

[Shri B. R. Bhagat.]

is my understanding of the policy of the Government. If the Food Minister had been here he would have said about that particular report which the hon. Member mentioned.

The second point is about the extracts from the book which he read out and the unfortunate statement made by an unknown foreman . . .

SHRI BHUPESH GUPTA: Not unknown.

SHRI B. R. BHAGAT: No name was given. Firstly, this matter has been raised in the House for the first time. I have not read the book. I made enquiries from the Steel Minister; he too has not read that book. So, I cannot say off-hand either for or against it. And the hon. Member himself has said in the course of his speech that he has tabled a question. If he has done so, we will consider it and the Steel Minister would give a reply and this matter could be raised again at that time.

SHRI BHUPESH GUPTA: That is not the point. As far as the statement about gas chamber is concerned, it is there in the book. I have got the book. It is there. I have also got the magazine of the Federal Republic which advertised this book. All these things are here. So you need not try to get any evidence. The question is, I demanded an enquiry into this matter.

SHRI B. R. BHAGAT: Without going into the merits, that is what I am saying. This matter has been raised for the first time here and we have been taken unawares. The hon. Member is going to put a question as he himself has said. If the question is tabled we will give a reply and that would be the proper time and occasion for anything to be said on behalf of the Government and I think the hon. Member would find this reasonable. Sir, with these words, I move . . .

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill to authorise payment and appropriation of certain

further sums from and out of the Consolidated Fund of India for the services of the financial year 1960-61, as passed by the Lok Sabha, be taken into consideration."

*The motion was adopted.*

MR. DEPUTY CHAIRMAN: We shall now take up the clause by clause consideration.

*Clauses 2 and 3 and the Schedule were added to the Bill.*

*Clause 1, the Enacting Formula and the Title were added to the Bill.*

SHRI B. R. BHAGAT: Sir, I move:

"That the Bill be returned."

*The question was put and the motion was adopted.*

#### THE BUDGET (GENERAL), 1961-62— GENERAL DISCUSSION

SHRI KHANDUBHAI K. DESAI (Gujarat): Mr. Deputy Chairman, Sir, we are discussing the Budget for the year 1961-62 which is the first year of the Third Five Year Plan and therefore it is appropriate that the Finance Minister has given a bird's eye view of what has been achieved during the first two Plans. The economic review also gives a comprehensive view of our achievements as well as of certain shortcomings here and there. I would therefore congratulate the Finance Minister and his Ministry for placing before us a realistic picture as has emerged during the last ten years and the approach which the Finance Minister thinks we should adopt towards the Third Five Year Plan. This is not an Ordinary Budget for one year or for two years. This Budget should be looked at from the point of view of the beginning of our next journey towards the Third Five Year Plan. The Finance Minister has been bold because there is nothing secret about the Budget in the Plan period. The Third Plan as it has been presented in the draft form is before the people. There it has been envisaged that in order to see through the Plan about

Rs. 1700 crores would have to be raised in the country both at the States and at the Central level. So, the taxes which have been imposed in this year's Budget were not something which came suddenly.

He has, therefore, to make a bold and courageous effort not to play to the gallery, but to be realistic and practical, if we have got to see the Third Plan also through. I have been saying on the floor of the House that the tax burden has been more or less increasing from year to year. I do not want to repeat what I said last year. But it is clear from the Economic Survey, as well as from his speech, that during the last ten years the tax revenue of the country, both Central and the States, has increased from Rs. 768 crores to Rs. 1300 crores. Most of it has clearly come out of either excise duties at the Central level or sales tax at the State level. We are also not to forget that when development takes place, industrial centres and population increase, the municipalities and the corporations have to levy taxes. Their revenue generally comes out of what is called octroi duty. All these additions have been made from indirect taxes, whereas the direct taxes have remained more or less stable in a developing economy. Now, somebody has got to foot the bill of development and this bill, more or less during the last ten years, has been footed generally by the people. In this context, one has to analyse the situation and find out whether these taxes have come out of nothing or whether these taxes have come out of something more which has been put into the pockets of the people, as a result of the development that has taken place in our economy. The Survey says that the national income has gone up by about 40 per cent. The *per capita* income has gone up by 20 per cent. How that has been distributed among the various sectors of the society is a matter which is under investigation and I hope before long the Committee will be able to place before us statistics regarding the distribution of the national income.

There is one thing which comes to my notice and it is this. When we are having a planned economy, it must be based on actual statistics. Our statistical apparatus in this country is really defective. Probably, it is in the course of making. If we point out the defects to the Government and the Planning Commission as we see them, they might create a better apparatus, so that from year to year we will know exactly where we stand. As the Finance Minister has stated in his speech, production has increased more or less according to our expectations. Industrial production has gone up during the last ten years by about 66 <sup>2</sup>/<sub>3</sub> per cent. Agricultural production has gone up by one-third. But if you look at the industrial production from a wider view, it gives a better picture. From the index figures that have been supplied of industrial production one finds that there are in this country certain established industries like jute, textiles, etc. If the rate of production in those industries is not taken into consideration, but only new industries like the steel industry, the increase in electricity and certain other things, if the production in these industries alone is taken separately, we will find that the production has gone up by about 100 per cent. The index is 200 and more. Now, this actually is the achievement as far as the two Plans are concerned. Therefore, in trying to criticise or make comments on this year's Budget particularly, one has to take stock of the situation as it exists as a whole.

Certain trends have been visible. The trends show that *prima facie* during the last ten years certain concentration of wealth has taken place. The Government has appointed a Committee which will look into it. After their report is out, this House and the other House will have an opportunity to make constructive suggestions in order to see that the future distribution of the tax burden would have to be done equitably. In this respect, apart from the Committee which is going into the question of the distribution of the national income, may I throw a cr

[Shri Khandubhai K. Desai.]

suggestion that the Mathai Commission, which has gone into the question of taxation, about seven or eight years back, based its recommendations on its appraisal of the situation as it existed at the beginning of the First Five Year Plan? Instead of our trying to get the figures from here and there, it would be appropriate for the Government to make a study of the incidence of taxation during the last two Plans, with a view to finding out the capacity of the various sectors of our community to pay, so that the tax burden shall be properly distributed in the coming five years when you have to raise, both at the State and Central levels, a total amount of not less than Rs. 1,700 crores and odd, Sir, I have a feeling that in the context of the economy as it has developed, in the absence of proper statistics we cannot say very definitely about it, but *prima facie* it appears to me that the saturation point for the time being has been reached as far as indirect taxes are concerned. Therefore, further tax efforts in the next four years should be aimed at direct taxes, because taxation to the extent of Rs. 60 crores has been imposed this year and it will mean about Rs. 350 crores for the whole Third Plan period coming from this recent imposition. For the first two Plans also the excise duty has gone up by eight to nine times including the Rs. 60 crores that has been proposed this year. I am not one of those who believe that the corporate sector cannot make further contributions. There is scope for taxation in regard to income-tax and other taxes.

MR. DEPUTY CHAIRMAN: You can continue after lunch. The House stands adjourned till 2.30.

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

The House reassembled after lunch at half-past two of the clock, Mr. Deputy Chairman in the Chair.

SHRI KHANDUBHAI K. DESAI:

Sir, this morning before we adjourned for lunch, I was saying that the tax efforts that have been made during the last ten years have no doubt been necessary, and that if those efforts had not been made, we would not have been able to see the development that has taken place. Of course, Mr. Chinal says that Mr. Rajagopalachari says something else.

SHRI BABUBHAI CHINAI (Maharashtra): That is what has appeared in today's papers.

SHRI KHANDUBHAI K. DESAI:

What I would like to say is that we have got to go in this country in a democratic way. Leaving aside the Swatantraites and the Communists we have got to go on a way which is a *madhya marg*. Therefore, the tax efforts during the last ten years have been very well attended to. The revenues of the States and of the Centre have gone up from Rs. 768 crores to Rs. 1300 crores. In the Second Plan period it has been nearly Rs. 1041 crores. But most of it has come from indirect taxes. I am not one of those who say that in a developing country like ours there should not be any excise duty because, in a backward economy when many are poor and a few are rich, efforts will have to be made by the poor also in order that their poverty may vanish. At the same time those who have benefited by the Plan must be also made to contribute according to their capacity. Particularly, in the context of our economy in the last ten years, the corporate sector has seen days which possibly it never saw during the last two or three generations. They have been able in the Plan period to invest about Rs. 3100 crores according to the Economic Review. The public sector also has invested about Rs. 3650 crores. Ultimately, the capital for investment for both the public and the private sectors has to come from production. The production also has increased, as I said this morning, as far as industrial sector is concerned by more than 66 per cent. Agricultural production has

increased. The *per capita* income has also increased. That is all to the credit side. The corporate sector has now come to a stage when it must willingly come forward to make contributions towards further efforts at developing the economy. They cannot say, "Everything you must make available to us and we will go on producing and we will go on making profits".

Let us now see what has happened during the last ten years. The economy has been buoyant. There have been good profits. The inflationary trend was there, and the prices went on rising to the extent that on the whole the cost of living index has gone up by about 25 per cent. Last year when I made the suggestion of an excess profits tax, it was not liked by some. The general argument that is being given against it is that it is a war-time measure. There is no definite significance about war time. In war time there are certain trends in the economy. What are those trends? They are scarcity of goods, more inflationary pressures, foreign exchange difficulties, and so on, resulting in profits which are more than normal, which are abnormal. Whether it is war time or whether it is plan time or whether it is a time when industries are developing when deficit financing has to be resorted to, the economic conditions created are the same as the war-time economy. The prices of the major industries are more or less settled and fixed like steel, cement, cloth, coal and sugar. The prices are fixed in such a way that the most marginal unit must make some profit. When I say most marginal units it may be mismanagement, it may be financial difficulties, it may be corruption, it may be old machinery. The marginal units with all handicaps must be made capable of earning something. The prices are fixed in such a way that for the same equipment, for the same spindlage or loomage or producing machinery, any other unit which is well managed or better managed will make a huge profit. So, on moral grounds, on economic grounds as also on social grounds,

I suggested last time and I would go on suggesting that an excess profits tax in a planned economy must be a permanent feature as long as the Plan goes on. Let us see what it means. Suppose the Finance Ministry considers a particular norm as the norm of profits taking into account reasonable efficiency in management or rational management as I would call it. Anything over that which accrues to an industry through the economic policies of the Government, not through their efforts but because of the economic policies of the Government, the Treasury is entitled to mop up. That in my view is the justification for the excess profits tax.

For the last ten years the industries have been nursed to a great extent. According to me the stage has come when the corporate sector must be made to make contributions to the Treasury for the tax efforts which we would have to make during the next four or five years. And ultimately additional Rs. 750 crores would have to be raised and according to the Budget, nearly Rs. 350 crores are already raised Rs. 60 crores into 5, and then industrial progress would be achieved. Sir this is my justification for suggesting your considering the excess profits tax. There are certain direct taxes which are more or less of a notional nature. There is the Estate Duty. Of course, the Wealth tax will bring in Rs. 7 crores. It can be raised, if necessary. Then there is one tax which has been abolished and which may be considered for the future and that is the Capital-Gains Tax, because in an economy of this type, capital gain does accrue whether you like it or not. The municipal corporations are putting in a betterment levy. Why? It is because the land value rises up as cities develop. Similarly, capital gains increase in value not because of the efforts of the holders of the property but because of the effort that the nation as a whole is making towards prosperity.

There is one other problem to which I would like to refer. The economy

[Shri Khandubhai K. Desai.]

as has been developed during the last ten years has developed fairly satisfactorily. It has developed in such a way that quite a large number of people have been enabled to raise their standard of living. If their standard of living had not been raised—as some people are apt to argue—all the consumer goods that we had produced would not have been consumed. It means that a certain amount of purchasing power had been released and it could be seen from the consumption of sugar, or of cycles or of many other consumer commodities. That means prosperity but whether that prosperity has been made available to all is a matter on which the Committee which the Government has appointed will be able to throw some light. But, apparently, there are two types of people who have suffered or who have remained in *status quo*. There is landless labour. Something in the nature of social services or the proper implementation of the Minimum Wages Act should be done so that their purchasing power and worth can go up. Then there is another class of people who have suffered. I mean the lower and the middle-class people. My definition of these classes is a little different. It is not the same as that of the *bhadra* class of people. As a result of progress in education during the last ten years—to whatever caste, community or religion they may belong—you have got so many graduates among them and a lot of money has been spent on educating them. There are so many BAs, BCom's, MAs, and others. Now the supply has gone up with a tremendous pace it is more than the demand. According to an estimate which I have made, the parents of these people might have spent three to four thousand rupees for four or five years and the Government also has had to subsidise the educational institutions. The States and universities also spend money on them. And after spending so much, an individual gets education. He is hardly recognized by the private enterprise. He is given only one hundred or one hundred and twenty-five chips. Is it pro-

per? Now, when these youngmen are being made as a sort of gift to the people who require them, there must be some minimum salary below which an educated man should not be allowed to draw and he should not be exploited because of abundance of supply. This is a proposition to which I would like to draw the attention of the Government because nobody should be permitted to be engaged below a particular monthly salary. And as I had occasion to say before, the industries are very well nursed by all sorts of protections, assistance, subsidy and what not and they are making good profits. I do not grudge them those good profits. But they must share those profits, incomes and earnings with everybody roundabout. They should not concentrate on keeping all the results to themselves.

As one who is indirectly associated with the management of concerns through the trade union movement, I feel that because of the easy money they have been able to earn, the management of these concerns has deteriorated. I have seen the last generation of entrepreneurs. They were working hard, they used to apply their minds and they used to take a considerable amount of initiative in order to make their concerns flourish. But of late, because of so much of assistance and protection given to them, they have become a little easy and therefore, initiative is lacking on their part. So, what I would suggest is that the time has come when the Commerce and Industries Ministry or the Finance Ministry should insist on an appropriate system of cost accounting for them so that the country will be able to know whether the cost per unit of production is commensurate with the efforts that the Government is making. I have no doubt in my mind that if a proper enquiry, investigation is made, the prices of certain commodities will come down. Costing is a necessity. They should not be allowed to have their own way of looking at the trend of prices. I do not look upon the private sector or the public sector differently.

Both of them belong to what is called a national sector and they have got to cater to the needs of the nation as such simultaneously. Both of them should be efficiently and very properly run and with the least cost. The way in which these industries are run, is also deteriorating. Therefore, before any further deterioration takes place in the Third Plan, steps should be taken to see that they give a square deal to the nation to the extent that they have been helped all these years.

This is all that I have to say on this Budget and I thank you, Sir, for having given me an opportunity to say something.

**SHRI BHUPESH GUPTA:** (West-Bengal): Mr. Deputy Chairman, this is the first Budget of the Third Plan and the last Budget of the Second Lok Sabha. It has, therefore, some added significance and we must bear that in mind. You will remember that when Shri T. T. Krishnamachari, the then Finance Minister, introduced his Budget before the election year, he did not introduce very many taxes. Then after winning the elections he came down heavily upon the consumer and the public and launched a whole series of taxations which went on soaring year after year, Sir, here we have a Budget, before the coming general election, and our courageous Finance Minister has hit the people right and left, and one can well imagine how heavily he would come down upon the people after the next general elections are over. People must bear that in mind that here is a man. Well, if I may use the formulation of the old Finance Minister, he called someone somewhere a man eater or so that way, and I get a glimpse of it in relation to the present Finance Minister and his Budget. Mr. Deputy Chairman, I have studied the speeches and the material that have been circulated to us—the Economic Survey, and so on. I find that the concessions that are made have all gone

to the rich. Foreign investors have been given concession. Tax on bonus shares has been reduced by one half or so, and then certain other inter-corporate investments have been given relief. This is how the upper classes or those at the top of the society, who are making money out of the sufferings of the people and garnering the fruits of our industrial activity, are given tax relief whereas, when it comes to the people, I find that he has added 18 more items to the already 40 items under 'Union Excise Duties' and they include a variety of items of consumer goods, necessities of life like tobacco, tea, kerosene, matches and so on. I need not go into all these names here. The list of items has been enlarged by 18 more items. Now, it is 58, and he wishes to raise about Rs. 28 crores or so more through these methods of indirect taxation. When it comes to the people, well, hit them. This is the line. Reading the Budget proposals and the taxation proposals, I felt it was a highway-man's Budget with a difference. And what is the difference? The difference is that a common highway-man goes after the rich and robs him. And here in the Finance Ministry we have a highway-man who robs the poor to pay and placate and pamper the rich. This is the difference. Well, Sir, I do not mean personally anything to Mr. Morarji Desai, but here are the propositions in our economic and social life and we have to deal with them. It is the Budget of the Government; that also I know. And there is the committee called the Budget Sub-Committee consisting of the Finance Minister, the Home Minister and the Prime Minister, and the trio decides as to how the people should be handled. This is the position, Sir. Therefore it is a Government thing. Now you see this. After the Budget proposals were out, the Federation of Indian Chambers of Commerce and Industry has welcomed it saying that they are in broad agreement with the Budget and they call it a

[Shri Bhupesh Gupta.]

'lucid budget'. But the public have reacted violently against it in all parts of the country. And today I find that all the newspapers except one—the *Times of India*—carry the news that prices of commodities, as a result of the indirect taxes, are going up. The *Statesman* carries the news and the other papers do likewise. But one paper—the *Times of India*—says that the prices are stable, that they are not showing an upward move. I was a little surprised as to why the *Times of India* took that view of the matter when the whole country was protesting loudly against these Budget proposals. Then I found that here was the message given to the *Financial Times* published in this issue of the paper, by the hon. Finance Minister, Mr. Morarji Desai. It is blessed. His Budget is praised and he is blessed. I do not mean personally anything to the Finance Minister. The Finance Minister said that the "*Times of India*" was an institution which came into existence more than a hundred years ago and now had well established itself. It had launched a new journal because it had the stability and the assurance that it would not suffer from any economic danger in its career. That was the message of greetings to the *Financial Times*. How could it face economic danger when the Finance Minister, Mr. Morarji Desai, was on the Treasury Benches? He is quite right when he writes that. But it is a coincidence that this paper praises his Budget and publishes his message of greetings to the financial edition of that journal brought out from Bombay. Well, Sir, Mr. Chanti Prasad Jain must have been very happy to have received this message. But happier still he would be to receive the tax concession that he is getting—the licence in financial matters that he is getting. That is the problem for the country to face, a problem not merely for the Opposition benches to face, but a problem for the Congress opposite also to face—the problem of the poor man being hit by the tax proposals. I heard Mr.

Khandubhai Desai, a former Minister of the Government, very rightly criticising some of the things, and suggesting that the corporate sector and the rich people should be taxed more. I entirely endorse that view, and I would add to it when I shall come to the taxation proposals later on. This is the attack he has launched, namely that Rs. 1650 crores have to be found for the Third Five Year Plan. From the internal sources this has to be found. Now, Sir, here they are finding it. From where? By cutting the consumption of the poor man. They are asking the poor man to tighten his belt. They perhaps do not know that there is hardly anything to tighten there that way. Now, this is what he says here. He makes a proposal in his speech that budget is an instrument of economic policy. He says so in Part II of this speech. Yes, it is an instrument of economic policy, and as far as this Government is concerned, it is an instrument of economic policy for the exploitation of the poor, for the oppression of the under dog in the society, for cutting the consumption of those who live on the starvation level. It is an instrument of policy on the part of the Government to pamper the rich classes, to give them bounties by way of tax concession and other financial amenities and to let them build on the suffering and miseries of millions of our people. This is the instrument. I ask Congressmen: "Are you going to support this instrument. Is it in consonance with some of the very things that you have yourself been telling the country?" I know many a Congressmen would hang their heads in shame for this Budget. They will not speak here.

(Interruption.)

Yes, I know you do it and Congressmen living outside also do it.

SHRI K. SANTHANAM (Madras): You had better speak for yourself.

SHRI BHUPESH GUPTA: Anyway I shall not dilate on it. The trouble here is that you are not directly

elected. That is one disadvantage for me, I forget it. I did not remember it, Sir. That is the position.

Anyway this is the Budget proposal and I come to it. Economic assessment is given—I do not deny. Here Mr. Morarji Desai, the Finance Minister, gives an economic assessment and there is also the Economic survey. At least in this thing, in between the lines you get some indication of the state of our economy. Here, in the speech of the hon. the Finance Minister it is all praise; it is all dance and music, and nothing but that. And what is the economic position for the Third Five Year Plan? In the course of the Second Five Year Plan certain industrial progress has no doubt taken place and it is given; it has gone up by sixty points or so and specially the progress has taken place in the machine-building, steel and certain other vital industries for the industrialisation of the country. We Communists do welcome it. We would like it to be faster and on a wider scale. There-  
3 P.M. fore, that aspect should be taken into account. We pay tribute to the working people, to the workers who are running these industries and to others technicians and so on, people who are building up the economic foundations of our country. In some way it is going on in spite of some of the policies of the Government.

Then, Sir, here mention has been made of the achievement of the Natural Gas Commission. We welcome it. We welcome the discovery of oil resources in Gujarat. But then we must bear in mind that towards the end of the Third Five Year Plan we would be requiring 14 million tons of petroleum products, whereas taking into account the production that will be made, even including Gujarat, we will not be producing more than 6 million tons; the deficit will be about 6 to 7 million tons for which we have to spend hundreds of crores of rupees over imports. Therefore, the picture

is not yet bright, but the progress that is under way is to be welcomed by all.

Then the question arises as to what happens with regard to the distribution of oil. The distribution is entirely in the hands of the Burmah Shell and Stanvac, especially Burmah Shell. Burmah Shell has an installed production capacity of 4½ million tons. They want to expand it very soon. We want a clear declaration that no more expansion in the private sector would be allowed. But then distribution is very vital. Are we going to allow distribution of oil to remain in the hands of these people? That cannot be done. If Cuba could compel the foreigners to refine the foreign crude oil, why can we not do that in our country? Even that we cannot do. Am I to understand that the Burmah Shell is such an employer here that we cannot compel it to refine each and every crude oil that we are getting from whatever quarter? How is it that they are able to dictate terms to us? It is an insult to the nation, and are we to put up with this kind of affront on the part of the Burmah Shell? I would like the hon. Minister to answer this question.

Now, Sir, the question of distribution remains. Oil distribution has started but the machinery of distribution is not satisfactory at all. By the middle of the Third Five Year Plan, when we should be handling about 12 Million tons of oil every year. I do not know what the distribution machinery will be. This is apart from the production which will surely go up in this period. These are welcome features, but even in the industrial sector you will find that in many industries we have not reached the target fixed by the Second Plan. This is something which is said in the Review of the Second Five Year Plan. Except in some, we have not reached the targets. This is another matter which should cause a little concern as to why the target should not be



[Shri Bhupesh Gupta.]

reached and why the installed capacity should not be fully utilised to save foreign exchange and reduce the import of certain types of machinery in that respect. This deserves attention on the part of the authorities.

On industrial side it is good. The industrial production has also gone up but where the benefits have gone, I shall come to it later. The objective set before the Second Five Year Plan was not industrialisation merely. It set before it the objective of rapid industrialisation. During the last ten years taken together the industrial production has gone up by 5 per cent. on annual average. In some it is more, in some it is less. But are we to be satisfied with this rate of progress of 5 per cent. or so when it should be at least 30 per cent. or so every year, because this 5 per cent. annual rate works out over a decade beginning with 1950? The rate is slow.

Mention has been made of the agrarian sector. Now, food production has declined from 75 million tons to 72 million tons. Compared with the beginning of the Second Plan, it has gone up from 62·8 million tons to 75 million tons last year. In the current year it will be less. It shows instability in the matter of food production. But the revised target of 80 million tons has not been attained. We require much more foodgrains. The Budget shows that we have to rely on huge imports of food under PL 480 and we have to rely on the doles that we get from the United States of America.

Here I may point out that another feature of the agrarian economy is seen in the fact that since independence we have spent a little over Rs. 1,500 crores over the import of foodgrains from abroad. Under the Second Plan it comes to Rs. 600 crores, and it is estimated that under

the Third Plan it will be another Rs. 600 crores, if not more. Such is the position. Sir, speaking on the All India Radio on June 8, 1948, the Prime Minister gave an assurance to the country that by the middle of 1952 India would have attained self-sufficiency in the matter of food. Now, at the end of the Second Five Year Plan we should be nearing self-sufficiency. Somebody should tell us when and how we are going to be self-sufficient in the matter of food. It is a problem. It is a problem, not only because we have to spend a lot of money but because the production is highly unstable and much of it is accounted for better statistical coverage and so on and is extremely dependent on weather.

Our irrigation has gone up no doubt. But here again, the progress is not satisfactory. Here, Sir, the problem is quite clear. The crux of the problem is that land reform should be in the interest of the peasantry. Now, as you know, according to the latest report of the Agricultural Labour Commission, you will find that 2·43% of the total households, owning above 30 acres of land, own 28·5% of the total area, whereas—please note—82·58% of the household comprising the landless and the poor peasant own 27·36% of the total area, i.e., less than what 2·43% own. Such is the land distribution. You can see the concentration of land in the hands of a few. Twenty-two per cent. do not have any land at all. Forty-seven per cent. of the household in rural India own less than 1 acre of land and their aggregate share in the total land holding of the country is only 1 per cent. Such is the position.

Now, if you see the report of the Commission, you will find that between 1951 and 1957 the income of the agricultural labour has gone down by 15%, his work by 6%, but his indebtedness has increased by 118%. Such is the picture given by the

Commission appointed by the Government. Now, we are spending undoubtedly a lot of money—I calculated it; it is about Rs. 1600 crores—under the two Plans on agriculture, including community development projects. But the results have not been commensurate with the heavy expenditure incurred. Why is it so? It is the duty of the Government to give an answer. It is because we are trying, Mr. Deputy Chairman, to solve a social problem through technical means. That is to say, where the solution of the problem has to be sought by agrarian reforms of the right type—giving land to the tiller of the soil—the Government think that they can solve the problem by wider utilisation of irrigation, use of chemical fertiliser, better implements, seeds and so on and better irrigation. Not that these are unimportant but then this ten years of planning should make it abundantly clear to all those who want to learn that however important these may be this cannot bring about a real lasting solution to make our agriculture self-sufficient, to bring about stability in foodgrains and, what is more, to harness the vast labour power to the means of production, in this case land. The crux of the matter is that it is a social problem; but that is not being tackled by the Government. Even today in Orissa you will find that very high ceilings have been fixed. In U. P. it is impossible for the peasants to get land. In Kerala they have tampered with the agrarian legislation that we had brought forward in the interest of the peasantry and landless classes; and in a number of States even ceilings have not been enforced. Whatever little talk there was in the beginning of the Second Five Year Plan about land reforms has been given up, more or less, and it is, more or less, taken for granted that nothing much would be done, whereas these evaluation reports themselves on these community development projects virtually say so. These community development projects which, according to the Prime

Minister's fascinating expression, were meant to be a silent revolution in the country, have proved to be a colossal fiasco, a laughable thing. Such is the position. Even so, the Rip Van Winkles of the Government would not wake up and see that something better has to be done.

Take the agrarian problem and there you will find another aspect of the matter. What is this? Vast numbers of people are unemployed in the agrarian sector. According to the survey made by the Statistical Department, about 52 million people who are capable of working have jobs only for less than 15 days. As many as 27 millions have jobs only for 4 days. That is to say, a vast manpower in the countryside which is our wealth, to be employed, with which we can create capital accumulation in the countryside, is left idle or is very little utilised for productive purposes. Here comes the question of policy. Such is the position with regard to agriculture.

According to the latest report we find that except in the case of sugarcane, nowhere is there increase in any crop to reach the targets; they have fallen in some cases. This is the position as stated in the various reports connected with the appraisal of the Second Plan. Therefore, agriculture is in a state of semi-stagnancy. It is but natural that in such a situation, when industrial progress is slow, when agriculture is in a state of semi-stagnancy, we should try to face the problem. The problem is one of growth. The rate of growth of our economy is slow. That is admitted even in the papers we have got. You will see that the Second Plan expected that there should be a 25% increase or rise in the national income. According to the official figures, the increase is about 20 per cent; the *per capita* income should have risen in the Second Plan by 18 per cent. But it is actually only 12 per cent. The result is that the rise in the *per*

[Shri Bhupesh Gupta.]

*capita* income is only 3 per cent. and the rise in the national income is less than about 4 per cent. The Second Plan envisaged a rise in the national income from Rs. 10,480 crores to Rs. 13,480 crores. But the provisional figures show that the rise is only Rs. 11,750 crores in 1959-60. There may be a little more. But the position is that the target will not be achieved. Here again, one must bear in mind that the problem is much more than what meets the eye from the figures.

What is the problem? The problem is this. In our economy, in order to maintain the population at the existing level of living, taking into account the 2 per cent. rise annually in the population, we should make adequate investments and our national income must go up by 5 per cent. annually. Here in the Second Plan, therefore, it is below that mark. That is to say, our population is increasing at a faster rate and the national income is lagging behind, with the result that the standard of living goes down.

In the Consultative Committee which was appointed by the Prime Minister, it was pointed out that unless the national income was raised by 5 to 6 per cent.—and this was pointed out by the Prime Minister himself—we would not be making any progress at all. Today, here you find that the national income, as compared to the First Plan has risen by less than 5 per cent. There is no progress, if you take into account the increase in population, hardly any. So how are we going to make progress? How are we to bring about a greater rate of growth in our economy? This is the problem which the country has to face.

You find in the domestic savings there is a rise of 7.3 per cent, towards the end of the First Plan. It is only 8 per cent. now and the rest 3 per cent. is there to make up 11 per cent. and for that we have gone

in for heavy external borrowings. Therefore, more or less, in the matter of domestic savings, it is in the same level. There is no appreciable increase. It was 7.3 per cent. in the First Plan when foreign borrowings were little and now it is 11 per cent. if you take into account the 3 per cent. of foreign borrowings and 8 per cent. of domestic savings. So the rate of growth is negligible, or very insignificant. Yet heavy investments have taken place, say the Government.

How are we to face this problem? This is the position and the crux of the matter is that our economy is not generating sufficient savings in order to bring about adequate investments and to generate a faster rate of growth. That is the crux of the problem in the Indian economy. What is the solution? They find a solution, not by bringing about radical reforms in agriculture or institutional changes in the economy of the country, but they have decided on two courses. One is to go in for heavy external borrowings, to the extent of Rs. 3,200 crores in the Third Plan. The other is to go in for extortionist taxes on the people. If the people are not in a position to pay the taxes, hit them, compel them, make them pay, harangue to them that they must make sacrifices for the country, while the millionaire class and the upper classes are minting millions and millions year after year. This is the position. Are we going to accept it? Are we to accept this line of approach in the economic development of the country? Are we to accept this approach of cutting the consumption of the people who do not have enough even to eat? I find from the figures here, though there is all this talk of the standard of living rising. I find from the Government papers—generally I use only the matter in Government papers—that the consumption of cereals, cloth and other things has not gone up very much, except cereals to some extent. Here, as regards cloth in

1956, the beginning of the Third Five Year Plan, the figure was 16·6 per yard and in 1959 it is 16·4 per yard. That means a little decline. About gur the figures are 16·9 lbs. and 18·8 lbs. for the same period, and for sugar they are 11·4 lbs. and 10·5 lbs. So if you take the indices of the consumption of things by the people, you will find that they are declining or they are steady. Therefore, let us bear that in mind. The standard of living of the common man, it is well known, has not gone up. That is admitted, more or less, by the people. Here, Mr. Nav Gopal Das, a retired I.C.S., writing in the *Commerce*,—Jubilee Number—a million-*aire paper*—January 1961, says:

“Whatever the cause, the stark fact remains that there has been no increase in the real *per capita* income as a result of the massive expenditure which was undertaken during the Second Plan.”

Then, speaking at the annual Indian Conference on Research, the Governor of the Reserve Bank, in August, 1960, said:

“It is conceivable that while the *per capita* income is going up, the standard of living in the large section of the population might be stationary or might be even going down.”

Straightway, I want to say here that the cause for alarm is not merely that the *per capita* income is not increasing or is more or less, stationary, but added to it there is the fact that the *per capita* expenditure is also falling. That is how you should view this matter. I have got certain other things. Here is the Economic Review—Bhavnagar Congress Number, brought out by the A.I.C.C. There is an article which appears in this very journal of the ruling party where it is clearly said,

“The prices of 48-49 are on an average five to six times higher than

the 31-32 level. This shows where we stand compared to thirty years ago.”

Talking about national income, it wants to make out that in real terms we are more or less at the 31-32 level, if you take into account the rise in prices. Another economist, Mr. K. N. Raj, an eminent economist, challenges the Government figure and says that the national income is much lower than what is made out even according to the Government figure. This article says that we are very much in deficit so far as exports are concerned. I can point out other articles also but I do not want to go into all that. Where is the solution? No solution is offered either in the Budget speech or in what they have written otherwise in the various papers. This problem of growth is not faced, and to generate savings of the community it is essential to bring about agrarian reforms in the interests of the peasant precisely because 50 per cent. of the national income comes from that quarter. We must generate income through savings there so that in the first place we do not have to import some of the agricultural goods that we import from other countries and secondly we have an agricultural surplus whereby we can pay for industrialisation to some extent. There is no such policy at all before us. We want various other activities in the industrial field, especially the development of the public sector. That is not being done.

Let me come now to the other aspect of the matter. I need not go into how heavily we are dependent on foreign loans. First of all, private investment has gone up since 1948, from Rs. 255 crores to about Rs. 600 crores in 1960, more than two-fold rise nearly, or more than that. Some of this is re-invested profit but that does not matter. How does it come about? You will see that jute and tea industries have been allowed foreign exchange worth many crores of rupees for importing machinery in order to carry out modernisation and intensiva-

[Shri Bhupesh Gupta.]

exploitation in our economy. This is another aspect of the matter. That exploitation is growing and every paper is saying this. I pointed out as to how things are going on; every paper is writing. It is faster, I mean, foreign capital coming in, than ever before. It is an interesting thing. From April to October, 1960, 228 agreements were entered into between India and foreign enterprises for the manufacture of a variety of things, out of which 80 goes to the United Kingdom. In the *Manchester Guardian*—Richard Fry—wrote that fifty applications were pending for sanction before the Government. Cecil Leslie published an article in the *London Daily Telegraph* on the 14th January, 1961, under the caption "India Today". He said, "A Calcutta Broker told me, 'The whole picture has changed during the past eighteen months. I merely packed up in 1956 because there appeared no future but now there is so much business. The prices of variable industrial securities have on an average risen by 35 per cent. during the past two years.'" External Affairs Bulletin, 4th February No. 4760—for the reference of the hon. Minister. This is how they are writing. Almost all foreign investors are singing the praise of the Government and are praising this policy of Government. Here is a protected market today. We have a tariff wall to protect our industries and foreign investors find it difficult to export things. What they do in that they come in, have joint undertakings and collaboration with Indian counterparts, big business here and set up industries, earn profits in a protected market and ship that profit outside the country. According to the Finance Minister, between 1954 and 1957, Rs 113 crores of profits were remitted out of the country by the foreign concerns. Annual remittance of profits from our country comes to Rs. 30 crores or so, if not more. During the Second Plan period, there has been bumper business on the part of the foreigners, and yet in this Budget we find more concessions being given to the foreigners. Sir, in the nineteenth

century, a British young man before joining the Civil Service wrote to his friend, "I am going to join the grand loot which is the British Empire." Today, of course, it does not exist that way but would a businessman in England be unjustified if he were to write to his friend to say that thanks to Mr. Morarji Desai and the Government, he was going to join the grand loot called whatever it is, investment and profit in the Second and the Third Five Year Plans? One of them writes in their paper "Let us go there. The Second Plan spending has given our investment a social prestige." I am quoting their words. This is how they talk about the subject of investment in this country. It is a serious matter. Investment takes place in all directions. Quite apart from that, it is a heavy drain on the economy.

Take the case of trade, about 400 to 500 crores of rupees worth of our external trade passes through foreign business houses in Calcutta and other places—coming to about 31 per cent. of the total trade. Today, we have got about 7,000 foreign commercial executives in India and the number of Britishers in India is higher than at any time under British rule and some of them are receiving Rs. 10,000 and more per month. One of them, I mentioned in this House several times, the Chairman of Jardine Henderson & Co., gets Rs. 1,50,000, apart from various other amenities. Such is our position. Is it not a grand loot permitted by this Government, and are we to give tax concessions to these very people who are fleecing the country, exploiting our resources and carrying on a loot in this manner, is a question that I put to the Government. There is another dangerous policy. They say that it is now necessary, inevitable they say, for a self-reliant economy. The foreign exchange difficulties of our country have been taken advantage of by these people in order to make fresh penetration. In this process they had been helped by the World Bank, the Development Loan Fund, the Export Import Bank and various other agen-

cies of the West. They made no bones about it that one of their jobs was to *bolster big money* of which the august representative here is Mr. Chinnai. That is the position. Can he deny it? The Development Loan Fund makes it a condition that part of the money should go to the private sector; PL-480 counterpart funds is to be spent for associates of the American private investor; World Bank makes it incumbent on these people being given a share. No wonder that in the Second Plan, Rs. 301 crores of foreign exchange had been sanctioned up to 1959 only, and as you know, a sum of Rs. 28 crores was sanctioned for the rayon industry. Is it very vital for our industrial development? Jute and tea modernisation got Rs. 34 crores of foreign exchange. We are supposed to be deficit in foreign exchange and yet these people are being given so much in order to bring things which can wait. As a result, we have been drawing very heavily on our Sterling reserves. Where we have drawn to the extent of Rs. 200 crores in the First Plan, we have drawn to the tune of Rs. 500 crores in the Second Plan, to meet deficit in the balance of payment which is perpetual and even to pay for the private sector and other non-essential imports from the development point of view. Today we are in such a position where the situation has become precarious as far as India's foreign assets are concerned. We started the Second Plan with Rs. 700 odd crores and today it stands around Rs. 150 crores. This is in regard to the Sterling reserves. Our exports, over the ten years, have shown a decline. We are operating not in a sellers' market but in a buyers' market that way. We are losing. The United Nations economic survey has clearly pointed out that in those markets the trade balance is working adversely as far as our economy is concerned. Those commodities predominate in our export whose prices are falling in the markets of the West. That is point number one. Then we are operating in those markets where expansion scope is limited and we are coming

up against the difficulties of the European Common Market on the top of all this. This is the position. Therefore, you will find that an overwhelming percentage of the trade is tied up with the United States of America. 20 to 25 per cent of the trade is tied up with the United States of America and Britain each whereas trade with the socialist world—and a big chunk of the world today is socialist—has risen only to five point odd per cent, a little over five per cent. Compared to that our trade with West Germany has risen in these years from 0.50 per cent. to nearly 10 per cent. And now as a result of this revaluation of the Deutschmark we shall suffer. If you look at our trade with West Germany you will find that our export market is limited whereas the import market is expanding and it is becoming one way traffic. What are we doing about it? Export promotion should not be mere talk. How can we promote exports unless we diversify our trade and develop our trade along channels which will improve our trade balance. We have been running into heavy deficits in our trade balance all these years and so far we have made it up partly by drawing upon the external assets of our country, especially the Sterling balances. And now that is also gone. How are we going to meet this trade deficit especially when our repayment liability is beginning from this year. Every year on an average we have to repay about Rs. 100 crores or so if not more. For the next few years in order to service our imports, in order even to maintain production and consumption at the existing level it seems that we have to go in for external borrowing and no wonder that a huge figure has been shown against external resources. Then you will find that Mr. B. K. Nehru was speaking the other day at Toronto and he was saying that India will require in the coming two years 50,000 million dollars out of which 10,000 million dollars would have to be from external resources and he has suggested indirectly, 'Give it to save democracy.' A pinch of cold-war politics is mixed up with the

[Shri Bhupesh Gupta.]

mixed economy approach when he goes round the world with a beggar's bowl. Another thing that is said is unless you give this, this country may go communist. I do not know. The India Club has met in Paris and the position seems to be this: "You join our club; let us have a little talk but then you will not get very much from us." And Mr. B. K. Nehru is going round the world touring from country to country with a beggar's bowl and there he says one thing which is not said here. He says that our rate of development is 3.5 per cent. over the last ten years. Probably he wants to borrow money saying that we are poor, that we are starving and therefore he wants them to give us a little money. And now we have got already Rs. 1400 crores of foreign liability if not more. I do not know but it is bound to be so if we do not develop our domestic resources, if we do not cut certain items of import by producing those things in our own country. We had to import even raw cotton. Cotton production fell down and we had to spend a lot of money for importing cotton for our textile mills. So this is another aspect of the matter. Therefore, I ask, why can't the Government take over the trade in their hands and earn money and direct it in the national interest because in the hands of foreigners the trade is being directed in a particular way. And smuggling and other things go on. Do you know that Jardine Henderson and their associates had to pay over Rs. 25 lakhs over the past few years to release the ships which were impounded in Calcutta for smuggling gold and other things? Similarly, others are also doing. It is not merely a question of carrying on trade and making apparently lawful gains. This is being utilised by them for making illegal and criminal gains as has been done by some of the British concerns and no action is taken against them. This is another unsavoury aspect of the matter. Now, about foreign loans, we have provided for something in the

Budget. Every year we are having this. We are building the country on foreign loan and it goes on increasing. In the Second Plan it was Rs. 2,000 crores to meet the deficit and now the figure is Rs. 3,200 crores. I do not know when we shall be free at this rate. Probably it will be said that when we shall have built all the machinery here, this will be stopped but then by that time the foreign liabilities would have grown so much that by the time we begin to take off, somebody will be shooting us down. We will begin to take off and some people with their fighter planes will go up and shoot us down because these people will be demanding repayment from us. We shall be faced with a heavy repayment liability; in fact we are already faced with that. This is the perspective of our economy.

Now, about the profits. The private sector has done very well. Mr. Chinai is the happiest man.

SHRI BABUBHAI CHINAI: Thank you.

SHRI BHUPESH GUPTA. He is the happiest among all of us on both sides. He knows how he has gained. They were given at the outset a share of Rs. 750 crores for investment in the Second Plan. The President of the FICCI wrote a letter to the Prime Minister saying that they had invested over Rs. 800 crores and in that way they had fulfilled their task. They were given about Rs. 100 crores of foreign exchange but they have managed to wangle about Rs. 300 crores of foreign exchange and they now say that they can invest more. Actually, their investment has come to Rs. 900 crores, leaving the public sector behind. That way he is the happiest man. But then how are they making money? In 1960 the share scrips registered a rise of 20 to 25 per cent. on industrial securities. It is there given in the various journals. As you know, today there are about 1300 public limited companies quoted in

seven well known stock exchanges of the country. Their shares have gone up. Their number has gone up to the level as it was at the end of the war in 1945. Their shares have gone up by 20 per cent. but the prices of these scrips have gone up by  $2\frac{1}{2}$  times. You can therefore see how concentration of wealth is taking place. You don't require a commission to discover where the money is going. We have about 1300 companies who have a paid-up capital of Rs. 10 lakhs or more and nearly 300 have got a paid-up capital of Rs. 50 lakhs or more. 1300 companies account for a total paid-up capital of about Rs. 700 crores and according to the reckoning by various persons 14 per cent. of the companies have a paid-up capital of over 80 per cent of the total paid-up capital. And it is these people, these joint stock companies, which are making such enormous fortunes and naturally they are very happy.

Now, national income is growing. There intensive exploitation of labour has taken place in this period. The productivity of labour and production have both gone up but what are the wages? What is the real wage? It is pegged at the 1939 level and that has been admitted on all hands, by the Labour Minister Mr. Gulzarilal Nanda also who is also the Planning Minister. That means it is more or less at the 1939 level. The economic surveys carried out by the Government of India and the Statistical Institute all point to the fact that there has been practically no rise in real wages in the country whereas the productivity of labour has gone up. And how is it done? It is done by expropriating in a callous and cruel manner the fruits of labour in the industry. The multi-millionaires as a class have to be bridled and tamed in the interests of the country and instead of doing that the Finance Minister has the temerity to stand up in another place and declare concession after concession to the millionaire class. What could be more scandalous and greater insult to the concept of democracy and democratic

planning? The other day I was just looking at certain other figures of preference shares. You will find that about 66 crores of preference shares are held by shareholders whose shares are of scrips of Rs. 1,000. That is how the money is concentrating in their hands. There is a saying, the rich has become richer and the poor poorer and the Governor Mr. Gadgil said that every year they are becoming richer. Every moment they are becoming richer and it is the Treasury Benches who are making them richer. And they seize the votes from the poor people and say they are going to serve the people. Are we to develop a planned economy in this manner? Whom are we building for—millions of workers, peasants and Government employees constituting 90 per cent of the population or 5 per cent of the apex society, who do not know how to spend? Here again, it is said about Rs. 3,000 crores worth of gold hoardings are there. Of this about half would be held in bullion and it is said that the bullion is mostly in the hands of the upper classes. What have you done to seize this bullion? You go after finding a pamphlet or materials for your secret report. Why cannot you seize the bullion which would be worth not less than Rs. 100 crores in Burra Bazar only? This is the position. You do not do any such thing. Mr. Morarji Desai says: 'How can I do it? I am a democrat' When I ask him he says: 'I am not a totalitarian.' When it comes to the poor man, your democracy forsakes you. When it comes to the rich, you are democrat incarnate and allow the bullion men to sit on their bullion, when the man at your doorstep dies of starvation and want. Is it social justice? Is it the way you are going to implement the Directive Principles of the Constitution, which is supposed to guide the State Policy? Or, is it for breaking the pledges that you have made to the nation or for defiance of the Directive Principles publicly put in the Constitution of the country? This is the position. An answer has to be given by the hon. Finance Minister.



[Shri Bhupesh Gupta.]

Now, you will see that income-tax arrears came to Rs. 273 crores. Then, Mr. Morarji Desai one fine morning developed a new phrase 'effective arrears' and brought it down to Rs. 134 crores. About Rs. 150 crores disappeared into thin air. **Where? Who made the benefit?** You should tell us, because the millionaire class hold the society to ransom. They do not even pay the assessed taxes and after a while they compel the Government and the Government oblige them by writing off a part of the huge amounts in debt. This is the position. And it is admitted that among the tax-dodgers, the big people are the most and it is there that the arrears have accumulated more. It is admitted in the Finance Ministry's various papers. What are you going to do? According to their statement they have raised the tax collection to a little over Rs. 40 crores last year or so, but why don't you collect more? What happened to you in the last ten years or so? We would like to know it. Somebody is to be blamed. Tax arrears, tax evasion, tax avoidance, everything goes on in the country. And if you will see you can find what a farce they have made of this excess profits tax, the expenditure-tax, the gift-tax and other taxes. In the beginning, in 1958-59 when the gift-tax first came, it was about Rs. 1 crore. Now, it is Rs. 80 lakhs. Do I understand that there are no gifts today? Or, do I understand that all gifts are made now in a clandestine way? Then, Sir, you will find again that there is a slight increase in the expenditure-tax. It was only Rs. 70 lakhs or so. Now, it is Rs. 90 lakhs. As regards estate-duty it was Rs. 2.7 crores. Now, it is just Rs. 3 crores, budget estimate in the current year. No realisation is taking place. Well, I thought that our capitalists also died. They are mortal people, as much as we are. Heart failures do not take place only in the working class homes or in some other homes or among the politicians. Capitalists also die of heart failure. What hap-

pens to their estates? You do not get them. What happens to them? Now, you do not collect wealth-tax. You do not collect expenditure-tax. You do not go after the rich and everybody knows that. When he goes to Bombay he will find that they are roaming about in cars worth Rs. 50,000 and yet the collection here is only Rs. 70 lakhs. I come from the city of Calcutta. In the city of Calcutta, they are rolling in wealth and if the Government is so minded, they could have raised crores and crores of rupees through this expenditure-tax, wealth-tax and so on. About gift-tax you do not do anything. Probably Ministers go to the marriage parties. When the gifts take place, well they forget the gifts. Anyway, this is another aspect of the matter. There is no such suggestion. As regards direct taxes, only Rs. 3 crores they will get and in this very period they have raised the indirect taxes from the beginning of the Plan from Rs. 100 crores or so to Rs. 400 crores, according to the current years' Budget estimate. There is an increase of four times in the indirect taxes that hit the people and progress in the matter of direct taxes is very slow. The big persons can pay a little more. Bonus shares, first of all, should not be allowed. The reserves should be mobilised compulsorily for investment in desired channels. Under public pressure the taxes were imposed. Now, it is reduced. They have given many other concessions. Capital-gains tax is not there. Shri Khandubhai Desai asked you here why you are not levying the capital-gains tax in our economy when the millionaire class is making so much money and is in a position to pay. No, it is the common man, the person who goes to a tea shop to drink a cup of tea after a day's sweat, who is to be taxed. The man who buys a match box and who finds it difficult to buy two match boxes at a time has to be taxed. In regard to cloth, he has to be taxed and everything the common man pays. But here the corporate sector and the millionaire class is not touched that way. This

is the position. This is where our production economy is today and they talk about sacrifice and other things. Yes, Sir, the working class and the common man are making sacrifices by giving their labour. But for them industrial production would not have gone up. But for them food production would not have gone up. Food is not produced by Mr. S. K. Patil in the fields. Neither industrial production is raised by Mr. Birla who goes round the world. It is done by the working class. All that is done by the peasantry, by the tillers of the land. And they are paying with the sweat of their brow, toil and labour, for the merry making of the country, when they need a fair deal, with the prices rising high. And here again you will see that the prices have risen by another six per cent. or so and we are told that a gentleman of the National Development Council had condescended to discuss that subject and they discussed it. We are also told through the newspapers that the Chief Minister will come some day in Delhi, have a little chat with the people here and formulate a price policy. The mountain of talk has not produced even a diseased mice of a price policy. Such is the thing. Tall talk by these people, bluffing the people all the time, but doing nothing here. Why cannot they formulate a price policy? Year after year, they say, prices are rising. They are run-away prices and these Ministers are helplessly chasing behind them. What is the idea in it? Are you so bankrupt in your intellectual wisdom, thought, understanding and comprehension of economic matters that you cannot even formulate a price policy today? It was precisely against these high prices, indirect taxes, the incidence of which falls on the common man, that the Central Government employees launched their strike. Today Mr. Morarji Desai's infamous Budget justifies the Central Government employees' strike, because they had to fight for their living for the living of their children, for the living of their families. This is the position.

Now, Sir, wherever you go, the States are in debts. All the States debts have come to about Rs. 1600 crores. Repayment is about Rs. 150 crores annually. How can they pay? Now, the financial power has been concentrated in your hands and they are justified if the States in this Republic are demanding more financial power. I do not know why Dr. B. C. Roy, Mr. Kamaraja Nadar and others do not form a kind of trade union or some such thing and go on protesting against the Finance Ministry to get more money and get more power in regard to financial matters. This is the position. Everywhere you will see that they talk about the Budget. About the Five Year Plan, we support the big Plan. We would like to have a bigger Plan. But what are you doing? This Budget is an invitation to the people to say things against the Plan. And no wonder yesterday we had the leader of the Swatantra Party, Shri Rajaji, saying that socialism should be given up, although he knows very well that they are not building socialism. He does not even like the Plan and he uses the taxes to rouse the people. It is a familiar tactic with reaction; after the first world war even Hitler used to cry against the taxes in order to rouse discontent against the people and utilise them for his reactionary ends. Therefore, we are not taken in by that, but your policy encourages that, encourages these people to democratically use the discontent of the people to rouse them and get support.

I will now say a few things about resources and finish. All that I would like to say is that the public sector has to be expanded. About banking credit, here is an interesting thing. Between 1st November 1959 and May 1960 the scheduled bank credit expansion was of the order of Rs. 200 crores. It is said by the Finance Ministry—I have in possession other papers—that they have some reasons to believe that the funds of the banking system might be uti-

[Shri Bhupesh Gupta.]

lised to a growing extent for speculative and non-essential purposes. They say that. Credit expansion in the private sector is for speculation, and then they are earning enormous profits. Why cannot you nationalise the banks and tap those sources of profit? So many hundreds of crores of rupees are in their hands. Bring that money, use that money, earn incomes from that money, utilise these funds for development purposes, let not this money go into speculation.

The coal industries should be nationalised. Rohtas Brothers—I do not know the exact name—are trying to buy Jessops. Everybody knows that shares are passing hands. Some day you will hear that Jessops has passed from the hands of the great Mundhra into the hands of the great Jains. But where do we stand, you and I, Sir? We are left in the lurch. We are left in the lurch between the Jains and the Mundhras. Why cannot the Jessops be taken over by the Government when they have the power under the Industries Regulation Act? If you had done State trading in foodgrains—you have done it only partially—in the last year you could have easily got Rs. 28 crores which those people got. Similarly, there are various other things. There are remittances abroad. Why must we allow the remittances of Rs. 30 crores to go every year? Cannot we stop it? If you do not want to stop the entire thing, at least put a restraint on it. Take Rs. 15 crores from there and make the investment in our economy. This is the way.

Under the Third Plan from the public sector we have Rs 450 crores. How is it that after two Plans our public sector, apart from the railways, will only get this much money? Cannot we expand the public sector? Progress in our public sector has been very slow. That is why I say that it is not merely a question of starting new units in the public sector, but the public sector has to be streng-

thened by nationalising some of the important undertakings essential for development and essential from the point of view of revenue. The other day I read in the papers that Tatas will not pay the loan which the Government has given them interest free. There is no maturity date. Tatas have made money. They have made expansion, they are earning enormous profits in this market of steel. We still import 5 lakh tons of steel worth about Rs. 40 crores to Rs 50 crores, and in this market Tatas have bumper business. Today they are in that position. The Government pleases the Tatas by saying that "we shall not recover this money from you". But when it comes to the poor man, we know how every naya paisa they recover with any amount of brutality and heartlessness. This is the position. Even the Industrial Finance Corporation, the various other State Finance Corporations and the various credit institutions of the Government are sending their cash and funds to the big business. I find from a West Bengal report that only five small and medium industries have got loans from the State Finance Corporation. The rest of the money has gone to the big business. That is the case with regard to the State Finance Corporation, let alone the Industrial Finance Corporation. They are not helping the small and medium industries. We should have spent Rs. 400 crores, as was originally intended, for helping the small and village industries. We have not even spent Rs. 180 crores that was ultimately sanctioned after all kinds of curtailment. In an economy like ours the cottage and medium industries and the village industries too have an important part to play. They are neglected. Unemployment is growing. Today we are starting the Third Plan with a backlog of unemployment of about 7 million to 8 million. In the Second Plan it was 5 million. Now, it is 7 million to 8 million. According to Prof. Mahalanobis it is said that every year 3.3 million new people enter the labour market. In order to absorb them we must step up our

economic activity by 40 per cent., and at the rate at which we are going, the backlog of unemployment will grow every year. There is no solution to this problem, and what is more, middle class unemployment is growing. Again, the Budget papers give the figure as 6 lakhs, whereas it was half when we started. The Employment Exchanges' registers—the unemployed are registered there—show 16 lakhs compared to 5 lakhs or so when we started the Second Plan. Such is the position. Yet they go in for consumption cut of the poor. Resources are yet to be found. Shipping is another thing which should be taken over. We should develop shipping. We pay to foreign shipping Rs. 80 crores. Suppose, we pay half to the foreigners, we save at least Rs. 40 crores for our economy. Control of shipping, banking and coal mines, and the expansion of certain lines of industry like the Jessops will yield money. If you keep part of the foreign trade and also internal trade under State trading, you can easily get crores and crores of rupees. But you would not go in for that because you find it convenient with the power in your hands, with the money in your hands, with the Preventive Detention Act in your hands, to attack the poor man and fleece and rob him in a cruel manner. Therefore, the entire financial scheme needs revision. If we have to develop our economy, we must raise the living standards of our people. Mankind must not be fed with promissory notes for the future. This is the point. If the country has to be developed, it must be made to look after every man who is producing wealth in the countryside, in the factories or in the offices. Planning means that his living standard is going up every day. Planning means better education for his children, better housing, better medical care for his children and family. That is how it should be done. That is not at all done. The people are being pitted against the Plan. The Plan is being pitted against the people. A contradiction is sought to be generated and created where

there is no need for it. The targets which you have set could be very well fulfilled. Even better targets could be fulfilled provided we take drastic measures in the agrarian sector and in the other fields of our economy.

Sir, I think I have said enough on this subject. I could have said more. The only thing I would like to say towards the end is that I appeal to the Finance Minister—he is not here but his two Deputy Ministers are here—I appeal to the Finance Minister through them that even now at this late hour he must retrace his step, take away all these extortionate excise duties that heavily fall upon the people. If that is not done, people would be one hundred per cent. justified in resisting them, in agitating against them, in carrying on movements against them and in doing whatever lies in their power under the Constitution and according to the normal practices of democracy. As far as the rich are concerned, I do not know what to say about them, but I feel that our friends in the Congress party, even if they would not speak here in these accents of mine—I think I express sentiments which are shared by Congressmen, Communists and people belonging to all parties or no party. I say this because when they go to a tea shop, they do not take a cup of tea as a Congressman or a Communist, when they buy a match box, they do not buy it as a Congressman or a Communist, when they buy a cloth, they do not buy it as a Congressman or a Communist. They go there as people and consumers. They all suffer. Therefore, it is their task today to raise their voice of protest here. I know that my saying this would perhaps come in the way of some raising it, but at least they should raise their voice in the Congress Parliamentary Party. Here it is not a partisan issue. I know that with many things that I have said you may not agree, but I think you will agree with me that we must husband our resources in such a way that it does not hit the

[Shri Bhupesh Gupta.]

poor man. We must so fashion our economic policies and taxation measures that we take it from the richer classes in whom the economic power is concentrated and we give relief to the suffering multitude who need relief and assistance from us. It is a simple thing. Ways may differ. Ideas may differ. But the objective should be the same in this matter. Therefore, let the wisdom of this House be brought to bear on the subject and let the challenge of the Finance Minister be met from both the Houses in a forthright manner. Let it be known that here in this Parliament we are not going to allow this Government to play ducks and drakes with the future of the people as it pleases.

4 P.M.

SHRIMATI SAVITRY DEVI NIGAM (Uttar Pradesh): Mr. Deputy Chairman, first of all, I want to congratulate the hon. Finance Minister for a very well-drafted Budget Speech. There is no doubt that he is very precise, clear and very detailed in making his proposals. I would also like to make it clear that I do not agree with the criticisms which Mr. Bhupesh Gupta has made—and he is in the habit of twisting everything and giving it the colour which suits his party. To my mind, the biggest problem before us is not how to distribute the profits but how to produce more. The private as well as the public sectors, both belong to our country and both of them have been making wonderful contributions to the growth of our national economy. It is not very easy to make an honest and constructive assessment after the very negative but eloquent speech made by Mr. Bhupesh Gupta—and all the people in the Secretariat of the Communist party have got equally destructive and negative minds over the matter. But I would just like to make my own assessment in a very humble way.

There have been different reactions

of different groups on the Budget proposals and these reactions provide a very interesting study. While the industry and trade have welcomed this Budget with a note of cautious optimism—they feel that it affords more reliefs than imposts—the urban middle-class and salaried class of people have levelled this Budget as a burden some and havoc-increasing Budget. To my mind, these are the natural reactions of those whose purses have been affected adversely. But there is one thing which anybody can deny and that is that the proposals have been, to a very great extent, quite unexpected. While the trading and investing communities have heaved a sigh of relief as they have been expecting a greater tax burden, the middle-class people have been rather shocked and they have been taken unawares. During the last one or two years, they have been given all sorts of sympathies and so many resolutions have been passed in their favour. As you know, too much has been said about the problem of rising prices, which affects the middle-class people. It makes things very difficult for them. So, they did not expect such proposals which would increase their family budgets and which would also be responsible for the prices to go up, prices of so many essential items like crockery, textile goods, coffee, medicine, hosiery and woollen goods. It is important to mention here that the cost of living of those middle-class people has already become higher than their incomes. Now, with the additional increase in their family budgets as a result of the increase in prices, life is going to be rather difficult for them. Sir, a very interesting incident happened. I met a happy business man on the day the Budget proposals were announced and I asked him, "How are these proposals going to affect you? You are also a consumer." He said, "They do not make any difference to me at all, because I will increase a little the prices of my commodities. So, that will make no difference to me." There is no doubt that if we want to build our country, we need

money and whatever may be our tax-paying capacity, we should be ready to make sacrifices and should be ready to pay taxes. But the next point before us is whether you are to tax those people who are capable of paying the taxes without any hardship or to tax those people who are already hard pressed. The hon. Finance Minister, in paragraph 6 on page 2 of his Budget Speech, has announced that there has been an increase of 66 per cent. in industrial production and an increase of about 33 per cent. in agricultural production. This shows that the industrial class and the agricultural class have got the maximum benefit during this progress of ten years and certainly, they are much better off than the salaried class. Still, these people have been enjoying the boon under the pretext of capital formation, investment incentive and expansion of industries and the agricultural class has been enjoying a smooth sailing without any burden of taxes on it, behind the slogan of landless labourers, partial unemployment, poverty, etc. I do not have any soft corner for the middle-class people and I am only interested in seeing that our nation is rebuilt. But I would like to say that if only the actual additional tax money had to be paid by this middle-income group, they would have surely accepted the burden happily. But, over and above this, the most objectionable and burdensome feature is the exorbitant and constant increase in prices. It is going to be really very hard on them, it is going to create a lot of hardship to them. If we look at the living index of the salaried class of people and the middle income groups and the index of income between 1950 and 1960, we immediately come to the conclusion that the rising prices have nullified the increases in the incomes of these people by way of promotions and dearness allowance and there has been an increase in the cost of living. The increase in the family has also increased the constant burden on their purses. The occasional suicides or attempts at suicide among the people of this class reflect their inner struggles and that they are suffering from very many

hardships. And any more rise in the prices of these essential commodities will be intolerable to them. Unfortunately, within twenty-four hours of the announcement of the tax proposals, there has been a rise in the prices of many essential items like match boxes and coffee. In regard to kerosene oil also there has been an increase of four to five naye paise just after the announcement of the proposals, though it has been made very clear that this tax actually affects the very refined kerosene oil, still the price of crude kerosene oil has gone up. I would request the hon. Finance Minister that when he moves the Finance Bill, he should do something to give a little relief to these middle-income and salaried-income groups because I know that in spite of his best intention, he will not be able to control this trend of rise in prices, and I do not think this can be controlled; it is not possible even if he makes genuine efforts. So, it will be better to give some relief. The money that he is giving to these people could very easily be realised from the industrial class by raising the super-tax or by levying excess-profit tax.

Sir, here I would like to present the case of some small industrialists as the taxes on porcelain articles, coffee and kerosene oil are going to affect these people who produce porcelain articles, hosiery and woollen goods. It has also been mentioned in the newspapers that these industries do need help for some time. Sir, I am very grateful to the hon. Finance Minister for levying a tax on brandy and whisky. This is certainly a step forward in the direction of the fulfilment of our long cherished dream and the pledge we had taken to bring about total prohibition. This was expected from Morarji bhai who is well known for his firm faith in the Gandhian view on prohibition, and the coming generation would surely be inspired by reading the golden chapter on the success he had achieved as Chief Minister of Bombay State regarding his policy about prohibition in spite of the organised opposition of the liquor industry.

[Shrimati Savitry Devi Nigam.]

Sir, I would like to say one more thing, namely that the whole country is now hoping for something more from the hon. Finance Minister as far as prohibition is concerned. It is very surprising that, in spite of the prohibition policy, every effort is even now being made to see that people drink more and more, and all the excise departments are doing their best to see that the shops are auctioned at the maximum bids. It is a fact that the people make the highest bids. At the same time they also try to sell the liquor at a great profit to them and they also indulge in all sorts of malpractices to make the maximum profits. Really, the time has come now when some revision should be made in the excise policy. When I was looking at the Budget receipts of the Union Territory of Delhi, I was quite surprised to see from the Demands for Grants, Volume 9, page 392, that while in 1959-60 the income from Excise duties was Rs. 1,47,00,000, it had increased in 1960-61 to Rs. 1,66,00,000. While the income from Excise had increased from 1959-60 to 1960-61, the income from Jails and Civil Works had decreased from 1959-60 to 1960-61. Civil Works earned about Rs. 8,00,000 in 1959-60 which in the subsequent year became less. Jails earned about Rs. 1,00,000 in 1959-60 which in the subsequent year became Rs. 85,000. In spite of the reforms carried out in the jails, the income from that source is decreasing while the income from excise is increasing. Sir, I do not mind if Government gets more money by raising the prices of liquor, but it is high time that the major portion of this money should be spent in educating the people about the evils of liquor. Unfortunately, not even 20 per cent of this money has been spent on propaganda about prohibition.

Sir, I would now like to make a few remarks about the conditions prevailing in the Andaman Islands. It is a pity that the development work in the Islands has been extremely slow. In spite of the tremendous scope for development, in spite of the very rich

untapped natural resources to be found there, in spite of good soil, no progress has been made in the last few years. It is a pity that there is no co-ordination between the different departments in the Union Territories. It is high time that an overhaul is made of all the Union Territories, specially Union Territories like the Andaman and Nicobar Islands, where there is need for great decentralisation. The condition of the education department in the Andaman Islands is very disgusting, and whenever any complaint is made on the subject of education, the spokesmen of the education department always say that the Home Ministry is responsible, and when we go to the Home Ministry to make the complaint, they say that they have asked the Education Ministry to attend to the complaint. I think the time has come now for decentralisation to take place, in the sense that the Education Ministry should be made directly responsible for all the work of the education department in Union Territories like the Andaman and Nicobar Islands. I shall not quote figures regarding the Andaman and Nicobar Islands because it will take time, but it is very interesting to note that in the Andamans, while the police budget and the budget on the Chief Commissioner's office have increased, the expenditure on development activity has decreased. It is quite remarkable that though departments were opened there for increasing the production of coffee, rubber and sugarcane, the investments made for the purpose have been very low. Now, the time has come when we should overhaul the entire policy. Public expenditure on non-essential items must be decreased, but the expenditure on the development sector must be increased—though it has not been happening there.

I had some very good suggestions to make about the Education Ministry and about the education of the handicapped, but there is no time. I shall just finish with one sentence and it is this. I would suggest to the hon. Education Minister through you that, since progress in the sphere of educa-

tion and care and rehabilitation of the handicapped has been extremely slow, and since even the decisions taken by the Ministry have not been implemented the time has come when a committee of twenty Members of Parliament should be set up to go into detail, particularly as to why the progress of education of the handicapped has been so slow. This committee should be immediately set up, and this should go into the entire working of the Education Ministry so that the conditions regarding care and rehabilitation of the handicapped may improve.

Thank you, Sir.

**SHRI ROHIT M. DAVE (Gujarat):** Mr. Deputy Chairman, Sir, the Budget which has been presented by the Finance Minister this year has been variously described. One has described it as a very lucid Budget the proposals in which afford the elements for strengthening Indian economy. Another critic says that it is a Budget which expresses the determination of the Government to mobilise the maximum resources through taxation for the Plan outlay, and a third commentator goes so far as to say that it is one of the most intelligent Budgets presented during the last decade in this country. While in this way there are certain commentators who give praise to the Finance Minister for the political courage that he has shown in proposing that the entire revenue deficit should be wiped out through fresh taxation, there are others who have raised their voice against the imposition of severe burdens on the very slender shoulders of those whose capacity to pay has now almost come to an end, and therefore even a small and marginal burden on them creates infinite difficulty for them to make their two ends meet.

Sir, I know that this is a Budget which deals with the first year of the Third Plan, which we have conceived in a big way, in an ambitious way, and therefore it is necessary for the people to make sacrifices in order that ultimately we may be able to realise

our dream of having an economy which is self-sustaining and self-generating. At the same time, Sir, we cannot ignore the fact that the burdens have to be spread evenly and those who are in a position to bear the burden more have to be taxed more heavily than those who are not in a position to bear the same burden. The tax proposals that are before us, therefore, have to be examined and criticised from this fundamental proposition of imposing the burden on those who are in a position to bear that burden. Before coming to these taxation proposals, however, I would like to say a few words on two items of expenditure: One is the Defence and the other is the Plan outlay.

Sir, we were happy to read in the papers that the Government of India had at last decided to send some combat forces to the Congo in order to discharge our responsibilities as an important member in the United Nations Organisation, the Organisation that we have always supported. We have always maintained that if this organisation fails in the Congo, it will be an evil day for the world. Once we have accepted this particular proposition, it becomes our incumbent duty to do all that we can in order to strengthen the position of the United Nations in the Congo where it is facing serious difficulties at the present moment. Thus, Sir, while we fully approve of these proposals or rather the decision to send combat forces in the Congo, we would have liked that this news was first conveyed to Parliament before it came in the press because it is the privilege of this Parliament to get certain news and to comment thereon before it becomes the knowledge of the general public.

At the same time we have to see that while we are doing all that we can in order to play our part on the international scene, we have also to look to the interests of our country. Here again, our defence forces are called upon to bear responsibilities. When one examines the proposals for the Defence Department in the Budget for this year, one is rather disturbed.



[Shri Rohit M. Dave.]

It is surprising, Sir, that the expenditure on Defence, both in the revenue account and in the capital budget, is on a low side as the proposals indicate. Spending on revenue account this year was only Rs. 267 crores which is lower than the estimated amount by Rs. 5 crores. We did not spend even the full amount which was allocated to Defence in the last year.

In this connection, it is worth remembering that the hon. Finance Minister had assured this House and the other House that if need be, he would have to come for larger allocations. Fortunately, for the country, that need did not arise, but Parliament at least expected that the allocations which were already made would be fully utilised which was not done. It is, Sir, in the next year that provision is made for Rs. 283 crores, which is Rs. 16 crores more than the Revised Estimate for the current year. But, Sir, it is worth remembering in this connection that at least a part of this allocation is for payments to service officers on the basis of the recommendations of the Pay Commission.

As far as the capital outlay is concerned, the Defence capital outlay during the current financial year has come down from Rs. 39.64 crores from the Budget Estimate to Rs. 37.34 crores in the Revised Estimates, and this year the provision is made only for Rs. 33 crores. In this way, as far as the Defence capital account is concerned, we are continuously reducing our commitment and I wonder whether this is a wise economic policy. It may be, Sir, that the Government of India has come to the decision that immediately there is no danger on our borders and, therefore, we should not take an alarmist view. At the same time, Sir, even if this particular reading of the Government of India were correct, it is desirable that we, over a number of years, build up a strong defence organisation which is in a position to undertake the responsibilities that are involved in defending the boundary which, our Defence Minister has al-

ways reminded us, runs into thousands of miles. If that be the case, if the responsibility of the Army, Navy and the Air Force is so great, is it not desirable that we spread the expenditure on developing this particular defence apparatus to a state of preparedness to defend our borders and every year we make some progress in this direction? On the other hand, we find that instead of progress there is regress on this particular item.

Next, Sir, is the question of Plan outlay. Here again it is rather disturbing to learn that the Plan outlay allocation for this year is almost on the same level as the allocation for the last year. We are told, Sir, that the Plan outlay for the last year of the Second Five Year Plan, i.e. the current year which is just now closing, would be of the order of Rs. 1,100 crores, and in this year's Budget only Rs. 66 crores more have been allocated. Again, the Finance Minister in his Budget Speech has told us that a substantial portion of the provision during the coming year relates to the Second Plan projects which will be carried forward to the Third Plan and a relatively modest provision has been made for the new projects which require much preparatory work. That was, Sir, also the policy that was adopted as far as the Second Plan period was concerned. There also in the initial stages the outlays were not enough with the result that in the closing years of the Plan the outlays were stepped up considerably, and this created all sorts of distortions in our economy.

Sir, when outlays are suddenly stepped up, it means that the national income would not rise to the targeted figure because the results of the allocations being made during the last years of the Plan can only be seen in the next Plan period. Therefore, the national income figure does not rise to the targeted figure.

Secondly, Sir, when large allocations are made in the final years of the Plan, money supply begins to

rise much faster with the result that prices begin to rise, employment does not reach the level it is targeted for and the consumer's cost also begins to rise. In this way, Sir, while on the one hand we find that the prices are rising faster, money supply is rising faster and faster, and as far as the common man is concerned, he does not get enough employment. He is not able to raise his real wages up to a point which is desirable in order that he may be able to maintain his standard of life, and the entire economy goes into dislocation. The only class which gets some advantage out of these distortions in our economy is the rich class, because it is this class which has got all the advantages of the allocations that are necessary in order that the production may begin to be stepped up and ultimately it may be possible for the economy at least to reach the financial target if not the physical target aimed at. It is, therefore, desirable that the allocations are spread out evenly over the period and not meagrely during the first three years of the plan period and then suddenly stepped up during the last two years. When we examine the taxation proposals, we have to keep two things in mind. Firstly, enough is not provided for our defence needs and secondly our Plan allocations are also very meagre as far as the Third Five Year Plan projects are concerned.

Next, I come to the question of the taxation proposals that have been included in the Budget. Out of nearly Rs. 60 crores of new taxes, on a very rough calculation one might say that nearly Rs. 5 crores are likely to be paid by the poorer sections of our community, from Rs. 35 to Rs. 40 crores by the middle-classes and from Rs. 15 to Rs. 20 crores by the industries. This is roughly the spread of the burden of the new taxes. One wonders why the Finance Minister decided to concentrate the burden of the new taxes so heavily on the middle classes and especially

on the lower-middle classes. There are a number of items in these proposals which deal with items which are mostly used by the lower-middle class. We have got kerosene, coffee, tea, cigar and cigarettes, vegetable products, cotton fabrics, powerloom fabrics, woollens, art and art-silk fabrics and radio receiving sets. I am not including in this list air-conditioning sets and refrigerators which are perhaps within the reach of the higher-middle classes and so the impost on these is not likely to fall on the slender resources of the middle class. But as far as the main items are concerned, the burden is sure to fall on the lower-middle class. Are those in this class in a position to bear the burden which is sought to be imposed through the present taxation proposals, is the question which we will have to answer before we can either adopt or criticise the Budget proposals that are before us.

Sir, I am aware of the fact that as far as the individual consumption items are concerned, the tax is very light, one naya paisa somewhere, two naye paise somewhere else and four naye paise on some other commodity and so on. But when one looks to the cumulative effects of all these imposts on the consumer goods, one finds that the burden becomes intolerable and it is so high that the lower-middle classes are sure to find it more and more difficult to bear them.

Another important factor in this connection is that the prices rise much more than what the taxes themselves would justify. We have got here the figures that have been published in the newspapers regarding prices that have already risen as a result of the taxation proposals. We are told that the morning after the Union Budget was presented, the prices in the Delhi market shot up in almost all the commodities. The Finance Minister is reported to have assured the Consultative Committee

[Shri Rohit M. Dave.]

on Finance that as far as the impost on kerosene is concerned, the common man will not have to suffer, because these duties are on superfine kerosene and therefore only the airlines and certain others who consume this type of kerosene will have to suffer. On the other hand, we find that the spokesman of the Indian Oil Companies informed press reporters that kerosene will be costlier by 57 naye paise per 4-gallon tin. As far as I know, this 4-gallon tin is the type of kerosene which is used by the common man and that is not the type of kerosene which is used by airliners. I have never heard of airliners buying kerosene in the 4-gallon tins. They buy in tens and hundreds of gallons at a time. Therefore, when the spokesman referred to this rise of 57 naye paise per 4-gallon tin, he was obviously referring to the kerosene which is used by the common man. Again, we are told that a bottle of kerosene now costs 4 naye paise more. I am quite sure no airliner buys kerosene in bottles. Therefore, when the price of a bottle has gone up, it is obviously the price of a bottle of kerosene which is used by the common man. Again, it is true that the excise duty on coffee has raised the retail price of raw coffee by 6 naye paise per pound and that of roasted coffee by about 8 naye paise per pound. Yet we find that already the price of a cup of coffee has gone up by 10 naye paise. This clearly shows that prices are rising much higher than what these taxes would make us expect them to rise. Therefore, the question arises whether the burden is only of Rs. 35 crores or Rs. 40 crores on the middle classes, or whether it will multiply and ultimately the burden that the consumer will have to bear will be much more than what has been provided for in the Budget.

In this connection, we are told that the Government is determined to see that the prices do not rise and that the present rise in the prices perhaps

is temporary. I am unable to accept this particular argument, because we have found that in this country, when once prices have risen, they hardly come down and very serious and powerful forces have to come into operation before the prices could be brought down. But there is no sign of any such forces operating in our economy. We are told in the Economic Review which we have been supplied here—Economic Survey, 1960-61—with the Budget papers, that there is excess liquidity in the economy and that the booms in the stock markets and in the commodity markets were at least partly due to this excess liquidity and this has given rise to unhealthy speculative trends. We have been further told that this excess liquidity was the result of the small growth in deposit liabilities combined with the sharp increase in bank credit which in turn “resulted in a rise in the credit deposit ratio—from 52·8 per cent at the end of 1959 to 62·4 per cent at the end of 1960. Excluding P.L. 480 deposits, the ratio worked out at 71 per cent in December 1960 as compared to 63 per cent a year ago.” This, Sir, is the crux of the whole problem, that we are not in a position to control our credit system effectively, and that even when the deposits are not rising fast enough, bank credits are rising resulting in the rise in the credit-deposit ratio, and neither the Reserve Bank nor the Government of India are in a position to arrest this tendency. Sir, in this connection, it is worth quoting a small passage from the speech of the Governor of the Reserve Bank which he delivered in Madras very recently. He said,

“I do not see much scope for expanding the area of selective control. The existing measures will doubtless have to be modified from time to time. The method of exhortation has not been, in the last few months, notably successful, but I expect it will continue to be applied. Dearer money can never

at any time be regarded as a complete policy in itself. It is a relative thing and obviously must be subject to a process of adjustment".

All the various instruments of credit control that are available to the Reserve Bank have been described by the Governor of the Reserve Bank in this small passage and in rather bureaucratic terms he has told us that these measures have failed to achieve the object which the measures had in view. He has further said that now only one measure remains and that is of raising the liquidity ratio of the banks, which he considers to be rather low. Once this measure is used up, there is no further measure available and yet we find that as a result of the operation of the banking system in our country, the money supply is rising much faster than the rise in the national income with the result that prices rise, cost of living index rises and the common man suffers. Sir, whatever may be the need of the Plan, it is quite obvious that no Government has got a right to demand any sacrifice from the people unless they are able to see that these sacrifices are commensurate with the needs of the economy and are not such as would put much more than what the taxes and tax proposals would consider to be a legitimate burden. If we examine the rise in terms of the taxation proposals, we find that this rise should be very moderate but in actual practice, because of our incapacity to control the credit structure, because of our incapacity or perhaps unwillingness to build up the administrative set-up which is necessary to control the price line, it is very difficult for a common man to agree to the proposition that he should make the sacrifice necessary for the development of our country. The people will willingly make sacrifices which are necessary for the development of our country only when their sacrifices are commensurate with the working and

development of the economy so that they are able to reap the fruits thereof in a reasonably short period of time.

As far as the taxes on industry are concerned, we have got a powerful propaganda drive released by the organisation of industry and business, and we have been told that if there is anything wrong in the taxation proposals it is that the Finance Minister has not taken care to see the difficulties that are likely to be created in the way of our industry to reap richer and richer profits out of the developmental economy. We have been told that new imposts have been put on industrial raw materials like soda ash, caustic soda, glycerine, plastic powders, etc.; intermediate goods such as yarn of all categories and staple fibres, semi-finished plastic material, etc., have been taxed and there are taxes on capital goods like machinery and components which would inflate the capital cost of new industry and the cost of rehabilitation of the existing industry. Everywhere taxes have been imposed with the result that the entrepreneurial class is not likely to feel incentive in order to develop the economy of our country. I do not know, Sir, what exactly is the conception of incentives as far as our business community is concerned, but let me read just one small passage from a press report regarding what had happened on the Stock Exchanges after the Budget proposals came out. We are told, Sir,

"The behaviour of the Bombay Stock Exchange during the week under review must be considered remarkable by any standard."

And this, Sir, is not a Communist Paper or a Socialist Paper; this is an important English daily which, if anything, always errs on the side of advocating rather more vigorously than the others, the cause of the business men. It is in this paper that this report has appeared. We are further told,

[Shri Rohit M. Dave.]

"Even on the eve of the Budget business remained in full swing and a fairly heavy turn-over was accompanied by rise in prices which surpassed the most optimistic expectations".

The report further continues,

"In the post Budget session, fluctuations were wide but selling pressures induced by a series of excise and customs duties proposed was soon absorbed and prices steadied up at higher levels on a favourable appraisal of the proposal to reduce bonus tax on companies from 30 to 12½ per cent."

Sir, when there is any difficulty in the economy and if the stock markets begin to show bearish tendency, all these industrialists suddenly rise up and say that the stock market is the barometer of the health of the economy of the country, that the prices have fallen, the investor is losing interest and that there are no incentives for the business to expand and show the condition of the stock market as proof. If the prices in the stock market begin to rise, then the Stock market ceases to become the barometer of the health of the economy of the country; it ceases to be the real indicator of the confidence of the investor in the economy; it ceases to be the indicator of the incentive of the common man to invest in the development of the economy, and all sorts of arguments against taxation proposals which are considered even bullish by the stock market are brought in. We are told, Sir, that the tax on machinery and components should not be raised because that would raise the cost structure. We are further told that the development rebate should not be decreased from 25 per cent. to 20 per cent. because that would again act as disincentive. I welcome both these proposals not because of any class or ideological

considerations but because of the fact that it is very necessary in order to conserve our foreign exchange. The other day I was reading a report of an expert, a foreign expert, who was called to India by an important industrial concern to advise them as to how they should bring down their cost. In the report it is definitely mentioned that Indian industries are importing more machinery than they really should do and they are really encouraged in doing this because of the fact that they get a development rebate of 25 per cent. Because of this they are not concentrating their attention on the full machine use. They are not trying to reduce the machine idle hours. If they did that there would be no need for importing machinery to such a large extent and it should be possible for them to do with lesser imports. Now, that these taxes are levied and now that the development rebate has been reduced, perhaps the goal of importing as little machinery as may be necessary for the development of our economy may be achieved.

Lastly I would just refer to the question of bonus shares. We have been told that the relief given by reducing the tax on bonus shares from 30 to 12½ per cent. is not enough and that this tax should be completely abolished. The hon. Finance Minister in justification of the reduction has said that the equity capital of the concerns should be enlarged and that it was with this aim that he had brought about this reduction. It is quite true that equity capital needs to be widened as far as possible because larger and larger number of people are taking interest in the economic development of the country and are prepared to invest money for that. At the same time it is also necessary to see that there is no concentration of this equity capital in the hands of a few. As far as bonus shares are concerned, that would lead to the concentration of the equity capital in the hands of those who already hold shares in the particular concerns which give bonus

shares. Therefore, from that point of view . . .

**SHRI M. R. SHERVANI** (Uttar Pradesh): How will that happen? The percentage of shares is not increased by bonus shares.

**SHRI ROHIT M. DAVE:** How will the bonus shares be paid? I am sure no one will give a bonus share to me. I did not held any share. Bonus shares will be paid only to those who already hold shares in the concern. It will not be paid to an outside layman. Therefore, certainly there will be concentration of equity capital in the hands of those who already hold shares in concerns. It is therefore very desirable that this concentration is to some extent diffused and that diffusion will not take place as a result of any relief that might be given in the tax on bonus shares.

Finally, I will come to the question of certain concessions that have been given to the foreign companies. As far as these Budget proposals are concerned, two major concessions have been given. One is the fixation of the rate of super-tax on dividends paid on inter-corporate investments at a reduced level of 20 per cent. The argument for that is that we should not impose a higher tax on inter-corporate investment from outside which comes in with Government's approval than on similar Indian investment. As far as the argument goes, it is fairly strong. At the same time it is necessary to remember that in our anxiety to get the foreign capital from abroad to develop our economy we should not invite equity capital almost at any cost. While equity capital that comes from foreign land to our country at the present juncture would certainly help the rate of economic development in our country, we have also to take care to see that these concerns because of their wider resources, because of their superior technical know-how, because of their superior

business management, are not in a position to occupy any monopolistic or oligopolistic position in industries with the result that even when the percentage of equity capital held by the foreign concerns will be small, because of these advantages that these foreign concerns have they will be in a position to dictate terms to the industry as a whole and ultimately to the Government. While we welcome the import of equity capital from outside, it is very desirable that we take great care to see that this foreign equity capital does not entrench itself in our country as it has done in the Latin American countries. We have to be very careful as a result of the experience that the Latin American countries have had regarding foreign capital that was somehow or other brought into those countries. Unless we are able to take proper precautions in this direction we might in future get into difficulties.

The second proposal relates to the reduction of the tax on royalties received from Indian enterprises by foreign companies from the present level of 63 per cent to 50 per cent. In this connection, it has been argued that this will help in making it possible for the Indian concerns to get technical know-how on more favourable terms. If this happens certainly this proposal is very welcome but one has to see whether this actually materialises. It is also possible that a larger share out of this royalty would go out to the foreign companies than before as a result of this tax concession and if that happens it will bring in more burden on our slender foreign exchange resources than it is bearing today because for every Rs. 100/- today Rs. 63/- is taken away by the Government and only the rest goes in terms of foreign exchange to the foreign country. Now, only 50 per cent. will be taken away by the Government and the other Rs. 50/- will go to the foreign concerns and that will bring in greater pressure on the foreign exchange position.

[Shri Rohit M. Dave.]

Therefore, in the end all that I would like to urge is that if, as it has been suggested, it is possible that the Finance Minister has underestimated the yields of the various taxes and that there is some room for concessions being given, the Finance Minister should not be led away by the powerful propaganda drive which has already been let loose on the country by the business organisations and he should not be carried away—I am quite sure that he is quite capable of resisting any unfair demand from anyone—by the number of deputations that have already been announced to be coming to New Delhi in order to impress upon the Finance Minister the difficulties that they are likely to experience as a result of one tax or the other, but if any reduction does become possible, relief should be given to the common man who I am afraid will not be in a position to bear the heavy burden which the Finance Minister seeks to impose on him.

5 P.M.

**SHRI D. A. MIRZA (Madras):** I congratulate the hon. Finance Minister on his bold and courageous Budget. He must have had the welfare of the country in view when his Budget was drafted. Boldness and courage befits only our Morarjibhai, who has proved himself to be one of the ablest Finance Ministers in the world. He is a great son of India, a loyal and devoted servant of the State and the people, and not only in finance but in all departments in India today, we want people like Morarjibhai. No doubt no Finance Minister would have come out with such a Budget on the eve of the general elections, but Morarjibhai has the welfare of the State in view. First, second and last he wants India and the welfare of India alone. He is not bothered about his own interest. He is bothered about the interests of the nation. The India which rallied round Mahatma Gandhi to fight a foreign bureaucracy, a foreign State,

a foreign power—and we were able to come out successful and get independence from the hands of the British imperialists—I am sure will rally round Nehrus and Morarjibhais to fight inequalities in this country, and not only poverty, but all that is bad and all that is evil in this country.

So much is talked about taxes. The low-income group is affected. The middle class is affected. May I respectfully ask the hon. Members of the Opposition as to what are the things that he has taxed more? Here, you have cigarettes. I call it a luxury. Radio set is a luxury. As regards cloth, it is the medium that is taxed and not the coarse cloth. Refrigerators and air conditioners are taxed.

**SHRI SHEEL BHADRA YAJEE (Bihar):** Also wine.

**SHRI D. A. MIRZA:** We do not require it in a socialistic pattern of society. And I am sorry my friend, Mr. Yajee, who seems to be a champion of the low class comes forward and asks me why refrigerators are not taxed.

**SHRI M. R. SHERVANI:** He did not. He said 'wine'.

**SHRI SHEEL BHADRA YAJEE:** I said wine also.

**SHRI D. A. MIRZA:** It is good that luxurious items are taxed. Then, Sir, wine is taxed. What is the thing that is heavily taxed and what is the thing that affects the people here? Now, there is kerosene no doubt. I make a request respectfully to the hon. Finance Minister to reconsider it. In these days, the price of fuel has gone up. The price of charcoal has gone up. Now, these poor people use stoves. For that kerosene is required. Poor people cannot afford charcoal and so in many houses I find that stoves are being used. What I say is this. Because it is used by many among the poor class, I want

this tax to be removed. The tax that you have imposed on kerosene should be removed. Then, what is the tax that is imposed? The other day I enquired the price of one bottle of kerosene. A bottle of kerosene which cost about 4 annas now costs about 5 annas today. After all it is a difference of a few pies, which our nation, which wants to build up a great and united India, has to pay. Do you think that this nation cannot afford to make these sacrifices?

Then, there is the increase in the duty on newsprint, which is going to affect the newspaper industry adversely. Newspapers are the backbone of the country. You know that they render national service.

SHRI SHEEL BHADRA YAJEE: Most of them are owned by capitalists and are run on profit basis and so you should support the increase in duty on newsprint.

SHRI D. A. MIRZA: You know that the papers are doing a great service to the nation. No doubt there are papers which are responsible for communalism, but such papers should be dealt with severely. Papers like "The Hindustan Times", the "Times of India", the "Madras Mail", "The Hindu" and other papers render yeoman service to the nation. They must be taken into consideration. All over the world, newsprint is given special treatment in the import tariffs. The money that is realised by this tax is very small. I request the hon. Finance Minister to consider this and see that the import duty on newsprint is dropped. Now, people who are for extra-territorial loyalty, people whose disruptive forces are working and people who are there to create chaos and confusion in the country, I am surprised, are coming forward to preach on behalf of the masses.

Another thing that I want to suggest to the hon. Finance Minister is that the mineral wealth of the country should be explored. Another

thing is that the wealth of the country is in the hands of a few. Instead of the Finance Minister going abroad for foreign aid, he should tax these Maharajas, Nawabs and these Princes. I am sure that there will be no necessity for the hon. Minister to go out of India and ask for foreign aid. The wealth that is in India is enough, not only to implement the Third Five Year Plan, but I am sure the Fourth Five Year Plan also can be implemented.

SHRI BABUBHAI CHINAI: From the resources of these people.

SHRI D. A. MIRZA: All these Nawabs and Maharajas.

(Interruption.)

MR. DEPUTY CHAIRMAN: Please speak on the Budget.

SHRI D. A. MIRZA: The opposition that is formed today against the Government, against the tax proposals, consists of disappointed, disgruntled, frustrated politicians, ex-Ministers, ex-Governors-General, ex-Princes, and so on. Their main object is to create confusion in the country. The masses are not so blind to the activities and the achievements of the Congress Party. They are not going to be fooled by the opposition that is going to create some confusion. These catch-words for electioneering purposes are not going to pay the opposition at all. People who want to stick to power like leeches, want to create disruption in the country, people who owe allegiance, people who have extra-territorial alliance, patriotism, loyalty come forward and talk of the masses in India. This tomfoolery is not going to pay them.

SHRI K. L. NARASIMHAM: (Andhra Pradesh): It is enough advice.

SHRI D. A. MIRZA: These people who have created situations as in Jabalpur want to talk. We have to



[Shri D. A. Mirza.]

mobilise our forces to build up a strong nation, to build up a strong India. We have to fight against rank communalists, let it be Muslim League, let it be Hindu Maha Sabha or Jana Sangh. It is the duty of the Government to arrest the tide of communalism. So, under these conditions our Government have done wonderful work. They have done what all is possible in the interests of the country. My friend, Mr. Bhupesh Gupta, says that nothing is achieved, that there is the unemployment problem, that there is no self-sufficiency in food. How could it be possible under the present conditions? Let me tell Mr. Bhupesh Gupta and others that if they keep quiet without creating any trouble, we will be able to achieve much more than they expect. He talks of the taxes that have been imposed. Let him know the sacrifices that have been made by the Germans after the Second War, let him know something of the sacrifices that were made in Britain. Above all, let him look at the country to which he pays his loyalty, that is Russia, and find out how it was built up. So many people of the poor class were liquidated . . .

SHRI K. L. NARASIMHAM: Non-sense.

SHRI D. A. MIRZA: There was forced labour in that country. This was how Russia was built up.

AN. HON. MEMBER: What about the liquidation in 1948?

SHRI D. A. MIRZA: So, what I say is, unless sacrifices are made nothing can be achieved.

Sir, enough allotment is not made for the Defence Services. When the enemy is knocking at our borders, our Defence Services must be strengthened. So I request the Finance Minister to make more allotment for the Defence Services. We have to keep the Defence Services above want. Let there be no discontent among the Forces. So it is necessary that some more provision should be made for the Defence Services.

There is another thing. In building up our nation we must be prepared for sacrifices. We have to tuck up our sleeves. Our Finance Minister has felt the pulse of the country and has understood that the country is going to co-operate with him in making more sacrifices. I am sure people will applaud the Finance Minister for his bold and courageous Budget, which he has presented in the interests of the nation.

Thank you, Sir.

MR. DEPUTY CHAIRMAN: The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at fifteen minutes past five of the clock till eleven of the clock on Tuesday, the 7th March, 1961.