

MR. DEPUTY CHAIRMAN: Before I call on the Finance Minister to reply to the debate, I have to make an announcement.

ANNOUNCEMENT RE: ALLOTMENT OF TIME FOR GOVERNMENT BUSINESS

MR. DEPUTY CHAIRMAN: I have to inform Members that the Business Advisory Committee at its meeting held today has allocated time as follows for Government business during the remaining part of the current session of the Rajya Sabha, i.e., for the period commencing from September 4, 1957:—

1. The Wealth Tax Bill, 1957 7 hours.
2. The Railway Passenger Fares Bill, 1957 .. 3 hours.
3. The Foreign Exchange Regulation (Amendment) Bill, 1957 .. 1 hour.
4. The Insurance (Amendment) Bill, 1957 .. 1 hour.
5. The Expenditure Tax Bill, 1957 7 hours.
6. The Inter-State Corporation Bill, 1957 .. 1 hour.
7. The Legislative Councils Bill, 1957 5 hours.
8. The Dhotis (Additional Excise Duty) Amendment Bill, 1957 .. 1 hour.
9. The Cotton Fabrics (Additional Excise Duty) Bill, 1957 .. 1 hour.
10. The Delhi Municipal Corporation Bill, 1957 (For reference to a Joint Committee) .. 3 hours.
11. The Indian Tariff (Amendment) Bill, 1957 1 hour.
12. The Life Insurance Corporation (Second Amendment) Bill, 1957 1 hour.
13. The Forward Contracts (Regulations) Amendment Bill, 1957 .. 1 hour.

OTHER BUSINESS

1. Debate on Foreign Affairs (Motion to be moved on 9th September 1957) 5 hours.
2. Resolution seeking approval of ratification of the international convention for the protection of property and objects of cultural and artistic value in the event of armed conflict 1 hour.

In order to be able to complete the business by the 13th September 1957, which is the day fixed for the adjournment of the current session, the Committee has recommended that the House should also sit on Saturday, September 7, 1957, and dispense with the lunch hour as and when necessary.

THE FINANCE (NO. 2) BILL, 1957
—continued

THE MINISTER OF FINANCE (SHRI T. T. KRISHNAMACHARI): Mr. Deputy Chairman, Sir, about 35 hon. Members have participated in this debate and have contributed materially to the discussions both yesterday and today. Sir, their comments and criticism ranged over a wide number of issues: some relating to the Finance Bill, many relating to the policy of Government and some to particular aspects of Governmental activities but some of these undoubtedly require reply. I shall endeavour to reply to such points as is possible for me to do so but by and large, Sir, I would like to confine myself mainly to certain broader issues of policy to which reference has been made in the course of this debate.

Sir, in regard to some of these special points made by hon. Members, I would like to take the point made by Shri Amolakh Chand in regard to grants for flood relief to U.P. I believe he said that a very small sum has been given to the State which

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think is not correct. In 1956-57, the U.P. Government had reported an expenditure of Rs. 189.72 lakhs on gratuitous reliefs, repairs to Government roads, buildings and local bodies' properties in connection with the floods. As against this, according to the pattern of assistance for such calamities, the Central Government had released Rs. 76 lakhs as grant to the U.P. Government after excluding certain items of expenditure on which clarification has been sought. Their reply containing this clarification has been received recently and is under examination. They may possibly be eligible for some more relief. Besides, they are reported to have incurred an expenditure of very nearly Rs. 200 lakhs on agriculture and other types of loans. I think the Central Government released against this expenditure, a sum of Rs. 100 crores, that is 99.8 lakhs of rupees as loan to the U.P. Government as per the existing pattern of assistance to States in regard to natural calamities. I don't think my hon. friend was quite correct when he made the point that relief to U.P. has not been on an adequate scale.

There were some remarks made about administration of Income-tax, particularly my friend Mr. Amolakh Chandra made this point. We are trying our best to revise our methods of approach to people. We are trying to educate them and I hope we will be able to progress in that direction. The other point he made was in regard to the question of our getting over our troubles of investigation by accepting an affidavit from many of the parties who are to pay income-tax. This matter is now under examination by my colleague, the Law Minister. That is, to bring in provisions of the law of Income-tax more in line with the pattern of the American system where any question of evasion attracts very heavy penalty by way of imprisonment. He also asked a question whether a 'married individual' included childless widow and widower. Well, a widow and a widower

will undoubtedly get the married man's or woman's benefits. Of course if he is childless, he would not get the children's benefit. On the question of allocations to the States, I think Mr. Jaswant Singh made some points about certain claims with regard to electrical undertakings by the Rajasthan Government, both with regard to the area which is to be served by the Bhakra-Nangal system and also the one which is to be served by the Chambal project. The matter is under examination. Hon. Members know the foreign exchange difficulties that we now face. Where commitments are not entered into, we are not permitting new commitments. After all, when we enter into commitments, we must honour them. But every effort is made to avoid any cutting down with regard to any power project to the extent it is possible to do so.

Another hon. Member, Shrimati Yashoda Reddy, raised the question of the fertilizer factories about which I had made reference on the last occasion I spoke in this honourable House. Her other points were with regard to the assistance to the Andhra Government for the Tungabhadra project and for rural electrification. Well, Sir, so far as the Tungabhadra project is concerned, there is a provision of Rs. 300 lakhs for miscellaneous loans and Development for Andhra during the current year and a large portion of it undoubtedly relates to the Tungabhadra project. So far as rural electrification is concerned, the former government of Andhra had approved of a scheme in the First Plan costing about Rs. 127.8 lakhs. That is with regard to Andhra as it then was, not Andhra Pradesh. During the first year of the Second Plan, a sum of Rs. 21 lakhs has been released, and under rural electrification a further provision of Rs. 35 lakhs has been made.

Sir, that takes me on to the general question of policy and hon. Members know that I had occasion to speak in this House last week on the

Appropriation Bill and I touched on certain aspects of policy, particularly the import policy and matters related to it. But I find that in spite of it, there has been repetitions and repeated questions, either because I was not properly understood, or because points had to be made. I will not, therefore, Sir, try to take the time of the House in covering the same ground. Generally, Sir, we had a large number of hon. Members in this House who gave unqualified support to the measures that Government have placed before Parliament. I am grateful to those hon. Members. It will be invidious on my part to mention names, but there happened to be quite a large number. But I am sorry I did not get the same support from my former colleague, Rajkumari Amrit Kaur. Of course, we like to hear her, because she speaks with sincerity and conviction, and even if we are unable to accept her proposals, well, I might say, that it does not mean that our respect for her views is in any sense detracted thereby. Of course, there were also other hon. Members who could not see any merit in the policy pursued by the Government. My hon. friend who spoke last at any rate attempted dichotomy between the Government and the Government officials. But much of the blame that he put on officials whom he characterised as being inefficient is really blame that attaches to the Government and the Planning Commission, because all these figures were given by the Government and the Planning Commission and the appropriate Ministers take the responsibility for it. I do not think the officials had anything to do with the figures given by the Planning Commission; efficient or not is a different matter.

SHRI B. K. MUKERJEE: But the estimates...

SHRI T. T. KRISHNAMACHARI: My hon. friend is completely wrong. Government takes the responsibility and if my hon. friend wants to

condemn the Ministry which he has placed in power, he is at perfect liberty to do so, because the responsibility for every statement made on the floor of the House or any publications placed on the Table of the House is that of the Ministers and if Ministers do not look into them, they are themselves to blame. Therefore, they should take the blame...

SHRI BHUPESH GUPTA (West Bengal): Unfortunately, for my hon. friend the Ministers form part of the machinery.

SHRI T. T. KRISHNAMACHARI: The trouble is we cannot think so far ahead as the hon. Member opposite.

Anyway, the point really happens to be this. If there are merits in the scheme, well, give the Government marks for it. If there are demerits in any scheme that the Government puts forward, well, let the Government take the blame. It is the convention in all parts of the world that the anonymity of the people who work behind is preserved. Whether they get high salaries or low salaries is a matter of indifference. They act under directions given by the Ministers. They give advice and the Ministers ask for advice. There are many Ministers who may not ask for advice, in which case the Minister must take the responsibility. Ministers cannot say they had been misled by their officers. It is not correct. Therefore, my friend will, at any rate, admit that his castigation of the unfortunate officials has nothing whatever to do with our sins of commission and omission. It is not fair.

Again, I will repeat, Sir, almost *ad infinitum*, that the budgetary policy and the general economic policy of Government has to be geared to the successful implementation of the Plan, and that is my excuse for whatever I do. Maybe it is a very big defence that I am putting between myself and my critics. What it involves, hon. Members know. There need be no repetition. The question involves mobilisation of resources,

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both internal and external; adjusting and phasing of investment, and also to be ready to take into account and deal with any emergent situation which is inevitable in any dynamic economy. And one of these situations which we are now facing and where the position is not quite so easy—a point which was undoubtedly made by Dr. Kunzru—is the inflationary pressure and the question of the present balance of payments. Of course, in all these aspects, if there is failure—they are interconnected in more than one way—then naturally the policy of the Government would stand condemned and the Plan will fail. Therefore, it is necessary to keep these matters in proper perspective all the time. I would like to state that some hon. Members generally take an isolated view here and there. Do not take something which has been done in 1953 or 1954. Take the whole thing together. The fiscal, monetary and commercial policy of Government is to be judged as a whole and the effects judged, whether they are good or bad. Of course, some hon. Members suggested some solutions. But I am not able to accept those solutions. That is not because I doubt their *bona fides* in making those suggestions, but largely because all the solutions are being impelled by the hon. Member's taking a partial view of the situation. For instance, my hon. friend Mr. Kishen Chand opposed the increase in the taxes on companies and he feared this would result in the curtailment of investments. He quoted the example of West Germany where company tax was reduced. This, according to him, was the secret of the remarkable recovery of West Germany. I have been reading some books on the remarkable development that West Germany has made, but I am not able to agree that an isolated act of the nature that has been mentioned by my hon. friend was at all responsible for the progress that Germany has made. I think Dr. Mookerji said something to the same effect though

not in the same words. He felt that the present level of taxation will act as a curb on industrial development. In fact, Sir, he dwelt on the poverty of the country and quoted statistics to show how India was amongst the poorest countries in the world. It is not necessary. We know it. It is there, a patent thing and needs no further proof. As a matter of fact, the only justification for the Plan is the prevailing poverty but when Dr. Mookerji or Mr. Kishen Chand quote the German example and ask the Government to reduce the level of taxation or income taxation because it is done in Germany, I am afraid it is taking a rather simple view of the matter. I think the West German recovery is based on a fund of technical skill which that country possesses and, above all, on the enterprise and hard work of the people of that country. In fact, I was told by others who have been to West Germany that some of them felt that the equipment in German factories which were taken away as part of the reparations by the conquerors was good act because the machines made by the Germans to supplant those taken away were more modern. It may be that some of those machines went over to Russia and Russia has copied the machines in West Germany but the machines in West Germany are certainly far more modern than anything which exists in Russia which is copied from machines taken away from Germany. Therefore, the fund of technical skill that the Germans possess and the amount of hard work that they are able to put behind are the secrets of recovery and not the mere matter of reduction in company taxation this way or that way. Hon. Members must not forget one solid fact in German recovery and that is the Marshall Plan. Marshall Aid was given by America and Germany is the only country which used it. Italy has profited by it; French economy has been sustained by it and Belgium has recovered but it has been fully used, remarkably used, by Germany because she had a fund of

technical skill and hard work and the Germans used the money that came from the Marshall Aid for purposes of recovery. That brings us back to the story. . .

DR. RADHA KUMUD MOOKERJI (Nominated): I was referring to the source of capital in the country.

SHRI T. T. KRISHNAMACHARI: The source of capital was not there. The capital came from outside. In fact, some of the people who tell us foreign aid must understand that unless we go through this phase, unless we learn to stand on our own legs, no foreign aid that comes would perhaps be able to help us to start from the word 'Go'. If a foreigner is going to provide all the help, there will be no effort and that is why I welcome even the present stringency in our country. I think it is going to make us better people. It may be that you feel that my explanations are not adequate but we are striving all the time. The work is a continuous process to get out of this morass and I think we should succeed. We may perhaps get some help which is perhaps just the coping stone and nothing more but it would be something which would be valuable but the fact that we are undergoing this discipline of trying, of revamping our own resources, reviewing the position and drastically cutting down in certain directions and compensating them in certain other directions is an experience, I think, for a country which has started the first major economic planning in its life and it is a good thing. Hon. friends, especially our taxation expert, Mr. Chandulal Parikh, is unhappy about certain aspects of taxation and I think, Mr. Mukerjee, is also unhappy about the effects of this taxation. I would like to tell this. Dr. Mukerjee said that a person with two lakhs of rupees as income, I think, assuming it to be unearned, would be left with only Rs. 250 a month or so. I am not quite correct about this figure but I would like to point out that a person with an earned income of Rs. two lakhs pays income-tax and super-tax, according to the present rate, of about

Rs. 1,28,000. Assuming that he has an earned income of two lakhs of rupees, he must also be having some wealth. He does not get it off-hand. Assuming he has got twenty lakhs of rupees, he will pay a tax of Rs. 13,000 which brings the total tax to something like Rs. 1,40,000 or Rs. 1,41,000 and he will very nearly have Rs. 59,000. In the case of unearned incomes, the wealth must be Rs. 40 lakhs in which case tax would certainly amount to a very heavy incidence and he would have to pay income-tax, etc., of Rs. 1,42,800 as against Rs. 1,28,000 and the wealth tax will be about Rs. 42,000 which leaves him roughly with Rs. 15,000. When I deal with the Wealth Tax, I will deal with this aspect of the question but it is not quite as bad as Rs. 250 but the point, as Mr. Parikh will understand, is that the scheme of taxation throws the burden on the people who do not work. I do not want to use the word 'socialistic pattern' or anything but it is a pattern which makes people work. If you want to hold property, you must work. You must earn money. My very good friend, Shrimati Savitry Devi Nigam, spoke about reduction of taxes in the upper income slabs.

SHRI BHUPESH GUPTA: How will speculation be viewed in that context?

SHRI T. T. KRISHNAMACHARI: Unfortunately, my friend runs off. I do not have the power in my legs to run with him. They do not really respond. I am old and I cannot walk along with him.

SHRI BHUPESH GUPTA: Your head runs faster.

SHRI T. T. KRISHNAMACHARI: It might. I hope when the noose is put round my head, it would probably be free first. Anyway, the position is this. The consideration is of people who work. He may be earning large amounts of money but he is working. It might be even a

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type of work that we do not like. He might be an actor or she might be an actress. It may be like my hon. friend—he is not here—the actor friend here and I do not see why he should not make three or four or five lakhs of rupees. He is making it and it is an earned income. He has perhaps saved but the fact is that he is working and, therefore, we give him certain privileges, but if a man says that his father or somebody else is working and that he is going to live on that property, then we charge him tax at a different rate. If his income is two lakhs of rupees and his property is worth Rs. 40 lakhs he can only get—if he is not working—Rs. 15,000 and nothing more. That is what my hon. friend has to tell the housewife that we are allowing these people to keep more but it is because they work, they work very hard and they have developed their trades and so we have to encourage them but when the money comes through other channels, when they do not work, they should pay a penalty for it and they should be reduced to the level of the person who has just to maintain ordinary standards of life. I know that Mr. Chandulal Parikh does not appreciate the scheme, does not approve of it. I can understand it. In fact, my hon. friend has been a good friend always. He has always supported me and my tax measures too but there is a point at which he has to part company with me notwithstanding what my hon. friend, Mr. Mukerjee, says and everybody says, that I am a friend of the capitalists. It is not. The workers are not my enemies. I know them and I can work with them because I am myself a worker. He is a leader but I am a worker. The main point, however, is that we part company. I am quite prepared to go with him but the real point about this is this: We are climbing up the hill; a number of people are coming with me and, well Mr. Chandulal Parikh has not got the enthusiasm. He only climbs up to 400 feet. I have got to climb up to 27,000 feet. He is a friend upto 400

feet only and then says, "No, my dear fellow, I cannot go on".

SHRI BHUPESH GUPTA: And he is pulling your legs.

SHRI T. T. KRISHNAMACHARI: He may literally and metaphorically pull my legs but my legs are strong because there is determination to go up to 27,000 feet and I shall carry the people who are willing to come with me. Everybody is my friend. I have no enemy in the world. If anybody thinks that I am against the capitalists class then he is making a mistake. I am against nobody that contributes to the economic betterment of the country. I am prepared to accept freely everybody, even my hon. Mr. Bhupesh Gupta, and I know he is a very good friend outside. Mr. Bhupesh Gupta has got the heart, what shall I say, which melts outside but here it is hard, it freezes because it is air-conditioned here. Mr. Parikh is not happy about our taxation policy; he is also critical about our credit policy. His main argument is that credit restraint should be made applicable only in respect of credit which is being used for hoarding and speculative purposes. I agree; in fact my present trouble is that and that is where Mr. Bhupesh Gupta has got me like this. He says, 'you want to put restriction on hoarding of foodgrains but your credit is camouflaged. Is your banking system which is in private enterprise hands so controlled? Do you know what is the direction of the credit? Where does it go?' This is what he asks. What are the goods that it covers? Because a person can borrow on steel, on iron and steel but he can use the money on buying foodgrains. He knows that and that is why he says that the credit policy is wrong. But here is my friend who says, 'do not do anything in regard to credit so far as industries are concerned.' And that is my real trouble because it is very difficult to know where exactly the money goes. Of course, we now say that the advance on foodgrains must be brought down to 66 per cent of what it obtained in

the last year. Of course banks did not co-operate to begin with; even if they wanted to co-operate it would be very difficult. It is easy to lend money but it is very difficult to get it back. We had told the banks, we had issued a directive to the banks, saying 'you call back your advances' but they cannot do it. After all, a person must give the money. You cannot take recourse to law; you cannot go and foreclose the mortgage. It is not possible. They have to put the pressure on; the screw has to be put on gently because the banker has to get this man again to come and take money from him. The banker lives on loans; that is his source of income. So it takes time. Well, it was rather difficult for us to get up-to-date statistics and the complete statistics that I have got is only for the week ending 12th August and I find that the advances are 18 per cent. below what they were in 1956. It is coming down.

SHRI C. P. PARIKH (Bombay): Does this reduction apply only to foodgrains?

SHRI T. T. KRISHNAMACHARI: At the present moment it applies to foodgrains.

SHRI C. P. PARIKH: Only?

SHRI T. T. KRISHNAMACHARI: But if my hon. friend wants to use that word 'only', you know 'only' is a very very difficult word; once you say 'only' you will go to a court of law and interpret it afterwards.

SHRI C. P. PARIKH: Not for speculative purposes.

SHRI T. T. KRISHNAMACHARI: The whole trouble is, 'what is speculative purpose?' Somebody who speculates in Calcutta borrows from a bank in Saurashtra; the bank in Saurashtra is lending it on the assumption that it is a very legitimate trading purpose. Shares are purchased and pledged with a bank in Saurashtra; a large volume of shares.

There is a local man also who 5 p.m. applies for the loan. The operation is in the Calcutta stock

exchange market; the operator is somebody else. There are a number of benamidars in between. What am I to do about it? He asks, 'is it only.....' How can I say, 'it is only'; only the all-seeing Almighty can say, 'it is only'; not I. The Finance Minister has no second sight; he cannot see beyond; he has not got X-ray eyes but he can judge events. The point really is that we will have to come to a time—I am now coming to the point that has been raised by Dr. Kunzru—when credit restraint might have to be applied over a larger sector than foodgrains. I am not threatening anybody; I do not want the markets to collapse. I do not want anybody to say, 'Mr. Krishnamachari has said this; the stock exchange in Calcutta has come down by four points; cotton has come down by 13 points.' Yes, it can come down by 13 points because the floor price of cotton is only 480.

SHRI BHUPESH GUPTA: But the Stock Exchange provides for heavy discount on what you say.

SHRI T. T. KRISHNAMACHARI: The point is this, Mr. Bhupesh Gupta does not give me the slightest liberty to speak—not here. I do not mean his interruptions; his interruptions are welcome. That makes me think quicker but the point is I have to express an opinion now and again. The Finance Minister cannot be a dumb creature. If he is dumb, they say he is useless. But what I am saying is that the question of all all-round credit restriction may come. I do not want it to come. If inflationary pressure subsides, if we are confident that the money that is being lent for business and industrial purposes is being used solely for business and for industrial purposes I do not see why we should have any credit restraint. May I say, Sir, that I took charge on the 1st September last year and the markets were very bare largely because of the large amount of loans by the State Governments which threw on the banks a

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liability of something like Rs. 45 crores. We expanded the Bill Market scheme to a considerable extent. We raised the limits to the banks which was somewhere of the order of Rs. 50 to Rs. 60 crores to Rs. 180 crores. The Bill Market scheme went up to somewhere about Rs. 80 crores at one time. We bought Government securities from the banks. We allowed them to contract the area of their liquidity. It was necessary and therefore we did tide over a crisis which arose last year. But at the same time we realised that a large portion of new industries, that heavy inventories of many industries were being financed by credit. People speak about capital formation. Now, I said that in the other House and I will repeat it again. Speaking about capital formation, it may be, there is an unpleasant person in the person of the Finance Minister imposing new taxes but the cumulative effect of all these taxes is nothing so far as capital formation is concerned because they are compensated. What happened to capital formation for the last four years when we had an industrial policy that is being condemned by my hon. friend as being heavily loaded in favour of the industrialists? I admit it was. What happened? Why did not companies raise equity capital excepting where companies went in for right issues? Why were foreign companies able to get money while the Indian companies were not able to get money? Why did people get money on debenture issues where interest could be paid straightway? The fact that capital was attracted because of right issues, because of debentures, revealed the position that there was capital available. But why did it not come? I ask why? My hon. friend, Mr. Parikh, had better answer the question. There is no use now saying that merely because you have a new system of taxation now presented to you which undoubtedly throws a little burden on companies, the capital formation will be affected when it takes it away

elsewhere. If I throw a burden on companies, I can assure you that in a developing economy it is going to have no regressive effect because you are going to make more money; your dividends are going to be more and that is why we have a dividend tax to keep your dividends down if possible so that the money can be ploughed back. We know that you are going to put more money in the reserves for other purposes than development. We want to have control over reserves.

But the cumulative effect of all this is nothing, because we have lowered the income-tax. So one more than *cancels the other*. So far as any company makes more money today, so far as any individual makes more money today, he is better off than he was before, provided he works and makes more money. But if he merely says, 'I have done four hours work before; now I will reduce it to three, because the Finance Minister has thrown a burden on me' then his income will go down and I am not to be blamed.

The equity market has been very peculiar in this country and why? I am asking them why? My sins have started on the 1st September 1956. Before that I was not a sinner; in fact, I was embarrassingly being almost saintly. So the position that capital formation will go because the company taxation has been raised is not correct. If that is raised purely, it is true but here there are compensating factors.

There is the question of credit policy. Today I cannot determine a credit policy in a vacuum. It has to have some bearing on the twin consideration of assisting a developing economy and restraining inflationary pressures. I agree with Mr. Parikh that the legitimate needs of the industry should not be sacrificed but today what is my trouble? Why does foreign exchange trouble us? I will deal with it later. My hon. friend says, 'you have allowed imports of capital goods to come.' Because on capital goods

we had no restraint at all. There is no question of control over capital goods because the licencing policy took care of it. The level of letters of credit is still running high and the commitments in various countries are still reasonably high. All that is going to come. Unless you are going to create confidence in the people that you are going to work your industry properly, you are going to pay the equity shareholder a proper return and make him invest money, you have to depend on bank credit. If you are going to depend upon bank credit, as my hon. friend, Dr. Kunzru, pointed out, that will itself create inflationary pressure. It is not merely a question of how much note issue there is. There are many other factors which really operate so far as inflationary pressure is concerned. Let them at least go and get out debentures; I do not mind. If you are going to raise the rate of interest I am not very much bothered about it; because at least you get the money. But you pay $7\frac{1}{2}$ per cent. and ask for debentures and meet your needs; if that could be done, I think there is justification for more restrictions on credit even for purposes which are desirable.

And undoubtedly if I have to say a few words about the Plan, for the sake of the Plan, for keeping up production, we have to help to the maximum extent possible. It is not a question of my being unwilling to help, because so long as whatever they do adds to the quantum of production in the country, the fact of ownership is forgotten. What is most essential is production, and I would certainly tell him that we would take care to the extent possible. But there is no use throwing a one-sided responsibility on the banking mechanism or on the Finance Minister, and say, we want the money and the money must be provided. We will make no efforts towards that, because capital is shy, people do not trust. Therefore, I am mentioning here that our policy is what is called a selective credit control in order to check excessive credit creation, against

essential items like foodgrains. Well, to some extent this policy has achieved results. I mentioned that we have brought down the level of advance to 'some extent' and we expect to do so even more. But the remedy is not some of the short cuts as somebody says. Some professor says, you devalue, merely because you have got foreign exchange trouble. But my economy is not based on pure exports. Of course, I might come to it. Pandit Kunzru mentioned the fact that we have had to import more foodgrains. If the economy is based on imports for a living and then it is to be based on exports, then the devaluation mechanism has to be used. Because you have got to export. I am not yet in that position. It might be a good thing for the time being. Therefore, we have to allow some prices to drop. People say immediately something has dropped, cotton has dropped. What is the drop? From Rs. 740 it has come down to Rs. 670. But the floor price is Rs. 485 or Rs. 520. And I cannot therefore raise the interest rate. It is a remedy, a short-cut remedy. But professors talk of either devaluation if we have foreign exchange difficulty; or if there are inflationary pressures, of raising the interest rate.

I am depending on borrowing and there is a large class of people, middle class people, for whom we have also a soft corner, who have invested in Government securities and we do not want the share capital values to drop to any considerable extent because I know about it. I know during war time, I belong to a middle-class family and I knew how my family was chasing a mere matter of Rs. 5,500 of Government securities, and went on getting every bit of money and raising it, so that we keep abreast of the rate of interest. That Rs. 5,500 became somewhere Rs. 22,000 or Rs. 24,000 by conversion or operation. We know how the middle-class feel about it. People put the money in Government securities or in the National Savings Certificates. I cannot raise the rate of interest and

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bringing down the capital value arbitrarily merely because some professor of economics says, raise the rate of interest. We have got so many other considerations to look into. That is why we have been rather reluctant to raise the rate of interest, not merely because that it might add half per cent to the cost of manufacture, but merely because of the very large class of people who still invest in Government securities and whom we want to invest in National Savings Certificates. If we cannot do that, if we cannot raise the rate of interest and use the orthodox mechanism, then we have to have some control over credit. I would like to say that that amount of monetary discipline we want a larger dose of it and we shall try to inject it into the economy.

As I said, the basic fact—my hon. friends should understand—is the lack of savings in the country. Because you might say the middle-class has disappeared and they do not save. The other class which has got a small surplus spends it on other things and they do not have the habit of saving. That is why we are now trying this big push behind the national savings certificates. But it is undoubtedly a fact that not merely today, but for the last four or five years the community has not generated savings to match with the investment. And, therefore, I am unable to accept the plea made by my hon. friend, Mr. Parikh, that we should place no restraint whatever on credit, excepting in cases where it is used for speculation and hoarding.

I am afraid my friend, Mr. Bhupesh Gupta, would dislike my ignoring him, and if I do not say anything, you ignore me, you start on the Third Reading again.

SHRI BHUPESH GUPTA: The kind of thing he said in the other House, I would prefer to ignore.

SHRI T. T. KRISHNAMACHARI: I do not know what he means, because

I see he speaks so often. There is one thing, Sir, that Mr. Bhupesh Gupta has said. He said 'I told you so, and I have been telling you so for the last five years'.

SHRI BHUPESH GUPTA: Without any timely effect.

SHRI T. T. KRISHNAMACHARI: Yes, he says he has had the satisfaction of warning the Government with the results of deficit financing. Of course, we are aware of it and, in fact, I have been saying for the last one year that we cannot undertake deficit financing of the magnitude of Rs. 12,00 crores. But if Mr. Bhupesh Gupta wants to congratulate himself on that, well, I should not begrudge him that. Well, Sir, many of his prescriptions or solutions are patents. The trouble about these patent medicines is they are very largely psychological or I might say even psychosomatic in their results.

SHRI BHUPESH GUPTA: May I know what kind of medicine he likes?

SHRI T. T. KRISHNAMACHARI: My trouble is that these medicines have been applied so often that I have developed a resistance to it. So, these solutions, I am afraid, do not interest me very much. I cease to get excited about them any more than about the interruptions of my hon. friend. Or, I do not know what I will do if there are no interruptions. So, I do not propose to cover the same ground over again.

SHRI SONUSING DHANSING PATIL: What about the suggestion of pinching money from the Nizam?

SHRI T. T. KRISHNAMACHARI: Very often people characterise the Finance Minister by various nice epithets. They call me a robber; they call me a brigand; they even call me a pick pocket. And I think whatever might be the duration of my term as Finance Minister, I shall certainly avoid being called pick pocket, because I have no intention of picking

people's pockets, by increasing deficit financing and by just taking away their money, and making a slit in their pocket. And I shall say, anything that we tax they will know about it. They will be paying knowing about it. We shall tell them we are taxing them, instead of inflating the currency and taking it away without their knowing about it. So, you can call me by any names you like, but not a pick pocket. (*Interruption.*) I might tell Mr. Bhupesh Gupta that we have no intention of stopping remittance of profit abroad.

SHRI BHUPESH GUPTA: Why?

SHRI T. T. KRISHNAMACHARI: Merely because you will not get any more money from abroad. We want some money from abroad. We also hope of a little money from abroad in future. So, we will not stop repatriation of capital. If people want to sell and take away, let them, because the real fact is we do not wish to retard investment but we wish to encourage them.

SHRI BHUPESH GUPTA: What type of investment?

SHRI T. T. KRISHNAMACHARI: Anything. Anything that comes from any foreign country, which brings cash along with it, which means capital equipment that comes here; it eases my foreign exchange position, it provides (*interruption*) the industrial unit in the country and employs people where he might start a union.

SHRI BHUPESH GUPTA: I would like to remind the hon. Minister that most of his investment, according to the Reserve Bank, between 1948 and 1953 was in the tea industry, which after all was not so essential that way. That investment could have been avoided and the money so wasted could have been profitably used.

SHRI T. T. KRISHNAMACHARI: The point is my hon. friend should not ask a question, should not put a query and offer a solution himself.

The trouble is he puts a query and he thinks that he knows the solution. But I do not accept either the query or the solution. Because the fact is today, more than ever, we have grown in maturity. When we began ten years ago we had all the fears of an infant nation. We were kept in captivity not for 150 years but ten centuries of foreign rule. When we got our freedom, we thought that somebody would take it away. We saw ghosts and rightly too, because the old spectres came back. Today, we have greater confidence in ourselves. We impose no conditions on people excepting conditions at the time of their entry. They have to. Anybody, that brings in the capital to this country will have to play ball. They have to be treated as nationals, so long as they behave as nationals. But we do not think of these small things of asking them to give this condition, to give this safeguard. Because we think it is not necessary. We can, persuade them, fall in line. There is no difficulty at all.

I would like to say that Government have, and this nation has, advanced to a stage of maturity in a very quick time undoubtedly. In ten years, we are an evolved nation. We can take a broad view of things. We need not see ghosts. We know our defects. We know the difficulties that we are faced with. I do not think that we need be psycho-pathological in our treatment of foreigners. I am neither afraid of friends that come from east European countries with whom we have dealings, with whom we have talked on level terms, who come and help us, nor with people who come from America or Britain or France or Italy or any other country.

Sir, the position really is, we know what particular type of capital would do and we can take the requisite amount of safeguard. But that does not mean that we should completely eschew foreign capital, particularly when we need it. In fact, the Prime Minister was saying the other day

[Shri T. T. Krishnamachari.]
 that no country in the world, not even Russia, has developed its economy without foreign capital. The United States of America is indebted to foreign capital. We were ourselves indebted to foreign capital, because before the war, we had such a large amount of home-charges to pay which were debts and it was the war that made us wipe them out. In so many European countries, particularly U.K. the two years changed the position. Well, in the case of Russia, things are totally different and they had to undergo a lot of suffering to get over that particular position. So, our attitude towards the foreign capital today is something totally different from what it was even in 1948. But I would like to say this, Sir. I might disagree with Mr. Bhupesh Gupta. But I do not want to minimise the gravity of the situation. We cannot brush aside our present difficulties lightly—the problems of external resources and mobilising internal resources. And we are trying to do our very best. Well, sometimes, even our methods are drastic. But the real point about it is this—and Mr. Gupta suggested some solutions. He forgets the fact that we are working—he might think it is a handicap, we think it is an advantage—in a democratic set-up. We have to carry the people with us. We cannot tomorrow say, “All right. There is food shortage. Let us have control. Let us have rationing.” It cannot be done. The control is to be such that it does not bring the common man straight in collision with the control. That is our difficulty. I might agree in certain analyses which Mr. Bhupesh Gupta made. I agreed with my friend Mr. Gopalan, the other day with regard to price structure. I have no difference on that point. I was talking with my friend, Mr. Hiren Mukerjee, this morning on certain solutions that he had made. I said that I was intellectually and completely with him. It does not mean that, merely because he adopts a particular ideology, we cannot think alike. We do.

But the fact really is that we have given to ourselves a Constitution. We tell our people that this is a democratic set-up in which you have the freedom to throw us out if you like. And we have to keep that constantly in mind so that we act in a manner in which the people will not react violently. Sometimes, you have to give a bit of quinine.

(Interruptions.)

SHRI BHUPESH GUPTA: Will it be *ultra vires* of the Constitution? I would like to know which of my suggestions is *ultra vires* of the Constitution.

SHRI T. T. KRISHNAMACHARI: I have told my hon. friend that I never thought that any of his suggestions are bad; they are all good; only they are made at the wrong time and at the wrong place. I am merely speaking in relation to my hon. friend's suggestion. I am speaking in relation to the set-up in which we have to function, and that set-up makes it possible for the hon Member to get power. That is the thing. We are so democratic minded that we allow you to get into power.

SHRI BHUPESH GUPTA: I see. What do you mean by your allowing?

SHRI T. T. KRISHNAMACHARI: The point really is: We have to take that factor into account and the methods that we adopt sometimes are drastic. But by and large, they are to be popular and that is where I cannot afford to do anything reckless. Mr. Bhupesh Gupta says “my reckless imports.” Well, if it gives him any satisfaction, if that gives him an additional hour of sleep, I do not grudge him that. But I explained it all on the last occasion...

SHRI BHUPESH GUPTA: I am very much worried and I do not get sleep.

SHRI T. T. KRISHNAMACHARI: All right, I will give him a remedy.

SHRI BHUPESH GUPTA: What is the remedy?

SHRI T. T. KRISHNAMACHARI: Care killed the cat, they say.

I do not know where he got these figures from. He says the Indian Statistical Institute. Do you own any institute of that nature? Well, I depend not upon the statistics of the Indian Statistical Institute, Calcutta, but upon the Director-General of Commercial Intelligence who is also in Calcutta. The balance of payments... (*Interruptions.*)—Yes, sometimes, we finance you... position is compiled by the Reserve Bank. I know my friend can get anything from the Indian Statistical Institute and also some things which are not quite correct. So, the point is this. My hon. friend is not quite....

SHRI BHUPESH GUPTA: I got it from your friend, the 'Statesman'.

SHRI T. T. KRISHNAMACHARI: My hon. friend is not quite well acquainted with the import figures or if he is acquainted with it, I will ask him to re-read what I said the other day. Well, so far as the position that obtained during the last four years is concerned, our restrictions were so rigorous that we were constantly reminded by the International Monetary Fund whether in view of the very advantageous balance of payments position, we need continue the quantitative restrictions. And we had also to defend our position in the GATT. I had occasion to tell the House last week. I have got the figures of imports carefully examined and I find that out of this increase in the so-called 'other imports' of Rs. 92 crores, as much as Rs. 50 crores are on Government account. It is not included in the Reserve Bank statistics. It has also given details of the other items.

Sir, I would humbly suggest to my hon. friend to have another look at these figures, and the net result of a careful examination by him of the

recent trends in imports would show that in 1956-57 as compared to the previous year, the total increase in 'other imports' will turn out to be not of the order of Rs. 92 crores, but just about Rs. 20 crores. But even that is explained. The residual item covers a large variety of raw materials which we import, but which are not accounted for in the Reserve Bank statistics.

Sir, I have to say a few words about what Pandit Kunzru said. Mr. Saksena referred to the question of rephasing of the Plan. Well, he suggested no pruning or whittling down of the Plan. In fact, we use the words 'pruning' or 'whittling down' of the Plan, I am afraid, somewhat loosely. Perhaps, I am most guilty. There is some portion of the Plan which had to be pruned. Take, for instance, the Electrical Factory in Bhopal. The Plan has to be rephased. If it has to be pruned, the foreign exchange component has to be cut down drastically. There has been heavy pruning. The use of the word 'pruning' in relation to that particular factory is related to it; it does not convey anything very serious. When we talked of pruning of the Plan, my friend on the other side said the other day, "Oh! For the first time the Finance Minister said 'pruning.' That is because rephasing, pruning or cutting down of certain elements, all mean the same thing.

AN HON. MEMBER: It is really automatic.

SHRI T. T. KRISHNAMACHARI: Then, Sir, the question of ceiling was raised by...

SHRI JASPAT ROY KAPOOR: Is it not a fact that judicious pruning leads to greater growth?

SHRI T. T. KRISHNAMACHARI: Yes, that is true. He is the gardener and even the horticulturist, and he knows the value of it.

SHRI BHUPESH GUPTA: And you are the pruner.

SHRI T. T. KRISHNAMACHARI: Then, Sir, another hon. Member raised the question whether the monetary ceiling of Rs. 4,800 crores is to be adhered to. I am afraid there is no point in my answering this question in terms of yes or no. Again Mr. Saksena said that food is the core of the Plan. Again there is this question: What is the core of the Plan? I said the core of the Plan is steel, coal, power, railways and transport. Well, where does food come in? Food is the base of the Plan. Food is the fundamental of the Plan. I think my friend was quite right when he doubted whether we will be able to keep down imports. But that would cause us more embarrassment. But it is the base of the Plan. It is not the core of the Plan. It is on that base that the superstructure can come, and that superstructure can be scrapped a bit here and there. So, I agree that it is the base of the Plan. It is the foundation of the Plan. Therefore agricultural sector is important and the emphasis that my friend Mr. Saksena laid on it is quite correct. But the core, as I said, is the other thing—the steel plants—which cannot be reduced. When my hon. friend, Mr. Jaswant Singh or somebody else complains about our not carrying out some portion of the Bhakra Nangal Project as it affects Rajasthan, it is a matter of deep concern, because power is very necessary if we want development and if we are going to think of the development that my friend Shrimati Savitry Devi Nigam was speaking of. She says "You are spending on small scale industries only Rs. 200 crores. That is not enough." I quite agree. In fact, when I said 'compensatory items', I meant that if we are cutting down some schemes and if we are going to spare some foreign exchange, we have got to spend some more money on those things—whatever can be produced by way of consumer goods within the country in the small and medium-scale industries—where foreign exchange element is negligible or is only marginal. Advantage should be taken of this position, and we should

produce more consumer goods. And I quite agree with her that if we are going to cut down somewhere and if internal resources are available or if our resources position does not get deteriorated, we should put it into the small scale industries. It is not the question of Rs. 200 crores only. If necessary, we can provide Rs. 400 crores or even more.

Then, Sir, Pandit Kunzru made the point about inflation and our compensatory expenditure. Sir, I will repeat this question of the core of the Plan and our difficulty so far as the Plan is concerned. I said the other day that what we are now thinking of is in terms of cutting down our foreign exchange liabilities to the extent that is possible. Perhaps some power projects might have to be cut down which have a remote priority. Well, essentially it cuts down slightly our industrialisation barring the one that we have already undertaken and where we have made certain commitments. Where we have not made commitments, we are not going to make any commitments for the time being until the position eases a bit, and to that extent there might be diminution. But there is a relationship between foreign exchange and the cutting down of the Plan. It is only in those sectors which carry a large foreign exchange component where the cutting down will come.

SHRI BHUPESH GUPTA: Does that mean that the industrial targets will be adversely affected?

SHRI T. T. KRISHNAMACHARI: The point is this. Well, we have the M.I.D.C. schemes. Originally we had set apart Rs. 50 crores. Thereafter I pressed the Planning Commission to raise the limit. Perhaps we could have gone on if the foreign exchange difficulty was not about Rs. 130 crores. Well, some portion will no doubt suffer, and there may be one or two other power projects which might have to be postponed. But it is a comparatively narrow sector, and it is only in dealing with that peculiar position that I felt like this.

Then, Sir, the question raised by Dr. Kunzru was about the cost of the Plan. Of course, he has been asking me this question since a year back. He says that the price factor is now increasing and what would be the cost? Well somebody said Rs. 7,000 crores. Well, Sir, anybody can work out arithmetic and say that something has gone up. But Rs. 7,000 crores we cannot find. If the cost of the Plan is Rs. 7,000 crores, we really cannot implement the Plan. So we have to rule that out. At the present moment our excises, as I said, still keep us somewhere about Rs. 5,400. Maybe, there will be a little diminution because some elements of the Plan do not come by way of foreign exchange. And if the foreign exchange does not come in, we cannot undertake the local expenditure. Sir, we are working on it. And I do hope that some time before long we will be able to give rough estimate of what our present expectations of the expenditure on the Plan are. The re-examination of priorities and re-nasping expenditure is a process which we cannot complete quickly. I can assure my hon. friend that we are trying hard to make a quick examination of the various issues involved, and we will be able to give some idea of what we are going to cut down and what will be its effect on the Plan.

Sir, Dr. Kunzru is also critical of my statement about this compensatory expenditure. Provided internal resources are satisfactory, he is worried about what would be the inflationary implications for stepping up expenditure. I quite agree, we cannot enter into an expenditure on what you might call semi-public work character without looking into the inflationary aspects of it. But the present position is that there are certain inflationary pressures in regard to prices. But so far as the credit policy is concerned, the credit mechanism is concerned, that is *per se* this inflation. And if we slow down certain industrial projects and certain of the big projects nearing completion and we do not take up any other projects, we might have other disinflationary symptoms coming to

the economy. The employment aspect of it will have to be kept in view, and even as it is, the planners have not been able to provide even the optimum employment needs in the Plan. So, some kind of public expenditure or some plans of expenditure which will generate employment and which will have a low capital intensive character will have to be undertaken, and that is why the suggestion made by my friend, Shrimati Savitry Devi Nigam comes uppermost. If we are going to cut down any of the big schemes, we have to take up the smaller schemes and spend money on them and get more people employed. If we are not going to consume all the cement that we manufacture, we have to see that that cement is utilised somewhere, even on public buildings to some extent. We can have some new schemes, perhaps new road schemes etc. If we cannot find iron and steel girders, we must do at least the earth work and the masonry work for the projects. It is a part of our Plan because we have to have the development of a particular area providing employment for our people. We have to utilise the material which will be otherwise unutilised because the projects for which we had originally planned, are not going to be executed. That is where the ingenuity or the value of our planner comes in. I think the planner is going to be put a very severe strain in order to meet the disinflationary forces that might develop, the moment we talk about cutting down certain aspects of the Plan which have a foreign exchange component. The real point. . .

SHRI H. N. KUNZRU: Does the Finance Minister admit or not that if productive projects are cut down or reduced in number, the expenditure internally cannot be what it is at present planned to be without inflation becoming greater?

SHRI T. T. KRISHNAMACHARI: It might be axiomatic. But it is hardly correct in application, because the question is: What is a productive project? Most of the big projects which

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have a large foreign exchange component are not immediately productive. Their productive capacity is deferred. Supposing I am prepared to invest tomorrow by some means or the other. We get some credit here and there...

SHRI H. N. KUNZRU: Will the other things that the hon. Minister referred to, namely slum clearance and things of that kind ever be productive?

SHRI T. T. KRISHNAMACHARI: I believe, Sir, while slum clearance may not be productive, it may only be productive from the point of view of goodwill that you would create. It is not inflationary for the reason that if the thing is so managed as to ensure that wages do not rise in that sector and the surplus population is being employed, it is not *per se* inflation, because that class of people are not going to cause any inflation. I do not mean to say that a person who is getting just Rs. 1/8/- or Rs. 2 a day is going to cause inflation. That is pure academic economics. Today, the person who would probably cause inflation or buy more food articles and more of consumer goods, is the person getting probably Rs. 7 or Rs. 8 a day. If you provide him with a house, I say, that is, to some extent, disinflationary. He will buy probably a charpoy; he will buy a cycle; he will perhaps say "The next door neighbour is looking into my house; therefore I will buy some curtains." And he might like to keep his house tidy. Well, I will tell him the experience of my visiting the Calcutta slums a few months back. The Calcutta slums which are now occupied by the lower middle class were originally built for refugees, and the rent component of each tenement was Rs. 20 or Rs. 21 or Rs. 22 according as to how the flooring was. The refugees would not go and stay there. It is now being occupied by some lower middle class people getting Rs. 160, Rs. 180 or Rs. 200. Sometimes two members of the same

family are living together. I went in and saw the house. Some of them—it is not provided—have electric fans, a small radio there. The house is kept very clean. They have a kitchen, they have a lavatory, a bath room. Some have one room and a verandah which is converted into a room. I say that the money that that man spends on an electric fan, on the curtains which he has, on the decent charpoi that he has and even the door mat that he has outside, is not inflationary. It is definitely not inflationary, because he generates production. We have at the same time to look to the man's needs and provide the manufacturer with some work. If in small-scale industries we can make the equipment that is necessary for him, the bicycle that he uses for journeying to his work, I say that it is not inflationary. I say that to undertake in a country of this nature slum clearance and build lower income group houses is not inflationary, because money is not transferred to his hands. We cannot help it. We must remember that the primary condition of this Plan, the primary objective of this Plan, is to raise the standard of income. To say that we should not undertake slum clearance is not right. I certainly agree that we should not build big houses.

SHRI H. N. KUNZRU: If you employ more men in the building trade, the pressure on consumer goods will increase.

SHRI T. T. KRISHNAMACHARI: The point about it is that I do not mind the pressure on consumer goods increasing provided *pari passu* I am willing to produce more consumer goods. That is where the Plan wants rephrasing.

SHRI H. N. KUNZRU: Of course that is quite clear.

SHRI T. T. KRISHNAMACHARI: For instance, China is doing it. That is what Russia has done two times, three times. That is what Poland is doing. That is what every country—every undeveloped country developing

its economy—is doing, realising that once you have put your emphasis on heavy industries, on the major projects that you have, you forget consumer goods industries. Maybe that we may perhaps do better and produce more consumer goods, and to that extent I do not think that the mere fact that a man is getting Rs. 2 more today is inflationary. It is not in my view inflationary.

May I very respectfully point this out to Pandit Kunzru: He says that if I undertake this work, it is inflationary. If I expand my credit, it is inflationary. If I cut down my Plan, I have planned wrong. You want me to tell you how much the Plan is going to cost, and you object to my taxation. Logically, each part of my hon. friend's criticism is correct, but taken as a whole piece, what does my hon. friend want me to do? I do not want to indulge in deficit financing because it is going to be inflationary. I agree. What is the cure? I must have progress, I must have internal resources because some of the big works and these schemes will not be there. So, I want more money to spend on the people. Where am I to get the money from, if I do not tax? It is here that I give the answer to Shrimati Savitry Devi Nigam. The real point about it is this: You say that a man who was paying income-tax a little more before is paying less, but you forget that he has to pay wealth tax. There are other compensatory factors, and essentially what we are trying to do is to save the economy and to save the position of the man for whom we are doing so much today.

SHRIMATI SAVITRY DEVI NIGAM: What are his suggestions for preventing the rising prices of commodities?

SHRI T. T. KRISHNAMACHARI: Let us wait for the Ashok Mehta Committee to tell us. There is no point in appointing a Committee and then prescribing a remedy myself.

Then, he raised certain points about the balance of payment position. I

may mention to the House that we are cutting down our foreign exchange expenditure to a very considerable extent, and we should proceed in that direction until we find that we have got the entire thing under control. So far as the investment in the private sector is concerned, I think that it has probably reached the figures that we have mentioned in the Plan, because all these capital goods that we are getting are bound to be utilised. Maybe, if they do not have money, we may have to give them money to set those industries going but do it under very strict control. I would like to assure my hon. friend that we have not forgotten the main thing that we cannot come down with a taxation of this magnitude and still say that the Government is not going to spend that money on this Plan.

My young friend spoke about the economy measures that we are having. Maybe that they are not perfect. I have realised since I took charge of this Ministry that our expenditure control has got to be tightened up. It has got to be very severely tightened up, but at the same time, what is the use? My hon. friend mentioned something about Hellorith machines, but factually it is wrong. If a person has to spend Rs. 10,000 where he was spending Rs. 600, he will not do so, because after all a business man is not out merely to protect the Helloriths. He has to make money. The real point about this is that we find that there is a large surplus staff recruited during the war all because of certain ideas. Once you want to have an office, you must have one Secretary, one Joint Secretary, two Deputy Secretaries, 4 Under-Secretaries, 8 Superintendents, 27 Upper Division Clerks and 27 Lower Division Clerks, and the net result is that we have no place for them to work, no space for them to live, and in the present condition of the housing of the Government of India staff, I will not blame the lower or Upper Division Clerks. They cannot work. Six people in a room cannot turn out any work. Can we say that we should economise on this? I

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have tried in a new Ministry when I took charge of Iron and Steel, to start that Ministry without clerks. We started with some people who could take responsibility straightway, because the Central Ministries can be run on these lines, but the State Ministries cannot do it. Can I say that these people should go out? We cannot. Today I have said that economy does not mean retrenchment. What we have done is to put them down as reserve and use them in our expanding economy. We are going to need more men, as we are going to have more schemes. There is an interregnum where you cannot show a downward trend in expenditure, but at the same time we can see that there is no upward trend and we can absorb these people slowly as there is expansion, because in a number of directions we are expanding. That is what we are trying to do and we do hope to be able to evolve a reasonable expenditure policy and all the control that is possible to be exercised will be exercised. In fact, in many things that I have to do I refer to the Economy Board. Maybe I can decide. I know it is a good cause; otherwise I would not sanction the expenditure, but I must put myself under some discipline.

One final word. I think Mr. Sinha will be angry if I do not refer to him at all. He mentioned about direct and indirect taxation. I would suggest that my friend reads Vol. I of the Taxation Enquiry Commission's Report, Page 155, para 31. I think that gives a fair idea about the value and the emphasis on direct and indirect taxation. I do not propose to detain the House any longer, but so far as direct and indirect taxes are concerned, even the proportion of some of the advanced countries and ours will bear comparison. I will leave it at that.

I would like to express my gratitude once again to those hon. Members who have been charitable and kind, and I do hope that hon. Members would not feel that I have not

answered any of the points made by them. I have tried to cover a very wide ground. I thank the House for listening to me with very great patience, and I hope it will pass this measure.

SHRI GOPIKRISHNA VIJAIVAR-GIYA (Madhya Pradesh): What is going to be the position of the private sector and the public sector in the matter of investment?

MR. DEPUTY CHAIRMAN: Some time later.

The question is:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1957-58, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

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

Clauses 2 to 8 were added to the Bill.

Clause 9—Substitution of New Section for Section 58E

SHRI BHUPESH GUPTA: Sir, I move:

1. "That at page 10, lines 6-7, for the words 'ten per cent.' the words 'twelve and a half per cent.' be substituted."

MR. DEPUTY CHAIRMAN: Motion moved:

1. "That at page 10, lines 6-7, for the words 'ten per cent.' the words 'twelve and a half per cent.' be substituted."

SHRI T. T. KRISHNAMACHARI: Sir, I do not accept the amendment.

MR. DEPUTY CHAIRMAN: The question is:

1. "That at page 10, lines 6-7, for the words 'ten per cent.' the words

'twelve and a half per cent.' be substituted."

The motion was negatived

MR. DEPUTY CHAIRMAN: The question is:

"That clause 9 stand part of the Bill."

The motion was adopted.

Clause 9 was added to the Bill.

Clauses 10 to 12 were added to the Bill.

*Clause 13—Amendment of
Act I of 1944*

SHRI BHUPESH GUPTA: Sir, I move:

2 "That at page 11, (i) lines 25-27. for the entry against sub-item (i) the following be substituted, namely:—

'One rupee and fifty naye paise per gross of boxes.'; and

(ii) lines 28-30, for the entry against sub-item (ii) the following be substituted, namely:—

'One rupee and twenty-five naye paise per gross of boxes.'"

MR. DEPUTY CHAIRMAN: Motion moved:

2. "That at page 11, (i) lines 25-27, for the entry against sub-item (i) the following be substituted, namely:—

'One rupee and fifty naye paise per gross of boxes.'; and

(ii) lines 28-30, for the entry against sub-item (ii) the following be substituted, namely:—

'One rupee and twenty-five naye paise per gross of boxes.'"

SHRI T. T. KRISHNAMACHARI: I am sorry I cannot accept it.

MR. DEPUTY CHAIRMAN: The question is:

2. "That at page 11, (i) lines 25-27, for the entry against sub-item (i) the following be substituted, namely:—

'One rupee and fifty naye paise per gross of boxes.'; and

(ii) lines 28-30, for the entry against sub-item (ii) the following be substituted, namely:—

'One rupee and twenty-five naye paise per gross of boxes.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 13 stand part of the Bill."

The motion was adopted.

Clause 13 was added to the Bill.

Clauses 14 to 16 were added to the Bill.

The First Schedule

SHRI BHUPESH GUPTA: Sir I move:

3. "That at page 15, line 19, for the figures '3000', '3300' and '3600', the figures '4200', '4200' and '4200', respectively, be substituted."

MR. DEPUTY CHAIRMAN: Motion moved:

3. "That at page 15, line 19, for the figures '3000', '3300' and '3600', the figures '4200', '4200' and '4200', respectively, be substituted."

SHRI BHUPESH GUPTA: Sir, I would like to say a few words. This amendment that I have moved only wants to restore the old position as far as income-tax is concerned and the reason why we are pressing this amendment—and I have also sought the opportunity of saying a few words—is this: There is no justification in our view to lower the income-tax limit and bring within the operation of the income-tax law people with very little income, people in the lowest

[Shri Bhupesh Gupta]
brackets of income, so to say. They are not today in a position to make their both ends meet. You please ask him to finish the conversation (*Pointing to the Minister*).

MR. DEPUTY CHAIRMAN: Mr. Saksena, when an hon. Member is speaking, you should not disturb the Minister.

SHRI BHUPESH GUPTA: Now it is very disheartening, you see. What I was saying is this that they are not in a position to pay. During the discussion this matter has been debated and discussed all over the country. Newspapers have written articles and editorials, public men have spoken, employees have spoken, small businessmen have spoken and there is no one in the country from that side who has for one reason or other found it necessary to support this measure. This thing has been universally rejected by all sections of the people. I would like to mention one incident in this connection. Taking these things, Jugantar, a Calcutta daily paper, which is owned by a Deputy Minister or his father wrote an article about the middle-class life and made such an attack on the Government policy that the President of the Congress had to say something against him and then he offered, this person Shri Torun Kanti Ghosh, his resignation and all that happened. Such a situation arose. I don't see as to why the Government think it necessary to insist upon this.

DR. NIHAR RANJAN RAY (West Bengal): It is not true.

SHRI BHUPESH GUPTA: In this way only Rs. 5 crores they will get. You can easily get it by stopping the payment of privy purses. You will say, this is a commitment but what about your pledges to the people? In the election manifesto of the Congress Party, assurance was given to the effect that the tax burden would be more and more shifted to those people who are in a position to pay. It is

exactly the opposite process. Therefore I say, on financial grounds, it cannot be at all justified. I think that the Government is insisting on this measure because it wants to, a kind of, experiment with its new aggressive policy of the taxation as far as the people are concerned. This is what I feel. I would therefore urge upon the Government even at this late hour—because all that you can do—'Don't hit this class. They are absolutely not in a position to pay. They spend most of their income on their food items, clothing and medical Bill. They don't even have enough money for meeting the school-fees of their children, let alone provide for higher education'.

(Time bell rings.)

Why the hon. Minister is hitting these people, I cannot understand. He would not like to be called a 'pick-pocket'. I don't know what else to call...

MR. DEPUTY CHAIRMAN: That will do.

SHRI BHUPESH GUPTA: ...neither would I like him to behave as if he has become a little of a robber and a high-way man with regard to this class.

SHRI T. T. KRISHNAMACHARI: The point is this. By the concession that we have now given, the two concessions which we have now given—that is, the married man's allowance has been raised to Rs. 2,000 and the marginal cases beyond Rs. 4,200 would be benefited and they have been given an allowance of Rs. 600 for two children—I think the bulk of the assesseees are benefited by it. I did not expect Rs. 5 crores. I did not say so. I expected Rs. 5 crores additional income by way of greater efficiency in the collection and because of the rephrasing of the rates. But here so far as the salariat is concerned, after the concessions that we have given, what the amount of money that we will get from the salariat would only be a little less than a crore but we do expect that

this will open up a wider vista of those marginal cases which probably were incomes above Rs. 5,000 or Rs. 6,000 but were escaping merely because Rs. 4,200 was the slab. It opens up a large number of accounts for us than the salariat or the wage earners. It is not the wage earner who is going to pay because if a wage earner has got two children, between Rs. 3,600 and Rs. 4,200 the difference is only a matter of Rs. 18 but in fact for administrative reasons we had given up this class who made the evasion in this category. It is not merely a matter of Rs. 4,200, probably it is Rs. 6,000 or Rs. 7,000 or somewhat greater. We want to get back into that area where incomes are expanding. So it is not the salariat that we are thinking of, not the wage earner that we are thinking of. It is the class of people quite outside and so far as wage earners are concerned, they will not pay Rs. 5 crores. As I said it might be a crore of rupees.

MR. DEPUTY CHAIRMAN: The question is:

"That at page 15, line 19, for the figures '3000', '3300', and '3600', the figures '4200', '4200', and '4200', respectively, be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That the First Schedule stand part of the Bill."

The motion was adopted.

The First Schedule was added to the Bill.

The Second Schedule was added to the Bill.

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

SHRI T. T. KRISHNAMACHARI: Sir, I move:

"That the Bill be returned."

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

The Bill will be returned.

The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at forty-nine minutes past five of the clock till 11 A.M. on Wednesday, the 4th September 1957.