. CHAIRMAN: I can give only one opportunity.

SHRI K. S. CHAVDA (Gujarat): Sir, when Pakistan attacked our Kutch border in 1965, our army was not in a superior position because the ground was not favourable for moving our troops and equipment etc. and our army also experienced difficulty in regard to water. May I know what steps the Government has taken or proposes to take in the Kutch border to make the conditions favourable for our army?

SARDAR SWARAN SINGH: I leave it to you, Sir, to decide as to whether from Jammu and Kashmir cease-fire line to Kutch, this is relevant...

MR. CHAIRMAN: If the Minister wants to answer he may answer. Next item.

**ALLOTMENT OF TIME FOR CONSIDERATION AND PASSING OF THE FINANCE (NO. 2) BILL, 1967**

MR. CHAIRMAN: I have to inform Members that under Rule 186(2) of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I have allotted the 1st, 2nd and 3rd August, 1967, for the completion of all stages involved in the consideration and return of the Finance (No. 2) Bill, 1967, by the Rajya Sabha including consideration and passing of amendments, if any, to the Bill.

REFERENCE TO DISCUSSION ON HILTON HOTELS SHRI MULKA GOVINDA K&DDY (Mysore): With your permission, Mr. Chairman, I want to say something. Some of us have tabled short-duration discussion notices and also half-an-hour discussion notices. But you have already admitted a half-an-hour discussion on Hilton Hotels. It was fixed for the 4th but now it has been postponed to the 7th. Many Members want to participate in that discussion. So I would request that instead of a half-an-hour discussion, it is better we have a short-duration discussion on that. The second point that I would like to bring to the notice of the House is that some hasty action or hasty decision is being contemplated by the Government in this matter. It is not proper for the Government to take a decision when such a vital question is being discussed and debated in this House as well as in the other House. I would, therefore, request you to advise the Government not to take any decision until the debate takes place in this House.

MR. CHAIRMAN: Instead of a half-an-hour discussion, I would allow an hour's discussion.

SHRI MULKA GOVINDA REDDY: With your permission again, Sir, the other day on the 28th, I had read out a telegram received from Bhopal that Budget papers are being printed...

MR. CHAIRMAN: No, that would not arise. You may mention about it in my chamber.

THE FINANCE (NO. 2) BILL, 1967

THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE (SHRI MORARJI R. DESAI): Sir, I beg to move:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1967-68, as passed by the Lok Sabha, be taken into consideration."

Sir, in my Budget Speech I outlined the main features of my proposals

and explained their rationale. The explanatory Memorandum and other budget papers, circulated to hon. Members gave the details of the provisions. I have received a number of suggestions and views about the provisions in the Bill from hon. Members as well as from members of the public. I am indeed grateful to all those who have made constructive suggestions to make improvements in the Bill. The changes in these provisions which I have formulated in the light of the suggestions and views received by me, have been incorporated in the Bill as passed by Lok Sabha. The details regarding the changes that have been approved by the Lok Sabha are contained in a statement which has already been circulated to hon. Members.

I shall not take up the time of the House by explaining the details of the provisions of the Bill or the changes made therein by the Lok Sabha. I shall merely recapitulate briefly the main amendments made in the original proposals. I shall first deal with direct taxes.

The Bill provided for the deduction of tax at source on sums payable to residents by organised entities by way of brokerage and commission, fees for professional services and interest on loans, deposits and other borrowings. The objectives of these provisions were to secure collection of taxes, as far as possible, as incomes are earned, and secondly to assist in detecting unaccounted money. The Bill as amended includes payments by way of brokerage and commission and fees for professional services from this requirement and confines it to payments of interest. Secondly, the limit up to which individual payments of interest are exempt has been raised from Rs. 200 to Rs. 400. Further, interest payments to certain categories of recipients have been exempted from the deduction, and the rate at which tax is to be deducted has been reduced. Greater facilities have been provided for persons having no taxable income to receive the interest without deduction of tax.

These concessions should meet the criticism that deductions from gross receipts containing an element of expenses will result in hardship and that heavy administrative burdens would be involved in complying with these provisions.

The Bill liberalises the procedure for the computation of the unabsorbed 'tax holiday' benefits which is to be carried forward and set off against future profits.

In the Bill as amended, a change has been made in the rate of tax to be deducted at source from dividends paid to foreign companies.

On the side of the indirect taxes, notifications have been issued giving effect to the changes that I have announced in the Lok Sabha. Briefly, it is being ensured, partly by duty exemption and partly by informal agreement with producers, that the prices of cheaper categories of footwear do not rise to the consumer.

In regard to superfine sized cotton yarn, the duty has been reduced by Re. 1 per kilogram after enquiry by a team.

The objectives of the duty changes with regard to aluminium have been to leave the price to the consumer of aluminium utensils unchanged, and to secure revenue while not retarding the expansion of the industry. The grant of tax credits related to additional production will particularly benefit those units which may undertake expansion.

Adjustments have been effected in the duties charged on rayon and nylon yarns in order to ensure that the price to the weavers remains unchanged. In the case of terene, which is a product of interest to the higher income groups, no change in duty has been proposed. In each case, and particularly for the higher-priced varieties, it is being ensured that the producers will absorb an appropriate part of the excise duty.

The amendments made in the original proposals involve a revenue loss

[Shri Morarji R. Desai.]

of Rs. 15.36 crores in a full year and Rs. 11.51 crores this year.

Before I conclude, I shall say a few words on the general economic situation. Hon. Members no doubt have been concerned about the reports of slowing down in the rate of growth of industrial production and also the general recessionary tendencies in the economy. Government have recently reviewed, the entire position in consultation with the Reserve Bank and set in motion certain actions which, it is hoped, will help in stimulating production. Government have also taken the view that now it is not the right time to stimulate demand generally by providing for additional budgetary outlays. The specific measures which Government have taken, and which I had the occasion to announce in the Lok Sabha consist of anticipation of ordering of equipment by Railways and other public sector undertakings, formulation of a programme for modernisation of the textile industry which should provide substantial orders on the indigenous textile machinery manufacturers, arrangements for adequate finance on suitable terms to promote exports as well as domestic sales of capital equipment, etc.

[THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA) in the Chair].

The concerned Government departments and the Reserve Bank are pursuing these matters further.

The question was proposed.

SHRI DAHYABHAI V. PATEL (Gujarat): Mr. Vice-Chairman, Sir, at the outset let me express my gratitude to the Finance Minister for the small mercies, the concessions that he has just announced. To my mind, the question is whether the Finance Minister has been able to live up to the assurance that he gave, whether he has been able to induce drastic cuts in civil expenditure as promised or has he been overwhelmed, overpowered or

to use the modern word, 'gheraoed' by his party supporters in continuing the policy that has been followed so far. I do not know whether the Finance Minister himself will call this Budget a production-oriented Budget. For what is really necessary under the present circumstances of this country is a really production-oriented Budget, a production oriented drive on behalf of the Government when there seems to be a recession everywhere for various reasons, in addition to which the drought that has been with us for the last year, has accentuated our difficulties.

I may mention a few things also. We were expecting a simplification of taxation measures and their application. I do not know whether I can call the necessity to have to sign 30 forms at 30 places while submitting the Income-tax returns can be called a simplification of forms. In this, the Budget proposals are not only disappointing but they are a type of harassment, unnecessary paper work which is not going to result in much material gain by taxation to the Government. I, therefore, request the Finance Minister to reconsider some of these proposals and see that this procedure is simplified.

I find, I would stand corrected if I am wrong, that in the light of the revised measures the Central Excise is spreading its tentacles to a number of items increasing every year. For 1961-62 it was on 56 items and for 1965-66, if I am not wrong, it has risen to 67 items. We are taxed from hair oil to footwear. Is there anything left that does not come within the purview of the Excise Duties? Has the Government not failed in planning its budgeting, in arresting reckless spending which is reflected in the response that the Government got in the last loan floated? Is it not a fact that the greater part of the loan had to be taken by the Reserve Bank itself? Has this not proved the failure of the financial policies of the Government? Our experience from the last decade more or less has been that the re-

venue income has always been underestimated. Actually the Government realises from Rs. 100 to sometimes rls. 200 crores more every year. On this basis, under the present circum-stances, is really any taxation, any increase in taxation, necessary? In fact, in view of the recession that is coming, that is already upon us, perhaps a plan holiday and a tax holiday is called for.

I will say a few words on the recession. It is now widely known that the rate of growth of industry in the Third Plan has been much below expectations. The index of industrial production increased by only about 60 per cent of the target set for the Third Plan. There were shortfalls in important industries like steel, alloy and special steel, non-ferrous metals, fertilizers, newsprint, etc. Compared to an average annual growth rate of 7.8 per cent during the first four years of the Third Plan, industrial output rose by only 3.9 per cent in 1965-66. The index number of industrial production for 1966-67 marginally increased by 4.7 per cent. Nevertheless, there was a lower rate of expansion of Output in many industries and in several cases the absolute level of production declined.

In the background of persisting lag in industrial production and all-round decline in economic activity, many industries had to pass through difficult periods. Traditional industries like cotton and jute are passing through critical periods. But the worst hit has been the engineering industries in which a more recent trend has emerged in the shape of growing imbalances between production capacity and accumulation of stocks. The overall outlook of the state of engineering industry today is one of depression and despondency, characterised by low production and increasing idle capacity, reduced exports, increased labour and material costs, financial difficulties and above all, lack of orders. The deficiency in the demand for engineering goods has arisen

largely because of the peculiar circum-stances in these industries which, during the last two Plan periods, have geared themselves largely to meet the growing requirements of the public sector. • As is well-known, the public sector enterprises form an important nucleus for the growth of medium, small-scale and ancillary industries." If these projects are delayed or curtailed for some reason, it has immediate direct repercussions on the engineering industries in the private sector. The heavy and medium structural fabricating industry provides a classical example of being a victim of this situation. Other examples are the foundry and forging industry, and manufactures of railway bridge, girder, spans, railway track material, electrical signal equipment and other railway stores. The idle capacity in structural fabrication and also in railway wagons is reported to be at 60 per cent and in the foundry industry, the actual performance is said to vary between 25 per cent and 35 per cent of the capacity depending upon the types of castings. Over 23,000 workers in 95 establishments are said to have been laid off in West Bengal between 1st January and 15th March, 1967. Another 1,000 are retrenched in 49 establishments, still another 700 were unemployed as a result of 8 concerns closing down. In Bombay, nearly 3000 workers are reported to have been laid off by the end of June 1967. production in many units in the western region also has been at a very low level, and a number of firms are reported to have closed down some of its units or contemplating to close down in other cases. In the northern region also, more than 4000 engineering units are reported to be facing closure due to increased prices of iron and steel.

1 P.M.

Sir, this is what recession has brought us. I need not go into the detailed causes of the recession. But I may say that all this is very largely due to faulty planning.

SHRI MULKA GOVINDA REDDY

(Mysore): Sir, he may continue after the lunch interval.

SHRI DAHYABHAI V. PATEL: If that is your pleasure, I shall do so, Sir.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): All right. The House stands adjourned till 2.30 P.M.

The House then adjourned for lunch at one of the clock.

The House reassembled after lunch at half-past two of the clock, THE DEPUTY CHAIRMAN in the Chair.

SHRI DAHYABHAI V. PATEL: Madam' Deputy Chairman, when the House adjourned for lunch I was talking about the recession that has taken place, a severe recession in the industrial sector. One of the main causes for this industrial recession, Madam, is the fact that the Government itself has had to cut down its industrial programme. Their railways wagon buliding programme, the programme of rolling stock and so on, have been cut down drastically. I think it will be about 33.5 per cent of the 1955-56 level. This naturally affects all sections of the engineering industry because the engineering industry, as it is in this country, is very largely dependent on government orders. Two successive years of drought made things difficult and curtailed the availability of agricultural raw materials for other industries. The sluggish growth of industry in the Third Five Year Plan due to the shortage of foreign exchange also contributed to the recession. The conflicts with our neighbouring countries added to our difficulties. It is therefore not surprising that the industrial production recorded is very low. The record of increase in the first ten months of 1966-67 is perhaps the lowest. In the context of world events also when the Western world is also

facing some sort of a recession, the effect of all this on our industries, on our export trade is bound to be felt. Therefore, what we need to do is to build up our industries on a self-sufficient basis, particularly the engineering industry where we can not only build up self-sufficiency but also— and this is particularly true in the case of our Railways—build up a large export market.

There are certain features of the Finance Bill, Madam, which, I think, are likely to hurt our population, particularly the major part of the population, namely the middle classes and the lower middle classes. The recession will cause further hardship because it will increase unemployment. There is a large class of the middle class and the lower middle class which does not get any dearness allowance to look after it and those in this section are hit very hard by the rise in prices. The *Economic Times* shows a rise of 20 points in the index of food articles and 8 points in the general index—the highest rise in such a short period ever recorded. In this context, would it be necessary even to raise some of the levies that are suggested? Could we not do without raising them? The levies on yarn even if they are for handlooms are going to cause difficulties to the hand-loom weavers and their trade. The duties on tea and coffee are going to affect our export trade in tea and . . .

SHRI MORARJI R. DESAI: Hand-loom weavers are not taxed.

"SHRI BABUBHAI M. CHINAI (Maharashtra): No, only power/looms.

SHRI DAHYABHAI V. PATEL: Yes, powerlooms. I stand corrected.

SHRI A. M. TARIQ (Jammu and Kashmir): Thank God.

SHRI DAHYABHAI V. PATEL: The export duties are bound to affect our exports because the export market, after all, is a competitive market, in the world market. It will

not take what we give it. We have to fashion our duties and our prices according to the requirements of the trade in the world market. What I am saying is borne out by the fact that even in the Super market in Delhi there has been a fall of 11 per cent in the sales of tea and 11 per cent in the case of groceries and 6 Per cent in the case of cotton cloth. The result of all this will be that employment opportunities to the people will be reduced. Hence it is necessary for the Government to change its outlook, its planning and its budgetary policy. We have before us a spectacle of recession, a collapsing economy, of wages chasing prices or prices chasing wages, grave unemployment which causes frustration and unrest in the people—a happy hunting ground for true Communist friends. No wonder we see Mao Tse-tung openly appealing to the masses of this country to rise in revolt and overthrow this Government and to take it over. I do not know whether the Government is fully alive to this situation. I am afraid that the answers of the Defence Minister this morning did not sound convincing to me or to many of my friends on this side. I do not know how they sounded to my friends sitting on the other side.

SHRI S. S. MARISWAMY (Madras):  
It is so to the whole House.

SHRI DAHYABHAI V. PATEL: The only redeeming feature, Madam<sup>1</sup>, is the bounty of Nature. God has been kind to this country and the monsoon promises to be good. Therefore if our poor and hardworking agriculturists are encouraged and provided with proper seeds, fertilizers etc., the crop would be good.

Then we won't have to spend so much of our foreign exchange in purchasing foodgrains. I am glad that the Government, even though lethargical, has at last shed its allergy to Taiwan and Taichung rice and the method of cultivating that rice which matures

fast, which gives higher yields and in some places can give three crops a year. I wish, Madam, my friends, particularly from Kerala, which has a similar climate would use half their energy at least in this direction rather than in the direction in which they have been using it all this time.

Madam, the country therefore faces this very serious crisis. Economically we are practically ruined or bankrupt. Food we have to beg from outside and we have at least two, if not more, enemies at our doorstep. Will this Government be able to meet the challenge and is this the right way to meet that challenge? That is what every patriotic Indian should think.

SHRI BABUBHAI M- CHINAI:  
Madam Deputy Chairman, I thank you for giving me an opportunity to make a few observations on the Finance Bill.

Before referring to some changes made in the Finance Bill, I would like to take this opportunity to make a pointed reference, if I may, to the slowing down of the growth rate of industrial production which has naturally been a matter of concern for all of us. In his statement on the 24th July, the Deputy Prime Minister and the Finance Minister outlined some of the measures to meet the situation.

May I with all the humility at my command say, Madam, that the proposed measures fall far short of the situation which is characterised by:

- (1) Despondency and depression;
- (2) Low production and increasing idle capacity;
- (3) Intensified competition in certain industrial sectors from liberal imports;
- (4) Reduced exports;
- (5) Increased labour and material costs;
- (6) Financial difficulties- and
- (7) Lack of orders.

[Shri Babubhai M. Chinai.]

Let me quote from the Report of the Ministry of Industrial Development. Even taking the year 1966, out of nearly 400 industries, there has been a decline in production as compared to 1965 in 133 industries. The idle capacity as percentage of total installed capacity is as high as 53 in the case of steel castings, 49 in the case of railway wagons, 36 in the case of steel forgings, 35 in the case of heavy structurals, 33 in the case of welding electrodes and 28 in the case of machine tools. The situation has further deteriorated in the first half of 1967 causing wide-spread apprehensions about the future of industrial growth. This situation, is also resulting in closure of units with all its attendant consequences which may lead to greater retrenchment of labour than has been the case so far.

The causes of the crisis are well known and include lack of purchasing power, reduction in placement of orders by railways. The fiscal and monetary policies of Government have accentuated the recession. Our exports have not picked up despite devaluation. They are on the contrary, on the decline. This is partly due to recession in leading industrial countries like the U. S. A., the U. K. and Germany. The short industry today is faced with the problem of rising costs and lack of effective demand, both internal and external.

I believe that the recessionary trends may get accentuated in the next two or three months. The situation will not improve even if we have a good agricultural crop. A good monsoon will not in itself transform the present situation of gloom to cheer. God will help those who help themselves. Nature's bounty must be supported and supplemented by human effort and governmental policy is so integral for a variety of reasons, to the efforts of the people in India.

In order to tackle the situation, we may reasonably start with the premise that the agricultural production will be good, certainly better than the past two or three years. On this basis, the line of action should be clearer. The process of accelerating investment in the private and public sectors must begin straightway through the initiation of a more active policy and the fear of increasing inflationary pressures should not—I repeat, Madam, not—guide our actions now.

Before turning to measures which need to be taken immediately, I would state that if the recessionary conditions are not arrested, it will have a serious repercussion on governmental revenues. The yield from Corporation tax new estimated at Rs. 350 crores will be much less; so also the yield from excise duties which without the additional imposts proposed was estimated at Rs. 1116 crores in 1967-68. Industrial and economic activity can be revived only by greater investment in quick maturing projects, be it through the private or the public sector. The situation demands that schemes with a long gestation period must be given up unless these schemes relate to the building up of the infrastructure.

With a view to making the best use of the taxpayer's money, Government should give up such schemes which can be taken up by the private sector. I have in mind the proposed Government investments in steel foundries and structurals for which there is already capacity in the private sector. At the same time, the limited and, might I say, not so buoyant resources of Government should not at all be frittered away in schemes such as those for setting up of cotton textile mills or sugar mills. On the other hand moneys thus not mis-spent should be used for building up the infrastructure of the economy through provision of larger transport system and implementation of power schemes, etc.

Government should also be prepared to give necessary fiscal incentives to

stimulate demand and production even if it means a temporary loss in revenue, for if the demand does not get revived, the loss in revenue will be larger. Similarly, selective reduction in excise duty on consumer goods and consumer durables may mean a temporary decline in revenue but if this is not brought about, the goods will not sell, production will go down and along with it, governmental revenues will also be much lower if tax reliefs are not given.

I fully realise that the kind of programme I am suggesting can be initiated only through a Budget. I, therefore, suggest that Government should be willing to bring forward at the next session of Parliament a Supplementary Budget, conceived as an instrument of economic revival and economic growth. At the same time Government must go ahead with their programme of liberalising the forces of economic growth through reduction of controls, industrial licensing etc., so that the manufacturers are given freedom to adjust their pattern of production to the pattern of demand. The Reserve Bank's credit policy has to be liberalised, so that money is made easily available for production and trade. Some concessions were announced on 31st July with a view to stimulating the flow of credit to priority sectors like agriculture, exports and small industries. For example, the Reserve Bank will provide re-finance at 44 per cent to scheduled banks with regard to backing credit advanced to exporters of engineering and metallurgical products. While these concessions are in the right direction, they can hardly meet the challenge posed by the present situation. Exports and small-scale industry are no doubt important, but our immediate problem is to put idle capacity to work. In this context, selective credit expansion will be of little avail. It is imperative that credit should be liberalised generally.

I would also like to say one word about the dear money policy followed by Government and its consequences.

Today, investment in equity capital has become totally unattractive, if viewed in the context of the returns one can obtain, without too much of risk, through various forms of deposits, the scarcity of money should be removed so that more of it is available for increasing production.

There is one point in the statement of the Deputy Prime Minister which appears to be sound in the present context, but whose long-term implications should be taken note of. The intensification of restrictions on imports will, no doubt, give greater scope for indigenous producers of capital equipment as well as of components and spares. However, my fear is that this will lead to excessive scrutiny by the Directorate General of Technical Development and would in itself become a clog in the wheels of production. The import policy can become a more powerful engine of growth if the import duty structure is revised, so as to give the desired protection through the tariff mechanism, rather than through reliance on the direct form of control.

With regard to exports, the peripheral adjustments made in the export duty are not going to lead us too far. The other point spelled out related to the provision of "export finance on suitable terms." There is no doubt that sales abroad will be promoted if exporters are enabled to supply capital equipment on a deferred payment basis. I would urge that the arrangements in this regard must be put into action immediately. However, it must also be recognised that by themselves they will help only a relatively small sector of our exports, say, at the most 5 per cent of our total export trade. There is need for evolving appropriate export assistance schemes for other items, for it has to be noted that in the full year after devaluation our overall exports have gone down to \$1556 million, as compared to \$1720 million in the period June 1965 to May 1966, which shows a



[Shri Babubhai M. Chinai.]

decline of as much as 9.6 per cent. I am afraid that we have not yet geared ourselves to give the desired support to our traditional export items like cotton textiles, and must do so urgently.

Since the Budget has been passed by the Lok Sabha, I do not wish to say much about the specific provisions of the Bill at this stage. I welcome the decision of the Deputy prime Minister and Minister of Finance regarding modifications in his Budget proposals concerning deduction of tax at source. Unfortunately, the modification relates only to items like professional fees, brokerage and commission. He has specifically excluded interest from the purview of the concession he has announced. I cannot understand why this item has been exempted, because the regular income-tax assesseees will be heavily burdened as they are liable to payments of advance income-tax annuity, etc. I hope the hon. Finance Minister will give thought to this suggestion about dividend exemption.

The excise duty structure is becoming highly complicated and an early opportunity should be taken to amalgamate the basic and special duties of excise. At the same time, I for one am not happy with the widening of the principle of differentiation in production for purposes of excise levy in my view, this does not further the larger economic objective of proper industrial development where efficiency occupies an important place.

Similarly, I would say that the kind of proposed arrangements which Government wishes to devise to see that excise duty is not allowed to be passed on to the consumer will become a veritable source of friction between Government and producers, as also between producers and distributors and consumers. Besides, this move brings back price control through the back door. Any day I would prefer recognisable and identifiable controls

approved by Parliament to executive fiats. The market forces must be allowed to have their full play and I dare say that if this is done the consumers' interests will be better safeguarded than through overmuch executive interference in devising arrangements of different kinds with different producers, etc.

Before I close, I would like to say a word about the Annual Plan for 1967-68, which has been presented to Parliament. The Plan makes a provision of Rs. 2246 crores for the current year for the public sector outlay by the Centre, States and Union territories. Although this amount is higher than the interim Budget provision by Rs. 89 crores, it is almost the same as the outlay last year and smaller than the outlay for 1965-66, the last year of the Third Plan, by over Rs. 130 crores. At a time when industry is not in good shape, the cut in Plan expenditure will make matters worse. In fact, Government should have taken the opportunity to step up the Plan outlay. Economies in expenditure should be done not in respect of development, but non-development items like administration, subsidies, etc. The Budget and the Annual Plan seem to be very much influenced by the uncertainty about monsoons. This is no doubt justifiable. But when firm estimates are available about the size of crops, Government should make a re-assessment of the situation and initiate suitable policies and action which will pull the country out of the present recession. I am sure the Deputy Prime Minister and Minister of Finance is as much concerned about this problem as all of us are and he will not fail us in our expectations.

SHRI MULKA GOVINDA REDDY:  
Madam Deputy Chairman, we are passing through a crisis. There is the food crisis in the country. We have not been able to produce adequate food in the country. It is a sad commentary on the planners at

well as on the Government that has been in power for all these twenty years. India is an agricultural country and most of the industries are based on agricultural produce. In spite of that Government did not take proper initiative in providing funds for the improvement of agriculture. We are going about from country to country begging for food. This situation has now been aggravated by the closure of the Suez Canal. Government might be having their sympathies with the U. A. R. But here is a vital waterway, and the Suez Canal be internationalised. Similarly with regard to all waterways particularly canals where ships have to pass through, all countries should have freedom of access to those canals; otherwise the fate of some of the countries which depend on the passage of ships through these canals for food and other supplies will be in danger.

3 P.M.

Added to this problem, Madam, we are facing two powerful enemies on our border. China is unfriendly to us and in collusion with Pakistan is trying to create trouble on our borders and trying to interfere with our internal affairs. In spite of the Tashkent Agreement, Pakistan is building up its armaments. Its present army strength, both in conventional weapons, is much more than what it was in 1965. Arms supplies made to them by West Germany, Iran, the U. S. A. and other countries have further aggravated the situation. Government does not seem to be alive to the danger that is now posed before this country. I therefore urge that proper steps should be taken to face the challenge of China and Pakistan. China has developed the hydrogen bomb. It may be necessary for India to be prepared to manufacture the hydrogen bomb in order to face this challenge. When two powerful countries who are our neighbours are in collusion, we must be prepared to face the combined challenge and make every effort to see that the country is not subjected to humiliation again.

Madam, we must develop friendly relations with our neighbours particularly in South East Asia. There is a feeling that India is not very much interested in small countries like Burma, Ceylon, Malaysia, Thailand, South Korea and such other countries. The danger of China should be realised. She wants to control the entire world, she wants to bring the entire world under her sphere of influence, and she is playing havoc in South East Asia. So we must develop more friendly relations with our neighbours. When China is hostile to us, when China is helping our enemy—China is as much our enemy as Pakistan—we should do everything to see that China's influence is curtailed, and particularly in the United Nations we should see that China is not admitted into that world body. We must recognise the Government of Taiwan. Not that we are opposed to the unification of China. If those two countries come together, we would welcome that. But as long as there is that reality, we should recognise Formosa. Similarly we should recognise East Germany. We are not opposed to the unification of Germany. If East Germany and West Germany were to get united or to be unified, they will have our sympathies. But East Germany is now a reality. For the last twenty years it is existing there and therefore we should recognise East Germany as well. When we go to Europe, the question of recognition of East Germany comes. We are afraid that the U. S. A. might not relish our recognition of East Germany. Similarly when the question of recognition of Formosa comes, we do not want to displease China and other Communist powers. This attitude should go. We should recognise the reality. I therefore urge that these two countries should be recognised. Similarly with regard to Israel, we are afraid of Arab opinion. Israel was created about twenty years back. It is a reality. It was created with the willing co-operation of all the powers that were there at that time. Therefore, we should recognise Israel and have relations at Embassy level. The whole trouble in

[Shri Mulka Govinda Reddy.] West Asia today is that the existence of Israel should be recognised by the Arab countries. We want a peaceful solution of disputes, particularly the crisis that is now there in West Asia. If Israel's existence is recognised, and if the parties to the Arab-Israeli war talk over at a conference table, it is possible for them to come to some understanding, and we should aid in that process. Instead of that, the Government of India committed a grave blunder in taking a partisan attitude and lost an opportunity of taking the initiative in bringing about some sort of understanding between these countries who were at war, who are still at war—even though there is a cease-fire, it is an uneasy cease-fire and peace has not been restored. Unless this primary thing is recognised, it will not be possible for these countries to come together and peace will not be restored in that part of the world.

Madam, the Finance Minister has imposed both direct and indirect taxes. I would have appreciated if the Finance Minister had imposed these taxes after he had taken care to see that there was proper economy in the administration. Monies are squandered and proper steps have not been taken to collect monies that are due under income-tax, excise, etc. Many a time questions have been asked in this House that there are many tax-evaders. The question of arrears of income-tax from Mr. Biju Patnaik had figured in the Question Hour on the floor of this House. There are nearly Rs. 300 crores which are evaded by some of the big business men in the matter of income-tax. There are nearly Rs. 3,000 crores of unaccounted money. Some time back some steps were taken to unearth this unaccounted money. But unfortunately, proper steps have not been taken to unearth this money. Therefore, in order to unearth this unaccounted money and to see that the taxes are not evaded, the Government should take very radical

measures and they should think of demonetisation. That seems to be the only solution for unearthing this unaccounted money.

SHRI AKBAR ALI KHAN (Andhra Pradesh): Is it in the banks?

SHRI MULKA GOVINDA REDDY:

It is not all in the bank. But some of that money is in the banks in the names of some of the relations or friends of these business men.

Madam Deputy Chairman, I was referring to the crisis that we are passing through. The prices of all essential commodities are going up and justifiably, there is a demand for wage increase, for an increase in dearness allowance and for an increase in salaries. Government have not taken steps to maintain the price line. If the price line is not maintained the prices will go up. The cost of any project will go up also—be it an irrigation project, be it a hydro-electric project or a steel project. So much so the cost of almost all these projects will go up and it has been going up— I may here quote the instance that in Mysore the Sharavati Valley Project was estimated to cost Rs. 23 crores. But now more than Rs. 100 crores have been spent, and another Rs. 50 crores have to be spent before the project is completed. Similar is the case with so many Central projects that are now undertaken. So much so, the physical targets of the Plan are not achieved and the cost of every project is going up. So, unless and until the price line is maintained, it is not possible to feed the population and to achieve the physical targets adumbrated in the Plan.

Madam Deputy Chairman, this year, in the proposals of the Finance Minister there was a levy on powerlooms, which is unwarranted. And there is an increase in the excise duty on petrol and diesel oil. So much so, even the agriculturists will find it difficult to get diesel oil for lift irrigation

purposes. And the cost is going up. So, how can you expect that food production will go up if you levy such imposts on diesel oil, etc.? If you are really serious about increasing the food production, all facilities should be afforded to the agriculturists and these levies should be withdrawn.

Madam Deputy Chairman, there is recession and inflation. The Finance Minister feels shy of calling the present crisis as a recession; he would go to the extent of saying that it is only a slump. Just now, Mr. Babubhai Chinai as well as Mr. Dahyabhai Patel have mentioned and have quoted some instances to show, that there is a recession. We know that in the cotton textile industry some textile mills have been closed down, not only in Mysore but also in many other States. And there is a crisis in the sugar industry as well. Many sugar mills have gone out of production and they have closed down. So, there is a recession in almost all the industries. In the engineering industry, it is said that many engineering units have gone out of production. Even in the HMT, there are so many machines which are now lying idle. They have not been able to sell those machines. This is the case of the public sector industry. The same thing is there in the private sector industry. Unless something radical is done, it is not possible to revive or revitalise our economy. There is growing unemployment in the country and this recession has aggravated the situation. There are thousands of technical graduates and diploma-holders who are now wanting employment but they are not getting any employment. On the other hand, the prices are going up, the people are demanding more wages and the services are demanding more dearness allowance. The Central Government employees as well as the employees of the Railways have not accepted the recommendations of the Gajendragadkar Commission with regard to dearness allowance and they are protesting against them. Yesterday I witnessed the mass fasts undertaken by the office bearers

of the Northern Railway in Delhi. In most of the cities, the Central Government employees have been protesting against the recommendations of the Gajendragadkar Commission. The State Government employees are also asking the State Governments for increase in dearness allowance or for bringing the dearness allowance to the level of that of the Central Government employees. It may be difficult for the State Governments to accede to the demand of the State Government employees unless the Central Government comes to their aid, and the Central Government should bear a certain percentage for financing the increase in the dearness allowance to bring it to the level of the Central Government employees' dearness allowance.

Madam Deputy Chairman, the last thing I would like to add is that unless the Government introduces radical economy measures, this spiralling rise in prices will go on and the Government will be bringing forward more taxation measures. People are over-taxed, particularly with indirect taxes and the ordinary common man cannot afford to bear them. He is already heavily burdened and these taxes are going to put a much heavier burden on him. Therefore, I would ask the Finance Minister to find out ways and means of effecting economy in all sectors and to see that he does not resort to imposing more taxes, particularly indirect taxes, on the common people.

I do not know why he abolished the Expenditure Tax. That would have, to a certain extent, acted as a deterrent on the spending of the rich people.

SHRI MORARJI R. DESAI: It was not abolished this year.

SHRI MULKA GOVINDA REDDY: Not this year. It was abolished last year but it should not have been abolished. It would have acted as a deterrent on the spending of the rich people in this country.

[Shri Mulka Govinda Reddy.]

Madam, the Finance Minister should also have come forward with a scheme to find resources for governmental spending, particularly for developmental activities. The question of nationalisation of banks and general insurance is to be viewed from that point of view. If banks are nationalised, if general insurance is nationalised, it will be possible for the Government to find adequate resources for financing the developmental activities.

I am opposed to indirect taxes that are now being imposed on us through this Finance Bill. Thank you.

SHRI N. R. MUNISWAMY (Madras): Madam Deputy Chairman, I have to congratulate the Finance Minister for taking steps to see that the scheme of tax-structure is bifurcated into two parts. In the first part he has made an effort to see that the machinery for assessment is geared up so that the officers spend enough time to see that proper assessment is made. Secondly, after the assessment is made he has tried to see that the Department realises the taxes. These two sections, namely, bifurcation of the tax-structure is really a welcome sign. The officers will spend more time to make proper assessment and the other section will take steps to see that the tax is realised. Now there will be efficiency on both sides—assessment as well as recovery. I am sure the implementation of these two parts will be effected satisfactorily. I am sure this new method which he is adopting must be based on a certain experience which has been brought to his notice by this Department.

Madam<sup>1</sup>, considering the general economic situation of our country everybody must feel unhappy over the recession in every walk of life, industrial as well as agricultural. In both these sections there has not been much which could be said to the credit of our country. Therefore, the Finance Minister is taking some steps to re-allocate recoveries as well as the assessment aspect.

Among other observations which I wish to make in this connection is the public sector undertakings. So far as they are concerned, I am sure—I speak subject to correction—full utilisation of the capacity has not been done. The capacity of steel plants to the extent of 45-55 per cent, only is being utilised. The rest is idle. Therefore, instead of opening a few more steel plants we can exploit the idle capacity of the existing steel plants so that we can be satisfied that we are utilising the capacity to the best of our ability instead of going in for new plants.

Coming to non-plan expenditure, I am glad to say that the hon. Minister has taken steps to see that some of the posts of Joint Secretaries, Deputy Secretaries etc. are abolished. Now I would only request him that the administrative expenditure in all departments, without any distinction, should be drastically cut from 5 to 10 per cent. Unless he takes that bold step we can not have any satisfactory achievement which he is having in his mind. Effecting economy here and there in some departments will not do. Therefore, excepting Defence, Food and Family Planning, the rest of the departments must certainly come within the scope of this drastic cut.

The other item to which he has to give some thought is the Social Welfare Board and the Khadi and Village Industries. Madam, the grants and loans which are being given to these voluntary organisations must be either reduced or totally cut. They must stand on their own legs. It is no use subsidizing them. How long can you go on like that? The Social Welfare Board and the Khadi and Village Industries have done their job and they should not hereafter be subsidised to a great extent. They should stand on their own legs. Otherwise what happens is there is not much effort on the part of these voluntary organisations to be self-sufficient as we would like them to be. How long can you spoonfeed them? Therefore, as far as possible-

the loans and grants which the hon. Minister has offered to these voluntary organisations must be stopped forthwith.

As regards the taxable limit, some people desire that the lower limit should be raised while some others desire that the limit should be further lowered from Rs. 3,000. There are reasons that can be assigned both for and against it. But we who believe in the socialist pattern of society believe that we can decrease the minimum taxable limit so that we can justifiably come within the scope of the socialist pattern of society. The individual should have the thrill that he has contributed something towards the nation's wealth. He must have the feeling that he is contributing towards the country's growth and development.

Madam, as it is, compared to the population of 50 crores we are having only 20 lakhs of assessees which works at the rate of .4 per cent, against 20-30 per cent, in the advanced countries of the U.K., Japan and the U.S.A. By that we can understand that the number of assessees, compared to the population of our country, is very much lower when compared to advanced countries. And when compared to the tax they are paying, I should say that our taxable limit is much lower than theirs. Therefore, Madam, I should say that there is a case for the tax limit to be further lowered from what it is today.

As regards direct taxes, I wish to make certain observations. It has been said by several hon. Members here that there has been a great deal of tax evasion. We can certainly understand tax avoidance within the four corners of law where anybody can avoid. But we cannot allow people to evade taxes. What one has to pay, he must pay. He should not go on evading. There have been instances quoted in this House that so and so has evaded so many crores of rupees and despite the efforts of the

Government the tax has not been realised. The amount of the tax arrears alone comes to Rs. 300 to Rs. 400 crores. We should take steps to recover it. Let me illustrate by a small example. If we award severe punishment to one who evades tax we can realise more tax. Suppose somebody picks somebody's pocket. He takes out from his pocket something the value of which may be just a couple of rupees or a few annas. Then what happens if he is apprehended. He is sent to jail, say, for 3-4 months depending upon the gravity of the offence he has committed. But what about the tax evader who evades not two annas or four annas but to the extent of crores of rupees? After a regular enquiry if he is found guilty, he is only penalised. Only some minor penalty is levied on them, but nothing happens. There should be some sort of social ostracism for the tax evaders. If people evade taxes and if they are caught, what we should do is we should publish their names in all newspapers, saying so and so evaded so many lakhs of rupees and cases are pending against them. If their names are notified in all papers like this and there is social ostracism, they will certainly feel sad about their behaviour and will pay for it. Otherwise what happens is people who evade taxes simply throw fine dinners and luncheons to all the leading dignitaries and the tax officers are afraid to approach them because they are so near to the high-ups in the country. So there is a certain amount, of fear inculcated in their minds. Therefore, we have to come down with a very heavy hand on these tax-evaders and not allow them to set their foot on our threshold. Their names may even be gazetted. Just as appointments of people are gazetted, if the tax evaders are also gazetted the moment they are caught, people will realise that they have become almost cuprits to the nation and there will be social ostracism and they will be regarded as anti-social individuals. Therefore,

I would suggest that we must take

[Shri N. R. Muniswamy.] severe steps in regard to the tax-evaders. When small offences are dealt with severely, people who evade lakhs and crores of rupees are dealt with leniently and given all sorts of respect; they come with a smile and are received with a smile. Just imagine the way in which they deal with the high-ups. Therefore, if we really want to see that these people are reprimanded, we must see that they are not allowed to come near, the moment they happen to be tax evaders.

Sir, the other point which I should like to mention is with regard to the indirect taxes. So far as the indirect taxes are concerned, every one of us is paying it. In regard to the direct tax, we are able to see that we are paying the tax and so we begin to raise a hue and cry. The indirect taxes are collected in a sly way and nobody understands whether we are paying them. We have to purchase all sorts of things for our existence and whatever we buy, excise duty is levied on it and we have to pay for it. So with regard to the excise duty on footwear, the Finance Minister has stated that for footwear of Rs. 5 and below, a sort of leniency has been given, and there is no excise duty on them at all. I also come from a village and I have not seen, even in the wayside shops or bazaars where people use some inferior type of things, shoes or even *chappals* being produced for Rs. 5. The minimum price would be about Rs. 8 to Rs. 10. Therefore, I would request that the excise duty on footwear of Rs. 5 should be done away with and the limit should be raised to Rs. 8.

Then, the sales-tax happens to be a bugbear to every one of us. It varies from State to State and even within a State there is no uniform type of sales-tax. Therefore, instead of having the sales-tax dependent on the whims and fancies of the heads of departments of each State, it is better that the sales-tax is merged with the Central levies and the Central

Government must take full responsibility, after it is merged, for its collection and whatever amount is collected can be paid back to every State. So I would say that the sales-tax has to be merged . . . (*Time bell rings*). I will finish in three minutes. Then so far as export incentives are concerned, we give tax reliefs when a commodity is exported outside. I would say that we must have some restrictions so far as the internal consumption is concerned. People should not be allowed to have much internally and we must allow as much as possible to be exported so that we can earn foreign exchange. If internal consumption is restricted, we shall not feel sad about it because we are in need of foreign exchange. Therefore, there should be some restriction on internal consumption so as to leave more for export. Internally, there may be higher prices but people would not mind paying higher prices because whatever we get from outside, we can certainly use it for other purposes.

THE DEPUTY CHAIRMAN: You have taken 15 minutes.

SHRI N. R. MUNISWAMY: I will finish. The last thing I would like to say is no Finance Minister goes with any encomiums. Whenever he presents the Budget or the Finance Bill, he gets odiums and brickbats, nothing else. With all that, the Finance Minister is bold enough to take everything in a smiling way. He does not feel dejected. Whether it is encomium or odium or brickbats, he should take courage in both hands and irrespective of any department, see that the administrative expenditure is drastically cut, to the extent of 10 per cent; thereby he can save money. He can certainly save money and also see that the administration is run efficiently. Thank you.

SHRI D. THENGARI (Uttar Pradesh): Madam, coming from UP. I am seriously aware of the crisis in our sugar industry. We have insisted

throughout that three conditions must be fulfilled regarding this industry, (i) The yield of cane must be 30 tonnes per acre; (ii) Sugar recovery must be 11 per cent., and (iii) Duration of the crushing season must be seven months. If this is done, we feel the sugar production capacity will come to 50 lakh tonnes, while the actual average production to-day is 25 lakhs tonnes. Thus 50 per cent, of the capacity is going waste on account of shortage of raw material and its poor quality. The remedy lies in increasing the yield of cane per acre and its sucrose content in the field, and larger duration of crushing season and sugar recovery in the factories. This will increase the productivity of land, labour and the factories. This will ensure cheap sugar for Internal consumption as well as for exports. Our actual consumption of sugar to-day is only 25 to 30 lakh tonnes. It will be detrimental to convert rice-production area to sugar-production by giving loans and licences for establishing new factories or for expanding the capacity of the existing ones. If the above conditions are fulfilled, there will be no need or justification for such loans and licences.

We can increase the yield of cane and sugar recovery by installation of 5,000 tubewells in U.P. alone which will cost only Rs. 50 crores, spread over a period of five years and by giving Rs. 16 crores worth of fertillisers on loan to the cane-growers. This will enable us to produce 24 lakh tonnes from the factories in U.P. alone against their production of 7 lakh tonnes in 1966-67 and expected production of 4 to 5 lakh tonnes in 1967-68.

The expenditure of Rs. 200 crores for the installation Of new machinery, whether for establishing new factories or for expansion of the existing ones, must be stopped forthwith All that money should be placed at the disposal of the State Governments for

intensive development of cane, irrigation and fertilisers. This will give an additional income of Rs. 200 crores per year from the existing factories of U.P. at the present rate of sugar price of Rs. 1,400 to Rs. 1,500 per tonne. This will also enable us to reduce the area under cane in the reserved areas of sugar factories from the average acreage of 22 lakhs to 11 lakh acres. They will also be able to manufacture 10 lakh tonnes of gur, valued at Rs. 100 crores, in addition to the supply of full requirements of cane to the factories. There is also a dispute about the supplies of cane between the vacuum-pan factories and power crushers. I would suggest that the areas of the two should be clearly demarcated and the owners of power-crushers should be made responsible for the development of cane along the lines suggested earlier. The Government should help both with money and material to obtain quick results. Remission of 50 per cent. Of purchase-tax and excise duty on excess cane crushed and sugar produced, over and above the average of the last 5 years, is also a measure I should like to suggest. This would give an additional income to the Central Government as well as the State Governments, without putting any financial burden or responsibility on them. I would like to urge that an expert in sugar industry from Lucknow, one Mr. Thakurdas Sahni, has conducted research in this respect. He has submitted his suggestions to the Government of India and I would urge that the Government should take him into confidence and discuss with him the pros and cons of the scheme suggested by Mm.

Regarding agriculture, I am sorry to find that there is no strict implementation of the various provisions of the Land Reforms Act particularly those regarding ceilings and the cultivable waste land, the land rendered surplus on account of the ceiling has not yet been distributed among the landless labour. If I remember aright, a couple of years back, the Government



[Shri D. Thengari.] had assured that such land would be distributed among the landless labourers particularly those belonging to the Scheduled Castes and the Scheduled Tribes but it has not yet been done. It is also necessary that the flow of agricultural credit should be freed from or cleared of political influence. In the field of industry, it is necessary that industrial peace should be maintained because unless there is extra production, there cannot be any distribution but it is the responsibility of the Government to function as model employers. Then alone it will have any right or authority to guide properly the industrialists or the employers in the private sector, but I am sorry to state that the Government has failed so far to carry out its responsibilities as model employers. Particularly the practice of Government of going back on its words is responsible for much of the discontent and heart-burning. The case of the employees of the Ministry of Food and Agriculture whose services have been transferred to the Food Corporation of India is one of such instances. They are Government servants and when they entered the service, they were given certain undertakings about their service conditions, the continuity and security of their service and the pensionary and other retirement benefits. When certain functions of the Food Ministry were transferred to the Food Corporation, these functionaries also were simultaneously transferred. Now the Government cannot deny them any of the benefits to which they would have been entitled, had they continued formally as Government servants, because their services are transferred to the Corporation. Again the Government cannot absolve itself of its responsibilities towards these employees even if the Food Corporation is wound up or there is shrinkage of work of the Food Corporation. Under any of these contingencies it is the Government's responsibility to see that their continuity of service conditions and the retirement benefits as

Government servants are ensured. The Government should come forward with a clear assurance that it will carry out its responsibilities under any circumstance.

Recently there has been a case of breach of trust in the L.I.C. An agreement was arrived at between the National Federation of Insurance Field Workers and the L.I.C. authorities on 24th December 1966 to the effect that there would be negotiations between the two about the question of D.A. in case there is any rise in the cost of living index. Now the L.I.C. have come forward with a plea that they will not consider any rise in D.A. which is in excess of Rs. 155 and which is the existing ceiling for Government employees. Regarding the clause in the Agreement regarding House Rent Allowance also the authorities are going back upon their word. Regarding other items, the authorities have refused to conduct negotiations though such negotiations are a 'must' under the Agreement. This is a case of breach of trust and I hope the Finance Minister will look personally into the matter.

THE VICE-CHAIRMAN (SHRI M. P. BHAPGAVA) [in the Chair.]

There is yet another instance of the breach of trust. When the 'work-to-rule' agitation of the Telegraph Traffic III employees was withdrawn, the hon. Minister for Communications had given certain assurances on the floor of this House. Those assurances have not yet been fulfilled. There is a feeling that the fulfilment of those assurances could have been possible had the Finance Ministry extended a helping hand in the matter and I think it is high time that the Minister should come forward with the helping hand so far as the problems of the Telegraph Traffic III employees are concerned.

The employees of the Rehabilitation Department are facing the danger of large-scale retrenchment on

account of the anti-labour decisions of the Staff Inspection Unit of the Ministry of Finance. In this Department there appears to be an unholy alliance between the higher officials on deputation and the Ministry of Finance to effect a drastic cut in the staff strength. I must warn the Government that if they implement the suggestions of the Staff Inspection Unit and retrench workers without offering them earlier alternative jobs with similar grade and seniority, they will have to thank themselves if they are required to confront a mass agitation.

SHRI AKBAR ALI KHAN: Are they permanent servants?

SHRI D. THENGARI: They are not but they are Government servants. They have worked for 18 or 20 years and it is the responsibility of the Government to confirm them.

SHRI AKBAR ALI KHAN: They ought to be.

SHRI D. THENGARI: Yes. Then there is our moral responsibility towards the employees who have come to India from Pakistan. Counting of service for pension, in respect of displaced temporary Government servants coming from N.W.F.P. and Sind has been defective. They have been discriminated against in the matter - of counting their pre-migration temporary service towards pension. In the case of those whose service records have not been received from the Government of Pakistan, it has been provided that the temporary service declared by them on the basis of collateral evidence will count only to the extent of 5 years. This is unjust. In their case, the basis of collateral evidence should be accepted as sufficient. For, they are in no way responsible for the non-receipt of their service records from the Government of Pakistan.

The employees of the Survey of India all over the country have recently launched an agitation. The recommendations of the Survey Reviewing Committee were 'accepted in principle by the Government. Hon. Ministers of Education, Shri Kabir and Shri Chagla, assured on the floor of the Parliament that the pay scales of these employees would be revised but the Ministry of Finance is refusing to fulfil these assurances. Apart from the large 'army of the unemployed and the underemployed, the largest single section of the working classes is that of casual labour. Curiously enough, lakhs of workers under the various employing Ministries are continued for years as casual for a number of years, even for 12 or 13 years.

The recommendations of the Second Pay Commission in regard to the policy relating to the employment of casual labour and regulations of the terms and conditions of their employment have not been followed by the employing Ministries in the case of their casual labour. It is for the Minister to ensure that these recommendations are properly followed.

Then there is the general question of the Central Government employees. To-day the Finance Minister is very well aware that 22 lakhs of Central Government employees are extremely agitated because of the reluctance of the Government to give its own decision on the recommendations of the Gajendragadkar Commission and also because of some news item in the papers that the hon. Minister is thinking of a wage freeze. So far as the recommendations of the Gajendragadkar Commission are concerned, the employees have expressed clearly that those are not satisfactory. I do not know whether there were limitations on the Commission because of the terms of reference but one thing is certain that they have not received what they expected to and therefore there is much discontent even about the recommendations as such. The low-paid employees who are on subsistence level have not been given

[Shri D. Thengari.] any neutralisation. The Commission has failed to enunciate any principle about the protection of real wage and therefore full neutralisation has not been granted even to those who are paid less than Rs. 300 because according to us the economic limit of subsistence level should be considered at Rs. 300 even as that of vulnerability at Rs. 750 while the Commission has treated it at the level of Rs. 575. At the same time they have recommended that if there is a 10 point rise in the course of a year; there should be negotiation started. As a matter of fact, we had suggested that after every six months and after a rise of 5 points there should be a fresh consideration. The Commission has itself suggested that there is likely to be a price rise. We think that because of the wrong economic policy of the Government there would be an unprecedented price rise in the near future and because the recommendations made are quite unsatisfactory and a price rise is inevitable it is but proper that the Government should immediately declare the appointment of a Third Pay Commission for all Central Government employees excluding the Railwaymen for whom a separate wage board should be appointed.

The subject of wage freeze has been referred to. It has also been asked whether the Government is prepared for a profit freeze, a price freeze and an expenditure freeze. But we are told that there would only be a freeze in the case of wages. As a matter of fact, it is not possible for the Government.

SHRI AKBAR ALI KHAN; In the case of profits also.

SHRI D. THENGARI: With due respect I would say that it is not there.

SHRI SUNAR SINGH BHANDARI (Rajasthan): At least it is not proposed.

SHRI D. THENGARI: So far as the prices are concerned, it seems that it is not within the competence of the Government to control prices. Every time we are confronted with the price spiral and this talk of wage freeze becomes irrelevant. What is needed is a basic approach. That basic approach should be about our planning itself. The size of the Plan is not material, but the character of the Plan is. It is necessary that the projects in our Plan should be of the production-type, labour-intensive and depending least upon foreign aid. I welcome the appointment of our revered Gadgil Sahib to the Planning Commission. I wish that the entire Planning Commission should be a body of economic experts, freed from politicians. I also wish that our central banking authority, the Reserve Bank of India, should also be guided by the advice of economic experts and not by bureaucrats. If the Plan changes its character and if more and more employment opportunities are offered only then will it be possible for us to increase the purchasing power, the purchasing capacity of every individual citizen. Therefore, without effecting any basic changes in the character of our Plan, it would be wrong, to think of a wage freeze. It would only invite or provoke the Central Government employees to further agitation. I learn—I am not sure whether I am correct—that the leaders of the Central Government employees wanted to wait upon the hon. Finance Minister. But he is reported to have said that such discussions would be of no avail. I do not think this is a correct approach. He should be free to be converted to the other's point of view if there are genuine arguments on the other side. In this way if he keeps his mind open there is every possibility that matters will not be precipitated and the Central Government employees would not be required to launch an agitation. I urge upon the Finance Minister to consider this aspect seriously and to ensure that he gives a lead to the Central Government as a model.

employer and to the other industrialists, in maintaining industrial peace. I say this because very often in our country it is found that because of the wrong and adamant attitude of the employers, the workers are forced to adopt measures which they otherwise would not have adopted. Therefore, this is a golden opportunity for the hon. Finance Minister to give Q correct lead not only to the other employing Ministries but also to the industrialists in the private sector. I hope he will not miss this particular opportunity. Thank you.

SHRI P. N. SAPRU (Uttar Pradesh) : Mr. Vice-Chairman, I would like to make a few observations on the ...

SHRI AKBAR ALI KHAN: Sir, may I request you to -allow him to speak while sitting? I say this because he had some heart trouble some time back.

SHRI P. N. SAPRU: That is all right. Mr. Vice-Chairman, I Would like to offer a few observations of a somewhat academic nature without using statistical material on certain aspects of the Finance Bill. But before I do so, I would like to warmly welcome the appointment of Prof. Gadgil as Deputy Chairman of the Planning Commission. At a time of crisis like this we need an economist of the highest distinction to advise us in regard to our planning. That our planning, has been defective in some respects, there is no doubt. I must not, however, be understood to say that we have achieved nothing during the last twenty years that we have functioned as an independent State. Planning is a difficult task. We have to profit by our mistakes and perhaps in our effort to have a self-generating economy there has been some neglect of the agricultural sector. Prof. Gadgil is an economist trained in the school of classical economists with definite leanings towards socialism. He believes that for this country cooperation is more suitable

than competition. More importantly he looks upon the Planning Commission as a technical and advisory body which should make an effort to examine individual , proposals and make their recommendations as objective as possible. He is not opposed to high taxation on the rich and I think the Planning Commission should have an advisory panel of intellectuals drawn from all parts of the country just as the late President Kennedy had surrounded himself with. It is on the basis of the recommendations of a body like this that the appropriate political authority will take decisions of a practical nature. In his book on Planning and Economic Policy in India, Prof. Gadgil has expressed the view that the composition and the situation of the Indian Planning Commission have resulted in pushing the aspect of technical expertise and objective examination into the background. He has further expressed the view that the Planning Commission should no longer have any executive functions and should not get mixed up with the process of final policy making. In his opinion the Planning Commission should be an expert body designed to help Ministers rather than an authority engaged—to quote his words— "inbargaining with bullying or being bullied by a governmental organisation".

In planning, the determination of priorities is of high importance. To suggest that we should place no importance on heavy industry which is necessary for a self-generating economy is nonsense. But it is also important for us to remember the importance of the agricultural sector and a definite price policy which takes account of actual conditions in the country. The fact that has 4 P.M. to be appreciated by us is that in spite of the progress that we have made 75 per cent of Indians, or perhaps it may be more, cannot get two proper meals a day While our population has increased our food production has not corres-

[Shri P. N. Sapru.] , pondingly increased and inflation threatens' to play havoc with our economy. A notable feature of the mode in which we have developed is that more than half the growth of food output has been due to more land brought under cultivation and not to a doubling or trebling of yields per acre by the use of technology for the development of agriculture. We have to ensure that the yeild per acre goes up. This cannot be done unless we make use of science and co-operative effort for increasing our agricultural production. We have, therefore, to raise resources considerably for *inter alia* fertiliser production, irrigation facilities, better crop varieties and efficient extension services. We have also to ensure that there is no slackness in our railways, public works or general administration. We have to provide incentives to our farmers for improving their agricultural production. It is difficult to change the dietetic habits of the people. Rice and wheat are our staple diet. There has been a tendency on our part to rely too much on PL 480 and impertinent critics of our administration describe us as professional beggars. Our potential capacity for increasing agricultural production is incredibly high. We are not potentially a poor country. But our lack of sustained effort, lack of hard work has made us poor. What we need is greater co-operation among all the States in India. This should not be impossible even though we have now Governments of various persuasions in the country. We must concentrate on production. We must be fair to our farmers by taking over if necessary food procurement in our hands and distributing food supplies on an equitable basis to all the States, surplus or deficit. I do not like the country to be dependent for its food supplies and other consumer goods on countries which may be, even without being aware of it, establishing a form of neo-colonialism. It may be pertinent here to refer to the position of Japan which has achieved a

pre-ement position in economic, scientific, technological and financial fields. It may be pointed out that her industrial growth is the highest in the world. Her *per capita* income exceeds that of any other country in Asia and her men of business, bankers and scientists have given to her a vital role in Asia. Though we must remain unaligned. We must face the reality of the world we live in and build up a strong home base with the aid without political strings, of friendly countries. The Soviet Union is friendly to us and as things develop we find that there is growing divergence between the U.S.A. and the U.K. on the one hand and France on the other. It may be desirable for us to develop, apart from U.S.S.R., closer relations with France. Naturally we have to give attention to our defences but for effective defence both against China and Pakistan, without giving up efforts to arrive at understandings with them whenever opportunity presents itself, we must rely on conventional weapons. I say conventional weapons, because I am unalterably opposed to our manufacturing nuclear weapons. We need to emphasise technology and special skills which have given to the industrialised countries of the world the eminent position that they enjoy. All this cannot be achieved without sustained effort and proper incentives. Unfortunately due to climatic reasons and a bad handover from the past we are lacking in them.

May I say that of all systems mixed economy is the most difficult to work? Conflict between labour and capital is inherent in our present system of economy. We may denounce class war as much as we like but we cannot escape it unless we re-organise the economic structure of our society. We have nationalised a few industries. We are controlling the private sector through a system of licences which often leads to corruption. How and why is it not possible to get away from Fabian ideas and imitate the Yugoslavian model? Why cannot we

do away with the distinction between employers and employees and give to every employee an interest as a national shareholder in the concern he is working. Why cannot we limit the number of votes that any individual shareholder, whatever be the amount invested by him, can possess? Why cannot we limit the profits which a public or a private concern may declare, the rest being shared by either labour or acting as a reserve for building up our economic strength? Why cannot our directors and managers be elected by the workers themselves? In other words, I stand fairly and squarely for workers' control of industry, for industrial democracy, for self-government in industry and in this I would include agriculture also. The question may be asked whether the average worker is fit to elect directors and managers. We have build our State on the basis of adult franchise. If our citizens are capable of choosing their legislators in Parliament and State legislatures from whose ranks Ministers and Chief Ministers are selected, why must we assume that given a stake in the concern in which they are working, they will not be able to exercise a proper judgment in regard to the persons fit to be selected as directors or managers of their concern? Why cannot we have, as distinct from our political Parliament, a social and economic council as an adviser in regard to our industrial and agricultural life?

I would like to emphasise that the rate of productivity which is very low in our country needs to be considerably raised. Efforts must be made to do so. And unless we are able to solve the economic problems of the day in a big and imaginative manner, we shall have not one but hundreds of Naxalbaris. That is the central truth which we must remember. We have to lower prices, check inflation, provide incentives by a system of awards, not necessarily monetary, and build up the morale of our

people. We have to go in for family planning though it is not desirable to talk in terms of compulsory sterilisation, abortions and raising the age of marriage of girls to 20. In all these matters we have to develop a proper sense of proportion. More important, we have to remember that we are a multi-lingual State which, while giving equal emphasis to all our regional languages, cannot do away with a link language, whatever it may be, a link language which will not cut us off from trends in modern thought and developments in modern science, technology, medicine or for that matter even law.

The Finance Minister proposes to reduce defence expenditure by Rs. 6 crores. I quite appreciate that, in view of the fact that internal prices have gone up as a result of the change in the exchange rate, it is not possible to effect further reductions, but we have to bear in mind that relations have to be improved with our immediate neighbours, China and Pakistan. I know it is not easy to do so, but the search for it must continue. Instead of having as Charge-d' affaires young officers, we should have, if we are not suspending the operation of our Embassy, an Ambassador of high status in China. Similarly, we must make every effort that we can to improve our relations with Pakistan, which I know is a difficult country to negotiate with.

The Finance Minister has not made any changes of a drastic character in direct taxation. I see no reason however why the limit of surcharge on Rs. 15,000 per year should be raised to 30,000. I do not also approve of excluding Rs. 500 per year from their taxable income. I regret, however, that the annuity deposit scheme will continue, though I note with gratification that it will not apply to persons of sixty years and over.

The Bhoothalingam Report is not before us and without a full study of it, it is not possible to comment on it. I am sorry that the excise duties

[Shri P. N. Sapru.] on coffee and tea are going to be increased. They have become almost articles of necessity for our working-class population. To enhance taxes on them is like imposing a tax on salt, which our highly respected Finance Minister would disdain to impose. I am also opposed to the reimposition of the duty on footwear. It would do a lot of harm. I do not think that the duty on cigarettes is justifiable. Whatever doctors might say, cigarettes have become a necessity for the common man. I am glad that the duty on high-priced cigarettes will be more than that on die cheapsr variety.

I am opposed to raising the duty on petroleum. Goods transport road transport is necessary for our economic growth. I do not feel happy with the increase of excise duty on aluminium. I also feel reluctant to support the increased duty on aluminium ingots and wire bars. I appreciate the needs of the poor and the down-trodden must be paramount with the Finance Minister, but I think that we cannot serve them by paying merely lip homage to certain old slogans. I think we should create a climate which will encourage public and private investment, which will give to the individual an opportunity to realise the best that is in him. That is not an easy job, for people are getting worried about our competence to handle issues despite our daily talk of socialism, which we do not understand and which we do not mean to follow.

Thank you, Mr. Vice-Chairman, for giving me this opportunity to speak.

SHRI M. GOVINDA REDDY (Mysore): Mr. Vice-Chairman, I have to thank the hon. Finance Minister for the tax reliefs which he has been pleased to announce, particularly in the field of indirect taxation. But I wish, as the hon. Member, Mr. Sapru, and other friends have said, that at least in the case of those who are concerned with footwear, there should have been no tax. I think the hon. Finance Minister knows that 75 to 80

per cent of the rural population in this country go without any chappals. They travel on bare foot. You cannot buy chappals for less than Rs. 10|- . These days chappals cost more. I went round the Khadi Bhandar and I could not find a single pair for less than Rs. 10|- . So, you cannot buy any footwear which is entitled to exemption from tax. In the North I see even the poor people, labourers and workers using shoes and slippers and you cannot get shoes and slippers for less than Rs. 12. This is the minimum, at which they could be bought. I do not know how this exemption limit benefits anybody. Therefore, I would appeal to the hon. Finance Minister to consider—there is still time for him to consider—raising this limit to about Rs. 15 or Rs. 20. People who can afford to buy shoes at Rs. 30. Rs. 40 may pay a little more, but in the case of people who do not have a pair of sandals or chappals, and who cannot afford to buy them, it is very hard on them. Therefore, I wish to humbly appeal to him to still consider this.

SHRI MORARJI B. DESAI: There is no tax on Khadi Bhandar shoes.

SHRI M. GOVINDA REDDY: But Khadi Bhandar shoes are more expensive. Eighty per cent of our people cannot buy it.

SHRI K. S. CHAVDA (Gujarat): What is the percentage of supply of factory made footwear? It is nearly 15 per cent.

SHRI M. GOVINDA REDDY: I must congratulate the Finance Minister on the courageous stand which he has taken in recognising that we should no longer have deficit financing and in recognising that our plan development should be as much less dependent on foreign aid as possible. I think for the first time in the history of independent India this principle and its virtues have been recognised. Now, deficit financing naturally would give freedom for spendinff

Foreign aid will be considered by those who have got the power of spending, as easy money. Just as a rich man's son does not know the value of money, because money comes easily to him, so also the money which is given to us as foreign aid and the money created by resorting to deficit financing has taken away all caution and care, which necessarily should prevail with the people who have the power of spending. The hon. Finance Minister must just walk into any public sector project and see how much they have cost how much the houses have cost the schools have cost, how much the township has cost, whether there was any necessity even for one hundredth of the expenditure that has been incurred by way of ungamful expenditure or unremunerative expenditure. That is because, I think, money was to be had easily and, therefore, people could spend without any caution whatever. This is the virtue which we will have in stopping deficit financing and in also not depending upon foreign assistance. We will be thrown on our best resources, on our best abilities. When a man is in need and if he is hard put to find resources, naturally the best in him will be called forth and he will find resources, and then the resources he gets he will spend very wisely, cautiously, economical and frugally. They are things which are necessary in our economic life today. We are now committed to a very high expenditure in our planned development and therefore we cannot afford any longer to be extravagant. I believe the recognition of these two principles, namely, no deficit financing and less dependence on foreign assistance, is, I think striking the right path in our building up the nation. I think if we stick to it, we can stabilise our economy.

I must also thank him for realising the need for exercising as much care as possible in saving administrative expenditure. Everybody I think admits that there has been a lot of unnecessary expenditure in our administration. This topic has been discussed several times and therefore I am not going into it. I want to suggest that

the Finance Minister, may very well employ an expert in finding out the incidence of indirect taxation on the several classes in our society. My point is that we have come to a stage when we should not resort to indirect taxation any more, if we appoint an expert to find it out, it will be seen that this indirect taxation will bear a very great proportion to the daily expenditure of household. If we compare this proportion, whatever the proportion that is arrived at, with the proportion of indirect taxation of a western household, I dare say that our expenditure on account of indirect tax is much more than what they do in the west. Therefore, it is worthwhile to make an enquiry in this regard.

I will go on to suggest to him some more items which will help our economy. We have not taken sufficient care to welcome and to offer inducements to Indians living Outside India. Of course some inducements have been offered in the past but they are not enough. Both politically as well as fiscally we have to give them inducement. Politically, unfortunately we have harped upon a wrong trend in asking those people; "You belong to this country; you cease to think you are Indians; your welfare is bound up with the people of this country". Basically there is nothing wrong with this philosophy, but practically there is something very greatly wrong with this philosophy. By making open statements like this in those countries where Indians are in a minority, naturally we will be giving the majority people of the country to understand that they are people who will live at their mercy and therefore they can do anything with them. This has been responsible for the anti-Indian attitude adopted in several countries where Indians live in considerable number. Therefore, their life there will be hard and they want to come away. And because of lack of sufficient inducement to these people, people living there in East Africa and elsewhere are going down and settling in the



[Shri M. Govinda Reddy.] United Kingdom. There is a lot of money with them. If we set all that money, our foreign exchange position will be eased, and then we will be getting a lot of wealth in the country also. For development of trade and industry, the people who have been dealing in trade and industry will come and we will be recruiting people with sufficient acumen. This will be worthwhile for the Finance Minister to consider.

The next point I would like to take up is the rumours that have come about from the statement of the Finance Minister himself that gold control would be further tightened up. I agree with the basic principle involved in the gold control measures, but I think the Finance Minister is ahead of the times in this matter. We are a people who have got some customs and traditions which carry some religious significance with them, and however stringent any financial measure may be, it cannot do away with this religious significance. As long as this religious significance is there people will necessarily observe that in spite of the penalties that they will have to incur. Therefore, unless the habits and customs change, unless the conception of the people changes, it will not be practicable. And our Government has done nothing to change the customs and habits of the people. The Constitution has enjoined on us to bring about a common, uniform Civil Code; we have not been able to do it. We have not done anything to change the habits, customs, outlook and conceptions of the people. In the absence of that, to expect that they would stop using gold is a thing which I think is not quite practicable. Although basically it is sound. I think the Finance Minister is ahead of times. Therefore, in my humble opinion he can stop at this stage; he can let the gold control rest as it is today.

The case of prohibition also is on similar grounds. There are several

non-Congress States who are not bound by the principle of prohibition. Several States have now taken to scrapping prohibition. The point is whether any attempt will be made to call together the Chief Ministers and then evolve a common policy in this regard. Where the States want abolition for purposes of revenue, there the Finance Minister has to convince them that there are alternative sources for raising revenues. Otherwise I think prohibition will get a go-by. If the non-Congress States remove prohibition.

SHRI K. S. CHAVDA: Madras has not removed prohibition. (*Interruptions*)

SHRI M. GOVINDA REDDY: Any State for that matter, not only my State but any State, even Congress States which have embarked on prohibition are a failure. That means they have not recognised the principle of prohibition. It is not only my State which is guilty but every State.

SHRI AKBAR ALI KHAN: This had been recognised and recognised for years. Now there is some wind against it and every body is saying against it although I think we must stick to it. It is a more cardinal principle of the Congress than anything else.

SHRI M. GOVINDA REDDY: It is true, but principles always do not hold the ground. There are practical considerations also. Since this question has arisen. I will tell my own personal experience. My community is not a drinking community, was not a drinking community. If I go to my villages, my district, I find 40 to 60 per cent of the youths have taken to illicit drinking. This is a very sad thing. I am a believer in prohibition myself but unfortunately you see the trend is that the youth is going in for drinking.

SHRI AKBAR ALI KHAN: This is higher class, not the poorer classes.

SHRI M. GOVINDA REDDY: I am speaking of people who are living in villages. I am speaking of people in-

my community. I am speaking with experience. I speak of my relations, of my circle of relations, of people living in my villages. I am speaking of them. I am arguing on that basis. That is my sad experience that a large percentage of these youths now take to illicit drinking. Then all the evils develop with drinking. There was debauchery, - molesting of women and then . . . . (Interruptions). I agree, I agree, I admit. Then, what do you do with it if you cannot stop it?

SHRI K. S. CHAVDA: Effective propagation should be there.

SHRI M. GOVINDA REDDY: Sir, we have been doing propagation. But that propaganda has had no effect on them. Now, if anybody goes to Bangalore City and if they visit the bars, they will see that not less than 25 per cent of the inmates of the bars are those who are called students and girls .....(Interruptions). No, why should we allow that? I do not think that it would be 100 per cent or even 25 per cent if there is no prohibition. Now, prohibition is an inducement just as control offers an inducement to the people to buy more and stock more. I think there is an indirect element; there is vicious thing in our Indian Constitution. Where you are prohibited to do something, you are tempted to do it. The same, I think, is the case here. I am a firm believer in prohibition; but I cannot face this factual position. Whatever it is. I think it should be an all-India policy. Either we convince the non-Congress States that they can raise alternative sources or let the prohibition go to the winds. That is the thing that we have to do.

One point more. Something we must do about education. I humbly appeal to the Finance Minister because now education has become expensive, as everybody knows, Eighty per cent of the rural people cannot afford to have higher education. Now, it means that we will be confining them to the lower stages, to be \

second-rate citizens later on. They cannot aspire for medical education; they cannot hope to get seats in engineering colleges because they have to pay capitation fees, donation, this and that fee and even the normal fee is very high. So something must be done if you want to help 10 per cent of our people to advance along with the rest of the 10 or 15 or 20 per cent. We have to take steps to see that education becomes less expensive. As to what measures have to be evolved, it is for the Government to consider. I think the Finance Minister who is interested in the uplift of the masses should give thought to it because this position has become intolerable now. All the lucrative posts will go only to people living in the urban areas and even in urban areas, only to those people who have got a high monetary support. Only when the people get a rich education, do they get these jobs. Even then, being theoretical people, the execution of all our Plans will not be there; they are people who have no practical experience. And therefore our administration will not be very efficient. This point I humbly urge for the consideration of the Minister. Education may be socialised. Abolish all private colleges. Or take away the colleges from the private hands. If any subsidy is necessary, let it be given. But do not allow 80 per cent of the people to go without the benefits of higher education.

SHRI A. P. CHATTERJEE (West Bengal): Mr. Vice-Chairman, the Finance Bill introduced by the hon. Finance Minister has been presented before the country in a background of recession and in the context of large-scale unemployment, in the context of large-scale economic chaos and in the context of a break-down of the economy in every sphere. Even the earlier speaker, an hon. Member from the Congress Benches, had to admit that even in the moral sphere, the nation is declining in various stages. We therefore find that the context and the background in which this Bill has

[Shri A. P. Chatterjee.]

been introduced is a background of gloom and a background of despair.

Now, what does the Finance Bill provide? How does the Finance Bill envisage or anticipate these depressing aspects of our social and economic life? Mr. Vice-Chairman, we find that on the one hand 75 families or near about that number controlling about 40 or 50 per cent of the assets of the Indian economy and we find on the other hand, an army.... (Interruptions) Well, according to the Monopolies Inquiry Commission's Report, they own only 50 per cent. I am just giving the credit of truth to the Commission. I think that since the date when the Commission gave its Report the monopolists have perhaps been able to grab more of the assets of the Indian economy. But, in any event, I give you the figure of the Monopolies Inquiry Commission which they then disclosed. It appears that about 50 per cent of the assets of India are in the hands of the monopolists. Look at this picture of the monopoly capitalists appropriating the greater part of the assets of India and concentrating in their hands the vital threads of the economy of the country, whereas on the other side, we find 40 crores of people writing in the agony of poverty, writing in the agony of unemployment, with no education and less of culture. This is the situation on the other side. On the one side, we find affluence and richness concentrated; on the other hand, we find poverty and utter dejection and abject depression. And this is the result of a capitalist-oriented economy and this is the result of an economy which is subservient not merely to indigenous monopoly interests but also subservient to foreign monopoly interests. Who does not know that much of the present condition of the Indian economy has been the result of a dangerous and disastrous devaluation policy that was thrust upon the people of India by the present Government. I mean, the Congress Government? We met last year

in Parliament and at that time it was solemnly declared in both Houses of Parliament that the Government was not contemplating any devaluation of the currency. At that time, the Opposition Members uttered a warning and expressed their apprehension that devaluation was in the offing, because those vultures of American economic world were touring the country, people like Mr. Bell and others, and we could apprehend that they were exerting pressure on the Indian Government to devalue the Indian currency. Mr. Bell was the emissary of the International Monetary Fund which is again subservient to the American economy. Mr. Vice-Chairman, you know that hardly had ink dried on the assurance solemnly made by the Ministers in both Houses of Parliament that they were not going to devalue our currency, and during a period when Parliament was not in session, one fine morning we found that the currency had been devalued. In whose interests we know, because it is now common knowledge that the United Commercial Bank which is a Birla bank, knowing very well about the prospective devaluation, earned about Rs. 50 crores from speculation in the expectation of devaluation.

The capitalists knew about the devaluation and it was in their interest that devaluation was done. They were allowed to earn foreign exchange and Indian exchange by virtue of speculation on the basis of devaluation that was coming. But we, Members of Parliament, were not allowed to know of it. We were informed of devaluation a\* a fait accompli after the Parliament met, when the decision had already been taken. And you know, Mr. Vice-Chairman what happened after that.

Sir, this devaluation has caused a greater rise in prices, all round increase in prices, all round increase in the miseries of the people. The persons who were earning, say, Rs. 100 at one stroke of pen, their earning was reduced to Rs. 55. In that way

the Government has picked the pockets of millions of people of this country by the policy of devaluation which was thrust upon this country by the dictates of the International Monetary Bank which is tied up by secret threads with the monopoly interests of India, the same monopoly interests which are being served by the present Ministry in saddle in the Central Government

Therefore, Mr. Vice-Chairman, we are finding a surrender on all fronts. We are finding a surrender internationally to the interest of the financial tycoons of the United States of America. On the other hand, we are also finding that there is a surrender to the financial tycoons of India herself. On the one side we find that the money is being devalued and in that way the pockets of the ordinary consumer, the ordinary citizen of India have been picked, and on the other side we find in the very heart of India the Fourth Five Year Plan has been scuttled by the Government in order that the private sector may flourish. Of course, they have not said so. But that is the motive behind this scuttling of the Fourth Plan

Sir, the Fourth Plan was to have given a greater boost to the industrial sector of our economy, to the productive aspect of our economy. But now we find after this scuttling a degrading recession in our economy, a degrading depreciation in our economy. At least in Bengal we know that the engineering industry is facing closure or near closure because they are not getting the orders which they expected to get.

AN HON. MEMBER: It is because of the gheraos.

SHRI A. P. CHATTERJEE: If the Fourth Plan had been carried through these engineering industries, which are facing an economic collapse, because of which we are finding thousands and thousands of workers facing 929 RS—6.

retrenchment or unemployment, would not have faced this situation. If the present Central Government is so much solicitous for the question of law and order in the State of West Bengal, I can tell them that the question of law and order has been placed in this critical position, this critical juncture because of the Finance Ministry itself, in other words, because of the Central Government's policy of subservience to the monopoly capitalists and the consequent scuttling of the Fourth Five Year Plan.

Mr. Vice-Chairman, Sir, when the workers find that they are facing unemployment and retrenchment because of the policy of the Government, how can you expect that they will take it lying down? How can we expect that just like good boys they will go back to their homes with starving stomachs without any protest whatsoever? I can tell the hon. Ministers of the Central Government that the people of Bengal are not going to die of starvation without raising their voice of protest. Those days of 1943 are gone, the days of the Bengali year 1350, when the people of Bengal died on the streets of Calcutta without raising any voice of protest and without looting the shops laden with goods, laden with edibles. We then found them dying without even a cry though within their sight were the luxury hotels and restaurants. These days are gone. If they die of starvation now, they will not die alone.

SHRI C. D. PANDE (Uttar Pradesh):  
What did you do then?

SHRI A. P. CHATTERJEE: They will die after making other people die, those tycoons and their representatives who have brought the people to this pass, to this state of exhaustion.

Mr. Vice-Chairman, the position in the country is really grim. It is really terrible. When the position is so grim and terrible, when we find that the Plan is scuttled, when the engineering industries are closing down,

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when we find that the Railways have stopped all their development programmes and because they have stopped all development programmes, they have been cutting down orders from ordinary engineering industries and in that way, those other concerns are also facing closure, retrenchment and lay-offs, and then what do we find?

We find that the Central Ministers are becoming modern and automation-minded. Sir, when there was a greater necessity for boosting agriculture, for finding increased avenues of employment, we find that in the Life Insurance Corporation of India and in other State sectors of the Indian economy the Government is giving the green signal to the introduction of automatic machines. The employees of the L.I.C. went on strike some days ago protesting the introduction of automatic machines which threaten them with unemployment, which threaten them with retrenchment, which threaten the country with further decline in the figures of unemployment. After three Five Year Plans we have found that the Fourth Plan has been scuttled very conveniently by the Finance Ministry.

The Fourth Five Year Plan began with a backlog of about 10 million unemployed. That is given in the Draft of the Fourth Plan itself. Ten million unemployed, that is the official figure. Mr. Vice-Chairman, if you count in this figure those who are under-employed, or those who are unemployed but have not been included as such because of statistical mistakes of our Government or, I should say, deliberate statistical omissions on the part of the Government, perhaps it will be 20 million, that is, 2 crores of people out of the total adult population of, say, about 20 crores in India. And you are adding to this unemployment deliberately by your policies of surrender to the capitalist interest, surrender to the American interest by seeing to it that the Plan is scuttled by crying a halt to our industrial ex-

pension. Mr. Vice-Chairman, who does not know that if the country has to stand on its own feet, if the country's economy has to be self-reliant, then the country's industries must be made to progress? There must be a boost given to the heavy industries of the country. Of course, I do not want to say that heavy industries have to be developed at the expense of the consumer goods industries. I do not say that. The consumer goods industries have also to be developed. But it has been seen and it is the experience of all developing countries—I am not referring only to socialist countries, because if I refer to socialist countries alone, perhaps many a Minister may see red in their eyes; so I am not going to scare them by referring to socialist countries only; I am referring to all developing countries—that a country's economy cannot expand unless the heavy industries are put on a proper basis, unless the machine-building industries are put on a proper basis because it is the machine-building industries which are the mother of all industries and unless you look to the mother, the child industries—the consumer industries and other industries—naturally will not come into their own. But I find Mr. Vice-Chairman that because of the scuttling of the Fourth Five-Year Plan, this very programme of developing heavy industries, machine-building industries, is almost at a standstill now. I know the pet arguments that will follow. The pet arguments are that there is inflation and all that. But, Mr. Vice-Chairman, was it necessary to issue paper currencies so much in order to boost up our industrial production? If during the three Five Year Plans, our economy has seen an unprecedented inflation of money and I agree that there has been an unprecedented inflation of money and because of that unprecedented inflation of money, prices of goods have risen and real wages have decreased—it is because. I shall repeat it, the Government has played soft, has acted soft with the financial tycoons of the country. I can give you one instance as

to how the Government has nursed the monopoly: capitalists of this country. I can give some figures also. Whereas about 56 per cent of the revenues of this country are derived from indirect taxation, that is to say, from the ordinary citizens, only 44 per cent of the revenue receipts are from direct taxation, corporate tax or income-tax. And who does not know that those financial magnates, these monopoly capitalists, are having black money concealed in their hearths? Even in the A.I.C.C. meeting some years ago, it was said by no less a man than Mr. V. K. Krishna Menon, and it was not also contradicted at that meeting, that at that time Rs. 4,000 crores of black money was operating in India. Now what steps did the Government take to appropriate this Rs. 4,000 crores of black money which was operating on Indian soil some years ago? Nothing was done. And again what about the arrears of income-tax which are still due? Income-tax arrears are due and there is no attempt at all to realise those income-tax arrears. You are not realising income-tax arrears. You are not trying to get into your coffers crores of rupees of black money in the hands of the financial magnates. You are not increasing the direct tax on the corporate sector, the companies and the big financial magnates. You are merely printing your notes at the Nasik Press in order to finance the projects in the Five Year Plans. Naturally, therefore, there was inflation. Inflation was there not because our economy needed it to increase industrial production. Inflation was there because you did not want to touch the pockets of the millionaires; you did not want to directly, tax them. Why was so much revenue received from indirect taxation and why was so little collected from direct taxation? Mr. Vice-Chairman, I think the Finance Minister will have to agree with me that, we have seen from year to year, from Plan to Plan, that the Finance Bill has set ceilings of Central excise taxes. But then by notifications, we have found the executive has surpassed the norms and

the figures and we have found that the estimates budgeted for in every financial year on the head of indirect taxation under Control excise and customs duties, have been exceeded by actual collections in every financial year. That shows that the common man is being denuded of what he has by indirect taxes. Whereas the common man is in this way being cheated by the daily increase in indirect taxation, we find that the corporate tax or the income tax is not being increased to that extent. We find that the revenue receipts from income-tax are not so much. That only proves that the millionaires and the monopoly capitalists are being spared.

THE VICE-CHAIRMAN (SHRI M.P. BHARGAVA): I may tell you that you have about 4 minutes more, so that you can adjust your speech.

SHRI A. P. CHATTERJEE: I am having the entire time . . .

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Your Party's time is 25 minutes. You started at 4-35 and you should finish at 5 p.m. when you have got some other business.

SHRI A. P. CHATTERJEE: Can I take 10 minutes more tomorrow?

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): No. You can take one or two minutes more today and finish it

SHRI A. P. CHATTERJEE: So, Mr. Vice-Chairman that is the position.

SHRI C. D. PANDE: You raise your voice and finish it.

SHRI A. P. CHATTERJEE: I am not going to take any cue from the American lobby here. That should be made clear. I know that some of the home-j truths about the American interest in our economy will be hurting you. But I cannot help it.

श्री निरंजन बर्मा (मध्य प्रदेश) : पांडे जी, बन्द हो गए आप, उत्तर नहीं दे पाये ?

SHRI P. N. SAPRU: On a point of order. Is it proper for a Member to describe other Members as belonging to the American lobby?

SHRI A. P. CHATTERJEE: I have not said that.

SHRI C. D. PANDE: I don't care. I didn't hear.

(Interruption.)

SHRI A.- P. CHATTERJEE: I know, Mr. Vice-Chairman, that the jingling of dollars may make many a man pleasant-faced. That is a different matter. But I have not said that Mr. Pande is an agent of the American interests. I said I am not going to be cowed by the American lobby into listening to Mr. Pande. That is not saying that Mr. Pande . . .

(Interruption.)

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): You continue your speech. Do not waste time.

श्री राजन शायल (उत्तर प्रदेश) : पांडे को इसमें कोई एतराज नहीं है।

SHRI C. D. PANDE: From the Chinese agents, I have no objection. From you, I will have.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Order, order.

SHRI A. P. CHATTERJEE: So, Mr. Vice-Chairman, I was only giving some instances of the various ills of our economy which are traceable to the source of capitulation that is seen or noticeable in the actions of the Finance Ministry. I was also saying how because of subservience to certain interests, we have been ruining

the i lite rests of our country. I can give one example of how WP are really damaging the interests of our people in order to serve other interests. Now, for example, who does not know about the India Electric Company in Calcutta? Even here in this House we discussed the question. Now everybody knows that the India Electric Company was once a flourishing concern and its fans and its electrical goods were such as drew the admiration of many persons. But the India Electric Company was taken over by the Government after some labour dispute. And during the years that this India Electric Company has been under the wings of the Central Government, the Central Government has seen to it that this company goes to ruin. Why? Because the India Electric Company goods were not ordered by the Central Government. Why again? Because Usha is there. Now, Sir, for example, some years ago, the railway fans were ordered to a great extent from the India Electric Company. We are finding now Shri Ram's Jay Engineer-5 P.M. ing Works getting all the orders from the railways and in that way the India Electric Company, after it was taken over by the Government, after the management was taken over by the Government, have been sabotaged by the Central Government. In whose interest? It was in the interest of Shri Ram's Jay Engineering Works. In that way you shall find that in every sphere, in every sector of our economy, we find that the Congress Government has been serving the interests of financial magnates, those 75 families which have been pinpointed by the Monopolies Enquiry Commission report even. That is why we are finding ourselves in a quandary. We are finding that we are in recession, we are in depression and we find wail-ings and we find lamentations from the Treasury Benches. We are hearing it being said that nothing can be done because we are in the woods. Who put us in the woods? It is therefore time now to call the bluff

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): It is time to wind up also.

SHRI A. P. CHATTERJEE: I wind up by calling the bluff, of the Central Government, calling the bluff of the Finance Ministry. This Finance Minister's financial Bill may look like a spotless angel but behind that spotless angelic dress, we find many years, and years and years of unchastity and subservience to other interests.

PANDIT S. S. N. TANKHA (Uttar Pradesh): I take strong exception to these words.

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): Order, please.

SHRI A. P. CHATTERJEE: These are the gloomy spots of our Indian economy. Unless the Finance Ministry changes its policies, unless the Congress Government changes its policies, there is no end to it. Just now I see an ominous sign, an ominous indication of a further attack on the living standards of the Indian people and that ominous indication is found in the policy of wage freeze that is now being talked about at certain levels. There is no step taken to check the rise in the prices, there is no step taken to check the rise in unemployment but there is talk of freezing the wages. I can warn the Government that, if they try to do that, try to do anything of that kind of freeze of wages, they will see such an industrial unrest, such a profound movement among the workers of the country, the like of which they have not seen so far. So let them not try that. Let them see some sense so that they may not see themselves ending in the inglorious dust of defeat.

HALF-AN-HOUR DISCUSSION RS  
BORDER ROADS AND TUBE-WELLS IN  
RAJASTHAN

THE VICE-CHAIRMAN (SHRI M. P. BHARGAVA): We go to the next item which is half-an-hour discussion. I would request Mr. Mathur to take about 12 minutes, the Minister about 15 minutes and then there are some Members who want to put some questions.

SHRI HARISH CHANDRA MATHUR (Rajasthan): Mr. Vice-Chairman, I would like to make it abundantly clear at the very outset that I am not raising this discussion asking for a little more allocation for the roads in Rajasthan. If it was so, I would have drawn the attention of the House to the Rajasthan Canal where the cut has been from Rs. 50 crores to Rs. 3 crores and which is now, in the present context, a very important matter when the nation is short of food and we want to raise the food production but what I am discussing is far more significant, far more important and I wish the House takes note of it. What I am discussing is the security of the country, what I am discussing is the honour of the country, what I am now discussing is the safety and security of our people.

I would like to give a little background to the House so that it is appreciated that what I am saying has such consequences which cannot be ignored except at the peril of the security of this country. This question, as a matter of fact, of the border roads in Rajasthan was not taken up by the Centre. It should have been the anxiety of the Defence Ministry and the Ministry of Transport here but it goes as far back as 1962. It was first initiated by the Rajasthan Government. Then when Home Minister, Shri Lal Bahadur Shastri, went to Jodhpur, it was discussed with him there in 1962. He realised the importance of it and then initiated cer-