

[Shri M. C. Shah.] these into account, the imports that we will have to bring into this country etc. then it is clear that this will mean a very great stress and a very great strain on the economy of the country.

So, it will be better to have a correct picture. If that can be done, if a correct picture is given to the House and to the country with regard to the firm commitments of the foreign exchange—for tample, the import licences that have been issued but not utilised yet—to meet the obligations of those imports, then we will be in a better position to know where we stand. Of course, we are determined to implement the Second Plan, the core of the Plan, and also we will have to see to the base of the Plan. In the Second Five Year Plan, it was anticipated that 6 million tons of foodgrains had to be imported. Now, one lakh tons means about Rs. 4 crores or so. So, for 6 million tons it would mean that Rs. 240 crores would have to be spent in foreign exchange during the Plan period of five years. But we know that the position about food in this country is very acute and according to the statement of the Food and Agriculture Minister the other day, we will have to import 2 million tons of foodgrains this year which means nearly Rs. 80 crores of foreign exchange, and at the same time in 1957-58 we will have to import a very huge quantity of foodgrains as there is already a drought and according to the statement of the Food and Agriculture Minister, nearly 8 crores of people are affected, and he has stated that nearly 3 to 4 million tons of foodgrains will have to be imported. So, these are the strains and stresses on the economy of country.

The Minister has said while introducing the Bill that they are taking certain steps to conserve foreign exchange by encouraging exports and curtailing imports, but we will have to know how much we will be in a position to save this way and how far the position about: the foreign

exchange can be improved upon. So, I believe, Sir, that this Bill is absolutely necessary. We must take advantage of all the reserves that we have, that we have collected, because in difficulties we can fall back upon those reserves that we have or we propose to collect. But, at the same time, may I, Sir, suggest that, as stated by the Planning Commission, we must have some strong reserves? I do agree with that thinking that it is not necessary that we must have some backing in foreign security for backing our currency. Perhaps it is an out-dated theory and many of the countries have not got as much reserve as we have got. So, on principle there is no objection to doing away with the entire amount of foreign exchange reserves for the sake of meeting the currency difficulties, but, as I said here, we have to see that there are no difficulties in meeting the balance of payments. Temporary difficulties have to be avoided and therefore strong reserves are necessary and as stated by the Planning Commission, 6 to 7 months requirements to meet the balance of payments difficulties should be there. I do not know when it will be possible to have those reserves. It is said that we will overcome these foreign exchange difficulties in the course of a year or two, or perhaps three. I am afraid, I am not a financial expert, nor I am an economist, I am a layman with some strong common-sense.

SHRI V. PRASAD RAO (Andhra Pradesh): Ex-Finance Minister says he is a layman as far as finances go!

SHRI M. C. SHAH: So, Sir, I was just mentioning that though it is said that foreign exchange difficulties will be overcome within a short period of two to three years, I am afraid those difficulties will continue yet for many years more and, therefore, we have to be very careful to conserve our foreign exchange.

Now, Sir, as I said, the financial position is rather perilous. I am not panicky about that, but we have to be very careful and as the hon. Prime

Minister said the other day in the Lok Sabha, we have already exhausted *almost* all our sterling balances, but in future we will have to be very careful. With all these difficulties the Finance Minister is well aware. He had been to USA, Canada, UK and West Germany to get loans. That was absolutely necessary. We want foreign loans. We want to industrialise his country and to industrialise this country, naturally we have to import capital goods and machinery and for them we have to pay. The Planning Commission also envisaged that there will be difficulties but the difficulties came too soon as I just mentioned, they have already spent away about 470 crores of our sterling balances. We have got about 460 crores of foreign assistance. Still, we will require more than 700 crores if we want to implement the core of the Plan and in addition to that we will have to add a big amount of foreign exchange to import foodgrains in very huge quantities. So, Sir, not only we are in a difficult situation so far as the foreign exchange content is concerned but also we are in a difficult position so far as domestic finances are concerned. The Plan-framers thought that they would be in a position to borrow money to the extent of Rs. 700 crores during the Plan-period. That means that Rs. 140 crores to be raised by loans. Therefore, we had to raise 700 crores plus we have to pay debts which will become mature during these five years and they will come to about 430 crores or 440 crores. So, in all, we will have to raise about 1,140 crores. What has been the result during these two years? We have been able to raise only Rs. 160 crores net. We had to raise about Rs. 280 crores. There is a shortfall of Rs. 120 crores. We have recently issued bonds worth Rs. 30 crores and, therefore, the deficit will be less to that extent.

So far as small savings are concerned, we had planned for raising a sum of 500 crores during the Plan period at the rate of a hundred crores of rupees per year. That was done because we had some encouragement

from the figures relating to the previous years. In the year 1955-56, the collections were to the extent of Rs. 65 crores and therefore, the planners were encouraged to put the figures at about a hundred crores per year but for the year 1956-57, the collections amounted to only Rs. 62 crores, something like Rs. 61'52 crores. I may be corrected if I am wrong, and up to October, the collections are to the extent of Rs. 23 crores. We are in deficit to the tune of Rs. 38 crores in 1956-57 and we do **not know what** the final figure **for this year is** going to be. The result up to October has not been very encouraging. For the last year, the deficit for all the States was more than fifty crores of rupees. It was estimated in the Plan that there would be a surplus of Rs. 350 crores from the existing revenues. From a scrutiny of the Centre and States budgets, they had come to the conclusion that there will be a sum of one thousand crores per year available, making a total of five thousand crores for the Plan period. It was considered that the expenditure including education, health, etc., would come to about Rs. 4,650 crores leaving a surplus of Rs. 350 and odd crores. To this figure has to be added the collection on account of fresh taxation. Originally, it was proposed that a sum of Rs. 450 crores would be collected by the States and the Centre but, later on, it was decided to raise this figure to Rs. 850 crores as there was a gap of about four hundred crores to be made up. We have been supplied a statement from which we find that the revenue account of the Centre and the States for the year 1957-58 comes to Rs. 1266:79 crores and the expenditure comes to Rs. 1316:18 crores again leaving a gap of nearly fifty crores of rupees. This is the position after "taking into the account the taxation of about Rs. 35 crores in September, 1956, nearly Rs. **110** crores for the financial year, thus totalling more than Rs. 800 crores for the Plan period. Even after this taxation, we have a deficit of Rs. 50 crores in 1957-58. With these deficits in the borrowings, loans, small savings and in the revenue account of

[Shri M. C. Shah.] the Centre and the States, it becomes very difficult to envisage as to how the resources required even for the pruned Plan will be available. This requires very serious consideration and that is why I am pointing this out. I do not know whether it will be possible for the Finance Minister to give us an accurate picture just now because possibly he will have to wait till January or February to find out as to how much of foreign assistance will be available for us from U.K., U.S.A., Canada, Germany, etc. The expenditure is going up and we heard only the other day a reply by the Minister of Steel, Mines and Fuel that the three steel plants which were estimated to cost about Rs. 350 crores will, so far as the plant and machinery alone is concerned, cost about Rs. 86 crores more.

SHM C. P. PARIKH (Bombay): Far more.

SHRI M. C. SHAH: This figure relates only to plant and machinery. There are the other things like the township, power supply, water supply, transport and all these things which have not been calculated. I am told that the entire cost, though it was planned to be Rs. 350 crores—Rs. 300 crores were provided for in the second Plan and Rs. 50 crores taken to the third Plan—the cost will now exceed Rs. 518 crores. We will get the loans, so far as the Durgapur Steel Plant is concerned, from the U.K. and the U.K. Banks but the other day the Deputy Finance Minister was pleased to say that the instalment which fell due in October was not availed of because the rate of interest had been raised in England to 7 per cent, and, according to the agreement, perhaps, we have to pay one per cent, more than the Bank rate. In Germany too, the cost has gone up very high. We hear that we will get credit of about Rs. 65 crores but at what rate of Interest no one knows. I do not think it will in any case be less than 8 per cent, or so. Perhaps, it may be even higher. I am told that their rolling mills which were estimated to cost

Rs. 45 crores or so will now cost about Rs. 71 crores. Prices have gone up to that level and we find ourselves in a difficult position so far as the foreign exchange situation is concerned. Therefore, as I said, this Bill is absolutely necessary because we want to pay for the imports for which very likely we have to fall back upon the resources that we have collected.

The domestic position is also perilous not only so far as the Government is concerned but even in regard to the private sector which had to spend about Rs. 2,400 crores including about one thousand crores of rupees on construction and so on. Today, it is also finding very difficult to get rupee finance. The private sector today is in a position to get foreign exchange, foreign loans, but then it will have to muster rupee finance also for the projects. One will have to think over this problem very seriously and find out how this situation has been created and what steps are absolutely necessary to attract domestic savings into the public sector as well as the private sector. It is not my business here to suggest as to what should be done but I most earnestly appeal to the Government to ponder over this question.

It is the same thing about deficit financing too. In the first year 3 P.M. of this Second Five Year Plan we have already had deficit financing to the tune of 238 crores of rupees. It was planned to have 250 crores of rupees of deficit financing but it has come to 238 crores of rupees now. In the second year, that is, in 1957-58, we have budgeted for 280 crores of rupees of deficit financing over and above the deficit in the States to the extent of 86 crores of rupees. So, perhaps during these two years we will have deficit financing to the extent of not less than 500 crores of rupees or so. It was planned to have deficit financing to the extent of 1,200 crores of rupees when the foreign exchange position was considered to be 1,100 crores of rupees, out of which Rs. 800 crores were to come from foreign assistance, Rs. 200 crores from

sterling balances and Rs. 100 crores from foreign investments. Now, Sir, the foreign exchange gap has very much increased and it will be very difficult to get all these things going though we are determined that we will tighten our belts, will have austerity measures, will just prune all avoidable expenditure and by all these means will be in a position to go through the core of the Plan; for that we are determined to do all that is possible. But, as I said, deficit financing already, during these two years, will come to Rs. 500 crores, and the Finance Minister says that he will resort to deficit financing to the extent of 900 to 1000 crores of rupees during the Plan period. But in the first two years they have already gone to the extent of 500 crores of rupees of deficit financing. So, it will require Herculean efforts to just have what we propose to have. Therefore, Sir, I bring these matters to the notice of Government and I am sure they will consider all these aspects. They must be considering, it is their duty to consider and they must be considering, but I think it my duty also to make pointed references to these points, Sir. One does not know where it will lead to.

Then also, Sir, it was expected that with the development expenditure people will get more money, that they will have more money with them. In the First Five Year Plan period we had an 18 per cent, rise in the national income. *Per capita* it may come to about 11 per cent. Now, in the Second Five Year Plan period "we want to raise the national income by 25 per cent. If the statistics are correct and if the assumptions are correct, then the money must be somewhere in the country because the national income has gone up. Although the national income has gone up, because we were so long an undeveloped country and because millions of our countrymen did not have two square meals, and did not have enough clothing, therefore consumption must have gone up and the surplus must have been consumed to

an extent. But still there must be savings with the people. Then why do the savings not come forward? Why cannot we raise the money that we proposed to raise in the Plan period. Probably, we cannot. So, it requires again serious thought as to why the people are not coming forward to invest their savings in small savings schemes.

SHRI J. S. BISHT (Uttar Pradesh): They have no money left because of the rise in prices.

SHRI M. C. SHAH: The national income has gone up by 18 per cent. *Per capita* income has gone up by 11 per cent, and during these years up to 1956-57 with all this development expenditure to the extent of crores and crores of rupees....

Shri J. S. BISHT: The prices have gone up by 30 per cent.

SHRI M. C. SHAH: Maybe. So, I say that this is a thing to be thought about. What is the reason? We have savings to the extent of 7 per cent, of the national income for the First Plan. Now, we want to raise it to 9.72 per cent, by the end of the Second Plan. If the assumptions of the statisticians who have prepared all these statistics are correct, if they had complete data, then....

SHRI J. S. BISHT: All this trouble is due to the statisticians.

SHRI M. C. SHAH: I do not know that. If the assumptions are based on inadequate data as alleged by my friends, then certainly there is no way out and, therefore, we are in difficulty. The conclusion will be that way. Today in the private sector, though the people there are paying interest to the extent of 7 per cent, still they find difficulty; they do not get rupee finance. The bank rate on overdraft has been raised to 7 per cent, though our bank rate is 3-1/2 per cent. Now, it may be that because of the high rate of interest offered by private parties moneys may not be

[Shri M. C. Shah.] forthcoming to the public loans. But there again there is a vicious circle because the private sector also complains that they do not get rupee finance. With all their genius I know that they do not get rupee finance and there are difficulties. Then what is the wrong and what should be done to remedy these things, to just change the climate for the savings to come forward? According to the statistics there are the savings. According to the statistics we have spent on development expenditure more than Rs. 2,000 crores in the First Five Year Plan period. Last year we spent about Rs. 750 crores. This year we have budgeted for about Rs. 950 crores. So, we will be spending during these two years at least Rs. 1,600 crores. Now, if all this development expenditure is there, there must be savings; there must be money with the people. Then why these moneys are not coming forward? I think this requires very serious consideration by those who are competent to think about that.

So, Sir, with these words I support the Bill. It is absolutely necessary, and at the same time there ought not to be any sanctity with regard to keeping certain foreign securities as a backing for the currency, and, therefore, I support the Bill again with an appeal that efforts should be made to make those reserves as strong as possible because, if the reserves are strong, then certainly the country will be in a better position to meet the situation in difficult times like this. Because we had these accumulated sterling balances we could spend about Rs. 470 crores in these eighteen months and will be in a position to spend also about Rs. 200 crores more. I do not know how many months this will last. Perhaps it may last for 6 or 7 or even 8 months. That will give us some breathing time, by which time we may be in a position to have some foreign assistance and also we may improve the climate to attract the savings of our countrymen to the public as well as the private sector.

With these words, Sir, I support the motion.

DR. P. J. THOMAS (Kerala): Mr. Deputy Chairman, Sir, while introducing this Bill, the hon. Deputy Finance Minister pointed out that the rigid rules about currency reserves have now become rather obsolete, that they have been considerably relaxed and even abandoned in some countries. It may be that we have been too strict with regard to this, but there are differences of opinion in this matter. Those other countries are, perhaps, justified in this. But in the case of India, we have to be very careful, because we are now engaged in carrying out Five Year Plan on a democratic basis. No country has been doing this in the past. The countries which have been carrying on long-term planning—Soviet Russia and China—have done it by quite different methods, and if we want to follow a strictly democratic basis, we have to be very careful in regard to our currency policy and our reserves. Therefore, it is very important that we should not copy the example of certain countries which have abandoned or even reduced their reserves. Especially, in the present situation, we have to be very careful in the matter.

I am glad that the previous speaker has pointed out some of the reasons why it is necessary for us to stick to our policy. I am not saying that we should continue our old reserves, but still we must not bring them down to much lower levels. We have got to be careful to build them up again and not altogether give them up. This is a very important question, therefore, for us to consider. Why are we in this situation now? We are having a crisis in foreign exchange. There has been a great drain on our balance of payments and we have to be very careful about it just now.

Therefore, this point is worthy of consideration and I do not think that we have given sufficient attention to it, although we have been talking much about it. First of all, it is partly due to the high world prices.

particularly of capital goods. They have gone up in the last two or three years, particularly, in the last year, and this is one of the causes. Now, the prices of primary commodities have gone down all the world over, and particularly, my part of the country has suffered considerably by that. Kerala depends largely on the export of its produce. Most of it has gone down in price and this reduced purchasing power greatly. This is only by the way. But the point here is that, in the case of India, high prices abroad have affected us by making our imports expensive, by increasing our expenses abroad. We cannot do anything in this matter. Secondly, there has been an increase in the imports of defence materials. Whether this is justified is a very controversial matter and I do not want to go into that. But, if we want to push our Five Year Plan effectively on a democratic basis, we must be very strict about defence expenditure. Anyway, we cannot go to the level of the big powers in the world. Let us be very careful. Let us tell them, "We cannot afford to follow your example of accumulating destructive tools. We follow Mahatma Gandhi." Anyway, I am not going to oppose some modernising of our defence equipment—and we have done it.

But there are other factors. There is the question of food prices. We have been making large imports of foodgrains from abroad. I feel that, in regard to this, we have not done justice to the country's best interests; that is to say, the imports of food-grains have been increasing unduly—not because we cannot feed with our local supplies, but because we have been indifferent. Well, you want democratic planning. But, unless you curb such instincts, it is not possible. People in West Bengal and South India want to fill their stomachs with one cereal, rice. This is not good for their health nor for their economic interests. We must curtail this harmful tendency.

The fourth point is about the increased imports of machinery on

private account. On this point, I am afraid the Government have not placed before us sufficient material. It has been said that imports by the private sector have been very large. A good part of the total allotments to the private sector for the whole Plan period of five years has been exhausted during one year. As much as 70 per cent, some say. Well, why is this allowed that way—may I ask? Again, it has been said that many imports have been not according to the Plan, that is to say, expenditure not included for industries in the Plan has been incurred in the private sector. I do want the private sector to be active. But why was it that such large imports were allowed? It is not merely due to the high prices, but chiefly because imports have been going much beyond the Plan. The whole thing requires to be carefully looked into.

Then, even in regard to the question of the public sector, broadly, we do want the public sector at this juncture, to expand definitely the production of our basic requirements. We require a great deal of machines, etc. Therefore, we must push our basic industries rapidly. Therefore, we do want that the public sector should have more funds now. But why was it that the public sector has not availed of more of the foreign exchange available? Not that I am against the private sector. I do want it and the private sector has been helpful in that matter, and it has been increasing the total production of industrial goods. In fact, if our industrial production has gone up during the last few years, it is due almost entirely to the private sector and we must thank them for it. To build up industrialisation, we want more machines and we must make more of these machines in the country. That means, machine industry, more iron and steel, more aluminium and more chemicals. This will also help the private sector to expand production. Therefore, we want a push to public sector now.

Under food, certainly we must cut down imports and in this and even

[Dr. P. J. Thomas.] under imports for the private sector, a careful rationing of imports is required. I do feel that serious hardships may result from this. But we do not want the basic industries to suffer. So, this question is very important and must be given priority.

- It is true that we have to agree to this Bill, but this cannot be the final solution of the problem. So long as we are engaged in a planning of this type, we must be on our guard—we cannot follow the example of some other countries and we must build up our own system.

As the previous speaker pointed out our expectations in regard to internal savings have not been fulfilled at all and it is a matter for considerable anxiety. How is it, as he said, in spite of all that was done last year, that savings have not been forthcoming? Sir, in my opinion, that is partly due to the psychological factor. How did England build up its capital? This is a question of capital formation. About three hundred years ago, the common people there, impelled by the spirit of self-help and national good, tried hard to reduce their expenditure even curb their animal appetite and make their savings to be available for the country. Very few people want to do this here. Not many have any interest in that. Here comes the weakness of democratic planning. Do you want to succeed on a democratic basis? Then, it is very difficult. In my opinion, there must be given some guidance to that democracy some way not in the way of the Communist countries, but in the way of the several wise democratic countries. That is to say, we require at least in regard to our food and certain other matters some compulsion on the people in their own interests, and I am sure public support will come forth. But what happens is that a Government controlled by the party machine is always afraid of people's vote when adopting any bold measures. But, they must be bold and carry out essential measures and the country will **stand** by them. If you want to

make this country prosperous, you have to be bold and firm in carrying out your economic policies. You must tell the people that unless they do it, the country will be ruined, and then you will find public opinion supporting you. Thank you, Sir.

SHRI J. S. BISHT: Mr. Deputy Chairman, I support this Bill but with a very heavy heart, I should say, because when one has seen something going wrong from the very beginning and one has raised one's voice, however humble and feeble it may be, against that course of action, **and** when one has to face the consequences of all that and is forced to accept those consequences, one has naturally to do that with a very heavy heart. I have been a persistent and consistent opponent of the whole philosophy of deficit financing and from the very beginning I have raised my voice against it, because I have never known in the history of the civilised world that any nation was able to build itself up by simply printing notes. I do not know who the magicians were, whether they were statisticians or economic experts, who thought of this idea. I have often wondered how it is that totalitarian dictators like Adolf Hitler in Germany or Stalin in Russia . . .

SHRI V. PRASAD RAO: Stalin was no dictator.

SHRI J. S. BISHT:.....put their nation under a rigid and regimented control and did not resort to the device of printing notes, and built up all their industries and armaments. This is point No. 1. Point No. 2 is that it has been against one of the great articles of faith, *viz.*, that you must live within your means. Once you open the floodgates of deficit financing, there is no end to it. **You** observe it not only at the Centre but also in the States that you have only to plan boldly on a very large scale and then go to the Centre, and the Centre has got some sort of wand from which everything will flow, so that when the Second Five Year **Plan** was being discussed, there were **States**

who came up with such inflated demands that it was utterly impossible even for the printers of notes to accept their demands, because once the people get the idea that deficit is no deficit at all, the deficit can always be got over by printing notes, the incentive to save and keep your expenditure within your means, to economise, to spend only on developmental expenditure, is gone, and now we are faced with this difficulty. ThB Planning Commission may have written beautifully about the need for raising revenues, but you see the budgets for 1956-57. Is there any State which has balanced its budget? Of course, there is one State, Kerala, of which our friends there are representatives here. They have somehow balanced their budget for the time being, but there is no other State.

SHRI P. D. HIMATSINGKA (West Bengal): If you do not spend on development, naturally you balance your budget.

SHRI J. S. BISHT: And so, there are deficits in States and there are deceits at the Centre. I am not going into all those figures, though I have got them here with me, since my hon. friend Mr. M. C. Shah has already covered the ground and given all the figures that are necessary. So, it is not necessary for me to repeat the same and waste the time of the House on that particular point. Now we are faced with this difficulty, the difficulty of internal finance, the difficulty of external finance, the difficulty of foreign exchange. Now, I thought that development was always a long-term plan and there was no short cut to development. A nation produces certain goods and services within a whole year; it consumes certain goods and services and you are left with a certain balance which is called saving, national saving. That national saving plus what you can raise out of internal loans or external aid is the measure of your development. By no amount of trickery or jugglery can you go beyond that. Of course, is there any nation that does not want development

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quickly? Whether in Asia or **Africa** or South America is there any nation that does not want to have **the** standard of living of its people raised to the level of the U.S.A.? Everybody wants it, but how is it to be raised? Where are the resources to come from? Everything will have to be built up by us gradually and then alone we shall be in a position to do that. Apart from that, we have to work within the framework of a democratic Constitution. We have **not** got a Hitler or a Stalin to tell our people, "You will not eat so much; you will not use so much of cloth; you must observe this austerity." You cannot do that. You will have to face the electorate again. You faced the electorate only some months ago and you saw what they were talking about. You will have to face them again. You cannot force them beyond a certain limit. You cannot deny them the consumer goods that they need. In a country like India which has been suffering from chronic poverty for the last thousands of years, austerity you cannot expect from the people. They have had the austerity of necessity, of circumstances; they have had enough of it. Austerity will not pave our way. What is to be done? The only remedy is that you have to plan according to your resources. There is no other way. You cannot do it in any other manner. It is often said that our troubles are the troubles of a developing economy. The reasons may be anything, but the result is that there is trouble now, and statesmanship lies in solving that trouble. No amount of arguments will solve the problem. It is a matter of finance, of economics. How are you going to face the people next year?

It is also said that there are countries that have got less foreign exchange securities and therefore we should follow them. May I ask one or two questions? What are those countries? That is No. 1. No. 2 is, what is the total amount of export of those countries and what is their total imports and how do they meet their balance of payments? The only way

[Shri J. S. Bisht] we earn foreign exchange is by selling or exporting tea, jute and certain other articles, but our imports are far more than our exports, and unless you have got some sort of reserves, difficulties are bound to arise. Today we are faced with a crisis, and my friend Mr. M. C. Shah, has just now spoken; we are, of course, in agreement that we should get over this hump, if it is a temporary hump, even by limiting the security that is laid down by law, but what will you do next year, or six months hence? May be the balance of Rs. 200 crores will be taken up, but what will happen alter that? You must have some idea about it. In fact, when Shri Chinta-man Deshmukh, who was then the Finance Minister, was speaking about this deficit financing, I asked him, "What is your plan for the Second Five Year Plan? How are you going to get over the monetary difficulties of the Second Five Year Plan?" There was no idea; it was all a question of hand to mouth. Let us have what we can now, and after us the deluge. But we cannot have a deluge. Three hundred and sixty million people are living here and we are responsible to them. What I am trying to submit is that the Finance Ministry must have a clear-cut idea about this point—what are you going to do next? We have a plan of Rs. 4,800 crores. It should not have been more than Rs. 3,600 crores. The First Plan was for Rs. 2,300 crores. We carried it to about Rs. 2,000 crores. If the Second Plan had been for Rs. 3,600 crores, still it would have been a great progress. Then Mr. Deshmukh used to say that you are talking about the philosophy of stagnation. But when you have a Plan of Rs. 3,600 crores and next of Rs. 5,000 crores, is that stagnation? That is progress with stability and the International Monetary Fund Commission people came here and advised the Government of India that you should be careful about deficit financing, that development is a long-term plan and that you should not exceed your resources and only foreign **aid** or foreign loan are the only means by

I which you can supplement your national savings. Therefore, I suggest one point. I don't know how the Planning Commission works and how the Ministry of Finance works because that has been rather a mystery to us. Who fixes the targets? Is it the Planning Commission that fixes the targets and is the Finance Ministry asked to find the money or is it the Finance Ministry that says that these are the resources available, we cannot find more and then the Commission has to fit in the Plan to those resources?

SHRI M. C. SHAH: Parliament.

SHRI J. S. BISHT: After all, the Parliament was faced with a Second Plan. Then did the Finance Ministry circulate any note that they had the finances, both external and internal and that they will be able to meet the resources? I am not aware. I was in that Committee that dealt with the resources part of the Second Plan. We were never supplied with any memo or note by the Ministry of Finance. My hon. friend was there at that time a Minister in the Ministry of Finance and no note was circulated that this Rs. 4,800 crores is a sum which the Finance Minister will meet and that the deficit in the external resources was Rs. 1,100 crores . . .

SHRI B. R. BHAGAT: The Finance Minister is a part of the Commission. He is a Member. Whatever target is fixed by the Planning Commission, the Finance Minister also has a hand in it.

SHRI J. S. BISHT: That is to say, the Finance Minister was responsible both to Parliament and to the country for having induced the Planning Commission to fix that particular target. Then, when you accept it now that the Finance Minister . . .

MR. DEPUTY CHAIRMAN: He is a Member of the Planning Commission.

SHRI J. S. BISHT: But as you know the Planning Commission Members sometimes they go to one meeting and they don't go to another meeting. Perhaps, there is a Vice-Chairman and

there are certain permanent Members. It is their duty to work out the Plan but till now we were in the dark as to who fixed the target and **who** then framed the Plan. Now, the Deputy Finance Minister says that the Finance Minister being himself a Member of the Commission, it was with his consent and agreement that the target was fixed, then that plainly showed that somebody bungled in the Finance Ministry whoever it may be. I suppose the whole framework of the Plan was put in by a statistician and that is what led to this trouble. Anyhow, all that I want is that after we pass this Bill and bring down all these securities, the Ministry of Finance as the trustee of the people's money, should see to it that the management of our finances is such that the inflation is checked and that the Plan targets are met to the extent that our resources permit us. There should be no hesitation in pruning or cutting down whatever is necessary or essential if the hard core of the Plan has to be gone through, and all the other expenditure even within the Plan-frame should be cut down ruthlessly and all other non-developmental expenditure should also be cut down and that should be not only at the Central level but also at the State level ...

SHRI V. PRASAD RAO: Is it not totalitarianism?

SHRI J. S. BISHT: As my friend Shri Shah has just now said, our Finance Minister Shri T. T. Krishnama-chari has already said that deficit financing will not be beyond Rs. 9,00 crores in the Second Plan. If I were in his place I would say it should not exceed even Rs. 500 crores. This is the whole trouble. Anyway even if it is Rs. 900 crores, Rs. 510 crores are to be exhausted in the first two years. In the next 3 years I don't know how they will meet this internal expenditure at any rate. Therefore, it becomes very necessary for the Finance Department now to cut down all the expenditure that is not very vital and very necessary. We should not go by the idea that we need so much.

PANDIT ALGU RAI SHASTRI (Uttar Pradesh): You must give some instances of the expenses which have to be cut down.

SHRI J. S. BISHT: That is the point which is unpleasant and it is the duty of the Finance Department to say that they have only these **resources available**, internal and external, and these are vital matters that have to go through and the rest must be cut down. Unless you adopt this way, what is to be cut down? That was the point in the Resources Committee that Shri Nanda was asking. What do you want to cut down? Do you ask me to cut down education or health in order to have political uproar? So, you don't want to cut down anything. Then what is to happen? How are you going to pay for the imports or give the rupee finance to these Corporations? That unpleasant and unpopular task should be performed by somebody and that can only be the Finance Ministry and nobody else because unless somebody does that unpleasant task, this problem will never be solved. Therefore, I hope, although as my friend Shri Shah said, I also support this measure as a temporary measure, but I hope that soon, in the next budget the foreign securities and all this will again be brought back to its original position because it is not right to say, let us print currency and let there be no security. There should be some checks to keep us in check. We must have some force that will keep us in constant self-control. Otherwise, I am sorry, with all the inflationary spiral that is already there, prices going up, wages going up and the Pay Commission going round the country and threat of strikes, the whole vicious circle will be in full operation and we shall soon be facing the fate that the currency of China at one time and of France at another time ...

AN HON. MEMBER: Question.

SHRI J. S. BISHT: That is a warning that must be issued. It is no use questioning it because already we see that these are gradually creeping in. So, unless we say the unpleasant

[Shri J. S. Bisht.] things and say very strongly, there will not be sufficient check. You must remember that countless millions of people trust the Government and trust the Parliament to see that the value of their currency is preserved otherwise what is the good of their investments, provident funds, insurance or pension. Everything will evaporate. That is a solemn trust. Therefore, whether you want anything or not, you must keep everything within your

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पंडित अलगू राय शास्त्री : उपसभापति महोदय, मैं एक क्लैरिफिकेशन चाहता हूँ। बिष्ट साहब ने यह कहा कि यह फाइनेंस मिनिस्टर की अनप्लेजेंट ड्यूटी है कि वे खर्चों को देखें कि क्या कम कर सकते हैं, क्या नहीं कम कर सकते हैं, मगर यह इतनी आविष्यस बात है कि इसके कहने की कोई आविष्यकता नहीं है। फाइनेंस मिनिस्टर साहब अपने सारे पैराफर्नेलिया के साथ इसी काम में लगे हुये हैं। यदि इस भवन में कोई माननीय सदस्य ऐसी बात कहते हैं कि जो चीन में करेंसी की हालत थी वही यहां हो जायगी तो इसका प्रभाव बाहर भी पड़ता है और लोग यह सोचने लगते हैं कि वास्तव में ऐसी हालत हो गई है। इसीलिये मैंने बिष्ट साहब से कहा था कि वे कृपा करके बतायें कि वे कौन से खर्च हैं जिनसे फिजूलखर्ची साबित होती है। अगर उदाहरण के साथ वे कुछ बताते तो फाइनेंस डिपार्टमेंट को कुछ लाभ भी होता। लेकिन स्पष्ट तरीके पर यह कह देना कि ऐसा करना चाहिये और अगर ऐसा नहीं करेंगे तो हमारे यहां चीन की करेंसी वाली हालत पैदा हो जायगी यह इतनी बड़ी बात है जिसका हमारे बाजार पर हमारे माल के मूल्य पर और दूसरी चीजों पर बहुत बुरा असर पड़ता है। इसी दृष्टि से मैंने बिष्ट साहब से आशा की थी कि शायद वे कुछ सुझाव के तौर पर पेश कर सकें, लेकिन उन्होंने ऐसा नहीं किया। तो मेरे दिमाग में जो बात थी वह मैंने चाहा कि स्पष्ट कर दूं कि मैंने इसी दृष्टि से उनसे पूछा था कि अगर वे कुछ उदाहरण देकर

बतलाते तो बड़ा लाभ होता। किन्तु उन्होंने कुछ नहीं कहा, इसलिये मैंने बड़ी मायूसी हुई।

SHRI C. P. PARIKH: Mr. Deputy Chairman, the previous speakers on this motion have covered a fair ground. Mr. Shah has given us a comprehensive picture supported by facts and figures and Mr. Bisht has also made certain remarks. Mr. Shastri also has made his contribution without being unnerved. I would like to point out at the very outset that this though a small Bill, is a very important one from the point of view of the economy and finance of the country, because it involves both measures about external and also the internal finances. And the stability of the country depends on its external finance and also its internal finance. In 1956, September, the Reserve Bank (Amendment) Bill was brought by the Finance Minister himself and he said that the lowest limit could be Rs. 300 crores of sterling balance security. At that time we had, in my opinion, commitments to the extent of Rs. 800 crores which could not be met out of the balances. Also, there were no promises of foreign aid from which to meet them. Only at a late hour we have risen to the occasion. What I am saying is that the economists, the statisticians and advisers of Government have failed to discharge their duty in advising the Government in the proper way. We should have foreseen these circumstances fourteen months earlier. All these goods were to be imported and we cannot export to the extent that was necessary. Nor could we fully get the foreign aid required. I am told that the foreign aid that we have got till now is to the extent of Rs. 500 crores and so we are indebted to other countries to the extent of Rs. 500 crores at present, I am saying up to the end of December, for promises that have been made and something will be coming. So, we are indebted to foreign countries to the extent of Rs. 500 crores. This is deficit financing as regards foreign exchange. In Sep-

tember 1956, the sterling balances stood at Rs. 570 crores or Rs. 600 crores and in a period of ten months they dropped to Rs. 400 crores. I mean by the end of July of this year. And they dropped again to Rs. 300 crores in October. I think the economists and statisticians who advise Government should have foreseen this situation so that this Bill need not have been brought at this late stage. Not that we are panicky. We need not at all be panicky. Our currency is strong and it shall remain strong whatever be the sacrifice that we may have to make. That currency will remain strong, even if the commitments of the Finance Minister go to the extent of Rs. 700 crores which may be required for the Plan during the next 18 months. But he has not given us the break-up of that sum of Rs. 700 crores. What are the commitments? What is the core of the Plan for which commitments have to be made? That is a very material point. What I am saying is if about Rs. 500 crores commitments have been made, with our sacrifices we shall meet them and meet them in time. Not one day's delay will be there. That must be remembered. Foreign countries may give us aid, but we need not beg for it. We need not beg for such aid. I am only explaining that whatever be our obligations, we are in a position to meet them. If any country is willing to help us that help is welcome. But even if there is no such help, this country must find the resources and there are so many methods for finding it from the internal resources. I need not discuss them at present. This is not the opportunity for that. If the obligations are to the extent of Rs. 700 crores, we should be able to meet them. In fact, even if it is to the extent of Rs. 1,000 crores, this country has the capacity to meet them. This country has always a capacity to meet its obligations. I may point out the wealth of this country. As for gold and precious metals, this country has as much as Rs. 10,000 crores. Let no country be under the impression that this country will not be able to meet its obligations.

SHRI P. D. HIMATSINGKA: Rs. 10,000 crores every month?

SHRI C. P. PARIKH: I mean in jewellery and the precious metals— gold and silver. So, we need not be afraid. But we want to work in the democratic way. We want to preserve our democratic institutions. Therefore, what I want to point out is that even if our commitments are to the extent of Rs. 1,000 crores, we shall be able to meet them.

SHRI B. K. P. SINHA (Bihar): Preserve the democratic traditions by confiscating this Rs. 10,000 crores when necessary.

SHRI C. P. PARIKH: No confiscation is necessary and it is far away from our mind. It is far away from democracy. The moment you think of it our democracy is finished and you will be playing into the hands of your opponents.

SHRI B. K. P. SINHA: Bhamu Shah was there.

SHRI C. P. PARIKH: I am speaking about the inherent wealth of this country. I am explaining that the necessary wealth is there. Our lands are there. Our manpower is there and our resources of mines are there. But what we want to do now is to meet our foreign obligations by means of the difference between exports and imports and there comes the difficulty. So, I say, even if we have to meet commitments to the extent of Rs. 1,000 crores, we will be able to meet them, that is the point I am emphasising. However, this is not a matter on which we should be complacent. But Government should remain alive to the dangers. They may have made commitments to the extent of Rs. 500 crores. That is all right. We shall meet them. But as regards further commitments, I think I would request them not to make any further commitments till we are assured of foreign aid. That is the main thing. Whatever they be, let our hopes and desires be

[Shri C. P. Parikh.] postponed for some time, till we are able to see clearly ahead. Therefore, even for the core of the Plan, I would say, before making any further commitments, the Government should be cautious. If we go into further commitments for even the core of the Plan, other nations will pounce upon us. We must remember that. Therefore, I think it is the duty of this House to advise Government in this respect, that they should not make any further commitments. Otherwise, we shall be landing ourselves in difficulties at a later stage and be dictated by one bloc or the other. Of course, our currency among all the currencies of the world is one of the strongest.

SHRI B. K. P. SINHA: What is the meaning of commitments if they cannot be met?

SHRI C. P. PARIKH: Commitments to the extent of Rs. 700 crores the Finance Minister wants for the core of the Plan. My hon. friend Mr. Sinha must know that commitments that have been made already may come to Rs. 500 crores and the remaining Rs. 200 crores may have to be made. That is what I am concluding. But it should not go beyond this Rs. 700 crores. That is the position I am explaining to this House. Do not make commitments for more than Rs. 700 crores.

SHRI P. T. LEUVA (Bombay): When you say Rs. 700 crores, is it a deficit of Rs. 700 crores?

SHRI C. P. PARIKH: Of course, it is a deficit because it is the difference between the imports and exports. That is deficit. That is the position we are now in. **Foreign** exchange reserves in securities can be brought down to the extent of Rs. 85 crores. I say this is a very dangerous limit. It is a highly dangerous limit, this Rs. 85 crores in foreign security.

AN HON. MEMBER: Rs. 85 crores? I

SHRI C. P. PARIKH: Yes, Rs. 85 crores. My hon. friend may read the Bill once again. In fact, the Finance Minister has taken blanket powers to do without any foreign securities, even to the extent of Rs. 85 crores. So, Government will not have any bank balance and they have still to pay for the import trade. But we have trust in Government and we have trust in their policy but we have no trust in their advisers, who have advised them—the economists, the statisticians etc. They have raised their cry now. They should have raised the cry earlier, they had the figures in their hands. What were they doing? Therefore, I am just asking the Finance Minister to see that no further commitments are made. We can have licensing periods for 3, 6 or even 12 months ahead. We must be very cautious in scrutinising our commitments and placing them in quarterly periods to enable us to see far ahead. If we had placed them in quarterly periods, this situation would not have arisen now. This difficulty is there and it is an eye-opener to Government that they made a mistake whether they admit it or not. I say that it is a blessing in disguise that these mistakes had been committed. They should now see that they do not make any further mistakes in future. They have burnt their fingers and they will not repeat it. I am absolutely certain about that, because the situation of having no bank balances to pay for your imports is a highly dangerous thing and no Finance Minister and no Government officer will be able to countenance that.

With regard to our difficulties of exchange they were not anticipated. The result is that we are running deficit to the extent of **700 crores**. We have reached our target as regards food production. Even then we are in deficit. Our statisticians have misled us. The statistics supplied by them proved wrong. What a pitiable situation! We have to go to other countries to buy things at the prices they dictate.

Then, we must anticipate expenses on defence. Government must anticipate everything. There is a huge band of officers. They should see: that provision is made for defence expenditure of an emergency nature. Emergency always arises and an emergency should always be anticipated and we must be prepared for that. This is the position as regards what had happened.

Now, it has also been argued that the private sector has been able to get foreign exchange as regards their requirements for imported goods by deferred payments. I can tell you why the private sector has got these deferred payment facilities: it is because those who have money, those who give the money to other countries, know very well that the money in the hands of the private sector is absolutely safe. When they are convinced that they are safe and the private sector is able to utilise them actually, they give deferred payments. I can tell the honourable House that much of the deferred payments; had been arranged without any guarantees from Government. Therefore, the other people know that those concerned in the private sector will be able to repay their obligations. If other countries put reliance on the private sector, is it the fault of the private sector or of those who conduct the private sector? What is the use of blaming the private sector in season and out of season? In democracy, the private sector is bound to exist and so let it exist in a proper manner. We have also created an atmosphere for inflation in this country. That must be realised. I am pointing out this because we have taken powers from this House that we can issue any number of notes without assets in the Issue Department apart from assets of gold. The holding of assets had been put at Rs. 115 crores and that too at a new value. (*Interruptions.*) We have changed the parity. We have revalued the currency, which was existing in 1955.

SHRI P. T. LEUVA: At what price it has been revalued?

SHRI C. P. PARIKH: It is lower ever than the foreign price. We have revalued it and it is no use my hon. friend saying otherwise.

SHRI B. K. P. SINHA: My hon. friend is wise after the event.

SHRI C. P. PARIKH: I was coming to what would be the consequences if we do not meet our obligations. There would be devaluation of rupee if we do not meet these obligations. That is a great danger and no government will entertain such a thing. Now, this position, I will explain to the Members of this House, is not of a temporary [nature]. I think, Sir, for the next ten years we will have difficulties and I think the hon. Deputy Finance Minister should take note of it. I foresee that we will have difficulties of foreign exchange for the next ten years. We are at present indebted to the foreign countries to the extent of Rs. 500 crores, apart from whatever may be coming. Now, we shall have to go for Rs. 700 crores more in the next 18 months and further something after the next 18 months of the Plan. The liability at present comes to Rs. 1,200 crores—1,200 crores spread over a period of five or six years will be Rs. 200 crores for every year from 1960 to 1965. So, we shall be indebted to the other countries for repayment to the extent of Rs. 200 crores a year from 1960 to 1965 or from 1960 onwards. That fact should be borne in mind. How can this be met? The only solution seems to be by increasing our exports. Our imports will increase from year to year and they are bound to increase because we have so many wants. It must be clearly understood that this country has a latent capacity of consuming three times the goods that it is consuming at present. With every increase in the standard of living, our consuming capacity also will go on increasing.

SHRI LALCHAND HIRACHAND DOSHI (Mysore): How can you increase our exports?

SHRI C. P. PARIKH: I am making this remark with a full sense of res-

[Shri C. P. Parikh.] possibility. Now, Sir, how can we increase our exports? First, we should produce more but then produce more at what cost? That is a very material thing. Cost of production is rising in the country. Prices of raw materials are rising. Labour charges are rising everywhere and when we want to raise the standard of living, everybody will be paid at whatever rate it is necessary—may be whatever necessary according to the standard of our country. We have devised so many measures by which we have increased the cost of production. I do not say that the cost of production should not increase but is it increasing according to our ability? That is the main thing. Our policy should be to compete in the international market on the terms on which other countries sell their goods.

[THE VICE-CHAIRMAN (SHRI M. B. JOSHI) in the Chair.]

My suggestion is that we shall have to adopt all measures for promoting our exports. Recently, the Report of the Export Promotion Committee had been submitted. The Government had seen that Report. They have accepted one recommendation of a minor nature but with regard to the other recommendations, government still are not bold enough to come with a measure by which exports will be promoted. In one respect I learnt that they are not willing to allow income-tax rebates for excess quantities of exports over a quota. Sir, if you have a will, there is a remedy. If other countries have found it possible to give rebate of income-tax for excess quantities of exports, what difficulties are we meeting with? Again, Sir, our advisers are not giving us the true advice that we need and that is 4PM so necessary. Even the recommendations of the Export Promotion Committee will not be sufficient to encourage our exports. We shall have to take still bolder measures for encouraging our exports. We have to adopt the recommendations of the Export Promotion Com-

mittee which the trade and commerce know. There is no use my suggesting other remedies. First of all, accept those remedies. Over and above that, you will have to go further. The point is whether you are prepared to go further in the matter of encouraging the exports? If we are not prepared to do that, then we must drastically reduce imports in the next Plan period. Whatever may be our desires, whatever may be our fond hopes, we will have to come to that stage. What are our main export commodities? They are tea, jute and textiles. These are the three main commodities apart from manganese and iron ore. Are we taking sufficient measures to see that the export of these commodities is increased at least by 25 per cent.? In my opinion, it is possible to do that if we take sufficient measures and if we fully realise the necessity for it.

Next comes the question of the attraction of foreign capital. The Finance Minister has said that we are trying to attract foreign capital but have we taken sufficient measures to attract foreign capital? Let us be very clear on this. The foreign capital can come in our midst only if there is a contribution of 51 per cent, of the capital by Indian capitalists. Do you think that there is anybody, even amongst the highest of the high, who can raise capital in the investment market to the tune of five or ten crores of rupees? I am anticipating the reply of the Finance Minister. I know he will say that there are two or three concerns but let me say that they are all monopoly concerns. Guest, Keen & Williams, National Carbon, Phillips are the three concerns that were able to raise some capital but they are all monopoly concerns and they are all private limited concerns and their shares, therefore, get fully subscribed. The highest of the high in India cannot at present raise a capital of five to ten crores of rupees in the investment market. That is the position which must be clearly understood. As Mr. Shah just now mentioned, the investments in the small savings has fallen off. Do you anticipate anything else? Small sav-

ings will fall off but why is it falling off? Mr. Shah has been reluctant to explain that. It must be understood, Sir, that the scheduled banks are borrowing call-money at 4J per cent. The scheduled banks are lending money to guilt-edged concerns at 62 per cent, and the Capital Issues Controller or the Finance Minister gives permission for issuing preference shares, tax free, at the rate of 71 per cent, which means otherwise 11 per cent, taxable. Therefore, 8 to 10 per cent, is the ruling rate in the country. The Finance Ministry should know that when that is the position, how does it expect investment in small savings to be increased? If the rates of interest in the country are high then we must give sufficient facilities in order that rates of interest may be lowered. I am paying a compliment to the Finance Minister in this respect that he has not thought it fit to raise the Reserve Bank rate from 4 per cent, to something higher. I think as regards bank rate he is cautious and if he proceeds on the lines on which he has been proceeding so far for the last few months, I am sure there will be and there should be no trouble. We should devise all measures by which we make the advances for the banks as easy as possible. That will have a corresponding effect in the interest rates that obtain in the country. I may tell the hon. Members of this House that the scheduled banks are not at present opening any new accounts; no new borrower is entertained by the scheduled banks. Such being the position, where is he to go? The State Bank is there no doubt but it is not also discharging this duty to the extent necessary. The industrial index has gone up to 167 but do we wish it to go down or go up? I think we should see that it goes up from 167 to 250. If the new borrowers are not accommodated by the scheduled banks, the State Bank of India should come into the picture. The State finance corporations as well as the Industrial Finance Corporation lend money only on a long-term basis but "what I am saying is that short-term credit

should also be made available. The absence of such a facility is really pushing up the rates of interest.

I will try to be as brief as possible Sir, but the matter is very important and so I want to make a few suggestions in order that the Finance Minister may shape his policy accordingly and in order that this country does not come to a disaster as Mr. Bisht has said. Now, Sir, the bill marketing system has to be expanded because we want to avoid deficit financing as far as possible. This system of bill marketing is not taken advantage of by the scheduled banks to the extent that is necessary. I am again making this complaint in this House that this system of bill marketing has not been taken advantage of by the scheduled banks to the extent it is necessary in the circumstances in which we are placed. The scheduled banks are public limited concerns and want to keep their risks within limits. If we adopt the system of advances by State Bank and bill marketing, we shall be avoiding deficit financing to a large extent. During the busy season we must devise means to discount the bills of the scheduled banks to a very large degree. The Reserve Bank should at least see that the scheduled banks advance money to industry and commerce in a way that the movement of goods, both raw materials and manufactured goods, is not retarded. That can only be done by having resort to the bill marketing system. This system does not involve us in difficulties because we issue currency only against goods. Therefore, this is not at all deficit financing and that is the only way of avoiding deficit financing to a large extent.

Sir, prices are rising and the cost of living is also increasing. This is not only on account of this measure but on account of various other reasons. I may tell the House, Sir, that the cost of living is rising and will be rising still further and we should not shut our eyes to that factor. We should not also shut our

[Shri C. P. Parikh.] eyes to the items which enter into this cost of living index. There are certain items which do not enter at present into the cost of living index. Education does not enter into the cost of living index. Everyone wants his child to be educated. Travel is not at present included in this index. There are so many new wants which are there and which are not included in the present cost of living index.

There is this added factor, Sir, that there is great unemployment in the country and this problem is not going to be solved within the time that we want. There is also the problem of under-employment and with every rise in the cost of living index, we are going to make conditions difficult for those who are unemployed and under-employed. These are the things which have to be noted when we consider the question of deficit financing. We shall be incurring deficit financing to the extent of Rs. 550 crores by the end of March, 1958 and any further increase in prices has to be noted before we incur more of deficit financing.

With these suggestions, Sir, I support the measure.

SHRI SONUSING DHANSING PATIL (Bombay): Mr. Vice-Chairman, Sir, I have no desire to speak on this Bill because I am neither a student of finance nor a person who is well-grounded in economics. But as a layman when I look at this Bill, the Reserve Bank of India (Second Amendment) Bill, 1957, I am compelled to make certain observations as far as the Plan and the imperative necessity for bringing this Bill are concerned.

Sir, the object of the Bill is very simple though it has got certain implications which directly enter into the economic policy of our country. The Bill seeks to make certain broad provisions. It wants to bring about

a change in section 33(2) of the Reserve Bank of India Act of 1934 in bringing down the limit of Rs. 400 crores to Rs. 200 crores. Secondly, the Bill seeks to delete the proviso in section 37, which reads: "Provided that the amount of foreign securities so held shall not at any time be less than three hundred crores of rupees in value." Sir, this is necessitated by the circumstances that the country is facing as far as the implementation of the Plan and the operation of the budget are concerned, as clearly made out by the Deputy Minister for Finance who is piloting the Bill. There are several observations made and they are made with a lot of constructive criticism and with a desire to revise our policies. But if I can analyse them and analyse them properly, it will not be proper at this stage, when we are in the midst of the Plan, to curtail our Plan or to prune down our Plan except to an extent that we can avoid further commitments regarding import of capital goods for our heavy industries. Mr. Bisht has suggested that the planners should have cut their coat according to the cloth. It is very good to say that at this stage when we are in the midst of the Plan. It is always easy to be rather wise and clever at a later stage. The framers of the Plan had a particular situation before their mind at the time when they framed the Plan, and if that situation deteriorates, it is none of the fault of the financial advisers of the Government or the planners, but it is the effect of the situation that is created in the country.

Sir, there are certain factors like scarcity or flood conditions over which we have no control, and if such a situation arises, for example, the situation which is now obtaining in the country on account of the drought in some parts whereby about 8 crores of people are going to be affected, the immediate question is about the import of food. So that again puts an additional strain on our resources in addition to the rising trend of prices, and there are several

such factors both political and economic over which there is absolutely no control. The Bill just seeks to adopt a degree of flexibility, as is made clear in the Statement of Objects and Reasons, in regard to the composition of the currency reserve. The modern world is adopting legislation with regard to their central banks whereby the prescribed legal minimum as to reserves is not strictly adhered to. Sir, it is not a novel feature introduced in the functioning of the foreign exchange or the reserves. Its purpose is not so much to link up the reserves with the currency, but the main purpose of the foreign exchange is to enable us to meet our commitments which are outstanding, to honour our payments or to tide over our difficulties as to payment. That is the purpose, and if we cannot properly utilise it in time of difficulty or strain the foreign exchange reserve, then what is the use of only swelling that reserve? Of course, the country is faced with the situation that it has not enough foreign reserves; they are being depleted day by day, and there is no corresponding build-up of the foreign reserves because it is not possible at this stage. And so the fear is expressed that if at this rate we go on, a time will come when we would have exhausted all the reserves.

But, Sir, while analysing the position, the remedy suggested is not proper unless first we are very clear about the diagnosis of the disease. There were two remedies suggested. One was by Shri Bisht who said that there should have been proper foresight exercised in the framing of the Plan and the Plan should have been according to the resources that were available, and if the necessary resources were not available then why not cut it and prune it. I would submit that if we adopt that course in the midst of the Plan we would undermine the confidence of the voters, of the whole population in the country. It is as if we are giving up an enterprise

about which we have not thought properly. But with all due submission I feel that there is something like confusion in our Plan. Of course, I am making a very bold statement and whether that statement bears me out by the subsequent explanation or elucidation which I am giving is a point for others to judge. When we are taking such a bold step to provide for the long-standing needs of our country, when we are providing for heavy industry, side by side we should also be very careful about the implementation of our short-term requirements. Sir, I will be rather ploughing a lonely furrow if I make certain suggestions. **The** country is now involved in such a plight that unless and until we import at least 2 to 3 million tons of foreign food or foreign grains we will not be able to give relief to the starving population in this country. Sir, even the Foodgrains Inquiry Committee has suggested that import, and it is very difficult to counteract those suggestions because, when the whole trend of psychology is on one side, it is rather difficult to swim against the current. Even if I suggest it, that suggestion will have very little value, because it is a suggestion which will be of a novel character which will deal with the life of the population. In one of my supplementary questions to the Food Minister the other day I asked whether Government cannot convert that anticipated foreign exchange on the import of foodgrains, an expenditure of 80 to 90 crores of rupees, by passing the sum on to the growers in the country so that the producer will produce more food. But that again reminds us of the stark reality that if we stop imports immediately there will be starvation deaths, and it will be difficult for us to meet the situation. But, Sir, the country will have to face that problem some day or the other and in 1951 it was very assertively said that we would not import even if we die; we produce or perish. Some day we will have to implement that slogan, with **firm determination** and given resolution, **and see that**

[Shri Sonusing Dhansing Patil.] this country produces its own requirement of food because that is the primary necessity. All other necessities are there but secondary. Education is secondary; even health is secondary. First we have got **the** problem to survive. And what is poverty after all? It is destruction of the poor as the economists say. We must save our people and the way how to proceed will be evident when we look to the character of our Indian economy, which is predominantly agricultural. We must first enable our people to produce more food, and then tax them. That means that the Plan will have to be reconsidered. No doubt, the First Five Year Plan has given sufficient attention to irrigation facilities which ultimately go to the production of more food. But the balance is tilting in favour of industries in the Second Five Year Plan. Sir, the country really wants food first and then heavy industries. Of course, the country is faced with several problems—the grinding poverty, unemployment, poor health and education and several such things. But when we want to solve the problems, the first thing will have to be considered first. The character of Indian economy which is predominant—I am repeating—is agriculture. When about 80 per cent, of the people depend upon that economy, how far is it possible and desirable to spend such vast amounts of foreign exchange like Rs. 80 to 90 crores on import of foreign grains? No doubt, if this Bill is adopted, it will no doubt restore confidence in currency notes. It no doubt meets our immediate needs. This Bill was already amended in 1956 and this is the second amendment we are dealing with now. It only means that we are temporarily solving our difficulties, but not meeting them in a fair and broad manner and that will have to be done. If we adopt a novel **procedure** which is not even thought of by other countries in the world, even if we move in a different manner, 11

does not mean that we are breaking away from the accepted principles of economy. Sometimes, the economic policy also gets antiquated or out-moded. Sir, the usual argument is that to build up foreign exchange, we must promote the export trade. There is one danger. It is a vicious circle moving around. What are the things that we want to export? They are the cash crops. The producer immediately gets into the psychology; he will produce mainly cash crops which will bring more money to him and ultimately to the Government. But the promotion of export trade also has its own limitations. We see that there is a great imbalance between imports and exports obtaining at present. But some things are helpless. Once we are involved in them, it is rather difficult for us to get out of them. So, whatever may be the comments about certain excesses in the issuing of import licences in the past which might have depleted our foreign exchange, it is now not very proper to say that, because there was an imbalance, we have exhausted everything, for the policy is decided according to circumstances.

So, what we have to do is that we should be careful and see whether we can stop the imports of food-grains and create the necessary psychology in the country, in the producer, that it is his first duty to produce more food and utilise all the possible resources that are at his command. A number of people are without any work because there is no finance available to the producers and ultimately, production suffers. The balance again tilts in favour of cash crops because they are remunerative. That is to be stopped. And this cannot be stopped unless and until, as I have suggested, there is the necessary psychology created in the producer guaranteeing a certain remunerative price for him because, ultimately, that money will remain in the country.

This sort of a solution—a long-term solution—needs our **careful**

consideration and I most earnestly appeal to the financial advisers that they should not only go on the beaten path that is advocated by several economists or financiers but should see to the Indian conditions as well. We have got our own problems, our own difficulties, and we have to adjust to the Indian circumstances. India is predominantly rural in its economy. This fact must be looked into and the problem is to be gone through from that point of view. When we are concentrated in city life, it is rather difficult for us to be mindful of the difficulties we face in the rural areas. Those difficulties are not realised by the producers because they do not know what is foreign exchange or what are its repercussions on the Indian economy. So, that sort of a psychology which will make the rural producer produce more needs to be created.

Then there are other points which I will deal with incidentally. In spite of our best efforts by having more and more taxation, in spite of our adopting deficit financing, small savings schemes, promotion of export trade and cutting down nonessential imports, there are still certain other factors which we are not able to control. We are not able to control the rise in prices; we are not able to control the rising rates of interest and we are not able to attract foreign capital in spite of the blank guarantee given in regard to the corporation tax to the foreign companies. The country has got vast hidden gold and jewellery, which is not coming out. One of the hon. Members has pointed out that people are not coming up even though the amount is as good as the national income of the country, about Rs. 10,000 crores. What are the reasons for their not coming up and what exactly is the private sector's reluctance to invest in heavy industries or developmental activities in the country? Why is the capital shy in spite of several concessions made?

I feel that the reason is either our orthodox' tendency to hoard more and more or our anti-national character. Because, after all, if the country has got gold, why is it not coming out? Are not people alive to the responsibility? Are they not alive to the problems of poverty and unemployment in the country? If, in spite of these things, the capital is not coming up, it only means that the country is unfortunate.

It has been said in the speech of the hon. Deputy Minister of Finance that there is no such legal necessity to maintain a prescribed minimum as far as reserves are concerned. We may say so when there is an emergency. But there is a corresponding responsibility to restore confidence in the value of the rupee and that can be done only when we have got good reserve in easy time. When we have got rather peaceful circumstances, we must build up reserves to counteract or to meet the needs of a rainy day. This has been done in the past in the years 1952 to 1955 and we have been able to do a lot in that respect. But since 1956-57, there has been a gradual decrease, so much so, we are almost coming to a point where we will not be able to have any reserves at all. Such a position is certainly not welcome and this position is not desirable to continue. We have to be more vigilant off and on and watch carefully how, after surmounting our difficulties, we will be able to have more and more reserves and have the successful implementation of our Plan. The Plan and the operation of the Budget do go a long way in having a very adverse effect on our reserves. But that position we cannot avoid. The position is such, at the present moment, that if we drop our major projects—irrigation projects, power projects and our heavy industries—the people will say that the planners have not thought properly, and they are coming to grief. That way peoples' confidence should not be undermined. It should be restored mere

[Shri Sonusing Dhansing Patil] and more. That will only be done when we create the necessary circumstances and make the implementation of the Plan possible. The implementation of the Plan will again give us further economic potential and though it may come very late, still dropping major projects in the Plan in the middle is certainly not desirable.

I have got, only two suggestions to make while dealing with these questions of finance or questions like prescribing the minimum reserve. Those questions are vitally linked with our general economic problems and unless and until there is a clear and positive change in our outlook and unless and until we ourselves are able to stop imports of foodstuffs, I feel that the country will not be out of the woods. It is always like this—if there are good years, we need not import; but if there are bad years, we are bound to import. This sort of a cycle will go on and we must cry a halt to these things and we must create confidence. These things arise out of psychological atmosphere that is created due to our oft-repeated utterances on food shortages. Even the several statement and several questions on these points create a sort of psychology of shortage. Even the food debates, howsoever important they may be always put us in a scarcity psychology and every one tries to conserve more and more. Hoarding tendencies are developed. Unless and until we get over this, I feel that we will not be able to cope with the situation, the situation which has been described by the ex-Deputy Finance Minister as lurid. He has given facts and figures, but that should not discourage us, because that is only the stark reality. That should only put us on our guard. Like a cautious and prudent man, he has given a hint to the Finance Minister. No doubt the Finance Minister has got to face this difficulty; of course, the whole country has to face it with him. But this is only a temporary measure. He may get over the diffi-

culty temporarily, but he will have to be careful and more conscious about his responsibility to this country to build up reserves. To enable him to discharge that responsibility, we must make constructive suggestions and not merely put lurid pictures before the House, thereby again getting ourselves more and more discouraged. Even in future we will have to be very careful. We have the example of even some of the advanced countries to support this legislation; even eminent economists have supported this, but this is only a sort of measure which makes provisions for an emergency only. From that angle, I feel that this measure is an imperative necessity at this stage, but at the same time a change in our policy is indicated. With these remarks, I wholeheartedly support this Bill.

SHRI LALCHAND HIRACHAND DOSHI: Sir, I rise to support this Bill. The Bill is a natural consequence arising out of the Ordinance that was issued some time ago, authorising reducing the amount of securities and bullion held by the Reserve Bank.

I do not know why the Ordinance was issued, because the matter had become critical a long, long, time ago, and the Government should have thought it fit to bring forward this Bill even before the Ordinance was issued. However there has been a tendency to issue Ordinances and to adopt measures through Ordinances, and then to come to the Legislature with this kind of Bills. Sir, presumably the situation has been growing from bad to worse from time to time. We still do not know what our commitments are or, if we know to some extent, we have yet to realise the magnitude of it. We have made this limit for the holding of reserves of bullion and foreign securities. Clause 2 of this Bill is worded in such a manner that perhaps we can absorb or utilise all the foreign securities that we are holding in foreign countries. I have never understood up till now why we are holding our assets in foreign countries. During the war when the British Government was

here, no doubt they thought it advisable to keep these securities in another country. In 1947 our Government took power, and efforts were made to liquidate these securities to some extent, but unfortunately we were more charitable to others than to ourselves and we decided to keep a large portion of these securities in foreign countries. I have never understood also the reason why we are banning imports of gold, such a useful commodity, which can be particularly useful in an emergency, an internationally acceptable commodity which should be in our country as much as possible within our capacity, but Government have taken measures whereby that useful commodity has been kept out with all their power, though they have not been able to prevent its coming into the country through the back-door. Now, we feel that all these securities that have been kept outside we must cash now, and I am glad that the British Government have allowed us to cash these securities. But how long will these securities last? After all, at the present time they are hardly more than Rs. 300 crores. Our need at present is of such a magnitude that they will hardly suffice for a year or so. What then? That means that whatever commitments we have made for the future must either be curtailed in a manner that will not hurt our programme or consume our credit abroad to an appreciable extent.

The Prime Minister made visits to foreign countries; the Finance Minister recently made visits to foreign countries, to see if we can get foreign exchange to implement our Plan, which presumably has assumed such gigantic figures in relation to the availability of foreign exchange that it is almost impossible to meet these requirements. The foreign people who have got foreign exchange have got their reasons to withhold the supply of foreign exchange to this country. They have mentioned their fears. They have mentioned their reasons to the Finance Minister very explicitly. We are ourselves responsible for creating

this sort of feeling in the mind of the foreign investor who would have been willing to invest his money in this country, because he wants to support the democratic system to which we are committed. However, we have followed a course which somehow or other creates a feeling in the minds of the foreign that this method is not conducive to the democratic ideas that we have been shouting for, which we ourselves do feel very dear to our heart but which, looking at those things from an economic point of view, are not really so. It is their fear. The business community of this country expressed these fears too when legislation was passed with all force in this Parliament. That warning of the business community was not heeded. We thought we could collect money internal as well as external by passing this legislation. Why foreign money has become scarce? I am afraid the internal money is also showing tendency to become still more scarce. As was mentioned by one of the other Members too, savings schemes are not becoming successful. There is less and less money coming forth from these savings schemes and for business purposes, you are unable to finance any scheme worth more than Rs. 50 lakhs, even if the assets of the organisation are far bigger than that and that too not through the public but through Government organisation or semi-Government organisation. This is the position. Last time when Government went to the market for loans, they got substantial amounts of loan but they were not happy. They did not get all that they wanted and whatever they got was through institutions and not from the public. In other words, finance within the country has become equally difficult and unless we follow a more rational attitude towards creating our liabilities, in making our plan for future production, it will be more and more difficult to achieve our objectives. For the last 4 or 5 years it has been our cry that the prices must be brought

[Shri Lalchand Hirachand Doshi.] down by any manner that is within our power. I have never understood that point. The rules and the economic laws must prevail to some extent. If there is hoarding, yes by all means utilise your power but when prices go up, to attribute all the time to hoarding is not the right way of looking at things.

SHRI V. PRASAD RAO: But who is responsible for the rise in prices?

SHRI LALCHAND HIRACHAND DOSHI: The economic laws are responsible for the rise in prices. I thought you should have understood it. I had the occasion of understanding the level of prices in a country where there is no private enterprise, a country like Russia or as my friends on the other side like to call Soviet Union etc. What are the prices there? They have all the prices under their thumb, under their control but the level of price is at such absurdly high level that even the heart of the communists would break when they know of those prices.

SHRI V. PRASAD RAO: I see.

SHRI SHEEL BHADRA YAJEE (Bihar): What is the minimum salary even for unskilled labour there in U.S.S.R.?

SHRI LALCHAND HIRACHAND DOSHI: Do you want to know that? I have known that. I have been there and I have collected all that information from official sources. I mentioned that here on one occasion. I don't want to go into all that now. It is all right to fool people who want to be fooled. You can't fool everybody like that.

SHRI V. PRASAD RAO: True, you cannot fool us.

SHRI LALCHAND HIRACHAND DOSHI: You can control the prices for a while but there are countries who have not tried to control the level of prices to any appreciable extent or to an irrational level. Take the example of Germany and Japan, two defeated countries where

their production capacity was razed absolutely and completely destroyed. What have they done? Germany is at the top level today in production. There is no foreign exchange problem in that country and the consumers goods are available to such an extent that you don't have to worry about anything. Japan, another country coming out of the war, again a country on which Russia had a wicked eye, in less than 10 years from the time they got their treaty and freedom of action, they have recovered so much that today their financial position, internally and externally, is a matter of envy for many other countries. Why? They have not worried too much about prices because they know that if you try to control prices in an unnatural manner, your production suffers. If they have patriots in Japan, if they have patriots in Germany, there are patriots in this country to but in this country we are guided by theorists, who look more to the leftist countries for their guidance than to the natural laws of economics, I regret to say. Here are two examples before us. There is a country like Russia, where all the power and production is controlled in the hands of the Government. There is no blackmarketeer businessman there. If there is any blackmarketeer, it is the Government and the officials. (*Interruption.*) On the other hand is Germany and Japan razed to the ground, coming up with all the seed that no other country has achieved, with the least amount of control in any sphere of economic life. We are not prepared to see these facts with open and clear eyes. We want to control, control and control at every stage. With what result? One day we are short of this, another day we are short of foreign exchange and the third day there is over production. In 1953 what was the position? Under the process of bringing down prices we brought down the prices of food-grains to such an absurd level that wheat was sold at Rs. 5 per maund and the farmer who produced it was almost crushed.

SHRI B. B. SHARMA (Uttar Pradesh): The same was the case with sugarcane.

SHRI LALCHAND HIRACHAND DOSHI: The sugarcane grower was at least to some extent protected. He got at least Rs. 1/7/- ptc maund. But the wheat grower, the rice grower and the producers of other foodgrains they did not get even the price at which they were forced to sell when these commodities were under control. We did not care. But when the crop was sold then we came into the market and said we would buy at Rs. 5/8/-per maund, the wheat which normally should have been sold at Rs. 12 per maund. This is our attitude to the producer of foodgrains.

Sir, quite a lot has been said about the import of foodgrains from foreign countries. I am not worried about that. But if you look at the history of the world you will find that the main thing that you should control is the final, finished product. The import of that should be controlled, if at all any control is to be imposed. It is not the raw material or the foodgrains that you should control. Let them come freely, because it is the cheapest commodity going anywhere in the world. The unemployment problem is solved by creating industries and by producing those industrial things which give more income and which help us to raise the standard of living of the people, of the masses, of the workers. Instead of that, we are spending thousands and thousands of crores on food. I have no objection. By all means we must produce more foodgrains. But I have not been able to understand this insistence that more should be spent on foodgrains and less on industrial expansion. That I think is putting the horse behind the cart which sometimes our people are apt to do. We have to come out of this difficulty. The Second Five Year Plan was wisely devised putting more emphasis on industrial development, simultaneously developing agriculture too.

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SHRI SONUSING DHANSING PATIL: What about insecurity in agricultural production?

SHRI B. B. SHARMA: That is what he is saying.

SHRI LALCHAND HIRACHAND DOSHI: Insecurity in agriculture? Yes, by all means we must have canals. By all means we must have irrigation projects. Provide for them. I do not say that you should not provide for them. But my main point is unless you encourage industrial development, you will not be able to accelerate the process of raising the standard of living of the people. And what are we doing for agricultural development? (*Interruption.*) If my hon. friend wants an answer from me, I am prepared to give it, provided I am able to hear what he says. What are we doing for agriculture? To my mind we are taking a retrograde step. We propose to bring in land reforms. The maximum limit is fixed at 15 or 20 acres or if the land is useless it is to be 30 acres. What is going to happen⁰

SHRI SHEEL BHADRA YAJEE: Are we discussing the land ceiling question?

SHRI LALCHAND HIRACHAND DOSHI: What will happen?

SHRI V. PRASAD RAO: You want more?

SHRI LALCHAND HIRACHAND DOSHI: Yes, I know. I have 16,000 acres, though I am a tenant, and I raise the highest crop on those 16,000 acres, because I can do it. I have got the implements to do it. I have got the men to do it and I have got the money to do it. I can do it. What has Russia been trying to do? You want to do it. What is after all large-scale farming? That is collective farming, a joint stock company where a large number of persons come together to pool their resources and make the farm big so that proper implements could be brought there, good fertilizers could be brought there

[Shri Lalchand Hirachand Doshi.] and properly talented people could be brought there to work and a good crop could be produced. We have the credit of raising 124 tons of cane on one acre of land and of producing as much as 14 tons of sugar on one acre of land. That is our achievement.

SHRI V. PRASAD RAO: Are you against the fixing of a ceiling on land?

SHRI LALCHAND HIRACHAND DOSHI: If my hon. friend wants an answer, I say, definitely, yes. With 15 acres or 20 or 30 acres if it is useless land, will you be able to get any results? What is that man going to earn? Is he going to earn six annas a day? Even if he gets Rs. 300 out of 15 acres, what is the profit he is going to retain?

SHRI V. PRASAD RAO: There is what is called double-crop in wet lands.

SHRI LALCHAND HIRACHAND DOSHI: My hon friend may be coming from the Krishna delta land and that is why he is talking of double crops and wet lands. But there are areas where you cannot get even one crop. So, I say, let us not fool ourselves with this kind of a thing. Let us think on rational lines about these matters. I submit we are putting the clock back. The present trend everywhere is for larger and extensive cultivation. If the standard of life is to be increased, it can only be done by giving better tools in the hands of the operator, not by asking him to do it with his own hands, without any capital, without any technical assistance. You have got to provide the men with all that and if you do that, you get more production. Therefore, if you want more production of foodgrains and if that is not there, you cannot put all the blame on natural calamities.

SHRI V. PRASAD RAO: Famine.

SHRI LALCHAND HIRACHAND DOSHI: In the history of this coun- '

try, in which year did we not have a famine in some part or the other? This land extends 1,900 miles from north to south and some 1,800 miles from east to west. So in which year did we not have some famine in some part or the other?

SHRI A. V. KUNHAMBU (Kerala): The solution is to increase food production.

SHRI LALCHAND HIRACHAND DOSHI: Pardon?

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): He says, increased food production.

SHRI LALCHAND HIRACHAND DOSHI: Certainly, we have to increase that. But mere production of statistical figures will not increase the production of food. There is politics and politics and you have got to take statistical figures with a pinch of salt, after all. My submission is if we want to achieve results, if we want our Plan to succeed, we must take a more rational and a more practical view of things. If you want to curtail the Plan, if you want to keep it to its core, as the Prime Minister would like to call it, then do it, but do it quickly before you waste your energies and your resources. Bring it down to a more rational level, a more practical level so that we can achieve it with our resources, with the resources that we can get from internal sources and from foreign sources. With these words, Sir, I support this Bill because it is meant for getting control of the resources that can be had.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at five of the clock till eleven of the clock on Friday, the 6th December 1957.