

2. Last date and time for receiving nominations—13th March, 1961 (Up to 3 P.M.).
3. Last date and time for withdrawal of candidature—14th March, 1961 (Up to 3 P.M.).
4. Date and time of election—16th March, 1961 (Between 3 P.M. and 5 P.M.).
5. Place of election—Room No. 63, First Floor Parliament House, New Delhi.
- <5. Method of election—Proportional representation by means of the single transferable vote.

MESSAGES FROM THE LOK SABHA

I. THE U.P. SUGARCANE CESS (VALIDATION) BILL 1961.

II. THE BANKING COMPANIES (AMENDMENT) BILL, 1961.

SECRETARY: Sir, I have to report to the House two Messages received from the Lok Sabha, signed by the Secretary of the Lok Sabha. They are as follows:—

I

"In accordance with the provisions of rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha. I am directed to enclose herewith a copy of the U.P. Sugarcane Cess (Validation) Bill, 1961, as passed by Lok Sabha at its sitting held on the 6th March, 1961.

The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

II

"In accordance with the provisions of rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith a copy of the Banking

Companies (Amendment) Bill, 1961, as passed by Lok Sabha at its sitting held on the 6th March, 1961."

Sir, I beg to lay these two Bills on the Table.

THE BUDGET (GENERAL) 1961-62—continued

SHRI A. D. MANI (Madhya Pradesh): Mr. Chairman, Sir, though so many have congratulated the hon. the Finance Minister on the courageous Budget which he has presented, it is somewhat difficult for me to stand in the queue to offer him felicitations. I should like to say that, whatever might have been the nature of the realism that he has shown, the Budget certainly fits in—if I may say so with great respect to him—with his personality and his capacity to take firm and courages decisions. But, Sir, courageous decisions are not necessarily correct, and I think that the tax burdens which have been sought to be imposed on the people by virtue of a rise in the Excise and Customs Duties on a variety of commodities—41 under Customs and 18 under Excise Duties—will not be welcomed by the People. Before going on to speak about the tax burden, I should like to make an observation on some remarks made in this debate on Tuesday last. We in this House and in the other House understand the spirit in which remarks of an adverse character are made against Government and foreign participation in Indian industry. My hon. friend, Mr. Bhupesh Gupta, who unfortunately is not here, spoke about foreigners coming to this country and looting the people. While we understand and appreciate the statements for what they are worth, more serious attention may be given abroad to such statements and in order to get the parliamentary record set right in this matter, I should like to say that a large section of the country, an overwhelming section of the country, supports the hon. the Finance Minister

[Shri A. D. Mani.] in the tax concessions he has given to foreigners to enable them to take part in the reorganisation of Indian industry.

Sir, coming to the tax burden I would like to refer in brief to two or three items which are going to send up the cost of living in this country. Loose tea is proposed to be taxed, and we have been told by the hon. the Finance Minister that this is to restrain consumption and to promote export. If that purpose is going to be achieved by it, we would certainly welcome the decision of the hon. the Finance Minister. But unfortunately tea is meeting with very stiff resistance in continental Europe and elsewhere, and East African tea is very gradually displacing Indian tea in foreign markets. Tea is regarded as an essential commodity here, and it is part of the living of this country. So [] also are betelnuts. I am not able to understand, Sir, how the hon. the Finance Minister says that a rise in the duty on betelnut would lead to the mopping up of profits. Profits can always be easily mopped up by the income-tax authorities. But taxation on betelnut has sent prices very high in this country. Betelnut is poor man's entertainment; it is his cinema, and surprisingly, while the rise in the duty on betelnut is expected to yield an additional revenue of Rs. 57 lakhs a year, the increase in duty on spirits and wines, will give an annual yield of Rs. 24 lakhs. In other words, the gentlemen who go to posh clubs in dinner jackets are going to be taxed less, and a man who goes to Chandni Chowk club—the betelnut shop there—is going to be taxed more. Further, I do not think that there is any justification at this stage, in the first year of the Third Plan, for us to think about taxing essential articles so necessary for Indian living. If the Finance Minister sees his Budget proposals on page 16 of Part A of his speech, he has admitted that the budget for the current year, as finally approved by Parliament, placed the revenue at

about Rs. 919 crores and expenditure at about Rs. 980 crores. According to the present assessment, the revenue now is likely to amount to about Rs. 923 crores leaving a deficit of only Rs. 33.36 crores. It means that there has been underestimating of items of revenue and expenditure in the last budget. I think that for mopping up the deficit of Rs. 60 crores in the current year, it would have been possible for the Finance Minister to allow last year's taxes to be stabilised and taken the excess over estimates that he would have got under these heads to meet the deficit in the current year. The taxation on articles like betelnut, tea, fabrics and so on is going to send up the cost of living in this country which the Finance Minister admitted has risen by 6 per cent, over the figures of 1959. Sir, ultimately the Government has got to pay for all these things in some way because when the cost of living goes up in the country and the index numbers show a high rise, Government will have to pay more dearness allowance to its servants; the industries will have to pay higher D.A. This morning's papers carried the news item that the Life Insurance Corporation has agreed to give an ad hoc increase of Rs. 15 in the dearness allowance of its employees. If dearness allowance has got to be increased in the case of many industries and in the case of Government servants, what will happen is that the cost of manufactured articles will go up and we will not be able to push our articles in the export markets abroad.

Sir, I would also like to make some observation in respect of the tax imposed on newsprint. The newspapers in this country, though highly vocal are not able to bear the taxation imposed by the Government. It may be recalled that newsprint is not taxed heavily in many parts of the world and is regarded as almost being essential for public life because newspapers are instruments of public education.

The burden on the newspaper industry would be of the order of Rs. 80 per ton. Sir, taking the small newspaper, which has got a circulation of 5,000 copies, the newspaper concerned will consume a hundred tons of newsprint. This means that this small newspaper will have to pay Rs. 8,000 in respect of the tax on newsprint.

Sir, the newspaper industry is subjected to great hardships. On account of administrative and legislative restrictions at present, the newspaper industry is being compelled to use a substantial part of the Nepa production, and a few facts about the Nepa production are not very well known. The newspapers are paying Rs. 250 more per ton on account of the use of Nepa newsprint, and as the Nepa newsprint is being compulsorily used, the prices they pay should be regarded as an indirect duty. What is going to happen as a result of the tax on newsprint is that the small newspapers are going to be very hard hit.

Again, Sir, the small newspaper does not give an adequate return on capital. It has been estimated by the Press Commission that the rate of return on capital invested in the newspaper industry is 1 per cent., and on that industry a higher newsprint duty is sought to be imposed. Sir, if I can make an appeal to the hon. Finance Minister, I would request him to forego this duty on newsprint as well as the duty on betelnut and loose tea.

Sir, I would like to go on to another aspect of these levies, and that is in respect of the tax sought to be imposed on the import of machinery. At a time when capital formation in this country is showing signs of vitality, it is a wrong decision on the part of the Government to impose increased duty on the import of machinery because an increase in the duties on the import of machinery would finally send up the manufacturing costs which will have a further impact on the cost of living index number which means a rise in the cost of living in this country. I think that as far as the imports

of machinery are concerned, the taxes which are expected to be collected are of the order of Rs. 7 crores against a total of Rs. 15 crores expected as a result of taxation on 41 commodities under Union Customs. Sir, I would request the Finance Minister to reconsider this aspect of the matter because when the industry is going forward and industrial production has increased in this country, it is imprudent to increase the tax on the import of machinery.

I would like to make one more observation on this question of industrial production in the country. The development rebate, which has been reduced from 25 per cent to 20 per cent., is again a wrong move because that will retard capital formation in this country. I do not agree with those who take a very serious view about the tax on bonus shares. I think that the reduction of tax on bonus share would be welcome relief to a large section of the industry.

Then, Sir, I would like to go on to the expectations of the Government in respect of agricultural production. Last year was a bad year and the reports now say that this year is going to be a better one, but unfortunately, unless the Government gives its serious attention to agricultural production, the Third Plan may run into very heavy weather.

In this connection, Sir, I would like to invite the attention of the Government to the survey made by the Reserve Bank of India in February last where they said that the community development programme is working satisfactorily in this country. It has been shown that people's participation in the community development programme was of the order of 34 per cent, of the total cost in the first year of the First Plan, but now it is about 28 per cent. The Reserve Bank has made an observation that there is not much public enthusiasm for it. The next year is going to be the election year and we are not likely to give as much attention to community development as to

[Shri A. D. Mani] winning of votes and seats in the elections. The first year of the Third Plan is going to be taken away by the high and incessant political activity. It is time for the Government to conduct an enquiry into the working of the community development programmes.

Sir, there is another aspect of the Budget to which I shall refer. We are getting ready to start repaying some of the loans taken so far. During the next five years the repayment would be of the order of Rs. 500 crores. We expect external assistance of the order of Rs. 2,600 crores. How are we going to get money to finance all these operations?

Sir, I understand that the Government has set up Export Councils for 12 industries and active steps are being taken to explore the foreign markets, but unfortunately, Sir, in respect of our principal item of export, namely, tea, we are meeting great resistance abroad. I had been recently to Germany, Sir, and I was told that one of the reasons why Indian tea does not make much headway was that the cost of production of one cup of tea is higher than the cost of production of one cup of coffee. In Germany one cup of coffee costs four annas while the Indian tea costs eight annas per cup. [I understand that the Government sent one of the leading hoteliers in Delhi, Messrs. Gaylords, to Europe to find out the possibility of increasing the consumption of tea, and Gay-lords too said that the cost of production of Indian tea would be a little more in Europe. Unless we really stream-line our manufacturing costs and our selling prices, it will not be possible for us to push our tea and jute manufactures abroad.

Sir, in this connection there have been many complaints. The administrative and procedural delays in granting licences are acting as a clog on industry. I think the time has come for the Government to

constitute a separate Ministry of foreign trade which will be solely concerned with export promotion. This is a matter which is not going to be decided during the Budget debate but this is one which should receive the active consideration of the Government.

Further, some of the hon. Members pointed out that the policy of export promotion will have to be changed. The manganese industry of Madhya Pradesh has been ruined by the compulsory registration of traders with the State Trading Corporation. Some of the figures relating to manganese are alarming. In 1957 manganese exports were of the order of Rs. 31 crores. In 1959 the manganese exports had fallen to Rs. 12 crores. During my visit to Europe, Sir, there were also industrialists who complained about being forced to deal with the State Trading Corporation in respect of manganese. Brazil has replaced manganese in many of the European markets.

Further, we should also explore the question of promoting exports by tax concessions. I think the States are patriotic enough. If the Central Government makes an appeal that they should forego sales tax on articles which are for export, I do not think any State will raise any serious obstacle in the way of the Government releasing exportable goods from sales tax. Further, there should be, I think, a relaxation—it will act as a great incentive as the industrialists sitting on the other side of the House know how to make profit out of every conceivable transaction—if the Government were to consider giving a rebate in income tax on exported articles. It may act as a great incentive to further production for export and I believe such tax exemptions and tax reliefs obtain in Japan which tries to see that exports are promoted by tax reliefs of the kind I mention.

Sir, I would like to mention further one more thing and that is an important aspect of the question on

which I want a statement from the " Government. As years go on, we see that the Third Plan, according to the Draft Outline says that the public enterprises are going to yield and provide about Rs. 557 crores. I am quoting from memory.....

SHRI K. SANTHANAM (Madras): Rs. 440 crores.

SHRI A. D. MANI: Yes, Rs. 440 crores. Now, if you see the Explanatory Memorandum, on pages 228 and 229 the performance of these public enterprises is given, and the figures reveal that in all the enterprises, the return on capital is low. Last year it was "2 per cent and this year it is "51 per cent. Many of the concerns are not making any profits at all.

AN HON. MEMBER: This Hindustan Steel has made a loss of Rs. 2 crores.

SHRI A. D. MANI: It is a question of these industries not working satisfactorily. So, how are we going to raise this sum of Rs. 440 crores in the next five years? Sir, many suggestions have been made in respect of stimulating further production in these public enterprises, and one of the suggestions made is the setting up of a Parliamentary committee. I would not like to be a critic of any attempt of the exercise of parliamentary control over any phase of Indian activity. But I think, Sir—and the Finance Minister may consider the point—it is a very dangerous initiative you are taking, in trying to have a parliamentary committee to supervise these State enterprises. In this connection, Prof. Galbraith who visited India two years ago made certain observations about the public enterprises run by our Government. I am quoting from his observations.

"India has a kind of post office socialism which is out of date and which is working far less well than it should and must. Even a fairly brief stay at the actual site

of the new steel mills reveals enormous faults and further difficulties in the way. Competent executives are frustrated and angry over the centralisation of purchase, personnel and financial decisions in Delhi. These delays are a source of discouragement to the younger engineers and technical personnel who should be showing greater enthusiasm. The result is poor morale where it should be high."

Further, in respect of continuous control of those enterprises!, Prof. Galbraith who has a fund of experience about these matters observes: That such control might lead to the stifling of initiative in such enterprises. He says: That in respect of public enterprises the right to make mistakes must be there. Where it is a question of speedy commercial operation, there are bound to be mistakes, and if there is a parliamentary committee—and many of us are indefatigable and born questioners—and a parliamentary committee goes on scrutinising every aspect of these transactions, what will happen is, that the performance of these public enterprises would be much worse than what is indicated by the Explanatory Memorandum. I think, Sir, the time has come, since the public enterprises form almost an important pillar of our Third Plan, that we should give serious attention to the organisation of these enterprises. Unfortunately, there are complaints that there is a lot of interference in these public enterprises. There are managing directors, and in my own city of Bhopal, there is a chairman who is functioning as a competing managing director. Unless we give thought to these matters, I am afraid, the public enterprises are going to run into serious difficulties and we would like to ask the Finance Minister how, during the coming years, the Plan is going to be financed, because these public enterprises are a very unsatisfactory factor.

Sir, I would conclude with one observation on foreign assistance.

[Shri A. D. Mani] speak about massive foreign aid, it is almost like a 50 per cent, marriage where the bridegroom has consented to the marriage and the bride has not. We want foreign aid. But how are we going to get this foreign aid? The recent attempt at revaluation of the Mark and the rise in the prices and recessionary conditions in Europe, are going to make it extremely difficult for us to get financial aid of the order of Rs. 2,600 crores. I know the Finance Minister and his team of officials have been exploring every possibility and trying to get assistance to India from abroad. But we are now stepping into the Third Plan, in the hope that somebody will give us help and unless we set our industries in order, show vigorous attempt to enforce price control, it will be very difficult for us to invite foreign collaboration and foreign assistance.

Sir, I would like to end by saying that in view of the fact that in the opinion of many, the revenue has been underestimated and so also the expenditure, Government should try to remove these levies on essential articles of consumption in India like betelnut and tea, and allow the tax on the import of machinery to be waived, because we are now going to a stage of higher production and at this time we want greater incentives to industrial production in our country.

MR. CHAIRMAN: We have to sit through the lunch hour.

SHRI TXKARAM PALIWAL (Rajasthan): Sir, I rise to give my general support to the proposals submitted by the Finance Minister.

[MR. DEPUTY CHAIRMAN in the Chair.]

Sir, the Budget has been variously described and criticised, as one that increases the burden of the common man, one which gives concessions to the rich and encourages foreign investments. I agree, Sir, that it is all this and much more. But it

certainly is not a highway man's budget as Mr. Bhupesh Gupta in his peculiar vehemence delights to call it. To my mind, Sir, the Budget is sincere, conscientious and at the same time, it is a bold effort on the part of the Finance Minister who is charged with heavy responsibility of finding resources for the Third Five Year Plan. This Plan, to my mind, Sir, is not at all ambitious, in view of our needs. It may be looked upon as a rather heavy demand, but looking to our needs, it is not very ambitious. Sir, the fact that even the considerations of the coming general elections could not deflect the Finance Minister from the course which seemed to him necessary and proper, should earn him the appreciation of every right-thinking man, instead of providing a handle to Mr. Bhupesh Gupta to try to create, though unsuccessfully, a nightmare picture of what he might do if the Congress were returned to power again. I may assure Mr. Bhupesh Gupta that the interests of the common people are no less nearer to our hearts than to his. The Finance Minister, in trying to discharge his duties, has given proof of dextrous seamanship which is so necessary to steer clear the ship of the country's progress through shallow waters beset with rocks, hurdles and other dangers. The Common man's interest, as I said, is nearer to our hearts than perhaps some others can claim, or at least it is equally nearer to us, and yet there come times in a nation's history when it becomes necessary for the people to postpone the fruits of their labour and enterprise to secure the future. Here also, Sir, opinions may differ. According to the Communist Party, such a time came during the last Great War when they were exhorting people, the common people—the rich and poor alike—to contribute their full mite to the War effort. According to us, however, Sir, we are passing through such a time at the present moment, and I have no doubt that the common people appreciate this position and will willingly tighten their belts,

contribute their full mite and will surely, I can assure Mr. Bhupesh Gupta, return the Congress to power, having full confidence in the future, and looking to a future where their posterity will be assured of a far better social and economic order. Who, Sir, does not sympathise with the difficulties of the common man? As a matter of fact, most of us come from that class, and I am sure the Finance Minister would have liked to do away with some of the levies. None would have been happier if he could have done without these new levies but there are, Sir, certain imperative limitations. We are passing through a period when we must contribute, from the poorest to the richest, all that we can to finance the Third Five Year Plan. I also think, Sir, that it may not be necessary to continue these levies for a long time; rather, I am inclined to think that before long it may be possible to give up *some* of them at least. I have very valid reasons to think so. Our public undertakings are coming to their own and some of our important irrigation and power projects have just been completed. Some others are nearing completion and in due course, I think in the very near future, they must yield returns. This will go a long way to lighten the burden of the common man.

We might, Sir, also resort to some other ways. I suggest that we might take to public trading in some specific items of export and import. That would also certainly go a long way and would help us. The private corporate sector has been steadily growing and has been developing capacity. It is sure to benefit from all these present concessions and develop greater capacity. This sector must come forward to meet new demands for taxation in the future. I agree with Shri Khandubhai Desai that so far as indirect taxation is concerned, it has reached the saturation point, but the corporate sector, growing as it is in strength, in

vitality and in capacity, will not, I am sure, shirk its responsibility to contribute to the common fund. I wish, Sir, the committee which had been appointed to go into where the additional national income had gone, had entered upon its labours a bit earlier and had made its findings available to us. I do not want to state its findings, but I have a feeling that the committee, when it concludes its labours, will come to the conclusion that a major portion of this additional national income has gone into the pockets of a comparatively small number of men, small number of individuals. And it is they who must in future contribute their share to the country's taxation needs because as Shri Khandubhai Desai said, the profits they have earned are not all due to their own efforts and enterprise only. To a very large measure they are the result of the economic policies of the Government and to certain other circumstances to which they did not contribute anything. Therefore, there is ample justification for the two taxes, the capital gains tax and the excess profits tax, to which Shri Khandubhai referred the other day. I need not go in detail into all the reasons that Shri Khandubhai explained so lucidly but I must say that I entirely agree with them all.

Having said this, I would like to say a few words about allocations. About our Defence allocations, it is not only my feeling, it is the feeling of the whole House I think and also of the public at large, that in view of the situation in which we find ourselves, whatever our other views may be, we should not spare any effort, financial or otherwise, and take military risks. We must bend all our efforts to build up military strength and work to a state of preparedness and to that end whatever expenditure is necessary must be incurred ungrudgingly and utilised efficiently. I was rather surprised that part of the grant remained unused during the current year. That should not have been so.

[Shri Tikaram Paliwal.]

Coming to our Plan expenditure, I find that out of a total budget allocation for the coming year of Rs. 943 crores, Rs. 552 crores will be the State outlay for the State Plans—and that is more than half—and out of these Rs. 552 crores that are to be spent on State development Plans, nearly two-thirds, that is, Rs. 350 crores are to be contributed by the Centre, to be made over by the Centre to the States. Sir, my feeling is—and I believe this feeling is shared by everyone in the House and it is a feeling prevalent among the public at large—that the funds S.O. generously provided by the Centre and so urgently needed for the development Plans in the States are not always used efficiently and carefully to their best advantage. A portion of these funds—and sometimes a considerable portion—is spent recklessly and, therefore, they do not yield commensurate results. I suggest that the Centre do devise a machinery to exercise better control and greater supervision on the expenditure in the States. I think it is quite feasible to do that in spite of our democratic traditions. I think it is not only feasible but also necessary that such a machinery should be devised; it does not take anything out of the content of our democracy to devise such a machinery and it is only when we are able to make the fullest use of every pie that we take from the tax-payer or that we borrow from outside, it is only then and then alone that we shall be able to convince the common people to contribute their mite willingly and gladly.

SHRI BABUBHAI CHINAI (Maharashtra): Mr. Deputy Chairman, Sir, I have great pleasure in joining in the chorus of congratulations which have been showered on the hon. Finance Minister. The precise and *the exact way* in which he has presented the state of economy is an eye-opener to everybody. He has shown his economic wisdom by spreading the net of taxation as wide as possible.

ble. Sir, if you look at the Budget proposals you will find that he has not spared anybody from the petty *panwallas* right up to the *pearlwallas* earning a lakh and more. This clearly shows that he has the confidence of the members of his party. He has also the courage of his conviction.

SHRI BHUPESH GUPTA (West Bengal): And he has your affection.

SHRI BABUBHAI CHINAI: Yes, much more than what you have got.

Sir, it was also said that on the eve of the election the Finance Minister may not dare to come out with taxation proposals as he has done today. What does this show? It does show that he is a man of practical commonsense; he knows what the country wants and he would act according to it. But to this we find a contrast when we see the Budgets of the State Governments. I wish that they had followed in the same footsteps as the hon. Finance Minister of the Government of India.

SHRI BHUPESH GUPTA: Does it mean that the State Finance Ministers are not men of conviction? It is a reflection on the State Finance Ministers.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI BABUBHAI CHINAI: Mr. Bhupesh Gupta has got a very clever way of putting somebody in the wrong, putting some words in the mouth of somebody which he has never spoken or never used. Only the other day in this House we heard his speech. He has made out as if all these taxation proposals are inimical to the citizens of this country. With his power of words, he has found it a little easy to create confusion in the minds of the common man. But he must not forget that the common man has also common sense as to what he should believe and what he should not believe.

SHRI BHUPESH GUPTA: And their uncommon spokesman is speaking at the moment.

SHRI BABUBHAI CHIN AI: You will have my reply to everything you have said in your speech, Mr. Bhupesh Gupta, if you will bear with me for a minute.

SHRI BHUPESH GUPTA: That is why I have come.

SHRI BABUBHAI CHINAI: It is not my desire to play the role which the hon. Finance Minister is supposed to play at the end of the debate, but I have to clarify one or two points which have arisen out of the speeches of some hon. Members. Having accepted the Third Five Year Plan, how can we doubt the necessity of raising the funds for the same? And it is in this context that we will have to welcome the taxation proposals put before us by the hon. Finance Minister. My friend, Mr. Khandubhai Desai, ably supported by Mr. Bhupesh Gupta, has said that the capital gains tax should be revived. Both of them have lost sight of the fact that the capital gains tax still exists. Also, we were told by my friend, Shri Dave, that in issuing bonus shares, the percentage of holdings will vary. This is a wrong statement. By issuing the bonus shares the percentage of share holding will never vary, as the bonus shares are being issued in proportion to the holding of the existing shareholders.

Then, Sir, another point which I want to make is in connection with the suggestion which has been made in regard to excess profits tax that it should be revived. With all humility I want to bring to the notice of my friends who have suggested this that the excess profits tax during the war days was all right, because the circumstances were different. Since then, the tax burden, both direct and indirect, has so increased that it is not only balanced but over-balanced on the side of increased taxation, which is

more than what you were getting by way of the excess profits tax.

Another point which I want to bring to your kind notice is that my hon. friend, Shri Khandubhai Desai, said that there was a little deterioration in the management of the younger generation.

SHRI KHANDUBHAI K. DESAI (Gujarat): I said that there was a general deterioration in the management.

SHRI BHUPESH GUPTA: Just as in-the case of football being the same side is going on there.

MR. DEPUTY CHAIRMAN: It is none of your concern.

SHRI BABUBHAI CHIN AI: With all due respect to him, let me say that the facts show something else. If there was any deterioration, the production would not have gone up. The development of the country at the rate at which it is taking place would not have taken place.

Also, it has been said that foreign capital if it comes from one side of the world is welcome, but if it comes from another side of the world, it is not welcome. I fail to understand it. If foreign capital is welcome it is welcome to this country from any corner of the world. I can quite understand that there should not be any strings attached to it, but to say that foreigners come here to put their capital and loot us is not correct. Today our prime need is foreign capital and, therefore, to that extent I do not agree with my friend, Shri Bhupesh Gupta. Also, historically if you look into it, whether it is a communist country or a capitalist country, they have all depended, in the initial stages, for their development on foreign investments and foreign capital. Therefore, it is a significant fact that we have been trying our best to bring foreign capital to this country for the development of this country.

This is the state of affairs when we are entering the Third Five Year

[Shri Babubhai Chinai.]

Plan and it is better that we know what our strength and what our weaknesses are. We must try to correct our weaknesses and further strengthen our strength. That is the way to fulfil our targets. What is the picture today? Today's picture is that the industrial production has gone up "By 66 per cent. Agricultural production has gone up by 33 per cent. The national income has increased by about 42 per cent. The increase in per capita income is about 20 per cent. The infra-structure of the economy has been strengthened considerably, creating conditions" for a more rapid development. Substantial as the progress is we will have to think in terms of increasing our *per capita* income. Here, the problem of population is a headache. Nearly a two per cent annual increase in the population is offsetting all our figures and plans. Therefore, we will have to take care of family planning more and more in the years to come. In the Second Plan we planned for an increase in national income of 25 per cent., whereas we have been able to achieve only 20 per cent. Then, also it is of great concern that we are importing today goods worth about a thousand crores of rupees, whereas our exports are round about Rs. 600 crores, which is stationary. This is the problem which we will have to look into. We will have to see that we decrease our imports as much as possible and give an impetus to our exports from this country, not only in respect of traditional items. We will have to make an export drive in respect of non traditional items also.

When I am ori this, I want to bring to the notice of the hon. Finance Minister one main hitch in achieving -more production, which is in connection with the fuel requirements of the industry. Both transport and fuel are essential for the development of the economy of the country. We find of late that transport is putting the blame on fuel and fuel is puffing the blame on transport. Some method

should be evolved whereby transport and fuel go hand in hand and go in time to the industries. Otherwise, special regions like Gujarat, which, as far as coal supply is concerned, is far away from the supply centre, are facing very great difficulties and sometimes closure of their works.

Coming to the problems of the Third Plan, as we have seen it and as we have envisaged it, the size of the Third Plan is more than 1 P.M. both the Plans put together, that is, the First Plan and the Second Plan. When we are embarking on such an ambitious and bold Plan, naturally we have to think in terms of our investment, and we will have to spread it over in such a way that we will be able to fulfil our target. In this connection we are relying for nearly 25 per cent, of the whole target on foreign exchange and this is going to be our headache right from the beginning up to the completion of the Plan. Therefore, we will have to put more emphasis on the proper use of our foreign exchange. That is the reason why more and more tax efforts will be required during the whole of the Third Plan, and that is the reason why I say that I congratulate the Finance Minister on his

I bold efforts to raise these resources. There is also the question of holding the price line. One and all of us know that during the course of the Second Plan prices have gone up by more than 20 per cent. A good feature of the Budget proposals is that the hon. Minister has deemed it fit to give the hotel industry a tax holiday for five years with certain conditions. The hotel industry as such was not looked upon as an industry all these years and was neglected, whereas the hotel industry is an industry which will give us foreign exchange by way of tourist traffic which we require today more than ever in this country to earn foreign exchange. Here is a country, Switzerland, which earns its foreign exchange only ori tourism or mostly from tourism. India is a place

j where we have got so many interest-
| ing places, and if tourist traffic is to

be diverted to this country, the hotels in this country will have to be of the first class. Therefore, Sir, I congratulate the hon. Minister for the concession which he has given.

Against this background, we are going to raise Rs. 60-87 crores. I must say frankly and with all the humility at my command that this is an underestimate of revenues. I am sure that at the end of the year, when the Finance Minister will again come before the House, it will be at least Rs. 15 crores more than the estimate which he has submitted. Also, it will not be as if by taking Rs. 60-87 crores each year we are going to get Rs. 300 crores in five years. We are going to get much more because taxation will be broadbased by that time.

I have also to point out another thing. The Government must ensure that the taxes raised are used for development purposes of the Plan. It has been found that nearly Rs. 1,040 crores was raised during the Second Plan, and only 24 per cent, of it was spent for the development purposes of the Plan. I do not want to say for a minute that all the money which was spent for non-Plan purposes was wasted. There are certain non-development projects which have to be taken up because after all we are wedded to a socialist pattern of society. But care must be taken to see that most of the money is used for development purposes. In this connection I want to draw the kind attention of the hon. Finance Minister that as much economy as possible should be effected. The civil administration should be geared up towards this end.

In regard to the taxation proposals, he has increased the customs duties not only on raw materials but on capital goods. Nearly 50 per cent, of it will fall on capital equipment. I would like to point out to the hon. Finance Minister that the increase of 5 per cent, duty on capital equipment was uncalled for. When we want to develop this country, when we have 1081 RS—6.

not been able to build heavy machinery and chemical plants and at a time when we are entering the Third Plan, to increase the duty on capital goods by 5 per cent, is not going to benefit future development. At the same time I want to point out that this will upset those Plans which are already in the process of execution. I would beseech the Finance Minister, because after all the revenue which he is going to get by this is about Rs. 7 crores, that he can very well lay his hand, as he has already done, on those 42 items to get the Rs. 7 crores.

There is another point in connection with development rebate. Development rebate is also reduced by 5 per cent. One must not forget the point that a machinery which is working 24 hours a day does require replacement very badly and at regular intervals. Specially in the case" of the chemical engineering industries replacement is required once in eight years or ten years. Therefore, if this reduction in the development rebate had not been there, it would have been better.

Another point is in connection with exports. Even though the Finance Minister has said in his speech that' all he is doing is to give impetus to exports, I must most humbly and frankly say that I do not find anything which would stimulate export. I wish, Sir, that he had taken the example of countries like Japan and Germany which are giving on the total turnover certain reduction in income-tax to give an impetus to the people to export more. There are so many incentives which are being given but which are not being taken advantage of by the people in export trade because the method adopted is so complicated. I would submit to him that the sooner this matter of withdrawal is simplified the better.

One point to which I would like to draw his kind attention is in connection with piecegoods. Sir, imposing duty on yarn and imposing duty also on cloth means imposing duty on raw

[Shri Babubhai Chinai.] material and on finished goods, and that will create hundred complications. If it is a question of revenue, I would submit to him most humbly that he should charge it not on yarn but he should switch over this duty on piece-goods so that the revenue is not affected and the people are not put to any difficulty.

Sir, one more point and I have done. A notable feature is the reduction of tax on bonus shares from 30 per cent, to 12J per cent. I think as the corporate sector has already been taxed on these earnings, this is a case of double taxation, and it would be better if this 12J per cent. is also abolished. After all you must not forget and lose sight of the fact that you will have to give a chance to them to utilise this money in developing other industries.

My last point is in connection with certain concessions which the hon. Finance Minister has given to foreign enterprises. The fixation of super tax at a reduced level of 20 per cent, does away with discrimination against foreign minority share-holding. This together with the reduction of tax on royalty received from Indian enterprises by foreign companies from 63 to 50 per cent, and further tax concessions to foreign technical personnel offers sufficient incentive for the inflow of private foreign investment. It is to be hoped that these measures will help to bring foreign investment in this country, and I have no doubt that we have a very bright future to develop the economy of this country.

Thank you, Sir.

SHRI DAHYABHAI V. PATEL (Gujarat): Mr. Deputy Chairman, I have been considering the Budget proposals of the Finance Minister and particularly, I heard the chorus of praise that was coming from the other side. I regret that it is not possible for me to join that chorus of praise coming from that side. We are told that we are committed to the Plans. Six, the Third Five Year Plan

has not been approved of by this House and the great haste that is sought to be made in regard to the development of this country at this tremendous cost. It is a matter of grave doubt, whether it is going to benefit the common man about whom so much is talked. It is necessary to make these levies in order to bridge the gap in our Budget. But why does this gap arise? The gap arises because of the Government's increasing greed. I will come to my friends, Mr. Bhupesh Gupta and Mr. Khandu-bhai Desai, a little later. The greatest cause for this situation is the increasing greed for more and more power and more and more money to be spent by the Government. And how is the money utilised? What is the return that we are getting on the capital that we have invested in the various projects undertaken? 2 per cent? What would the shareholders say if my friend who was speaking before me a few minutes ago paid a dividend of .2 per cent, to them? Would he be able to continue in the saddle? Would he be in charge of the affairs of the company if his company were to pay that dividend? And what is the reason that this dividend is paid? The first thing is lack of supervision. Making of very grand plans and not executing them efficiently costs more. Sir, we have the legacy of a very efficient Civil Service left to us by the previous rule. That Civil Service knows how to conduct the affairs of the country, how to administer the country. That Civil Service has not been taught to administer business enterprises but they have been given charge of joint stock companies and they have started looking upon the financial empires that they sit upon as sources of greater and greater power, just as they are ruling the country as despots wherever they sit, whether it is in the taluka or whether it is in the headquarters of a State or whether it is at the Centre. That is one of the chief reasons why we are in this mess. And the greed for power goes on increasing. Once you succumb to it, then the greed for doing something

greater grows every day and you try to outdo somebody with targets which are better. But while we try to do that, let us recognise that the results that we have achieved do not give us any reason to be proud of or to embark upon more plans more ambitiously. The more realistic way of doing things would be to cut our coat according to the cloth, plan according to the strength that our country has for finding the resources. Sir, I am utterly against this manner of just going on raising the Budget figures and raising the expenditure without taking into account whether it is going to benefit the country or whether it is going to produce what is needed. Every time we hear the talk of the common man. Where is the common man? Where is steel? Where is sugar? This morning there were questions and answers about sugar. They revealed where we were. How is it that when we produce so much sugar, the cost of sugar is Rs. 700 per ton in this country while it is Rs. 400 per ton outside? Is this not a matter which we should think about?

SHRI BABUBHAI CHINAI: Yes.

SHRI DAHYABHAI V. PATEL: I would refer my friend who just interrupted me to a pamphlet produced by his friends, the Deccan Sugar Mills Association, pointing out that some of the sugar mills in this country have reached, if not exceeded, the level of production of sugar in foreign countries—Why did they do it and what is our Government doing to them? Will Mr. Chinai answer if any ceilings on their holdings are going to increase the yield? Therefore, it seems to me that Mr. Chinai is trying to play a difficult game, is trying to run with the hare and hunt with the hounds. Let him find his real place. Let him not try to do it both ways. Sir, when Mr. Babubhai Chinai was pinched by the excise duty on art silk two years ago, he played a different role.

SHRI BABUBHAI CHINAI: I have never said anything against the duty

on artificial silk. Even this year, I have said nothing. Therefore, my hon. friend is wrong.

SHRI DAHYABHAI V. PATEL: I do not yield. It is in the proceedings and I repeat, Sir, that the duty on art silk which has been raised this time is again hitting the poor cottage industry of Surat. That is also another reason why I object to the Budget proposals and I do not find it justifiable to congratulate the Finance Minister. As I said on the last occasion, there is a peculiar history of the art silk industry of Surat. There was a cottage industry practically in every home of Surat. That was the *zari* industry and that was destroyed after partition. Those poor families who had two or three or four looms in their homes used to work on these looms; the whole family used to work—father, mother and children—as long as there was daylight. Sometimes they worked even by candlelight. They cannot afford to use electricity because electricity is very costly in Gujarat. In Bombay, it is half an anna per unit and even for power, it is 2½ annas in Gujarat. To hit these people, I think, is very wrong. The Finance Minister should reconsider his proposals—proposals like this one which hit the small industries all over the country. A few days ago, the hon. Prime Minister said in this House that the people of the World Bank had come here and they appreciated our effort and what we were doing for our Plans. I submit most humbly that it is not exactly a correct statement. What the Prime Minister told us was only one side of the picture. Sir, the Government of India has got its own people all over the world—its embassies—and if they happen to see the papers that are circulated to financial circles, though they are marked confidential, they are available very freely everywhere, they will find that serious doubts are being expressed about India's capacity to repay its loans, about the way in which we are planning and about the way in which we are investing and

[Shri Dahyabhai V. Patel.] spending the money—that it has not produced as adequate a return as it should. For instance, take the steel plants. We have invested Rs. 600 crores in these steel plants. We are supposed to have taken the best advice and planned them. Sir, from the very first year, after working the three furnaces in each of the plants, they have run short of essential raw materials. What sort of planning is this? Industrially advanced countries will certainly look at askance at our planning, at our capacity, if we go on doing things like this. We had the sorry spectacle of two Ministers blaming each other, the Railway Minister being blamed by the Minister of Steel, Mines and Fuel and *vice versa*, for the sorry state of affairs. Is this planning about which we talk so much and how is this going to help us? Six hundred crores of rupees of valuable money collected from people who are taxed to the very last is being allowed to be spent like this without producing any return, and such is the state of most of our public undertakings.

Sir, we have the sorry spectacle of the nationalisation of life insurance companies. What was the dividend that the life insurance companies altogether were paying to their shareholders? Is Government getting even that much dividend which the life insurance companies together were paying to their shareholders after it acquired these companies? Does Government take credit for it and show it as a charge in the balance-sheet or in the total account of the Life Insurance Corporation? Unfortunately many doings of the Life Insurance Corporation are outside the purview of questions in the House. Otherwise some people like me would be persistent, would try to find out the facts. But many of them are taken outside the purview of this House. So we cannot do it. I would like the Finance Minister and the other Ministers . . .

SHRI BHUPESH GUPTA: Sir, can we go and join the Parliamentary

Affairs Minister's conference there in the corner?

SHRI RAJENDRA PRATAP SINHA (Bihar): It is highly objectionable that conferences are held inside the Chamber?

MR. DEPUTY CHAIRMAN: Order, order, hon. Members will please take their seats.

SHRI DAHYABHAI V. PATEL: Sir, [was talking about the affairs of the Life Insurance Corporation. Government of India spent a lot of money in acquiring all the life insurance companies. Government of India expected not only to earn the dividend and interest on its investment but also to secure for itself the dividend that the life insurance companies paid to their shareholders. What is being done about it? We are not shown these. I suggest that the proper method of accounting is that we should be shown these, shown that this is the amount that the Government of India has invested, that this is the amount of dividend that these companies used to pay to their shareholders before nationalisation, and over and above these we should be shown that the Government of India is making so much money, that it is able to command so much money for financing its Plans, and all that. This is not done, Sir.

Then all the State undertakings—I would say one and all of them—well, they publish very very costly reports. Last time, while speaking on this subject, I had brought with me a few copies to show the expensive imported paper they used. Why is it necessary for them to waste such valuable foreign exchange? Sir, the Finance Minister, able as he is, keen as he is, if he will only apply the axe to such wasteful expenditure in the various Ministries, he would be able to save a lot of money, and all the waste totalled up will be a considerable figure. The officers in charge of these undertakings act as the great

Mognuis. There is no body to ask them, because they are the directors and they are Government officers. If by chance there are a few non-officials, they are there because of the *mehrbani* of the Minister or the Secretaries of the departments. Therefore, they cannot speak. I suggest, Sir, that is a very wrong way of running these State undertakings. There should be a very well balanced directorate. Then only people would be able to speak independently. If you have got to have your own officers, certainly have them. But put efficient men in charge, men who have run industries, who know the working of industries, to advise you in this. But that class is unfortunately getting rare, because everybody has his own industry, and everybody wants to go to Government for some licence or some permit or for some relaxation. The few people who do not want this are getting rarer and rarer, and, therefore, Government's ability to get people who would give them independent and correct advice, whether it will please the Government or not, is practically nil since such people are getting rare.

SHRI BHUPESH GUPTA: Their complaint is that all such people are joining the Swatantra Party.

SHRI DAHYABHAI V. PATEL: So, are they?

Sir, we are told in the Finance Minister's speech that agricultural production has gone up by 30 per cent. I am very glad to hear it. But after this 30 per cent, rise in agricultural production why was it necessary for our Food Minister to go abroad and purchase 170 crore tons of foodgrains from abroad? If this increase of 30 per cent, was real, why was this purchase necessary? This increase perhaps may be true in terms of rupees. But is it true in terms of the weight of the foodgrains produced? What is the increase in terms of the foodgrains produced? Sir, we have been hearing since the time we attained independence that our short-

age was 10 per cent, only, and, I think, it was in 1954-55, when actually there was a surplus and we had the courage to export a little foodgrains. What happened after that? Why has the production of foodgrains repeatedly been short of the demand consistently after that? This is the question to be asked. We have spent crores and crores of rupees on river valley schemes, irrigation works, and so on. And what is the result of all that? Has it not yielded us anything? If it has yielded us, then why are we still short of production? There is something seriously wrong with the figures of Government, or if what I am feeling suspicious about is true, while they show us an increase in terms of rupees and naye paise, the increase in terms of the actual quantities of production of foodgrains is diminishing and, therefore, Government have thought it necessary to import such huge quantities of foodgrains from America. Sir, I am not very happy about this step that has been taken- Perhaps it would help us to tide over our difficulty, and that is a welcome feature that way. That is one side of the picture. And what is the other side? Who is going to produce the foodgrains in this country when the cultivators know that you have got a huge reserve stock of foodgrains? And when the harvest comes the cultivator is going to find it difficult to sell his foodgrains, or he is not going to get a good price for it. The cultivator also has to live. The cultivator wants to buy his things and pay your taxes at this increased rate on every little thing that he buys in the market. With this increased tax on everything his simple living has also become very expensive- He does not get any dearness allowance like the workers of Mr. Khandubhai Desai's union, or the city white-collared workers whose unions my friends here represent. He has to live on what he produces from the soil irrespective of whether the prices go up or down. So he will naturally select the thing that is going to get him the best return, and when the chance of his getting less

[Shri Dahyabhai V. Patel.] for his foodgrains—with such a huge stock of foodgrains with the Government—is staring at his face, why will he cultivate foodgrains? And in that case what is going to happen to our agriculture? Sir, there is the plan of the Government of India to start dairies. Now we have got a beautiful dairy at Anand. It is a show-piece; it is a co-operative dairy. Everyone is shown the beautiful work that that dairy is doing. But what is the result of that?

SHRI BHUPESH GUPTA: Do you get the milk?

SHRI DAHYABHAI V. PATEL: The milk goes to Bombay or other cities. The little milk and curd and *chhachh* that used to be available in the villages have gone away from there. And instead of cultivating and producing a little foodgrain, the cultivators, particularly the so-called landless tillers, of whom the Congress is so fond, keep a buffalo or two and sell the milk every morning. They do not have to work for it. If God is merciful, there is a little rain and the grass grows naturally, and that is enough to keep these two buffaloes going. And that is how agricultural production is increasing in this country. And what is going to happen to this country if the economy of the country is going to be run like this?

Now looking at the matter from the businessman's point of view, I am afraid there also the Finance Minister has been halting, for instance, his proposal about the bonus shares. If he really had the courage of his conviction to do things as he feels honestly about them—as he admitted last time—namely, that this was a sort of double taxation, then the correct logical thing to do was to abolish the tax on them. But I do not understand this half-hearted method of partly keeping it and partly abolishing it. If you think it is wrong in principle, abolish it totally; if you want to encourage capital formation, then remove it.

SHRI BHUPESH GUPTA: You are free enterprise; he is mixed economy.

SHRI DAHYABHAI V. PATEL: That is the trouble-

[THE VICE-CHAIRMAN (SHRI ROUTH M DAVE) in the Chair]

We are nowhere. We are being advised by our friend—as I said the other day—the great balloonist. So we are in the air. Our feet are not firm on the ground and we have become unpractical. Our plans are unpractical. Therefore, our Budget which is necessarily linked to it also becomes unpractical. Sir, I would like the Finance Minister to reconsider many of his proposals in this light. He goes abroad quite a bit. I am sure the financiers of the world must have met him. The Director of the World Bank, I think, is coming here very soon again.

SHRI BHUPESH GUPTA: Every week-end they come.

SHRI DAHYABHAI V. PATEL: Why do you not ask them for the confidential papers that circulate in the financial circles there and they will tell you what they think of our Plans? Whether you admit it or not, whether you give a copy of it to the hon. Members or not, it is known that now doubts are being expressed all over the world . . .

SHRI BHUPESH GUPTA: How do you know that?

SHRI DAHYABHAI V. PATEL: . . . at the top-heavy nature of our Plans, at the poor execution, at the lack of supervision, at the lack of adequate return, at the poor execution of most of our works. That is the malady that has overtaken us. Now, why does it happen? There are certain unions—my hon. friend may be knowing more about them—which prevent workmen from giving more output where they can . . .

SHRI BHUPESH GUPTA: I do not know.

SHRI DAHYABHAI V. PATEL: You may not be knowing. I have seen letters, I have seen circulars, where workmen, who can produce more, are threatened with dire consequences, even with their lives if they produced more. What is the Government doing about it? There also it has a weak policy. The Government sits quietly and watches. Therefore, Sir, I feel that the Budget proposals are halting.

Sir, in the Budget Speech as also in the President's Address reference was made to the setting up of one refinery in Gujarat. Sir, I want to repeat that the provision is inadequate and does not meet the requirements of the situation. It does not help the financial needs of the country apart from everything else. We have two types of oil. The oil which is in Cambay is heavy. It has lot of paraffin and will not bear being taken away in pipes to long distances. It has necessarily to be refined if you want to utilise it. Therefore, the light that has dawned on Mr. Malaviya after the last Session of Parliament and after his recent visit to Ahmedabad is something not in the nature of a concession to anybody but it is in the nature of the circumstances and is a decision which is only right and which should have been taken long ago, namely, that a refinery at Cambay or in that area for that heavy oil should be there. But we have been more fortunate, Sir, in finding better and superior type of oil in the wells of Ankleswar. I am told the percentage of successful wells there is also very much greater.

Sir, Gujarat suffers from want of power. Gujarat is perhaps the only State in the whole of India where there are no hydro-electric schemes. Even in the areas where there are coalfields we have got huge hydroelectric schemes. Gujarat has industry. Gujarat is industrial-minded. I would have expected the realistic Finance Minister of Gujarat at least to say that a second refinery for this

superior type of oil is necessary. That refinery will cost half or perhaps one-fourth of the cost of laying a pipeline from there to Bombay. Then why talk of the pipeline? It is said that our pipe mill is not sufficient to meet our requirements. Only two day.» back the Minister gave me an answer that our pipe mill production at Rourkela is not sufficient to meet the requirements. Then why talk of taking the oil from Ankleshwar to Bombay?

Besides, the Ankleshwar oil does not need the complicated and expensive type of catalytic refining as we have in the American refineries in Bombay. A simpler type of refinery which is earlier and which will go into production very much cheaper is necessary. This refinery will give us the much-needed kerosene oil and the diesel oil that is needed more in the rural areas. Today we find ourselves in a peculiar situation where we are surplus in petrol and even refineries that are importing crude oil from outside have to think in terms of exporting some of their petrol. Why should the Government let itself into such a mess? Why not consult proper experts and set up a refinery which will be useful, which will give us all that we need without producing this surplus, and can be done at a cheaper cost?

Sir, I have taken a little trouble to go into this and I have talked to experts who understand this subject, people whose advice the Government of India have themselves taken on occasions. This advice they have given publicly and privately. It is available to Government if they want it. When the needs of power of Gujarat are so great, I do not see why the Government is delaying a decision and quick action in this matter so much.

Today textile mills of Gujarat are having a sort of hand-to-mouth existence in respect of their coal requirements. You ask them. They have got three, four or five days' coal.

[Shri Dahyabhai V. Patel.] How can an industry run in such a condition? All those who move about, of course, know of Railway engine failures. Very often failures of Railways are because of poor quality of coal. I suggest a quicker exploration of oil resources there and utilisation of this oil for power and for diesel traction. This would release some of our coal for our steel plants.

Then also the refineries there have a lot of surplus gas because even when it is sold in cylinders in places like Bombay for domestic consumption, there is so much of surplus. Now, if that surplus was in a place like Gujarat, where there is shortage of power, power could be generated out of it at a very much cheaper cost, not only for industry but even for the Railways. The pace of progress on this side is slow.

Sir, as a practical suggestion the expenditure should be diverted more to production side. I am afraid I do not see if that is being done very much. In the Budget, Sir, there is a lot of spending which is not productive. Can we, under the circumstances, afford it? I think we have come to a stage when the Government of India and the whole country will have to say: "Let us give up the luxury of this type of spending until we are able to produce a better economy, until we are able to afford it".

Then, of course, what is coming ahead is the large interest accumulation and the repayment of debt that is at our doorstep. Another Rs. 600 crores annually we have to pay. Where will you pay it from? Sir, I do not think it is in the Finance Minister's mind to ever say that we will not pay, that we cannot afford to pay. Other countries have done that. I hope, Sir, this country has not to do it, and the Government of this country will never think of doing it even though they may be responsible for a lot of money going waste. Therefore,

it is already late and it is time for the Government to exercise much more stringent control on all their spending departments. I need not enumerate these departments here. But I think stricter supervision is very necessary. If the machinery that we have now does not work, these consultative committees or whatever we call them, then we must have advice of people who know things. We should get the advice of people who know things. Sir, one example I would like to give here. Last session we had a debate on the production of a cheap car in this country. The Government of India invited an Oxford economist, but he was invited in a very clever way so that the Government, if they found his advice not suitable could say, he only came in, in a friendly way. But he was invited here and given all facilities, shown all the papers of the Government, the plant and reports and he gave his advice. But then, as I said, they can always say, we took his advice just as we take the advice of everybody. He also came and we got his advice. So when they did not like that advice, this was the attitude that they took. This is very wrong. In a Bombay paper—a paper which is very friendly to the Government of India and to the Finance Minister—"The Times of India" on the front page, I read:

"Thomas Balough, Oxford Economist, says the idea of producing a low-cost car in this country is absolute madness."

And the Industry Minister in this House was defending this project. How many crores he is going to sink in it, I do not know. But we have already three plants that are in a position to produce cars, with a little encouragement and help from the Government and now the Government is going to add one more plant, and this tax burden that the people are asked to bear is going to contribute to that. That is what I am opposed to. We are taking the hard-earned money of the people, taxing them to the limit. For what purpose? Just for the mere

satisfaction of having a motor car plant in the public sector, and that is much too expensive a game that the Government is playing. It is a time that the Government cried halt. The day of reckoning will come. It is coming very soon and the Government should take a lesson. People may call the Finance Minister very brave in making these proposals for taxation. Yes, if the Budget has to be balanced in this way, he has to find money and he has found a method of pinching everybody. Nobody is left out. You may call it fair; but I don't. I don't because it touches the poor man very much more than the others. Therefore, I say it is not practical. I repeat the criticism that I made of the Budget last year, but more emphatically. This is not taking the country forward, it is taking the country backward. Their outlook on planning and budgeting in this country needs to be recast and changed. We cannot afford to spend any money that does not bring us a return. But unfortunately, a very very large portion of the expenditure that we are now incurring is not going to bring us a return, and we are postponing the evil day when we have to repay the interest or the instalments. This has got a peculiar name in most of our Indian languages, but I do not like to refer to it here. But that is where we are going to. Therefore, I am sorry I do not at all feel enthusiastic about the budget proposals- I would request the Finance Minister very humbly, but very emphatically, to reconsider his proposals and stop this pinching of the common man about whom everybody talks. If he has to find the resources, let him find the resources from people who can pay. If you have to tax the poor as well as the rich to their limit, then, cry halt to this grandiose plan and say, we will go slow. If you cannot put up three steel mills, then why have three? Let us have only two. It is not too late even now. Let us stop where we are and do not invest money in madness like the public sector car and many other things, that we are doing, so that people in this country

may not be bled white by any further taxation.

SHRIMATI K. BHARATHI (Kerala):
Mr. Vice-Chairman, courage which has come to be associated with the name of our Finance Minister has been amply borne out by these Budget proposals. With the general elections round the corner, the general prediction was that there would be soft-peddalling of taxation. But contrary to expectations additional taxes have come on with a very wide sweep. Sir, this flood of taxation, though wide in its sweep, is shallow in depth and hence, no section of the community will be submerged or swept away or drowned.

AN HON. MEMBER: We will not be drowned, we will be here.

SHRIMATI K. BHARATHI: Like all timely mild floods, this will only stimulate growth and promote development. Those who criticise this Budget as an anti-people measure, are purposely shutting their eyes to the great improvement that is there in the general standard of life of the people in this country. Look at the people in any corner of India, look at their dress, their mode of travel, their food and so on. Sir, there is no doubt that there is perceptible improvement. The improvement may not be to the extent that we desire or that we dream of, but still there is marked progress and progress enough to create confidence in the minds of the people. Sir, even if these taxation proposals raise the prices of the small solaces of the poor man, his coffee, his betelnut and his tobacco, tea etc these will not be grudged if he is made to understand and to realise that what is being taken away by one hand is being given back to him by the other hand, not only in doubles, or treble, but ten-fold. I would request the hon. Finance Minister to see that he uses his courage to curtail the waste and extravagance that is there. A keen eye and firm hand have to be applied on all waste and extravagance and such extravagance by the vulgar rich has to be curbed by punitive taxes. The Prime

[Shrimati K. Bharathi.]

Minister condemns extravagance in marriages and other ceremonies, in the construction of ostentatious buildings and so on. Can't there be a tax to restrain this kind of extravagance? We encourage the rich who create, who contribute to the wealth of the country and to the growth of the nation, by their initiative and economic enterprise, but not vulgar waste. Look at the Delhi Corporation clamouring for a sixteen storey building, just to satisfy their vanity. The Government must set an example of cheap, but durable construction of buildings. Today we spend enormous sums on buildings alone and more or less, leave off the things that are really important. A colossal costly hospital without the necessary equipment and adequate staff is not an uncommon sight in this country.

Next, I would like to pay a tribute to another Department for the dynamism that it has shown and that is the Food Ministry. They have almost produced a miracle in that Ministry. You know the Food Minister inherited a desperate food situation, and today things are quite rosy. I am for giving the private sector a fair and square deal. Our approach has to be pragmatic and not doctrinaire. Each issue has to be examined on its own merit and then decided on. There are people who want to bring everything under the State Trading Corporation. Others depict it as a demon. I do not subscribe to either view; but I think there are certain sectors which can be taken over by the State Trading Corporation. Those channels of trade which tend to get narrowed into a few pockets must be taken up by the State Trading Corporation because in those cases the monopolist can manipulate the prices to the detriment of the producer and the consumer. Coming from Kerala, my mind strikes at two examples, pepper and cashew. The export of pepper is now concentrated in a few hands, some three firms or so, so much so that they manage to procure from the producer at the distress price and sell to the consuming

countries at very very high prices. Pepper, which was called "black gold", continues to be one of our precious national assets in spite of the rivalry that it faces from Ceylon and Indonesia. The market is expanding with the higher standard of living and with changing food habits in the people of the USA., the U.K., the continental countries and the Russian bloc. A steady and sure price for pepper cultivators has to be assured and for this, channelling the trade through the State Trading Corporation would be useful. So also, the periodical crisis that sweeps the cashew industry can be eliminated if the import and export of cashew and cashew products are routed through the State Trading Corporation. I am not dogmatic about the State Trading Corporation. This has to be examined without any prejudice either way.

The recent shake up in the banking institutions of Kerala has further narrowed the trade channels and I feel that Cochin must have a Regional Office of the State Trading Corporation in place of the present Sub-Regional Office. In this context, I may be permitted to say a word on the banking crisis in Kerala. There are no two opinions that in India, the banking institutions are on a sound footing. Even if easuaities occur here and there, they do not affect the general economic climate of the country. There may be personal tragedies. Kerala is a small State, the smallest link, or rather the weakest link, in the chain of the Indian Union due to many reasons. Events which are small in the context of India as a whole may mean a great deal for that tiny State. Sir, I must say that generally the tone of banking had been raised by the control and supervision of the Reserve Bank. We were only happy about it, and all honest bankers, I understand, were so, but the recent events had shaken the credit structure of the State a good deal. I am not one who has attributed any *mala fides* to the Reserve Bank in the steps they have taken even though I felt them to be too hasty. Sir, I would appeal

to the Finance Minister—and I pray that the Reserve Bank would be co-operative—to take constructive steps to reconstruct the banks of Kerala. Sir, I have absolute faith in the goodwill of the Finance Minister in this matter. If there are any legal hurdles, this House can help to clear them.

Before concluding, may I say a word about the emotional imbalance in our country? Sir, I feel that we are building our houses on loose sand if we do not have emotional stability for the nation. The recent Jabalpur Incident is an indication of the deep-seated malaise in the country—I mean the communal madness. It is an indication of the weakening of the national fibre as the Prime Minister rightly pointed out. The miscreants, who inflicted senseless and cruel violence against innocent people should be punished and those who incited the same, exposed and condemned. Decency, honour and courage demands of the majority community to give succour and support to the minority community. The state of our democracy, and our claim to culture, depends on the measure of security and opportunities we could afford to give to the minorities. Sir, the men responsible for the Jabalpur incident have put India to shame. They are the men who are responsible for the sufferings of the minority community in Pakistan. Sir, I do not blame the hooligans of Pakistan; those hooligans are only taking the cue from our own Jabalpur criminals. Sir, the victims are always innocent everywhere, whether they are in Pakistan or here. So, Sir, decent and honest people everywhere should condemn such acts. Desecration of life and property is a crime against the entire nation and such acts have to be sternly and mercilessly dealt with.

SHRI SANTOSH KUMAR BASU (West Bengal) : Mr. Vice-Chairman, on the threshold of the Third Five Year Plan, the Finance Minister has presented before this House a clear and candid picture of the true state of the economy of this country. He has

also envisaged the objectives and aspirations of the Third Five Year Plan and has placed before the House an assessment of the ways and means by which to achieve them. Sir, the Finance Minister has made it clear, that the limit set for the extent of foreign assistance in the Draft Five Year Plan will not be exceeded. At the same time, the proffered hand of assistance from foreign countries ranging from the United States of America to the Soviet Union cannot and should not be rejected and I take this opportunity of acknowledging the massive contribution of the Finance Minister himself in achieving that objective.

My hon. friend, Shri Bhupesh Gupta's tirade against aid from Western countries omits to take note of outstanding facts of history with which at least he should be familiar. If I am mistaken not, the leaders of the Russian Revolution did not hesitate to receive aid from America at the early stages and initial stages of their development. They were a realistic people and wanted a realistic solution of their problems.

DR. A SUBBA RAO (Kerala) : There was no private sector.

SHRI SANTOSH KUMAR BASU: Of course; there was no question at that time of a cold war approach which has inspired and overshadowed my hon. friend's observations in this House in this matter. Nor does Soviet Russia allow foreign aircraft to violate its space which Mr. Gupta has been kind enough to predict for his own country in some future date as a consequence of our acceptance of foreign assistance.

Now, Sir, emphasis upon greater production by the private sector is a welcome feature of the present Budget. Capital formation, enterprise and the necessary know-how can be found in the private sector. We may also be assured that the workers' interests would be secure in their hands and that they would share their fortunes with them in the interest of

[Shri Santosh Kumar Basu.]

smooth and developing production and peace in the industries. From the remarks of my esteemed 2 P.M. friend, Shri Babubhai Chinai, however, I am not quite hopeful that this assurance could be expected from them. He has gone to the length of saying that not only taxation on these 42 items of the poor man's budget, but on many more should have been imposed to order to get the relief that he desires against the taxation of Rs. 3 crores or less which has been imposed upon them.

Now, Sir, I shall mainly address myself to the question of these indirect taxes which will hit the poorer sections and the lower middle classes. On a short analysis of the different sources from which the hon. Finance Minister expects to draw his resources, customs duties will contribute an additional revenue of Rs. 29-27 crores, Union excise duties Rs. 30-9 crores out of which Rs. 23 crores will go to the States leaving Rs. 28.6 crores for the Centre and minor changes in direct taxes like income and corporation taxes would bring in Rs. 3 crores. The over-all deficit will thus be reduced from Rs. 125 crores to Rs. 64 crores which is to be met by expansion of Treasury Bills. Out of this sum of Rs. 28.6 crores of Union excise duties about Rs. 22 crores or a little more will be raised from commodities directly affecting the family budget of the weaker sections of the community as they have been described in the Finance Minister's speech. These sections of the community have for years been passing through the grinding mill of daily want and indebtedness with ill-nourished and ill-clad children and youth in the family for whom we want to build up a bright and prosperous future. Was it necessary to increase the burden on their rising monthly budgets? Was it necessary to give this further handle to greedy and unscrupulous traders to increase the prices of many commodities, taxed and untaxed, under the cover of this new imposition? These are the questions which are troubling |

me and I am humbly formulating them for the consideration of the hon. Finance Minister. What is this deficit due to? In the first place the enormous increase in civil expenditure is very largely responsible for this over-all deficit which he is seeking to cover by these new duties. While Parliament must accord the fullest possible support to developmental expenditure in all its aspects, it cannot fail to take note of the increase in the size of the civil expenditure within the last four or five years. Civil expenditure next year shows an increase of Rs. 49.94 crores over the current year's revised estimates and this comes in the wake of the record of the last few years when the number of employees of the Central Government excluding the Railways and the new enterprises went up by more than a lakh and a half from 648,000 to 754,000 from 1955 to middle of 1960. The Finance Minister will probably like to reassure the House by disclosing if any measures have been taken or are under contemplation to check this rising trend so as to eliminate the necessity of taxing the daily necessities of the weaker sections of the community.

Coming now to the ways and means provided for in the Budget it seems that the burden on the family budget could have been avoided or substantially lightened by increasing the estimates of receipts under some of the heads. I am drawing particular attention to the estimates of small savings in the coming year. The sum of Rs. 105 crores from small savings seems to be a serious under-estimate in the light of the observations of the hon. Finance Minister himself. On page 22 of his Budget Speech (Part A) the significant words occur:

"Small savings have, during the last three years, shown encouraging results. The net collections last year aggregated to Rs. 84 crores. During the first ten months of the current year net collections have exceeded the collections for the corresponding period last year by Rs. 19 crores, and we are, for the first time, likely to end the year

with a net collection of Rs. 100 crores. The co-operation and response which the large masses of people have shown in contributing to the success of the Small Savings movement is very heartening and augurs well for the future. I should like to take this opportunity of expressing my appreciation of the assistance rendered in this direction by non-official agencies—particularly the Advisory Boards at the Centre and the States—and the official organisations under the various Ministries. I hope these encouraging trends will receive further momentum in the Third Plan which places the receipts from this source at Rs. 585 crores."

Now, Sir, in view of this wholly justified optimism on the part of the hon. Finance Minister a mere increase of 5 per cent, in the estimates, from Rs. 100 crores actuals to Rs. 105 crores, appears to be grossly pessimistic. With prices ruling high in the market and import of consumer goods severely and very rightly restricted with the curtailment of consumption resulting therefrom, investment in small savings by those who are in circumstances of comparative affluence should have been expected to a much greater extent. Last year investment in small savings amounted to Rs. 84 crores and there has been an increase of Rs. 16 crores this year. An increase by the same amount could be legitimately expected next year if not a larger increase. The Finance Minister's optimism has unfortunately not been reflected in the estimates for the coming year thus necessitating the most unwelcome burden on the daily necessities of the small income groups in the community already groaning under the rising trend of prices which has persisted throughout the year.

Now, Sir, the burden has become unbearable and much heavier through manipulations by unscrupulous antisocial traders. The actual effect of these taxes on prices is said to be negligible according to an official analysis. Even assuming it to be so, one

cannot shut one's eyes to their actual effect on the market due to circumstances over which neither the Government nor the consumers seem to have any control. In Calcutta, prices of articles in the daily bazar including vegetables and fish have gone up tremendously in the post-Budget period. These are factors which should have been taken into account before disturbing the price line any further so far as these essential commodities are concerned. Now, Sir, to save the consumer from this unfortunate plight very vigorous steps should be taken. If I may suggest, formation of consumers' co-operatives on a very wide scale in villages and towns may probably supply the answer; vigilant committees by the consumers may also be of assistance.

Now, I come to another item from which probably substantial resources could be obtained to meet the deficit. The estimate of public borrowings in India has been placed at Rs. 235 crores. This to my mind could have been increased to a substantial amount relieving to a great extent the tax burden on the daily necessities of life. It has been a singularly hopeful sign of the confidence of the people in the stability and security of our public exchequer that not one single loan has so far failed for lack of public response. On the other hand, all the Central and State loans have been over-subscribed on the very day they were opened to the public, thereby demonstrating that there are surplus funds, waiting for investment, among certain classes of the people. I realise that investment for increased industrial production should be encouraged, but there are people who prefer the safety and security offered by Government loans even for a much smaller return. This confidence and comparative affluence should have been more fully utilised, instead of throwing additional tax burdens on the poorer classes of the people.

Now, Sir in the "Economic Survey, 1960-61", it has been clearly stated that the boom in the equity market was

[Shri Santosh Kumar Basu.] stabilised towards the end of July, 1960 and that the average yield on equities, which was 5-21 per cent in December, 1959, fell to a low of 4.62 per cent, in August and is now 5 per cent. This does not compare unfavourably with the terms offered for Government loans, with all their attendant certainty and security.

Before I conclude, I should like to utter a word of appreciation and thanks for the acceptance of the Farakka Barrage Project and for its inclusion in the Third Plan. The port of Calcutta has to be saved and along with it the export and import trade of the entire hinterland extending over four or five States. Calcutta port is the life-line of eastern India and its full recovery can no longer be put off.

PROP. A. R. WADIA (Nominated) : Mr. Vice-Chairman, I have noticed that the Finance Minister has been very largely complimented on his boldness and the courage that he has displayed in framing this Budget. I have no objection to adding my own humble voice to that chorus of praise. But I am afraid there my agreement ends. It would be impossible not to be conscious of the fact that so far as the additional proposals for taxation are concerned, the only adequate objective that can be used in connection with them is that they are really cruel, because they hit the poorer classes. The Finance Minister speaks of sweat and sacrifice and he wants sacrifice to be evenly spread. But he is trying to do the impossible. You cannot equalise the unequal. We cannot forget that the rich may have the capacity to pay even higher taxes, but there is a definite limit to the capacity of the poor to pay these taxes. Now in order to cover the deficit of Rs. 60 crores, the Finance Minister has got hold of even the most ordinary articles of daily consumption like betelnut, tea and coffee. I do not pretend to be one of the numerous saints

in the country who abhor alcohol and even look upon tea and coffee as being very poisonous. I do enjoy my cup of tea and coffee and even if the taxes are higher than what you find in the present Budget, I would continue to do so. But I know there are millions of my countrymen, who find a very innocent pleasure in a cup of tea and coffee and they have now to pay a little more for that. They would be hard hit. It is not merely a question of one man consuming an extra cup of tea or coffee. There is a whole family and when you add up the whole amount, it comes to a very 'respectable' sum. I do feel that the Finance Minister, in his desire to be saintly, I was almost going to say, has gone far too much in penalising the poorer classes. He has also taxed tobacco. He has taxed superior kerosene. As my friend, Mr. Basu, has already pointed out, the traders do not care to make a distinction between superior and inferior kerosene. They will raise the price automatically and the poor will have to suffer for that. The price of diesel oil will rise. I do not know whether it is meant to be an assistance to the Railway Budget, to penalise the bus-owners. That also is a very serious matter. When the Railway authorities themselves are unable to cater sufficiently to the needs of the travelling public, to raise the cost of bus travel is very unfair. Matches, which are in ordinary use, have also been taxed. Patent or proprietary medicines not containing alcohol have been taxed. In this connection, I wish to make a very serious appeal to the Finance Minister. I know that it is the policy of the Government of India to have as many drugs as possible manufactured in India itself and it is our duty to encourage that industry. I can understand the Government not encouraging the import of those things which can be manufactured and which can be had in India, but there are lots of drugs which are not in that happy position. And in the interests of foreign exchange so much limitation has been put on the import even of the most necessary drugs

which are not available in India, that it is a hardship. After all we do not buy drugs as a matter of luxury. It is only when we fall ill, it is only when it is a question of life and death, that we do not mind paying even an extra price for these drugs. Therefore, it is the duty of the Government to be a little liberal in their import policy in regard to the necessary drugs.

The income-tax proposals have come to stay and I think, on the whole, they are reasonable. But I still believe that the lowering of the tax will ultimately add to the total amount of income to the Government for this reason that—and this was recommended by Dr. Appleby, the expert of the Government—a more reasonable income-tax will perhaps make our business people more honest. Now, there is a tendency of definitely evading these taxes and of concealing the amount that they can pay, and that they do very successfully with the assistance of retired income-tax officials, who figure as their expert advisers. I also welcome the five years' tax holiday for the new hotels. It will certainly bring in more foreign exchange.

But I wonder whether this additional taxation is really necessary.

I was very happy to find Mr. Babubhai Chinai this morning saying that the revenue has been under-estimated and this is what I have been told by some industrialist friends of mine that the revenue has been underestimated. I do not know why. Surely, the Finance Minister can expect a much higher revenue and at the end of the year he will perhaps find not merely that his expected deficit has been wiped off by this additional taxation, but there will be a very substantial surplus. In view of that I think that a more liberal policy could have been adopted by the Finance Minister. I would go a step further. It is no use making a fetish of our Plans. They are good. They are needed for the country.

But after all every Plan has to take into consideration its resources. It will be suicidal in the long run to go beyond our resources. We have been borrowing very heavily. We have not been making any distinction as to where we get the money from, whether from the communist bloc or from the Western bloc, and we are thankful to all these countries **who** come to our help. But in the long run we will have to pay that off.

SHRI H. P. SAKSENA (Uttar Pradesh) : If you do not mind my interrupting you, I remember it and I recall to myself your own assertion that the Plan is meant for the people and not the people for the Plan

PROF. A. R. WADIA: Correct. It supports my statement. It does not contradict my statement. I do believe that the Plan is meant for the people. If the poor people are made to suffer in the name of the Plan, I think there is some justification for revising our Plan. It is rather odd that in earlier planning we were obsessed by the necessity of our industrial development. We forgot that we are an agricultural country, very heavily over-populated, and we forgot to take the interests of agriculture duly into consideration. I am now finding, and I am very happy, that the Finance Minister has agreed that a substantial increase in food production is the foundation on which the Plan rests. If that policy had been adopted from the very beginning/some of the troubles that we had to face in our food production we would **not** have had to face. Even today our agriculture is in a sad plight, our foodgrains and our commercial crops are both on the minus side. It is only the sugarcane that shows an increase, and even that is likely to be affected by the type of legislation that is taken up in some of the State Governments, especially in Maharashtra. It remains to be seen whether the sugarcane prices will go up or go down and whether there will be enough sugar to be exported. However, I do congratulate the

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Finance Minister on his realistic approach so far as agriculture is concerned. Steel and cement are very important. They are needed for our economy, but unfortunately we cannot eat cement and steel. We want food to nourish ourselves, and that food we can have only through the regular development of our agriculture.

Sir, there is another way in which it is possible to reduce the amount of expenditure, and that is by reconsidering the policy on prohibition. I know that so long as the Finance Minister continues to be the Finance Minister this advice will be a voice in the wilderness. I am quite conscious that there are lots of people who are wedded to that idea, but I do hope that sooner or later commonsense will prevail and that the amount of good money that the Government is losing now will be diverted for the benefit of the people—because the people are actually getting the drink that they want, and there is corruption, of course, which is the accompaniment of this prohibition policy. Anyway I hope that, if not in my time, at least some years hence commonsense will prevail.

There is another matter to which, I think, Mr. Basu has also referred, and that is the lessening of administrative staff. I do feel that our Government offices are overstaffed. There are far too many. I am not a businessman, I am not an industrialist, and I do not come into contact with all the various Government departments. But one Government department with which I come very frequently into contact is the Airlines office, and I do feel that there are far too many people to do efficient service. I see more people moving about from table to table, from telephone to telephone and from room to room. If there were only a few people who are allotted some definite work, it will be easier for our

to be satisfied in a much more efficient manner.

There should be fewer Committees and fewer Commissions, because unfortunately we all know that it has become a practical joke that when you do not want to do anything, you appoint a Committee. But the Committees cost something, the Commissions cost something.

Finally, Sir, I wish the Government would have a very very strict control over expenditure. We have our Audit Reports and we have our Public Accounts Committee Reports. Their reading is not always pleasant. Palpable things are pointed out, how lakhs of money have gone into wrong pockets. What has the Government done about it? I think there is a tendency on the part of Government not to take these reports as seriously as they are expected to do, and I think if this is done, if one or two high officers are penalised sufficiently for their wrong doings, it will create such a good atmosphere that it will put the fear of God into the officers concerned, and I am sure that the amount of corruption would go down, and that would be a substantial saving for our country.

Finally, Sir, I find that the Finance Minister makes a very moving appeal: "I invite every citizen to participate in this sacrifice and to save more in order to invest more in the Small Savings Scheme." I wonder how this saving is possible. There is already an enormous amount of taxation, and the Finance Minister in one part of his speech himself admits that our country has got an extremely low standard of living, and when he is going to add to the list of our daily articles to be taxed, I do not know what saving is possible and how the saving is going to come. But I do feel that at the end of the year the Finance Minister himself will realise that he has underestimated the revenue and that the additional taxation, which has made the present Budget so unpopular, was really unnecessary.

-SHRI M. H. SAMUEL (Andhra Pradesh) : Mr. Vice-Chairman, I would like to begin my speech by quoting the last sentence of the Finance Minister's Budget speech : "We dare not falter at this crucial stage." I do so because these words have struck me as the summation or essence, motivation or inspiration for the whole Budget and the taxation proposals. "We dare not falter at this crucial stage." Yes, Sir, in the present context of our economy, in the context of the present phase of our planning, I think we have indeed reached a crucial stage. We have reached a crucial stage as it were between the past and the future, a crucial stage as at the present passing through a deep mountain gorge in economic terms and to be more picturesque, the hump of a high mountain range, a crucial stage as it were at which to rest on one's oars would be either to invite a kind of a trophy or suicide.

This is the stage when we are about to turn the first decade of planning and enter upon the second decade with the Third Plan with an outlay of almost Rs. 10,400 crores, which is about double the outlay we have expended on the Second Plan. The First and Second Plans in the first decade of planning, even if they were not spectacular successes, nevertheless were successes in their own way. As a result, we are closing the last year of the first decade of planning or the last year of the Second Plan with our economy looking up, brisk and pulsating in almost all directions.

[MR, DEPUTY CHAIRMAN in the Chair.]

Food production this year is going to be a record of 76 million tons. Industrial production has shown an increase of 11.5 per cent, over 1959, the highest increase achieved so far in any single year and that too in almost all industries. Industries are getting diversified. Steel production programme has been nearly completed. Coal production has risen to 51 million tons, which is 4 million tons more than last year.

Machine-building plants are making rapid headway. The rise in prices excluding certain industrial items, has been only 2 per cent., and the national income has gone up to 19 per cent, an increase as much as 6 per cent, during the last year.

I have taken these figures from the Finance Minister's Budget Speech and the Economic Survey.

This, you will grant, is not an insignificant progress. We have indeed passed through some very difficult and despondent periods at times, but looking back, I think, we can permit ourselves some pride and a sense of pleasant achievement.

Now, in about three weeks or so, we enter the Third Plan, a Plan, as I said with almost double the outlay we expended on the Second Plan, a Plan with larger programmes, a Plan with higher targets of production over a wider field of items, and a Plan, in view of our past experience, with increased awareness of our tasks and responsibilities and, indeed, with a greater world-wide appreciation of our work so far.

Thus, we pass into a new stage of our economy, "a crucial stage", as the Finance Minister preferred to call it.

Let me quote the Finance Minister once again: "We dare not falter at this crucial stage." To me, Sir, these words ring with determination and single-minded purpose to get on with the job. This is indeed a crucial stage in our economic development. This, as somebody said, is the tidal point of our history. There comes a tide in the affairs of nations—as in the affairs of men, I am quite sure—which must be taken at the flood. In the present stage of our economic development, it seems to me that this is the tide for our nation, this is the flood which we must take hold of, in order that our

[Shri M. H. Samuel.]

economy from the present phase may, as it were, break through the sound barrier and take to a free flight.

Now, to embark upon such a free flight, the Finance Minister has taxed the country in different ways to col-lect about Rs. 60- 87 crores—the highest imposition at one time any imance Minister has levied so far. Yet, let me remind the House that this is not the highest in any single year, i think, in 1957-58, the then Finance Minister, Mr. T. T. Krishnamachari, Pad collected as much as about Rs 90 o'dd crores of rupees in a single year, but in three instalments.

I do not grudge his levies. I think these are necessary at this crucial stage, these are necessary, as I *aid, ai this tidal point of our history. They are necessary to go through, as I said, the deep mountain gorge. I welcome them. I also welcome as other Members have pointed out, the daring, the courage and the thoroughness shown by the Finance Minister in his Budget Speech, in doing so, I would make only one or two observations on the policies and methods enunciated by the Finance Minister in his Budget Speech and their implications.

In more than one place in his Budget Speech, the Finance Minister spoke about the mobilisation of our domestic savings, or our surplus income, for investment. In one place, he said in respect of the Third Plan that "the size of the Plan will depend upon our tax effort and our ability to mobilise savings." At another place, he said that "the quantum of savings has to be increased through restraint on consumption." I am not quoting the Finance Minister any more extensively to emphasise that in the context of the magnitude of our Third Plan and in the context of the limited financial assistance available to us. the Budget should have emphasized.

and quite properly too,—the importance of domestic savings and surplus income for investment. Investment, of course, is meant for securing maximum production. It is an imperative for greater production. Almost as a corollary, a high level of economic security is also an imperative for greater production.

A United Nations survey conducted recently defined an under-developed economy such as ours as:

"a situation in which there is a relatively small amount of real capital per head investment, a low level of real income, the low rate at which *per capita* real income is growing and the low per capita output."

Now, the essential requirements oi "an economic growth, as everybody knows, postulates the growth in the real per capita income and per capita output. Our economy ls well known for the extremely low per capita income. One consequence of low income is undoubtedly the low rate of savings. Low rate of savings leads to low rate of investment. Low rate of investment keeps productivity and incomes low. Then, the per capita purchasing power becomes low, leading to complete the ci'cle—to low savings and low investment. Thus, the inducement to investment being low, low incomes are perpetuated. This is what is called among economists as the "vicious circle of poverty."

. Now, considering the taxation proposals that have been made by the Finance Minister, my view is that all methods of taxation, whether in an under-developed country such as ours or in affluent societies like the United States or Great Britain, should be based, in the first place, on that part of income which is not used for approved investment and, secondly, they must be such as to> encourage individuals to save. Ir*

other words, I would have preferred some scheme in the present Budget, which would act as an incentive to savings and provide investment and secondly, some kind of a partial exemption to savings. Whatever might have been done in the previous Budgets, it seems to me that the present Budget is singularly lacking in such incentives.

Now if you want to mobilise domestic savings, you first have to know where these domestic savings are. In the Economic Survey presented to the House by the Finance Minister he has said—I am almost quoting him—that "with low incomes prevailing in the country, it is difficult to draw out the growing proportion of national income into the public exchequer." Therefore, the problem now facing the Finance Minister and the Government of India—to put it bluntly—is to discover these domestic savings or economic surplus. When once you have discovered them, you will then know how to channel them into proper investments or into the public exchequer. But I do not think we know where these resources are at the moment. Some steps are necessary to find them out.

I do not want to go into details, but I would just like to mention in passing that much of these domestic savings or the economic surplus in the country seem to reside in—what I would call—self-employed persons, that is, persons who have employed themselves in some small-scale industries or in agricultural pursuits. They have not been apprehended for taxation purposes yet, and they pay no taxes. There is no machinery in the country, administrative or otherwise, to bring them into the tax net or to mobilise their savings. I hope the Finance Minister will give some thought to this matter.

As I mentioned a little while ago, investment is employed for securing

maximum production. Production in any country is measured by the security or otherwise of its economy and, the nation. Production ensure* both our economic security and our national survival.

You will agree with me, Sir, that an economy preoccupied with the production of consumer goods merely satisfies our temporary appetites but does not ensure the security of our economy. Consumer satisfaction does not strengthen the economy. Similarly, what I would call "irrelevant production" does not strengthen economy—I mean production which is not geared to the real needs of our economic security. I am one of those who believe that the fancy proposition of the Government of India to manufacture small cars in the country is completely irrelevant for the progress of our economy. Economic security presupposes the imperative necessity of guiding the resources of the country to our most vital and urgent needs.

In the ultimate analysis, Sir, whether production or investment, security or survival, the prime consideration is the happiness of the citizens of this great country. Bertrand Russell, in his book, "Conquest of Happiness", defined happiness as "a profound instinctive union with the stream of life". I hope he included in it the economic stream of life as well. Notwithstanding this philosophical definition you cannot get away from the fact that a society in pursuit of happiness through economic effort must aim at economic security and not consumer satisfaction.

If I had the time, I would have liked to say a few words about price stability, deficit financing and inflation in the context of our present economy, but I do not think I have the time. Let me say only this that the Budget and the taxation proposals that have been announced by the Finance Minister have in them properties or elements to raise the price level and step

[Shri M. H. Samuel.]

up inflationary pressures. I have no doubt about that. But having said that, let me add that in the issue between production and price stability, fiscal policy is the ultimate economic weapon, though I admit that, ultimately, fiscal policy also conflicts with production to a certain extent. Fiscal policy is also a chief weapon against inflation. Boom conditions are prevailing in almost all countries of the world, and in these world prices are also correspondingly rising high. Rising prices are almost a concomitant of a growing economy. We are no exception to it. In the circumstances, therefore, inflation must be regarded not as an abnormal prospect but as a normal prospect. The very processes of economic development always keep the door open for some spasms of recurrent inflation. Therefore, inflation, though it may be regarded as an enemy of social equity and balance, remains and will remain as one of the unsolved problems of an affluent society as well as a growing economy such as ours.

Thank you.

SHRI K. K. SHAH (Maharashtra): Mr. Deputy Chairman, Sir, the speeches that have been made, specially from the Opposition, do recognise the most important aspect, namely, that planning must not be interfered with and that the Third Five Year Plan must go through. If I were to quote Mr. Bhupesh Gupta, he feels that industrialisation should have been more rapid. He feels that the under-employment which still persists specially among the twenty-two million people who work for less than four hours a day does require to be attended to, and, therefore, it is only rapid industrialisation in this country which can relieve these people from this misery. He goes to the extent of saying that in the First and Second Five Year Plans even though we have

spent Rs. 1637 crores on agriculture, the results are not enough. Then, when it came to the question as to in what way the necessary funds could be found, it was surprising that he had lost sight of what he had said. Rs. 1637 crores out of the total outlay in the First and Second Five Year Plans of about Rs. 6000 crores have been spent on agriculture, surely that benefit has gone to the common man. Leaving aside the employment target, which has been to some extent realised, surely the amount of money that has been spent on agriculture was obtained by taxing the well-to-do people and it has entirely gone for the benefit of the common man.

Then, Sir, my friend Mr. Dave was also at pains to accept that we must fulfil our Third Five Year Plan and we must find the means for the same. But he felt that as the present imposts of Rs. 5 crores would come from the poor, Rs. 35-40 crore, would come from the middle class and that only Rs. 20 crores would come from the rich, social justice was not done. Now I am going to examine the several proposals—I spoke to him privately also—and I would like to find out how he comes to the figure of Rs. 35-40 crores as coming from the middle class. In any case it is good that nobody denies that the size of the Third Plan must not be reduced, and if that is so and if taxation is an instrument of economic planning, or an instrument for translating the economic policy of the country, then the taxation proposals must be looked at from that point of view, and if that is so, then the first most important thing—after we have accepted that the size of the Third Plan must not be reduced—is that it all depends on how the capital formation will take place without bringing about unnecessary imbalances. If capital formation is necessary, I wonder, Sir, how they feel that this type of taxation, or the policy that has been followed, is feeding the rich. Sir, we are charging 45 per cent.

as tax on corporations with income above Rs. 25,000. That leaves a balance of 55 per cent. Out of this 55 per cent., assuming for the sake of argument that the number of concessions that have been given and the reserves that have been allowed are deducted, they will be left with 25 per cent, to be distributed by way of dividends. Now, on this 25 per cent., 88 per cent, is paid by way of taxes by those who have the means. Therefore, really speaking, out of an income of 100 that a corporation makes, it is only 3 per cent, which remains in the pockets of the so-called rich people.

Unluckily they feel anything is good for the purpose of striking the party in power. Today the psychology is that if you want to condemn somebody, say that he is a rich man, that he is an industrialist, that it is there that the concentration of power takes place. What about the concentration of manpower in the form of unions? What about the concentration of the means of propaganda especially in the hands of those who control newspapers.

SHRI ROHIT M. DAVE (Gujarat): You may call it trade union, if you do not mind.

SHRI K. K. SHAH: A time will come—at least Mr. Bhupesh Gupta will like the idea that is already prevailing in the Soviet Union—that if you lean—too much towards the public sector, you will come to the same proposition. But leaving aside these things, specially when we are discussing them in this House, what matters is the examination of the proposition on its merits and it does not matter who puts forward the proposition. From this point of view so long as you are charging the Wealth Tax and thereby reducing the wealth, so long as there is Expenditure Tax, so long as there is Estate Duty, so long as there is section 23(a) which does not permit share capital even to the extent of 49 or 50 per cent, in the hands of less than 7 persons, so long as there is Gift Tax, so long as every precaution is taken to see that concentration

of economic power does not take place in the hands of a few, there is nothing to worry. I do not say that concentration is not there. There has been concentration on account of the previous social structure or the economic structure that prevailed before we attained independence. There has been a little concentration in the hands of a few at some places, but efforts are constantly being made, without interfering with the pace of industrialisation, not to allow concentration. If you had not cared for industrialisation, if you had not cared to find work for those who have been struggling without the means of employment, without opportunities, you could have offset this imbalance in a day if you had liked to. Therefore, with all these provisos, I have no doubt whatsoever, Sir, that even if there is a little concentration of economic power somewhere else, it is not going to increase any more and gradually it is bound to come down in view of the taxation policy followed by the Government. But we must remember that if industrialisation—as Mr. Bhupesh Gupta wants it—has got to be rapid, then capital formation must take place and we must find foreign exchange, and if we have got to find foreign exchange, we must inspire confidence in those who have lent us, that the economic structure of this country is such that their money is safe.

Sir, my friends on the other side have been saying that the price structure has not been maintained, and that the prices have gone up. What happens if there is deficit financing? On the contrary, if you only depend upon deficit financing, the prices are bound to rise. The prices rise not only on account of the economic imbalances but because the resources are small and the demand is greater. So long as the demand remains much more than what the resources are, prices are bound to go up. On the contrary, if you want to reduce the prices, the only alternative is increased production, increased industrialisation that would give them more—thap

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what they need. If that is to be done one has got to put up with certain inconveniences.

Sir, the only thing that must be seen is that no unnecessary inconvenience is caused to a man who is not in a position to pay for it or to stand the inconvenience. From this point of view, Sir, if we look at the proposals that have been placed before the House, the first question should be: Does it help capital formation? And anybody who has examined or who has an eye on capital formation will agree that it does. Then, the next question is: Does it help export promotion? Even from that point of view, Sir, the only way you can meet the balance between what is needed every year in finding a thousand crores of rupees and the exports that we have got of about Rs. 635 crores is by devising ways and means whereby the incentive to import will go down. Therefore, when my friend, Mr. Chinai, complained about the machinery being taxed, may I remind him that in this country there are now ways of getting a certain proportion of machinery manufactured?

SHRI BABUBHAI CHINAI: Components, not heavy machinery.

SHRI K. K. SHAH: Even components. The industrialists are not willing even to wait to purchase the machinery or even the components from this country.

SHRI BABUBHAI CHINAI: Who said that? The Development Wing does not allow to import anything which is manufactured in this country.

SHRI K. K. SHAH: My friend has got a wrong idea about the Development Wing. The Development Wing gives you the alternative. Sometimes you have got to wait for six months and you say that you are not in a position to wait for six months but if it is made imperative to wait for six months, perhaps you will. These taxation proposals will make it absolutely

imperative for industrialists to spend foreign exchange only when it becomes absolutely necessary and not otherwise. The noose has been tightened, if I am permitted to say so, and to that extent it is good.

In the same way does it show a keen insight into the psychology of our economy? Sir, when we say something about our taxation proposals, let us understand our economy and let us examine the proposals in the light of the taxation proposals which have been brought forward. I was surprised when they said that Rs. 35 to Rs. 45 crores will come from taxes on the middle classes only.

SHRI BABUBHAI CHINAI: Only 20 per cent.

SHRI K. K. SHAH: I have found only three items. Item No. 3 on Table 1 is betelnut. Then I come to Table 3, kerosene.

SHRI BABUBHAI CHINAI: Coffee and tea.

SHRI K. K. SHAH: I am not prepared to include them for the simple reason that a large part of coffee and tea which will be taxed is used by people who can afford to pay.

So far as kerosene is concerned, I am happy to find a note here, namely, that the type of kerosene which is used in the villages will not be taxed, the price of that kerosene will not be affected. That has been mentioned in the speech of the Finance Minister.

SHRI M. GOVINDA REDDY (Mysore): It has already gone up.

SHRI K. K. SHAH: I am sure the Finance Minister knows the ways and means of checking it, if it has gone up unnecessarily.

So far as betelnut is concerned, I refer to the statement by Mr. Asoka Mehta which says:

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"In the Budget the tariff rates have been raised against 41 items. Some of these duties are likely to mop up the windfall profits that importers are making, for instance, in betelnuts. There should be no increase in prices for the consumers in such commodities. It is difficult to know how far the duties levied on machinery and components and on electrical and other instruments—which altogether will yield Rs. 9-24 crores—are of protective character."

The only complaint he makes is this; that whether a tax on components that we need, to make the object of making machinery in India would give the desired results or not remains to be seen. Sir, the usual argument put forward by those on the other side is that for the sake of supporting any proposal that is brought forward, we on this side bring forward arguments. But surely that will not be said about Shri Asoka Mehta when about betelnuts he says that the impost will be absorbed before the effect of it reaches the consumer

I fail to understand how the common man is hit. The common man forms, according to the statisticians, some 85 per cent, of the population. Let us examine these proposals from the point of view of this 85 per cent, of the population and then let us find out which part of the population is affected by these proposals. In an expanding economy, there are items on which taxes should be levied excise duties should be levied. How else can it expand? If rapid industrialisation is to take place and if means are to be found it is but natural that other items which the expanding economy gathers, have to be taxed to some extent. That is why these taxation proposals have been broad-based. If it is a question of advancing arguments for the sake of criticising then

it is quite a different matter. Let us find out whether the proposals make an effort to correct the imbalances. For that also I will depend upon Mr. Asoka Mehta.

SHRI MULKA GOVINDA REDDY (Mysore): Why don't you install him?

SHRI K. K. SHAH: I am very happy that today you also feel that he should be here, on this side.

SHRI MULKA GOVINDA REDDY: You are quoting copiously from Mr. Asoka Mehta.

SHRI SHEEL BHADRA YAJEE (Bihar): We Congress people are responsible for his election in the Lok Sabha from Bihar.

SHRI K. K. SHAH: This is what he says:

"In a developing economy where scarcities haunt at many margins it is necessary to be constantly watchful, and minor adjustments through imposts and concessions, need constantly to be made to keep the development on even keel. Imbalances will emerge all the time, to even them out is the task of the Finance Minister. In this task he is showing rare competence."

Sir, it is clear that it is not only those on this side of the House who, according to my friends in the Opposition, for the sake of supporting the Government, are praising the Finance Minister but some of them also feel the same way. No greater justification for these proposals is necessary.

Let us see if these proposals keep in mind the social purpose. And lastly, let us examine whether it ensures economic growth. Sir, I am sure, if these six criteria are applied, then the answers to all these six questions will be "yes."

Shri Bhupesh Gupta is not here, but I may say that nobody has done greater wrong to this country than

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his party. Every year we have to spend so many crores on defence because of the danger to our frontiers from a country whose policy his party supports. Every pie that we spend for defending our frontier, we are taking away from the mouth of the common man and to that extent the economic growth of the country is impeded and the effort to fulfil the Third Plan is impeded. Therefore, if this country has to be grateful to anyone for all this inconvenience it is to this Communist Party which has been supporting the policy of China. If only China had behaved in the manner in which it should have, then this country would not have been called upon to tax the people to this large extent. Instead of trying to criticise these proposals, it would be helpful if they asked somebody else to behave and then I am sure the economic growth of this country will always be in safe hands. With these words, Sir, I commend the taxation proposals.

PROF. M. B. LAL (Uttar Pradesh): Sir, I agree with my hon. friend, Shri Khandubhai Desai, that as the present Budget will usher us into the period of the Third Five Year Plan, it is our duty to take stock of the situation. It is proper for us to have an objective assessment of what we have achieved during the first two Plan periods and to have an analysis of what we propose to do in the next five years. Our analysis and assessment would be fruitful if they are based on certain fundamental principles. I do feel that socialism, welfare and economic growth can best serve as our criteria under the present circumstances.

For about half a dozen years the Government played with the idea of a co-operative commonwealth. Then in January, 1955, they stood for a socialistic pattern of society. Yet they neither told us what was meant by this co-operative commonwealth, nor enlightened the people about the basic concepts of the socialistic

pattern of society. Sir, in the last address, delivered to us by the President of India, the President wishes us rapid progress towards a democratic and socialist society, to be attained peacefully and by consent. We are all grateful to him for his wishes. But unfortunately, he did not let us know what his Government did in the past for the attainment of socialist society and what his Government proposes to do in the next five years for the attainment of socialist society. Does his Government really feel that a socialist society can be established by merely wishing to have it? Or does his Government feel that what we are doing today will lead us to the attainment of that socialist society? If this is the feeling of the Government, then I must say that the Government is suffering from complacency too much. We all know that—not to speak of the first two Plans—even the Third Plan cannot claim to be based on socialist ideology and it cannot claim to have socialist orientation. In the Draft Outline of the Third Plan—there is no analysis from a socialist point of view. There is no attempt to point out to what extent we have, during the first ten years, advanced towards a socialist society nor is an attempt made to correlate the programmes and proposals of the Third Plan with the socialist objective. More than that, Sir, the Finance Minister, in his Budget Speech, makes no reference to socialism or socialist society. This omission is a very significant omission. Does it mean that the Government is divided on the issue, even when the President of India wishes us to advance towards a socialist society, I think with the fullest consent and at the initiative of the Prime Minister and that his Finance Minister is not prepared to reorientate his fiscal policy on socialist lines?

SHRI M. H. SAMUEL: There is mention about the goals we have set for ourselves in the speech which means the goals we have already-accepted.

PROF. M. B. LAL: It is for him to point out, but I personally feel that when he indicated the economic objectives, when he said that the fiscal policy is not merely a taxation policy, it is correlated with the economic objectives, he did not talk at all about socialism. His objective seemed to be economic growth through reduction of consumption, through increase of investment, through discouragement of imports and encouragement of exports. Sir, if the Government is at all iserious about the establishment of a socialist society, it must enunciate its basic concepts and permeate them in the country. It should try to cultivate socialist values in the people. But what is needed most is the reorientation of fiscal and economic policies on socialist lines. Let us take into consideration the fiscal policy of the Government. Next to direct socialisation, fiscal policy plays the most significant role in the building up of a socialist economy and society. In fact, there are number of constitutional socialists in Europe who have begun to attach increasing importance to fiscal measures for the attainment of socialist society. Can we say that our taxation policy also is socialist in character? The Planning Commission nowhere hints that through fiscal measures socialist society is to be established. It only stands for the reduction of inequalities in income through fiscal measures, and I beg to submit, Sir, during the last ten years, even this objective has not been achieved and could not be achieved through fiscal measures. We notice, Sir, when we come to analyse all this system of taxation, that in the last ten years, there has been more burden put on the common man through indirect taxes than on the rich through direct taxes. In the last ten years, while direct taxes on incomes other than agriculture have increased by 50 per cent., and the land revenue has increased by 100 per cent., income from indirect 'sxes in the shape of excise duties, in the shape of sales tax, etc., have increased by more than 350 per cent.

From this, one can easily gather where we stand. I, therefore, agree with Mr. Khandubhai Desai who says that the whole burden of the Plan and the various development schemes has been borne by the average citizen of this country. Even if we analyse this year's Budget, what do we find? There are direct taxes *to* the tune of Rs. 3 crores and indirect taxes to the tune of Rs. 58 crores. I know that some of the indirect taxes would fall on the rich because they are imposed on luxury goods and some of the indirect taxes would fall on industries but the bulk of these indirect taxes would have to be borne by the lower middle classes and by the other poorer sections of the community. When Mr. Chinai favoured greater taxation, my heart gladdened because I, as a socialist, am not opposed to increased taxation. I am opposed to increased taxation on the poor. I know that socialists all over the world stand for increasing taxation with a view to bringing about greater distribution in income and wealth. But, Sir, I was surprised that soon after he began to oppose almost all taxes the burden of which was to fall on the capitalist class but was prepared to support some more taxes provided they were imposed on the poor. He even entered into a duel with Mr. Khandubhai Desai. Excuse me, Sir, if I say that while the Congress is opposed to 'he cenception of class struggle, a class struggle seems to be going on in the Congress itself between capitalists represented by Mr. Chinai and trade-unionists represented by Mr. Khandubhai Desai.

SHRI M. H. SAMUEL: It is a struggle for a New Class.

PROF. M. B. LAL: I see; you may be struggling for a new class. So, the class struggle has taken treble shape. It is a triangular fight in the Congress circles, I do admit.

That is my contention I do feel that there is need for the proper

LProf. M. B. Lal.J examination of the whole taxation structure of the country. It is no doubt true that certain direct taxes have been levied but I do feel that these direct taxes in the shape of Capital Gains Tax, Gifts Tax, Estate Duty and Income Tax are not proving enough to mop up unearned increments in the value of property that accrued in course of economic development and I feel that the talk of socialism is a myth if we are not prepared even to mop up unearned incomes. John Stuart Mill, who was more a social liberal than a socialist, stood for taxation on unearned incomes. I, therefore, feel that this -whole tax structure requires to be re-examined so that the burden on the poor may be less and those who are in a position to pay more are burdened more. Sir, I again wish to say that if we analyse the situation we would find that there has been no reduction in the concentration of economic power and there has been no reduction in inequalities in wealth. We know that two big houses and three other industrial houses control 540 companies with an asset of near about Rs. 700 crores. Even in the Third Five Year Plan, it is recognised that there is a danger of the concentration of economic power in the hands of a few industrialists. And they say it has to be guarded against. But neither in the Third Plan nor in the Finance Minister's speech we come across any proposal which will tend to check this growth of concentration of economic power in the hands of a few industrialists. To Mr. Chinai and to Mr. Shah this concentration of economic power may mean nothing, may be even agreeable, but we, socialists, know very well that no socialism is possible if this concentration of economic power continues. If we wish to establish a free society in this country, we will have to curb the growth of these industrial oligarchs. Sir, there has been increase of inequalities and this can hardly be denied. Mr. Gulzarilal Nanda in Parliamentary Committee 'A' on the Third Five

Year Plan confessed that during the last two or three years due to rise in prices there has been deterioration in the real wages of industrial workers and if we look at the Report of the Second Agricultural Labour Enquiry Committee we find that the per capita income of agricultural workers even at current prices has gone down. We notice that their indebtedness has increased from Rs. 80 crores in 1950-51 to Rs. 148 crores in 1956-57. We notice that the percentage of indebted house holds has increased from 48 to 64 and of attached households from 10 to 27. The number of the landless labour has also increased. If we study the Report of the Land Reforms Panel submitted on the eve of the Second Five Year Plan we notice that during the First Five Year Plan in certain States like Gujarat, Maharashtra and the old Hyderabad about 50 per cent, of the protected tenants were deprived of their land in the name of personal cultivation or in the name of so-called voluntary surrenders secured through duress. We are talking much about agrarian revolution and yet what is this agrarian revolution? It cannot be called a socialist revolution; it is at best a middle class revolution. In certain respects it is bourgeois in character. I say it is bourgeois in character because if you go through the definition of personal cultivation you will find that it is essentially a bourgeois definition where while it is made essential that the person must bear full responsibility to profit and loss, he is not required to take part in the process of cultivation. We notice, Sir, that in the distribution of new land capitalist farming is given preference to the rehabilitation of landless labour. We notice that when the Planning Commission determined exemptions from ceilings, all capitalist farms were exempted from ceilings, like rubber plantation, tea plantation, coffee plantation as well as sugarcane farm? owned by factories. Sugarcane farms owned by cultivators are within the purview

of the ceiling but sugarcane farms owned by the factories are not within the purview of the ceiling. That shows the bourgeois attitude of those who determined these exemptions from ceilings.

Sir, much is made of incentives to capitalists for increased production. I only wish to point out that if the capitalists need incentive obviously workers also need incentive and disincentive to wage-earners in the form of high cost of living is not in the interest of economic growth.

Then, Sir, it is strange that we have been having a planned economy for the last ten years and only today—only a month or two ago—the Government decides to have a survey to find out what happened to the increased national income and which class benefited from that increase in income. I beg to submit that no socialist Government would deal only with production; it will also deal with the question of equitable distribution of the increased income and prosperity.

Sir, I submit again that in January, 1955 we were promised full employment in ten years and what do we notice today? By March, 1966 instead of liquidating unemployment, unemployment would be doubled. It has increased by more than 3 millions during the Second Five Year Plan and according to the Planning Commission there would be an increase by 1-5 millions during the Third Plan period. According to certain economists like Dr. A. K. Das Gupta, the increase would be to the tune of 3 millions.

Again, Sir, there is a funny situation. If we study the Third Five Year Plan carefully, in para 70 of Chapter V of the Draft Outline of the Third Five Year Plan it is said that "an increase in agricultural production would lead to reduction in underemployment rather than to the creation of new jobs in the rural areas". And in para. 72 of the same Chapter it is said that during the Third Plan

period 'additional employment likely to be created will be of the order of 35 millions in agriculture.' I do not know which statement is correct. It seems the Government disguises under-employment as employment. We also notice that according to the Seventh Report of the Programme Evaluation Organisation of the Planning Commission "half the man-days ostensibly spent on the farms can be considered unwanted." These are the words of the Report. So from all these we can gather that unemployment is mounting and the Government has failed in its duty to secure even partial employment, not to speak of full employment, to all. And we cannot think of a welfare society without full employment to all.

Another important item of the welfare economy is social security. With great regret we have to say that no provision is made in the Third Five Year Plan for social security. Provident Fund scheme—I am sure—at least every trade unionist will recognise—is not a substitute for social security. Leave alone the question of social security; proper attention is not paid even to the question of public health and education. The Directive Principles required us to make a provision for eight years' free' and compulsory education by January, 1981. This objective will not be realised even in the Union territories, not to speak of the States. Only the other day we passed the Delhi Primary Education Bill. At that time the Government did not promise that that scheme would be introduced during the Third Plan period in the other Union territories. And what is the scheme? It intends to provide education to children of the age group 6 to 11. So, we are neglecting even this primary duty of ours. I admit, that in spite of these failings our State is not a static State, is not a police State. It is definitely a welfare State. Our Government has undoubtedly promoted certain welfare schemes and it is true that in the last ten years we have made progress in economic development. Our economy

[Prof. M. B. LaL.] is more dynamic today than it was ten years ago. I need not repeat to this House what has been achieved during the last ten years, because the position is well summed up by the Finance Minister in his speech. But I do wish to point out that the industrial system today suffers from non-utilisation of available capacity, lack of rationalisation of management, in both private and public sectors, as well as from the exploitation of industrial oligarchs. Now, the Estimates Committee, in one of its reports, has analysed the management system of our public enterprises and in that report it has been pointed out to us that while 15 public undertakings are being run through statutory corporations, 45 public undertakings are managed as Government companies and more than 17 are controlled as departmental undertakings by the Union Government. The Committee, after a careful analysis of the situation, agrees with the consensus of opinion of authorities on public administration and has recommended—I am just quoting—that:

"All wholly State-owned public undertakings should generally be in the form of public corporations, or, where necessitated by special reasons, in the form of departmental undertakings, and the company form should be an exception to be resorted to only for organisations of a specified nature."

In the course of its investigations, the Estimates Committee has also made certain specific recommendations in the case of certain public undertakings. But the Government seem to have turned a deaf ear to almost all of them. The Estimates Committee recommended the establishment of a Transport Board on the lines of the Railway Board. The recommendation was not accepted. The Government did *not* deem it proper to accept the suggestion that instead of the Minister functioning as the Chairman of the Oil and Natural Gas Commission, an independent whole-time man, preferably with technical qualifications,

should be appointed as its Chairman. The Committee was constrained to observe that—these are its words—it had:

"... not come across any similar instance of the Minister's, working as the Chairman of a statutory autonomous corporation also in any country having a form of Government comparable to the Indian system."

The Committee rightly felt that the association of a Minister as the Chairman of the Commission might affect its autonomous functioning and remarked that in some other countries, particularly in the United Kingdom, there is a line of demarcation between the legal right of the Board within the day-to-day management and the legal right of the Minister to give general directions or to withhold approval. It is obviously undesirable to amalgamate these two functions, and yet these recommendations of the Estimates Committee are turned down. The Finance Minister says, and rightly, that public undertakings are to be organised on business lines and I wish to maintain that they can be so organised only if they are organised as public corporations, only when they are manned by an Economic Civil Service composed of personnel trained in business management.

I do not know whether there has been deterioration in the management of private industries or not. All that I know is this that the private industries are not properly managed today. If you study the report of the Company Law Administration, you will notice the sad state of affairs in the private industries. There is need for rationalisation of management of private undertakings. There is no doubt about it. The other day Shri Manubhai Shah, who cannot be accused of being a Member of the Opposition, in one of his speeches before the Productivity Council said that there should be a proper differentiation between the financier and the

manager. This administrative monopoly of industrial magnates in industrial oligarchy must go, if these private industries are to prosper. Management by inheritance of big industries is an anachronism in the modern world, especially in modern India, which claims to be advancing towards a socialist society.

Now, what is the condition of our small enterprises? There is a definite decline in small enterprises. In 1952-53 the national income by small enterprises amounted to Rs. 970 crores. In 1958-59 the national income by small enterprises was Rs. 1,010 crores in terms of current prices. There you will notice that there was an increase of income by 4 per cent, while there was a much greater increase in the prices. Obviously, there is a decline in the small enterprises, though I admit that our Government has established or at least has encouraged to establish certain small industries in certain parts of the country. Now, the Finance Minister himself says that in the year 1960 the production of mill cloth increased by 120 million yards, but that in the first ten months of the year 1960 cloth produced by handlooms and powerlooms and powerlooms decreased by 70 million yards. Is this progress? Is this economic development? Such a development cannot be called economic development, especially in a country like India where we need to encourage the labour-intensive, small enterprises, with a view to providing adequate employment to all the people of our country. Therefore, special efforts will have to be made in this direction.

Then what about agriculture? The condition of our agriculture is not very satisfactory. Economic experts tell us that the present food situation is a danger to our economic stability, and the Agricultural Production Team sponsored by the Ford Foundation maintains that it is a danger to the survival of democracy in India. I will read to you a sentence or two from that report:

"Adequately supply of food may indeed be essential to survival of democracy because freedom from hunger is a prerequisite to enjoyment of other freedoms. We fear that if elementary wants such as food and clothing are not satisfied, other freedoms may be sacrificed for the promise of food."

When the Agricultural Production Team says so, it does not wish us to suffer from pessimism or depression. It says that our production today is the lowest in the world, and yet it feels that if proper efforts are made, eventually the rate of production may be doubled. I am sorry to say that in the Second Five Year Plan the Government refused to recognise the development of agriculture as one of the principal objectives of the Plan, though I am glad that in the Third Five Year Plan it is being recognised by (the Planning Commission that for promoting a self-generating and self-sustaining economy the development of agriculture and the development of industries must go simultaneously. Both are very necessary. Yet I do feel that even now there has not been much of a change in our attitude. Under our Second Plan 21 per cent, outlay was fixed for agriculture, and under the Third Plan 23 per cent, is allotted to agricultural development. So our realisation that for our economic stability and for the survival of our democracy agricultural development is necessary, is to be assessed by 2 per cent. This position also deserves very careful consideration.

I will now make some observations on civil expenditure. Our civil expenditure has increased considerably. In this connection I wish to remind the Finance Minister that last year in his Budget speech he said that measures would be taken to check the growth of civil expenditure. But unfortunately in this year's speech he did not care to let us know what measures were taken by the Government to check the growth of civil expenditure and what success was

[Prof. M. B. Lal.]
 achieved by the Government. Sir, the Estimates Committee presents to us a very distressing condition of things. The Estimates Committee in its 92nd Report points out that "the expenditure on Administrative Services in 1960-61 has increased by 793 per cent. since 1955-56", and observes that "the increase in work on account of expansion of activities—Plan or non-Plan—should be largely met through a rational husbanding from the existing strength with the minimum possible expansion of establishment". The Committee regards the increase in the clerical staff by more than 62,000 in four years from 1955 to 1959 as "phenomenal" and feels that "the increase in the strength of Joint Secretaries, Deputy Secretaries and Under Secretaries is unduly high." It also deplores the large increase by 60 per cent, in four years in the ex-lv«, and administrative personnel. It is of the opinion that "over-staffing in Government offices, was often estimated and sanctioned on the basis of a conjecture in the absence of an analysis of the methods of work". It also invites our attention to the fact that "the percentage cost of collection varies from 203 per cent, to 234 per cent, in respect of income-tax and allied taxes and from 1-91 per cent, to 2-17 per cent, in respect of customs and excise duties, and from 236 per cent, to 2-78 per cent, in respect of total revenue". This is the state of affairs in India. It makes a comparison and says, "the cost of collection of income-tax and death duties various from 1'3 per cent. to 1.34 per cent, in the U.K. and is less than '5 per cent, in the U.S.A., and the cost of collection of customs and excise duties in the U.K. varies from •7 per cent, to -8 per cent." We are paying much higher. In this connection we know that there has been evasion of taxation in India equal to which there is no evasion in the U.K. or the U.S.A.

Sir, proper control on civil and non-Plan expenditure is very necessary for planned development of our economy.

A high power Committee on civil expenditure needs to be appointed.

Sir, before I conclude my speech, I would like to invite the attention of this House to an article written by my friend and leader, Shri Asoka Mehta. An attempt has been made by Mr. Shah to prove that Mr. Asoka Mehta agrees with them, but I would like to invite the attention of the House to certain passages of Mr. Mehta's article. He says:

"Such a method, in a socially conscious society, has to devise a series of countervailing measures to prevent, if not the income, at least the resulting ownership structure from getting distorted. It is in this vital caveat that our planned efforts are presumed to differ from, say, the Mexican development. It is in the organisation of the countervailing measures that the recent Budget shows neither imagination nor courage."

You are proceeding on one line. You are not trying to introduce countervailing measures to see that our economy and our social order are not distorted. I may also point out to you that Shri Mehta in this article has also invited our attention that when the Finance Minister talks of the economic objectives of the Plan, he should also talk of the social objectives of not only the Budget but of the whole economic life and economic-programme of the country.

In the end I will read to this House some of Mr. Mehta's valuable suggestions with regard to the development of our economy and with regard to the reduction of inequalities in income and wealth. He says:

Mn. DEPUTY CHAIRMAN: Mr. Mehta himself will give that to the Minister.

PROF. M. B. LAL: But, you allowed him, Sir, to be critic'sed, to be mentioned here in this House.

MR. DEPUTY CHAIRMAN: That is available to the Finance Minister.

PROF. M. B. LAL: I cannot help it, Sir. That may be taken to be my suggestion also. He says:

"One of the major aims of the Plan should be to raise the standard of living in the poorest areas and of the most disadvantaged classes through appropriate plans of development and employment.

"The minimum-wage legislation should be enforced in the un-organised sector of industry and in the organized sector of agriculture over as large an area as possible.

In the organized sectors of industry collective bargaining and standardization of rates of remuneration should be actively encouraged.

Continuous and systematic attempts have to be made to rationalize progressively scales of salaries and other types of remuneration paid to top executives, administrators, and intellectuals in all official and semiofficial employment. One of the main objectives of the rationalizing process should be to see that, by the end of the Plan period, the range of differentials between the highest and the lowest scales of official payments should not be wider than that obtaining in the U.K. An attempt should be made to narrow the variations between payments by various official departments and agencies and payments by various strata of governmental authority—Central, State and local.

Standards of remuneration - *int* earnings at the higher levels in private modern business should be amenable to public regulation.

The standards of convenience, amenities, etc. afforded by public services and agencies should be evolved in appropriate relation to the size of our national product and the level of general well-being in our society."

These recommendations of Shri Asoka Mehta are based on a scientific study of the subject by no less an eco-

nomist than Dr. Gadgil and the Party stands by these recommendations.

Sir, I, therefore, feel that now when the President wishes us to advance towards a democratic society, the entire economic policy and the budget also should be reorientated on socialistic lines. Then and then alone, we can say that the wishes of the President based on the advice and consent of the Prime Minister are being fulfilled by the Government.

SHRI P. C. SETHI (Madhya Pradesh): Mr. Deputy Chairman, I am thankful to you for giving me an opportunity to speak on the Budget proposals. We have heard in this House comments from two opposite camps, and one of the hon. Members asked, "If this country has no possibility of developing to the extent that the present planners are doing, then why are they taking up the task in their hands?" But he should realise that looking to the conditions in which we were placed as soon as we achieved independence, it was necessary for us to plan. Planning, as it was, was not new to the world. We had seen that planning was adopted first of all by Communist countries and it was a new thing for a democratic country to take up. But it was necessitated on account of the backwardness and under-developed nature of our country. Therefore, it was in the fitness of things that the party in power decided to launch upon the First Five Year Plan. Although it was a modest Plan, it was a step, in the right direction. Therefore, when we hear a criticism of this type and when there is a sort of backward approach to planning, we realise that this is the voice of those persons who do not want to progress, who do not want to take the country to the level of developed countries. Therefore, so far as this comment is concerned, we can say that we need not bother about this. But, Sir, there was a comment from the other side of the House also. I was hearing with attention the speech of one of the hon. Members of the House and I was not very much surprised when I heard him. I wa?

[Shri P. C. Sethi.] simply noticing that there was agony, anger and frustration in his voice. The reason was very clear. The party which the hon. Member represents committed many a blunder. Immediately after independence, we heard his partymen coming out on the streets of India and shouting slogans that independence was false. But slowly and gradually, sense dawned on them and they realised that independence was true. Further, when planning started, they never believed that we could successfully launch on a Five Year Plan, and they criticized all the aspects of our Plan. They had to be reminded and told by their own people coming from abroad that India was progressing under the Five Year Plan and it was only then that they said that they were prepared to support the Plan. Finally, a blunder was committed by this party, especially on the issue of India-China border and they lost all the ground. Now, in order to attract mass opinion and in order to attract the public eye, they are trying to attack the Finance Ministry from every corner.

DR. A. SUBBA RAO: You have got only .

SHRI P. C. SETHI: You have expressed your view.

Sir, when we hear the attacks of this party, we realise that they are really trying to catch the vanishing customers from their shop. Therefore, they threw a challenge and said that we would have to face the masses. Put as everybody knows, we are putting up this Budget at the time of the election. When the Railway Budget was discussed in this House, it was said that because this was the pre-election year, the Railway Budget did not contain any increase in fares and freights. But we have seen that in this Budget there are certain increases. This only goes to show that election or no election, there are certain policies which we have to pursue and in view of those policies, we have to do the correct thing. This only goes to show that as far as the Budget proposals are

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concerned or as far as the Plan is concerned, the concept is only to take this country onwards through a planned programme and through a planned economy. Therefore, when we see these proposals, we are not at all worried because we know that even today, as far as our progress is concerned, it is not as much as we desire it to be. When we launched our First Five Year Plan, the investment of capital was only 7 per cent, of our national income, and it was gradually raised, and it is hoped that after the Second Plan, the investment of the national income would come to about 11 per cent. But even that is not very much and to have a very good progress, about 14 to 15 per cent, investment of the capital is quite necessary. And we know that the instances of countries which have progressed have shown that an investment of about 14 to 17 per cent, of their national income was necessary for their progress. And there are countries which have even invested to the tune of 19 to 20 per cent. But countries like Japan and Great Britain have been investing about 16 to 17 per cent, of their national income as capital in their developmental programmes. Therefore, from that point of view, we can say that we are today not even doing as much as we want to. But after all, we are doing all these things through a democratic process. We have not made the man a machine of the ruthless State. Here we have got complete liberty and democracy so much that every Member is feeling it here. Therefore, in a democratic State where we are doing things through planning, it is quite necessary that we should take the masses with us and, therefore, it is in the fitness of things that we should progress gradually towards the objective which we have in view.

MR. DEPUTY CHAIRMAN: You may continue your speech tomorrow.

The House stands adjourned till 1]
A.M. tomorrow.

The House then adjourned at four of the clock till eleven of the clock on Thursday, the 9th March, 1961.