

[Shri M. C. Shah.]  
this amending Bill. All the existing Acts which require to be repealed will be repealed. There are only three States which will have to be given some time in order that there may not be any dislocation. Therefore it has been provided that they will continue the present arrangements for one year. As the House is well aware, according to the States Reorganisation Bill, the debt of the Hyderabad State will be the debt of the Government of India and ultimately it will be apportioned as between the successor States. So, Sir, this is very non-controversial measure, and I am sure that the House will have no objection at all.

MR. CHAIRMAN: Motion moved:

"That the Bill further to amend the Public Debt Act, 1944, as passed by the Lok Sabha, be taken into consideration."

SHRI KISHEN CHAND (Hyderabad): Mr. Chairman, Sir, I welcome this Bill. It is only a routine Bill and it regularises certain things. But I take this opportunity for congratulating the Government on the fact that the loans which have been floated by the States have been oversubscribed. It shows the strength of the savings of our people, and it shows their confidence in the Government of India, and particularly in the Finance Minister. The Finance Minister took charge on the 1st of September, and these loans were floated on the 3rd of September, and almost all of them were oversubscribed within a very short time. It shows that the people in the States have got great confidence in our new Finance Minister. Therefore, I submit that this is a very welcome sign for the second Five Year Plan.

It was said some time back that the capital is shy. But now, it does not seem to be shy; it is coming forward quickly. Further, when the details with regard to these debts are known, it will be noted that not only the institutional investors have come forward to subscribe to these loans, but also the common people. That means that the economic condition of the average man is slowly improving. We must note with gratification the implications of this particular thing, when we find that the economic condition of the average man is improving and he is trying to save more and more money to be subscribed to these loans which have been floated by the State Governments

Therefore, Sir, we should be very glad about all these things. Sir, I welcome the Bill. Thank you.

SHRI M. C. SHAH: Sir, I have nothing to reply because the Bill has been welcomed by Mr. Kishen Chand.

MR. CHAIRMAN: The question is:

"That the Bill further to amend the Public Debt Act, 1944, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. CHAIRMAN: Now we take up the clause by clause consideration of the Bill. There are no amendments.

Clauses 2 to 15 were added to the Bill.

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

SHRI M. C. SHAH: Sir, I move:

"That the Bill be passed."

MR. CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

## THE CENTRAL EXCISES AND SALT (AMENDMENT) BILL, 1956

THE MINISTER FOR FINANCE (SHRI T. T. KRISHNAMACHARI): Sir, I move:

"That the Bill further to amend the Central Excises and Salt Act, 1944, as passed by the Lok Sabha, be taken into consideration."

Sir, there is not much that I have to say in regard to this Bill for the reason that it has received a certain amount of publicity, and hon. Members know everything with regard to the scope of the Bill, and what it seeks to do. I have also, Sir, taken the liberty of circulating a factual note giving the background of this measure. I hope the hon. Members have received that note.

This Sir, if I may be permitted to say it, is not intended primarily as a taxation measure though incidentally it does become one and serves to augment the revenue resources of the Government.

Before putting forward a measure of this nature before Parliament, we had given considerable thought to certain aspects of cloth prices as they exist to-day and it is only because we felt that this is the only means now open to us which can to some extent act as a deterrent against high prices and where it fails to do so, would be able to absorb the margins of profit that go to the trade and industry that we sought to bring in this measure for the approval of Parliament. Sir, the factual position which has been described in the note might be summarised thus: The existing capacity of the mills is being utilised to the maximum possible extent. In fact, Sir, in July, the production of textiles has been an all-time record of 478 million yards. Hon. Members might say "Well, if that is possible, why do you fear that there is going to be scarcity of cloth?" In fact, I think, it is the possible scarcity and the high prices that have induced these people to stretch a point and make the mills produce a little more though certain factors helping to increase production have been adventitious. namely, in July, the working days have been the largest in number. The other fact is also, Sir, that we are not in a position within any measurable distance of time to increase the capacity of the mills both in regard to its loomage, that is, weaving, and in regard to its spindlage, that is, spinning, because, the loomage in the mills is frozen. We are not adding to the looms except for the recent decision that we have taken that we should add to the mills by way of automatic looms intended specifically for promotion of export of cloth and, so far as spindlage is concerned, that has been restricted to an increase over a period of  $1\frac{1}{2}$  years to about 2.1 million spindles, the licence for bulk of which has already been granted and this decision was taken on the basis of an estimate of consumption during the Five Year Plan, and towards the end of it, of 18.5 yards *per capita* when that decision was taken. Sir, Government were not unconscious of the fact that that target would not be a correct one and in an expansionist economy, that target is likely to be exceeded but that target figure was tentatively accepted mainly because it happened to coincide with the recommendation of a Committee which, *inter alia*, dealt with the requirements of the people in regard to cloth, that is, the Karve Committee, and, therefore, Sir, if the guilt is laid at the doors of Government, I will have to

plead guilty, namely, that we were not in a position to envisage the rapid expansion of consumption. The figures that I have furnished to hon. Members will indicate that while the consumption figures *per capita* last year, that is, for 1955, would be below 16 yards, there has been a rise during the first half to 16.8 yards, roughly about .9 yards *per capita*. It is quite likely that unless the price factor, the scarcity factor and other factors operate to diminish the total consumption, the rate of consumption might increase. Of course, there is undoubtedly a limiting factor because cloth has to come either by inhibiting exports or by an increase in production or by an increase in the handloom sector and in these three cases, we have almost reached the maximum point where we can expect additions to the total cloth consumption. So, it is possible that cloth consumption might go up to 17 yards and is not likely to go beyond that merely because of the fact that cloth will not be there. Probably, if the cloth is available and if we allow people to consume the cloth freely, well, the consumption *per capita* might exceed 17 yards by the end of the year but it is certainly indicative of the fact that in the first year of the Plan, we have only got a margin of 1.5 yards *per capita*; and, we have also got to realise the amount of money that is being pumped into the country and, to some extent, into the hands of the lower income groups will have one effect, namely, certain commodities like cloth and sugar and commodities of that sort which have been considered to be not necessities in the past and have, therefore, elastic features in consumption would become more or less articles of necessity and be transferred from the semi-luxury state. In such a case 20 or 21 yards seems to be well within our possibility of achievement as a target. There is undoubtedly, Sir, a background behind this restrictive attitude in regard to addition of capacity and that is, to some extent, sentimental and, to some extent economic and deliberate. We want to help the decentralised sector in this industry; the handloom sector has to obtain protection against the weaving mills, composite mills, as they are called. Well, some protection has been given incidentally by means of a differential rate of excise duty: the handloom sector does not pay any duty at all and additional help is being given by means of subsidy to the handlooms. Even then, it was felt that any un-coordinated or

[Shri T. T. Krishnamachari.] unregulated expansion of the mill sector will make it difficult for this industry to stand on its own legs. Recently, a further improvement, I should say refinement, of that policy has been brought into being, namely, in the decentralised sector, spinning is to be given a certain amount of protection and that was sought primarily to be done by means of inhibiting production in the spinning sector of the mills not so much by taxation—possibly if we had used this method of taxation, the production of yarn might have been inhibited—but by inhibition of the production of yarn in the mill sector. If we had used the taxation policy for inhibiting production of yarn, possibly it might not be as rigorous as it otherwise is consequent on the decision that was taken recently. We only see the effects of these acts of ours now; we have no reserve capacity. We have come to the end of the tether and there is no more room. We find that we have to keep things going. Therefore, this policy would have to be altered in such manner as the basic purpose will continue to be served but, at the same time, we might have room for expansion if the need arises. Out of this, we have learnt a lesson and it is the intention of Government to reconsider this matter from this point of view as soon as possible. There is a limitation. We cannot produce looms overnight nor could we produce spindlage overnight. These matters take time; they might take anywhere between say 12 to 18 months. It may be that we may have some looms which have been sealed or not used because of certain restrictions which we have imposed on mills in regard to yarn that they may use. If any elbow room is available, that will be used. If it is not possible, we have to more or less put up with the existing situation for a period of 9 to 12 months for certain, perhaps a little more. The question is also of encouragement of the production of the handloom sector a little more rapidly. I might, Sir, claim that the picture of the handloom industry as a whole in this country is somewhat better known to the Ministry which I was handling a few weeks back and I might also claim credit, Sir, that I share that knowledge. That knowledge is perhaps on a factual basis somewhat better than the knowledge that individual leaders of handloom movement have in various parts of the country because I happen to know what is happening

in various parts of the country and the complete picture is before me. I would also like to say to my friends, who sometimes feel that we are letting the handloom industry down, that personally speaking, my interest in the industry is great. It is very live and even though I have dissociated myself from the day to day handling of this particular work, I shall still keep a watchful eye on the progress of this industry. The position, Sir, which sometimes is given to a Finance Minister is apt to be aggressive now and again. Anyway, I think there is nothing wrong in my being aggressive in order to protect the interest of the handloom weavers, and I am sure my colleagues who are in charge of the Ministries concerned will put up with limited aggressiveness on my part. But the fact remains that while people say: We can do it; that is to say, if you want 5,000 million yards the handloom industry can do it, it is not quite so easy as all that. It is easy to say: We can do it, but when you are asked to do it, the organisation is weak; the facilities available to them are not quite so plentiful. The means of production, the tools at their disposal are not particularly efficient. All these do put a limit, do act as a limiting factor on any inordinate or rapid rise in the production in the handloom sector. Even so there is the other factor. I am not in a position to supply yarn because I expect that about 800,000 spindles might come into operation by about the fall of next year or perhaps a little earlier. But it is progressively improving. Again in the matter of spinning the problem there is one of supply of cotton to the spindles. But they are coming into being. May be the handloom industry may have a little more yarn than what they have today. But that is to be produced if the handloom sector has to expand but at the same time its capacity to expand rapidly is very limited, and I would like the hon. Members to have that in mind.

So you have now an absolutely confused picture of the entire situation. Production at various levels is frozen more or less and naturally, when any commodity happens to fall within the orbit of the seller's market, well, the intermediaries will certainly take advantage of it because, whatever we might say, unless we have total controls, the law of demand and supply will operate, and the only way in which you can effectively combat the law of demand and supply, when you don't

have physical resources to increase production, is to allow the law of diminishing returns to operate, that is to say, the consumer will say: Well, I cannot pay this price; so I will not buy. That acts as a check on demand and, I suppose, in turn it sets in motion other economic laws so that the total demand is slightly restricted. I am one of those who believe that it can be done. It is not a question of a water-tight compartment. We are not working in a laboratory. We are dealing with the lives of 377 and odd millions of people who are in this wide country. It may be there are pockets in which the prices may rise. So when I put this Bill before the House, there is no point in my giving them an assurance that prices will not rise. The very fact that I am bringing this Bill is because of a consciousness that with a shortage in supply as against a rising demand the prices are bound to rise because we still do not have any control over the intermediary sectors operating in the distributive trade. All that I can say is: Well, if prices rise, some portion will come to us. The present measure is so framed that it acts as an automatic check. If they raise the prices further, I raise the duty further. If you read clause 4 of the Statement of Objects and Reasons, you will find that it is based on a movable equilibrium.

SHRI S. MAHANTY (Orissa): What?

SHRI T. T. KRISHNAMACHARI: Hon. Member will please listen to me to the end and then he can ask.

SHRI S. MAHANTY: What equilibrium? I asked.

PROF. G. RANGA (Andhra): A flexible equilibrium.

SHRI T. T. KRISHNAMACHARI: Whether an equilibrium will move or not is another matter, but the fact really is that it moves, and when it is intended to move, it will be our duty to check up prices every month and find out whether we have to lower the duty or to raise the duty. Of course incidentally somebody will profit—I do not deny it. But we give this assurance to consumers that when Government comes in with a measure of this nature and says that it is not intended to be *per se* a taxation measure, we propose to stick to our obligations. But the trade will know that if the price goes up, well, we will also go up with it. All that I can say is I am only getting a

portion of it, not the whole of it. I am quite conscious of that fact so that there is no need for any hon. Member to say: You are not as wise as we are. I am not, in the face of this medley of distributors running into lakhs and lakhs, who are certainly cleverer than any officer of Government or any Minister for that matter. In order to gain a little more money they will certainly use all their ingenuity. But what we think of is some kind of a blanket control over prices moving up or moving down, according to the price rate ruling at a particular time. Well, hon. Members might ask me how much of this will be absorbed. We expect, Sir, that some portion of it will be absorbed. There is an hon. friend of mine here who has got a considerable amount of experience so far as the textile industry is concerned, who might be able to enlighten the House. All that I can say is, whether I say it or some other hon. Member says it, well, the validity is more or less the same, because nobody knows what will happen, but the estimates are that some portion of it will be absorbed. Visualising that it is not absorbed and prices are raised, well, some time or other it must reach a point when the consumer will say: No, I won't buy. I won't pay that price.

Sir, I have mentioned practically all that I have to say excepting to add one word more at this stage. Apart from this measure other suggestions will probably be made by hon. Members. Some hon. Members will say: Let us open fair price shops. Well, at the time of rising prices and certainly in the case of an article, unlike food or something like that, where a man can buy five yards or six yards and take it into his shop and sell it again at a fancy price, fair price shop is not a remedy. It might be a remedy with restrictions, if it operated in a restricted manner, if, say, the Government servants have their own fair price shops or other institution have their own fair price shop buying and selling it to its members. That might be encouraged. But fair price shops all over the country opened by State Governments are not going to do the trick. The other alternative is publicity. We do hope, Sir, almost within the next few days to be able to work out the fair prices in the various cities and in working out the fair prices I propose to ask those people who do the work to be liberal and if it really means the

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costs of transport, the sales tax, the handling charges, the profits of intermediaries, and if the intermediary charges be normally 2 annas I say, let it be 2½ annas, but let us say 10 annas is the cost, 2½ annas is the intermediary charge and 12½ annas is the normal fair price. If you happen to be far away from the city, well, you have to add some cost of transport. But that would indicate to the buyer roughly what the fair price is, it might be 13 annas or 13½ annas and he will certainly not be paying Rs. 1-4-0. And we propose to tell them: Don't pay beyond this. If you cannot get it at that price, don't buy. Well, I had a check made, almost on the night before the day on which I actually moved this in the other House, of the retail price in Delhi as against a fair price. We would allow a Delhi dealer of course a margin including his reasonable profit. But we found that the margins were very big. A thing which costs, say, Rs. 8-14, a saree which should cost Rs. 8-14 or Rs. 9 was sold at Rs. 10-8, and in some cases a saree of course means 6 yards or 7 yards. In the case of a yard of drill cloth the gap was as big as 8 annas. So even as it is, the gaps are so wide. Somebody comes and says: Well, you are raising the price. But it is already being raised by the other people. I do not see that is an argument. But I am merely telling hon. Members that if that is so, the only remedy left to me is publicity, and I do propose—I shall not spare any money for that purpose—I propose to use all organisations, any voluntary organisation which is willing to publicise this. We will give them the literature. Government organisations have got certain limitations in this matter, but subject to that limitation we will use them.

I am asking the State Governments to help me. Within a few days we shall probably get moving. That is what we can do at the moment. So far as the future is concerned, it is more or less a long-term basis. What we could do would probably take eight months, 9 months, a year or 18 months but it has to be done. We cannot be caught napping. I spoke at length yesterday about the question of prices. We feel that maintenance of prices happens to be the cardinal factor in the success of the Plan and we shall do our very best so far as that is concerned. Our very best may not be all that the

hon. Members want or all that a wise person will do. The limitations are what we could do in an economy where total controls will not be accepted in the present context of things. When we get mentally prepared for a little more regimentation, well, the area of control might increase but at the present moment I know that people will not like it. They do not like it partly because of past memories and partly because of the administrative ineptitude that will follow the imposition of total controls in the present state of the economy. But subject to that we propose to go to the maximum possible extent in trying to regulate prices and the economy.

Sir, I have said all that I had intended to say and if hon. Members want any elucidation on the basis of what I have said, I am quite prepared to give it in my closing remarks. But if they do not agree with me, it will be rather difficult for me to convert them except on the basis of the arguments that I have put forward to the House.

Sir, I move.

MR. CHAIRMAN: Motion moved:

“That the Bill further to amend the Central Excises and Salt Act, 1944, as passed by the Lok Sabha, be taken into consideration.”

SHRI B. K. P. SINHA (Bihar): Mr. Chairman, while rising to support this measure, I am conscious that the hon. Minister for Finance.....

SHRI S. N. MAZUMDAR (West Bengal): You are one of the very few to support this measure.

SHRI B. K. P. SINHA:.... is likely to reject the grounds on which I would base my defence. He has already rejected one of the substantial grounds in advance. This, in my opinion, is a taxation measure in form and a taxation measure in substance too. And this can be justified only as a measure of taxation. Duties are sought to be imposed on cloth of various varieties. The duties will be collected from the manufacturers but the more important question is, wherefrom shall these duties come? Whereon shall be the incidence of these duties? Sir, the incidence of a duty of this sort depends on the nature of the demand for the

commodity on which the duty is imposed. If the demand for the commodity is elastic, the duties stick where they are imposed. If the demand is non-elastic the duties are transferred to the consumers. While the demand for cloth has of late been rising, I do not think that the demand has even now assumed proportions which can invest the demand for cloth with full elasticity. In the hand-out supplied to us by the hon. Minister, the availability in 1939-40 was 15·75 yards *per capita*. In the war years this availability declined, and declined badly. There was not only austerity buying by the masses but I feel that there was near-nakedness buying for reasons beyond their control. After 1950, things began to look up and it was only in 1955 that the availability caught up with that in the year 1939-40. While in 1939-40 it was 15·75 yards, in 1955 it rose to 15·9 yards. In 1956 we are told that it has risen to 16·8 yards; that is, it has risen by 0·9 yards *per capita* in the course of these 6 or 8 months. When all is said, the fact remains that if you compare the availability in the base year 1939-40 with that in the current year, it has risen only by one yard. And if you compare the availability here with that in other countries, we find that it is much lower. After all, what do 17 yards mean? That will mean hardly a pair of dhotis, two kurtas and a ganji. Therefore it is clear that the demand for cloth even now is of an inelastic nature. In the circumstances I am certain that the major portion of the duty shall come out of the pockets of the consumers. What that portion would be it is difficult to assess in advance; it is difficult to be dogmatic about it. It is not capable of any precise mathematical formulation but it is clear that the major portion will come out of the pockets of the consumers. But the more important question is, should the common man bear the burden of this extra taxation? I have no hesitation in saying that in the circumstances of today the common man should share the burden of building up the country. The opposition to any taxation on the score of the common man's difficulties is based on sentimental ground and, what is worse, it is a hangover from the past. In the old Central Assembly Congressmen and the nationalists used to oppose such measures and there was justification for that because the taxes were meant to build up and strengthen the coercive machinery of the State. Development

expenditure was conspicuous by its absence.

**SHRI S. MAHANTY:** Yours is the persuasive machinery?

**SHRI B. K. P. SINHA:** The whole perspective has changed. We are spending millions for developing the country and wherefrom shall the funds come?

**SHRI RAJENDRA PRATAP SINHA (Bihar):** From the poor and not the rich?

**SHRI B. K. P. SINHA:** Of late, after independence and especially after the successful implementation of the first Five Year Plan, there has been considerable dispersal of purchasing power and of wealth.

**SHRI B. B. SHARMA (Uttar Pradesh):** Is it so?

**SHRI B. K. P. SINHA:** Of course; it goes without saying.

**SHRI B. B. SHARMA:** It is doubtful.

**SHRI B. K. P. SINHA:** It may be doubtful to you.

**MR. CHAIRMAN:** Order, order. Go ahead, Mr. Sinha.

**SHRI B. K. P. SINHA:** As I said, there has been a dispersal of purchasing power. One has only to go to the villages with an open eye and it will not be difficult to discover that people today are more prosperous than they were, say, five or ten years back. The hon. Minister just now said that the consumption of sugar has been rising; the consumption of cloth has been rising; consumption of shoes has been rising. In my opinion this is proof positive that people have come by some purchasing power which they did not have in the pre-independence days. How to mop up this extra purchasing power which has been an accretion to the wealth of vast numbers of people? How to mop it up and utilise it for building up this nation? There are only two ways in which this extra purchasing power or extra wealth can be mopped up and utilised. Number one is by extending the small savings scheme to all the nooks and corners of this country. This will, however take a long time. It is not very easy of realisation and moreover it is an uncertain process. The other alternative is certain and will bear immediate results. The alternative is

[Shri B. K. P. Sinha.]  
to mop up this extra purchasing power. (Interruption.) I have already said in the beginning that I am not supporting it on the same grounds as the hon. Minister. My grounds are entirely different. This can be done with certainty and in the immediate future only by imposing some taxation and this is precisely what this measure seeks to do. Indirect taxation is a fiscal expedient which finds an important place even now, in the fiscal armoury of most of the advanced nations, including the U. S. S. R. There is greater reason why in India we should put reliance on this expedient. India's economy is not as advanced as the economy of other countries.....

SHRI B. B. SHARMA: It is a revelation.

SHRI B. K. P. SINHA: May be it is a revelation to you, but I feel that even now Indian economy is not very advanced in spite of the progress that we have made during the last five years. We are backward as compared to other nations even now and our tax mechanism is also not as efficient as the tax mechanism of other fiscally advanced or economically advanced countries. When a nation or State is placed in such a situation, in such a predicament, it has of necessity to rely to some extent on indirect taxation. There is no way out of it. After all, how do the enhanced duties operate at present? The enhanced duties in the case of coarse cloth used by the lower section of the people or people who are not rich, remain the same. The proposed rate is six pies in the case of dhotis and sarees and in the case of other varieties of coarse cloth it has been raised by two pies per square yard. Therefore, dhotis or sarees; the variety of cloth which is consumed or used by the really poor people of society have not even now been burdened with any appreciable extra taxation, though Government have assumed powers to raise the duty in future when the necessity arises. After all what does the average come to? I have calculated—it is, of course, subject to correction by my hon. friends sitting opposite there,—that the enhanced duty on the average will work out to Rs. 3 per man, per year, that is, four annas per man, per month.....

SHRI C. P. PARIKH (Bombay): Per family.

SHRI B. K. P. SINHA: I stand corrected. And this brings a revenue of Rs. 17.5 crores. Should we throw away this Rs. 17.5 crores and shirk imposing this small duty, this small burden on the common man? I believe that the rich should be taxed. But I do not believe in the fiscal philosophy that before you can lay your hands on the common man or the poor people, you must tax the rich out of existence. The rich should be taxed and taxed in a larger proportion than the poor. All the same the fact remains that like the sun which by the process of evaporation sucks up water from thousands of sources and then pours it out in the shape of rain which brings prosperity to agricultural people, the State should suck up in the form of taxes the resources from all quarters and then with the aid of those resources build up the nation. I feel that this measure of taxation will indirectly be of some assistance to the handloom and khadi industry.....

SHRI S. MAHANTY: To whom?

SHRI B. K. P. SINHA: To the handloom and khadi industry. Whenever a question of the common man is raised in this House or Parliament, we put in a strong plea for handloom and khadi. While this measure imposes a burden on mill production, it does not impose any countervailing burden on handloom and khadi. The consequence would be that handloom and khadi products would be encouraged. Incidentally, this will improve to some extent our foreign exchange position also. In the second Five Year Plan it is contemplated that we have an export target of 1,000 million yards of cloth or textiles. Of late there has been a recession in our exports to foreign countries. The reasons are many, one of the most important being that Japan and some other Western countries have entered those markets, in which we had for a few years a sort of monopoly, with vigour. I mean mainly the East African countries, Singapore, Hong Kong and some of the Middle East countries. While positive steps have to be taken to encourage our exports, it cannot be gainsaid that the rich and.....(Time bell rings.) Sir, I will take only a minute more.....profitable market inside the country has been one of the contributory factors to the lowering down of our exports. With the duties rising, the prices will rise and this will

indirectly give an incentive to our exports to foreign countries and to some extent improve our foreign exchange position. I feel, Sir, that when we want to build up this country, it is up to the common man also to share in this enterprise, or to use a better word, in this adventure, of building up this great country. I support this measure as a taxation measure.

SHRI H. N. KUNZRU (Uttar Pradesh): Mr. Chairman, I readily concede the Finance Minister's claim that as he was till recently the Minister for Commerce and Industry he knows much more about the subject of the Bill before us than any of us. As for the distinguished friend who sits behind him and who he said knew more of this subject than he himself did, he has virtually expressed his opinion in the few interruptions that he made when Shri Brij Kishore Sinha was speaking. I am not going to cross swords with the Finance Minister but I want information on two or three points. He pointed out the reasons for the increase in the price of cloth. One was the increase in the price of cotton and the other the increasing demand for cloth. I understand that a part of the increase is also due to the increase in the price of coal. I want to know to what extent this factor is responsible for the increase that has taken place in the price of cloth. It may not be sufficient to account for the actual rise but we should know to what extent coal is responsible for the upward trend in the price of cloth.

Sir, the Finance Minister seems to think that the only permanent remedy for the existing state of things is additional production of cloth but as this production cannot be brought about quickly, it was necessary to devise some method which would be of immediate effect and would help partly in controlling inflation and partly in mopping up a part of the profits that would otherwise go to the cloth dealers. To what extent the excise duty will be passed on to the consumer I do not think anybody can say with certainty. I made some enquiry about the price of cloth when the discussion on the present Bill was going on in the Lok Sabha, and I understood that it had not affected the bazaar in any way. It is quite possible however that in a week or two we may get more disquieting information. We may find that the price of cloth is beginning to go up further which would

be a proof of the fact that the price was being passed on to the consumer. At the same time it is quite possible that the cloth-dealer, in spite of the demand for cloth, may not be able to pass the entire duty on to the consumer. To the extent that he does not succeed in doing so it is, I think, good that the extra profits should go to the public exchequer rather than into private pockets. That is the best that can be said in favour of the Bill. But the Bill itself provides no remedy for the existing state of things. The expenditure that Government will incur in connection with the second Five Year Plan will be on a larger scale than the expenditure incurred by it in connection with the first Five Year Plan. The money in the hands of the public will therefore go on progressively increasing. There is no possibility therefore of the demand for cloth going down. Indeed I think the Finance Minister himself said that it was quite possible that in a short time the consumption might go up to about 20 yards per head—the consumption which is now 16·8 yards per head might go up to about 20 yards per head. Now then, what is the remedy for this state of things? The Finance Minister said that he could not suggest any quick remedy. He would try to find out whether there was any additional spindleage in the country. If there was, he would see that it was brought into use immediately. I did not hear him say that if there was any additional loomage in the country he would see to it that that was also made use of. But I trust that what he meant was that if there was any additional spindleage or additional loomage, it would be made the fullest use of. He also said that as regards new spindles and new looms, it would take from 12 to 18 months to get them. I remember, Sir, that when Shri T. T. Krishnamachari dealt with this matter as Minister for Commerce and Industry, he made the announcement that the mills would be allowed to increase their production of cloth, so far as I remember, by 200 million yards only, and that this cloth that he referred to, on pain of some punishment, could not be used inside the country but would have to be used entirely for export. If any millowner sold his cloth in the country itself, he would be subject to certain penalties. The Prime Minister, when he referred to the present situation, said yesterday that while the Government wanted to moderate the shock involved in the employment of more efficient techniques



[Shri H. N. Kunzru:]

to people who cannot use them at present, it was not prepared to put a permanent ban on the employment of higher techniques in the future, and that it was not the policy of the Government to restrict the production of cloth when consumption was going up. It is, therefore, Sir, not merely a question of getting more spindles and more looms but of a change in the policy of the Government. The announcement that was made by Shri T. T. Krishnamachari a few months ago did create the impression that the Government in the pursuit of their aim to decentralise the production of cloth today and to decentralise industry generally had placed more or less a permanent restriction on the production of more cloth for internal consumption in the mills. A clearer announcement of policy is needed in that respect. I think if that is done, the Finance Minister will not have to make any special effort to find out additional spindles and additional looms. Those who have them will be only too glad to use them if they find that they can sell the goods that they manufacture in the country. I think, although the hon. Minister has not said this, having known him for some time, I can say with a fair amount of certainty that he is not for limiting the production of cloth permanently or temporarily in any way. He wants that the production should go on increasing, but he has at the same time to think of the recommendations made by the Karve Committee, which I confess I do not fully understand, and to think of the poor men in the villages who eke out a scanty living by using the present techniques. To the extent that he can do anything to lengthen the period of transition, so to say, to lessen the impact on those people who will take some time to assimilate the new technique, his efforts will be praiseworthy. But these efforts should not be of such a character as to lead to an indefinite restriction on the production of more cloth by the mills in the country. I am not in favour on principle of greater production of cloth by the mills. What I want is more cloth. If experience shows that we cannot get the cloth that we want by the methods that we thought some time ago would succeed, then there is a clear case for the need for an immediate change in our point of view. Let us try to help the poor men in the country who depend on the existing means of production in suitable ways.

PROF. G. RANGA: Where are those suitable ways? Are we not to provide employment for these people?

SHRI H. N. KUNZRU: That is exactly the point that I made. Why should my hon. friend suddenly get excited and say, "Where are those suitable ways?" If he were asked to suggest immediately some methods of finding new employment for these people, I am sure that he will find himself in a very difficult position. I have not got all the information that the Ministry of Commerce and Industry and the Finance Ministry have, and I cannot, therefore, off-hand suggest any method of continuing to employ those people who depend on the spinning wheel and on the handloom. The trouble is not about the handlooms just now, but the trouble is about the spinning wheel. What has happened shows clearly that the method chosen by Government of providing more cloth by depending on the yarn produced by the Ambar Charkha is not likely to succeed very soon. Any improvement in the Ambar Charkha that the Prime Minister hoped for yesterday would take time to materialise, but we cannot wait till improvements are made in that respect, and if improvements are made and the Ambar Charkha becomes an economically feasible project, I am sure that Government will do what they can in their power to help relieve unemployment by popularising the use of the Ambar Charkha, but apart from any improvement in technique that will be made in the Ambar Charkha, i.e., in the machine itself, Government will have to bear in mind that the method of using it should be such as to make it practicable for a man of ordinary strength to work it for 8, 9 or 10 hours a day.

SHRI K. S. HEGDE (Madras): For what remuneration?

SHRI H. N. KUNZRU: That again is a very important question. At present Government proposes to pay the spinners at the rate of one and a half annas per hank. It is expected that, if a man works for 8 hours a day at the Ambar Charkha, he will produce from six to eight hanks daily. This means that the daily wages will be anything from nine annas to 12 annas. Do you expect anybody, even a man who

is an unemployed person, to give up his search for better employment and stick to this employment which, after very hard work, will get him only, say, ten annas a day?

PROF. G. RANGA: Not ten annas.

SHRI K. S. HEGDE: From the statistics given, it makes only 12 annas.

SHRI H. N. KUNZRU: I am depending on the statements made by the Committee appointed by Government to investigate the economics of the Ambar Charkha. If anybody, for instance my friend, Prof Ranga, has got better information at his disposal, he can place it before the House.

PROF. G. RANGA: Even now we are paying Rs. 1|8|.

SHRI H. N. KUNZRU: I can only go on the statements made.....

MR. CHAIRMAN: Do not bother about statements. One man says it is eight annas, another says it is twelve annas and yet another says it is Rs. 1-8. You proceed.

SHRI H. N. KUNZRU: From the report of the Ambar Charkha Committee I find that this is the rate to be paid, after taking into account the subsidy of four annas per rupee as recommended by the Committee.

I do not want to prolong the debate, but I should like to say again, before I sit down, that Government should find other means stabilising or increasing employment in rural areas than the one they have chosen and that there is urgent necessity for a more efficient means to increase the production of cloth so that the cloth prices may show a tendency to go down. This measure is all right to some extent so long as the present state of things last, but the present state of things ought not to last indefinitely.

MR. CHAIRMAN: We have already taken one hour. The time allotted is four hours, and I have 20 speakers who have given their names. I am prepared to extend the time by another two hours, i.e. instead of four hours, six hours. One to two you will have lunch and you will reassemble at two.

At the end of the consideration stage, the Minister will speak at half past four. That will give you 2 plus 2½ hours—4½ hours—for the first reading.

SHRI S. N. MAZUMDAR: Mr. Chairman, I am opposed to this measure. The hon. Finance Minister has said very clearly that this measure has been undertaken with the consciousness that the price of cloth will rise, and the main purposes of this measure are (i) to mop up the extra profits in the hands of the mill-owners, i.e. friends of Mr. Parikh, and (ii) to increase our exports. But he has completely forgotten the effect it will have on the poor people. In the discussion on the earlier Bill when Mr. Kishen Chand was saying that the people had confidence in our Finance Minister, I interrupted to say that they had also their misgivings, particularly the people in the lower income groups in the country. They have misgivings about the Finance Minister. That has been the reaction to the first act of the new Finance Minister in the lower income groups. They believe that more and more taxes will be imposed upon them. Sir, apart from all other controversies, let us take the concrete case here. Already after the imposition of this excise duty, cloth has virtually disappeared from the markets in Calcutta. There has been a rise in the price of all varieties of cloth, and this is reported by papers like The Statesman and the Jugantar which, the hon. Mr. Guha knows, supports the Government.

THE MINISTER FOR REVENUE AND DEFENCE EXPENDITURE (SHRI A. C. GUHA): Mostly not.

SHRI S. N. MAZUMDAR: Though it may criticise particular policies, generally it is the supporter of the Congress Government. However, let us have our differences.

MR. CHAIRMAN: Discuss then in the Lobby, not here.

SHRI S. N. MAZUMDAR: It has been reported that the millowners have already caused the stocks of cloth to disappear from their godowns. This increase will be passed on to the traders who will pass it on to the consumers. Particularly at this time of the year this excise duty has been imposed and in the State of which I know better, the lower income group particularly will be very seriously affected by this.

[Shri S. N. Mazumdar.]

The hon. Minister had said that the demand for cloth was increasing and unless some check was put on it, there will be further rise in prices. He also said that because money is being pumped into the hands of the low income group, so they have been purchasing articles like cloth, sugar and other things which were not formerly treated as necessities. I wonder wherefrom the hon. Finance Minister got this impression. May be, he looks at the low income group people from the height of the pinnacle which he has reached in his career and therefore he has a distorted idea of the conditions of these people. Among the middle classes the difficulty of purchasing cloth is a long-standing one and in this season particularly they will be hit very hard. The demand for cloth is more or less a seasonal one, seasonal in the sense that the common people don't go and buy the cloth all round the year. They purchase it at particular times like, during the Puja in Bengal, during Ram Naumi in the Western States or during Sankrant in Southern India. That is well-known. If the prices of cloth are made to rise particularly at this time, then there can be no other conclusion except that this has been done deliberately to mop up not the extra profits but the little money which they have got in their pockets. This could have been done a few months later.

Another very serious charge that has been made by that daily, which is repudiated by Mr. Guha, is that the mill-owners in certain centres, have made their stocks disappear a few days ago, before the imposition of this levy. Wherefrom did they get that information? How is it possible that on every such occasion, before the Budget is presented containing any imposition of such duties, the people who are concerned with this, get previous information and they make proper arrangements so that they don't lose at all but they rather gain from the transaction and they pass on the entire burden to the shoulders of the trades and ultimately to the consumers?

Coming to the other classes of society, the hon. Finance Minister said that formerly cloth was not treated as a necessity. I don't know about which class of common people he has experience. I know that some tribal peasants in the foot-hills of the Himalayas used to put on only a loin-cloth.

If it is the intention of the hon. Finance Minister that all of us should act on that principle which was once said in India: कौपीनवन्तः खलु भाग्यवन्तः then, it is a separate thing.

SHRI V. K. DHAGE (Hyderabad): What is the meaning of that?

SHRI S. N. MAZUMDAR: The meaning is that those who wear loin-cloth are the fortunate class because they don't have the worries of the wordly matters. If the hon. Minister wants us to act on that principle, that is a different thing. There is a similar saying....

MR. CHAIRMAN: Don't bother about it.

SHRI S. N. MAZUMDAR: If these people have got a few annas and if they purchase a few pieces of cloth, why should the hon. Minister grudge that? He has said that it is not a taxation measure but whatever measure it might be, whether it is taxation or for mopping up the extra profits, the result is the same, namely, that it hits hard the pockets of the poor people. We know already that excise duties have gone up gradually and regularly as an unbroken procession. The levy on cloth alone has shot up from Rs. 12·3 crores in 1940 to Rs. 30 crores in the current year. Now it has resulted in more and more difficulties for the poor. The hon. Finance Minister said something about the law of diminishing returns operating ultimately. I don't believe in the principle of what we call the bourgeois economy and I have forgotten what I read in my student days. Still, if I remember aright, that principle has its limitation. It does not act in all circumstances, particularly for articles of necessities or some such articles which the people have to buy and the buying of articles like clothing on such occasions like Puja or Diwali or Sankrant is a matter, practically to say, of very serious concern for the poor people. If they cannot give a new piece of shirt or cloth to the children or their family members, that is the greatest calamity which they can face.

Now the traders also have said that it will hit them as well as the poor consumers. Prices have already gone up and the traders themselves have pointed out how the millowners are

already charging higher prices for the old stocks of cloth. The hon. Finance Minister said, perhaps in the other House and I read in the papers, that this rise of prices will be effected after some time but the cloth dealers have circulated some papers to all Members of Parliament and they have pointed out clearly that the millowners are already charging higher prices for the old stock of cloth. Now if the Finance Minister intends to mop up the excess profits of the capitalist, by all means he can do it but let him find other ways for it. There are other measures which have been suggested not only by us but also by people who are accepted as authorities on this subject. He has said that because of the high prices of cloth in the internal market, cloth meant for export has been diverted. If that is the case, then I think the remedy lies in the direction which has been pointed out by hon. Dr. Kunzru. If the workers demand something and if they go on strike, they are accused of sabotaging the production or creating impediments in the fulfilment of Plan targets but while the capitalists take some measures which hinder the fulfilment of the Plan targets, why should not the Finance Minister come down heavily on them? Why cannot he call them and tell them 'You have to set apart some quota for export and you cannot divert that quota for selling in the internal market. If you do that, you will be penalised.' So I don't think that anybody will be convinced by the arguments of the hon. Finance Minister that this measure was inevitable in order to push up exports or in order to mop up the extra profits. The outlook from which the hon. Finance Minister looks at the problem of the poor people is responsible for this.

Now lastly, I wish to say that this Bill was opposed by almost everyone in the other House. In this House the hon. Mr. B. K. P. Sinha started by supporting it but I was much interested in finding his attempts to sail in two boats at the same time. He was trying to point out that the rise in the demand for cloth is not at all unjustified but again he had to come back and support this measure. Now in spite of the opposition of the overwhelming majority of the Members of the other House, this Bill has been passed. That shows that the Government is determined to pass it and that shows how little consideration it has for the

opinion of the Members of Parliament. In this House also it will be passed. Hon. Members who will be opposing it will be bound by their Party whips and they have to vote for it but I still would like to voice the opinion and protest of not only myself but of people who are going to be hit by it that this measure will result in hardship.

My last point is, hon. Mr. Sinha said that the Government is not enhancing the levy at once. The Government is only assuming the powers and it may enhance the duty upto the maximum limit later on.

But, Sir, it has been rightly pointed out by the trading section that whatever Government may do later on, the millowners, through the very anticipation that the Government has assumed powers to enhance the duty to the maximum limit, are already enhancing the price of cloth. Therefore the people in the country have the expectation that the Government will exercise this power to enhance the duty to the maximum limit. It is poor consolation for the people to be told that the Government have only assumed the power to enhance the duty to the maximum limit.

MR. CHAIRMAN: I can give from twelve to fifteen minutes to each Member, twelve minutes is the minimum and the maximum is fifteen minutes.

SHRI H. C. DASAPPA (Mysore): Mr. Chairman, my own reaction to this measure is that it is good in parts and I am very very sorry that I cannot accord to it my whole-hearted support. In the Statement of Objects and Reasons appended to this Bill which I have gone through, I find that the mills have been making large profits, much beyond their due and that the wholesalers also are making much more than what they should, with the result that the consumers have been hit hard. And since there is no other device except to levy an excise duty in order first of all, to mop up the extra profits that he millowners and quite possibly some of the intermediaries are making, and in order also to see that the present shortage in cloth does not continue to increase and a kind of a cloth famine does not grow in the land, there is this attempt to put this excise duty.

I would, however, like to deal with one aspect of the textile industry which

[Shri H. C. Dasappa.]  
is going to be hit very hard by this excise duty. I was hoping, when I read the Statement of Objects and Reasons and later when I heard the speech of the hon. Finance Minister, that he would go into and deal with that question. That question is: How far is the powerloom sector going to be hit by this excise duty. In the first place, I submit, Sir, that there has been no justification whatever to enhance the excise duty on powerloom production.

AN HON. MEMBER: Why not?

SHRI H. C. DASAPPA: My friend just in a very doubtful voice asks: "Why not?" Is there any case made out in this Bill by the hon. Minister or in the Statement of Objects and Reasons that these small powerloom manufacturers are making unconscionable profits in this affair? Is it not a fact, Sir, that all the reference that has been made right from the beginning of this imposition is only to the mills, the composite mills, that they have been making these additional profits and not the poor powerlooms sector? Nobody has said that, and yet what do we find here? On the powerloom sector there has been an enhancement of levy. Hitherto powerloom factories where the number of looms exceeded 24 had to pay a duty of Rs. 22-8, per shift per month which is an enormous amount. And factories where the number of looms exceeded 9 but did not exceed 24 had to pay a duty of Rs. 20 per shift per month, and in the case of factories where they had looms exceeding 4 but not exceeding 9, they had to pay a duty of Rs. 18 per shift per month. These were the rates of duty. Then as recently as March, 1956, the duties in these respective categories were raised, to Rs. 30 per shift per month, Rs. 24 per shift per month and Rs. 18 per shift per month. And then on the 1st of September, I come to understand that this levy has been raised to Rs. 50 per shift per month, in the first category, and to Rs. 40 per shift per month in the second category and Rs. 30 per shift per month in the third category. What is the justification for such an increase? Have they made out a case that these small powerloom units are also deriving these unconscionable profits?

There is a lot of difference between these composite mills and these power-

loom manufacturers. The composite mills get their yarn at ex-factory price. They have nothing to pay by way of insurance, or transport or for wholesaler's profit or the retailer's profit. Nothing of that sort have they to pay. That is one major factor. The second factor is that in most of these smaller powerloom factories, the processes are generally done by the hand, just as in the case of the handlooms. Between the handloom units and the powerloom units, in this respect there is no difference whatsoever. Except in the use of power in these units, all the processes, the pre-processes of weaving and the post-processes of weaving, are all done by hand. There is no difference between the expenditure that the handloom friends have to incur and the expenditure that the powerloom factory owners have to incur. Therefore there is a large difference in the matter of cost of production between these mills which have all the machinery, all the processing machinery at their command, and the cost of production in the powerloom sector.

Then again, it is admitted that the major factor in the cost of production in cloth is yarn. Let us see whether the yarn price has not increased during these very months referred to by the hon. Minister, from January or February, 1956 to July or August, 1956. I will just give the House a few facts in order to convince hon. Members that the price of yarn has mounted up and it has mounted up to such an extent that these people could not have made these profits referred to by the hon. Minister. This is a comparative statement for January, 1956. For 14 counts yarn, the cost in January, 1956 was Rs. 15-15 for a bundle of 10 lbs. By September 1956 it has risen to Rs. 18-5. I need not give all the various figures. I will give the figures for 36 counts. It was Rs. 22-11 in January, 1956 and today it is Rs. 27-3 per bundle of 10 lbs.

As regards double-thirties, it was Rs. 25 in January and is now Rs. 28-12 per bundle. Here we have got a steep increase in the price of yarn which is the basic raw material for cloth, and then they have to pay the cost of these common processes, pre-weaving and post-weaving. I really cannot understand why the duty on this small powerloom sector should have been raised by so steep a figure. This is one of the things. I hope Sir, to which

the hon. Finance Minister will give his attention. The House may remember that when the excise duty was first levied on cloth, it was not levied on the powerloom sector, whether big or small; it was only last year (*Interruption*) for the first time.

My friend ought to know but.....

MR. CHAIRMAN: He is making a quiet running commentary.

SHRI H. C. DASAPPA: It was levied for the first time last year and it was increased in March. There was such a huliabaloo, such cry but all that went unheeded with the result that today I am afraid the net result of this will be that most of these small powerloom factories will be put of action.

SHRI C. P. PARIKH: No, no.

SHRI H. C. DASAPPA: My hon. friend whispers certain things and thereby I suspect him all the more. I will give the timing of the levy last year. It was the Association of all the cotton textile mill-owners, I think presided over by a Britisher, which first of all suggested that serious competition came from the powerloom which are producing only 200 million yards a year. In the eyes of these powerful mill magnates, these powerlooms were the people who were going to compete with them. This duty was levied for the first time after that Association passed a resolution and I should be surprised that my friend Mr. Parikh today says that the powerloom people are not going to be hit hard; it is not the mill-owners who are going to be hit.

SHRI C. P. PARIKH: Not the mill-owners.

SHRI H. C. DASAPPA: It is simple arithmetic and that is why they do not oppose this.

MR. CHAIRMAN: Continue, Mr. Dasappa.

SHRI H. C. DASAPPA: I am sorry, Sir.

MR. CHAIRMAN: Yes, they have been interrupting.

SHRI H. C. DASAPPA: So much time should be cut off from their quota and added on to mine.

The point is this. For instance, a mill-owner may be making ten lakhs of rupees as normal profits. With this increase in prices, he may make fifteen lakhs of rupees. If this sum of five lakhs which goes to him as excess profits is taken away as Excess Profits Tax or by way of increase in the Income Tax, nobody would be sorry and everybody would be happy but now what happens is that this levy is made. The mill-owners have such a powerful organisation at their command that they will pass on every pie of the duty to the consumer because it is still a sellers' market, it is not a consumers' market by any means; therefore, they are positive that they are not going to be hit hard by this and therefore they are not raising any objection to this levy and I am not surprised.

I have more figures but I do not want to deal with them all; I only hope—I beseech—and say that the hon. Minister should have a dispassionate enquiry into this matter of the profits of the powerloom people. If there is any profit, I have no objection to such profits being taxed.

There is only one other point to which I want to refer before closing my speech and that is with regard to the wholesalers who have entered into forward contracts with the mill-owners. I am glad to find that the Ahmedabad Mill-owners, in spite of the agreement probably providing to the contrary, are prepared to help the wholesalers in regard to the forward contracts entered into by these wholesalers. According to the contract, the wholesalers have to pay the excise duty but the mill-owners have agreed not to insist upon the wholesalers paying the enhanced excise duty. This is a very good thing but I gather that in Bombay, Sholapur, Calcutta and various other places, and possibly in Delhi also, the mill-owners are insisting on the pound of flesh and they are asking the wholesalers to pay this extra excise duty. The wholesalers have their agreements with the dealers to sell the goods at certain prices. If the burden of this extra excise duty falls on them, then a good many of these people who are on the marginal side will suffer to the tune of Rs. 2½ crores in Bombay alone. I only ask the hon. Minister to see that these mill-owners do not try to insist upon the full pound of flesh and extract this additional excise duty from the wholesalers.

PROF. HUMAYUN KABIR (West Bengal): Mr. Chairman, Sir, after the very clear and persuasive statement of the Finance Minister, certain things presented before the House are now much clearer, nevertheless, some doubts remain and that is why I have risen to ask for a few further clarifications.

[MR. DEPUTY CHAIRMAN in the Chair.]

I would concede that, as a short term remedy there is perhaps justification for this Bill and that is why, in the present circumstances, there will be support for the Bill as an inescapable measure at the present time; but, as was pointed out very rightly by my friend, Pandit Kunzru, this Bill really does not offer any solution to the basic problem, to the real problem which has led to the enhancement of prices and the imposition of the enhanced excise duty. If I understood the Finance Minister correctly, he had three main purposes in bringing this Bill. One was to mop up the excess profits; the second was to prevent the diversion of cloth from the export market to internal consumption which was having effects on our capacity to earn foreign exchange and the third was to restrict consumption within the country as a short-term measure.

Now, Sir, so far as the first of these objects is concerned, viz., the mopping up of the excess profits, I do not know if the measure which was just now suggested by my friend, Mr. Dasappa, might not be more effective in the long run. If there was an excess profits tax on the extra income earned by the millowners as a result of enhancement of prices, the excess profits tax would have mopped it up. There are, I realise, certain difficulties because if you have an excess profits tax, the money may not come to the Government within a year or two; perhaps there may be a lag of two years between the time when the income is earned and the time that the public exchequer gets the benefit of these increased earnings of the mills. I am sure, Sir, that the Ministry of Finance and the Central Board of Revenue can devise measures by which this period could be shortened. Since this is a kind of an emergency measure—I would like to stress this point; it is as an emergency measure that this Bill may be supported but as a permanent measure, I am not sure if this measure can be supported

—perhaps the Ministry of Finance may devise methods by which this period of two years may be reduced.

I have also my doubts, Sir, whether the increase in price resulting from this Bill will be paid entirely by the mill-owners or the wholesalers. In fact, my fear is, in spite of what I have heard, that in the short period the burden will be passed almost entirely to the consumer. I readily concede that there will be the law of diminishing returns and as prices go up, the consumption will fall and, therefore, the mill-owners, the wholesalers and the retail shopkeepers will ultimately have to satisfy the consumers. They will not therefore be able to push up prices as high as they would like to. Even then, in the short period, in view of the fact that this tax is being imposed at the time when the demand for cloth is the highest in the country, just before the Dusehra and the Puja holidays in the eastern parts of India and the Sankrant in the southern parts of India—it is at this time that the demand is at the highest—the tax will be passed on to the consumers. The stocks also, as we have been told in the note circulated by the Finance Minister, are not very large. It is thus inevitable that a major portion, if not the entire portion, of this burden will be passed on to the consumers in the short period. In the long run, I agree, the mill-owner and the wholesaler, in a word, the industry and the trade, will have to bear a greater proportion.

Then, Sir, with regard to the question of stopping the diversion from exports which has been taking place, I have to say this. This has been taking place because the internal prices are high and the mill-owners and the wholesalers prefer to sell in the country rather than export. Pandit Kunzru and I think Mr. Dasappa and Mr. Mazumdar, have suggested that certain measures may be taken. In that connection one measure which readily occurs to me is the kind of measure which was used during the war. When during the war, the Defence Department wanted a certain quota of the cloth to be used for defence purposes, the mills were ordered, they were practically compelled to provide that quota. Similarly, at present also, the mills might be told that a certain proportion of their production will be earmarked for export. If this is done,

if at the very source the quota necessary for earning foreign exchange is diverted, the possibility of bringing the same cloth into the internal market will not arise.

Then, Sir, the third purpose of the Bill, as I see it, is the restriction of consumption. I hope, Sir, that it is not really seriously meant. I do not think there is any great margin for restriction on consumption in our country. The Finance Minister himself said that it might be for a very short period, six months or eight months, or a maximum period of eighteen months. But I doubt very much, Sir, if the consumption can be restricted even for a period of 18 months. After all, the *per capita* consumption of cloth even to-day is not 17 yards, Sir, that we are all aware that a proportion of the people, may be 5 per cent, may be 10 per cent, use very much more than the minimum. There are many who probably use 100 yards; at least 5 per cent. of the population of the country use 40 yards or more. If that be so, then for a very large proportion, the actual consumption is not 17 yards but may be in the region of 10 or 11 yards or it may be even 9 yards. This means two dhotis or two sarees a year. Surely there is no room for any curtailment of consumption at that level. They again are the people who generally make purchases of their cloth at this time of the year.

Therefore, Sir, the only answer to the problem is increase of production. I would agree entirely with what my hon. friend, Pandit Kunzru, said. We must increase production, and in doing so, there is really no conflict between the interest of the small producer and of the large producer. The demand for cloth is so great in the country that we can increase production at all levels. The hon. Finance Minister said that loomage cannot be increased very rapidly, but he himself mentioned that there were possibly some looms which were sealed. Even if looms are not sealed, I am sure that there is quite a large proportion of loomage in the country which is not being utilised to its fullest capacity. I do not know what is the proportion of mills which work in two shifts and how many mills in India work three shifts. Some time ago, I think it was the hon. Mr. Parikh who suggested that some kind of a tax may be imposed in order to encourage mills to

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work three shifts, a tax at a differential rate, so that those who work only two shifts would pay a higher tax and those who work three shifts would pay a lower tax. Now if that is done, you can have an increase in the production of mill cloth almost immediately. The same thing would apply to spindlage also. In addition there is the possibility Sir, that handloom weaving can be expanded fairly quickly. I have always believed that, so far as weaving is concerned, given certain facilities, the handloom can compete on almost equal terms with the mill. The difficulty comes in spinning and there I confess that, even at the risk of probably displeasing my friend, Prof. Ranga, I have never been a great believer in hand-spinning. I do not think that hand-spinning can possibly stand in the modern world. Whatever we may say about the Ambar Charkha or any other method, these are some of the methods which were tried out in Europe almost 200 years ago. I am not sure that the Ambar Charkha is any improvement on the spinning jenny or the mule, which was used in Europe round about 1768.

SHRIMATI SAVITRY DEVI NIGAM (Uttar Pradesh): You do not know it.

PROF. HUMAYUN KABIR : I do not know it, I agree, but the very nature of spinning is such, it is such a mechanical process that the machine is bound to have an advantage over hand-spinning. This does not however hold in weaving. Sir, you are aware and other Members of the House are also aware that the villager does not wear handspun handwoven cloth. He generally prefers the cloth which is woven on handlooms, but the yarn is mill yarn. If the move of the Government is for encouraging hand-weaving, that can be expanded very quickly. Sir, when the question of handlooms was discussed some years ago, I remember that in an area in Bengal, with which I was familiar, the famous Baburhat producing centre, the handlooms were able to produce cloth which competed on equal terms and in some cases produced cloth which was cheaper and more acceptable to the villager than the cloth which was produced in the mill.

Sir, it is in this direction, I think, that we have to try to find a solution. Encourage the production of more yarn through the use of machinery, and here I think we have to face facts as they are. We have, after all, crossed



[Prof. Humayun Kabir.] fifty years of the twentieth century and we cannot possibly go back to a time when hand-spinning could compete on equal terms with mill-spinning, but weaving still can and will. If encouragement be given on these lines, I think within a short period, not 18 months, but may be 6 months, may be 9 months, but certainly in less than 18 months, some of the shortage can be overcome. Not only that. I would also suggest in this connection that the handloom can be utilised for two purposes. It can on the one hand be utilised for the purpose of meeting the requirements at a certain level of demand within the country.... (*Time bell rings*) One minute more, Sir. It can also be utilised for producing fine quality cloth. The handloom can produce cloth of a quality which has a market not only within the country but which can have a very large market outside the country.

Therefore, Sir, I would in conclusion ask the Government to examine whether this question of mopping up the excess profits cannot be attacked from various angles, from the angle of this excise duty, which as a short-term measure is I think inescapable—but also the possibility of using the excess profits tax and other measures which the Ministry of Finance may devise.

Then so far as the question of exports is concerned, I don't think this Bill will have any direct impact. The reservation of the cloth at the mill itself may be more effective. And finally, Sir, I would request Government to give far greater emphasis on the expansion of hand-looms and power-looms. I am glad that my friend, Mr. Dasappa, pleaded the cause of the powerlooms so powerfully. They certainly can help to meet the shortage, for we must meet the shortage and cater to an increasing demand. There is, I do not think, any room for curtailing consumption, which is already at a very low level in this country.

SHRI S. MAHANTY: Mr. Deputy Chairman, Sir, the hon. Finance Minister, whom I do not find here, has already set the key to this debate by saying that he can only speak in justification of this measure, but he cannot convince his opponents, or rather the opponents of this measure about his justification. Therefore we have no

illusion that we will be able to drive any sense into the impervious understanding of the Government but that, Sir, in doing so, we have the satisfaction that we will be rendering a public duty.

Now, Sir, this is one of the blackest measures to which Parliament is being asked to give its approval. The depth of its blackness can be very well imagined from the fact, Sir, that in the other House only three Members spoke in support of it even though subsequently two hundred voted for it. Then, Sir, if the newspaper reports are accurate, even Mr. Nehru was opposed to this kind of measure. Here a news item in the *Statesman* reads: "Mr. Nehru is reported to have said that in the beginning he himself had not fully agreed to the idea of new levies, but on mature consideration he thought they were necessary." We do not know, Sir, what those mature considerations are. The hon. Finance Minister spoke in a sort of abracadabra, and I should confess I was not able to follow what he spoke in his inimitable manner. He cited, Sir, Mr. Parikh in his support, but Mr. Parikh, according to the report of the *Statesman* "is understood to have said that in the first three months, after the duties were imposed, the consumer would have to bear one-fourth of the burden; in the next three months his share of the burden would be half; three months later it would be two-thirds and so on. He would have preferred levy of excess profits tax to excise duties."

SHRI C. P. PARIKH: It is wrong.

SHRI S. MAHANTY: You could have contradicted it much earlier.

PROF. G. RANGA: He can contradict it now.

SHRI C. P. PARIKH: I will contradict it now.

SHRI S. MAHANTY: He can do it now but, as it is, I am going to rely on what he is reported to have said in the Congress Parliamentary Party meeting. So Sir, from this you can well imagine the depth of the blackness of this measure.

Yesterday, Sir, the hon. Prime Minister in his eloquent speech said that nobody in this country should say anything or do anything which would shake the faith of the people in the second Five Year Plan.

With all humility I say that it is the Government alone which is shaking the faith of the people in the success of our second Five Year Plan. We have said and we have said repeatedly that during the second Five Year Plan period the cost price of food and cloth and all such necessities, should be kept at the minimum so that the people may feel the urge for implementing the Plan and if anybody is shaking the faith of the people in the implementation of the Plan, I charge, I accuse that it is the Government and it is the Government alone that is responsible for the ultimate shortfall in the targets of the second Five Year Plan. Those who have no belts, you cannot ask them to tighten their belts. When more patches are being stitched in the clothes of the people, here you come and say that you are going to have price inhibition for restricting consumption. Sir, this smacks of a kind of totalitarian economics. It pains us to see that when consumption of cloth is around pre-war figures, this note which has been circulated here says that the consumption of cloth in this country is rising steeply. Is it intended thereby that the standard of living of our people should be kept at the lowest level, for eternity? Should they go about in loin cloths? If so, I would request the hon. Finance Minister to set an example by wearing loin cloth. The slogan of 'jam tomorrow' does not inspire the pauperised and impoverished millions. I consider this measure as penalising the consumers for the profit-mongering of the trade and inefficiency of the industry.

Sir, I will substantiate my earlier observations by saying that the hon. Finance Minister in the other House has quoted certain figures. He said that in Delhi a pair of dhotis whose fair price should have been Rs. 8-5 was being sold under the very nose of the Finance Ministry at the rate of Rs. 10-8 and sarees whose fair price should have been Rs. 7-13-3 each were being sold for Rs. 9. He has also stated in his speech in the other House that both the industry and the trade were charging a profit far in excess than the margin allowed by the Tariff Commission. So in this context this measure has to be judged. Here we find that the trade and the industry are indulging in a kind of profit-mongering which the Government cannot stop. But to mop up these excess profits, instead of levying an excess profits tax, they say that they

will have price inhibition to restrict consumption. If this is not abracadabra I do not know what it is. With this kind of gibberish economics, at least this Parliament is not going to decide the fate of this country. Those whom you are asking to make sacrifices for the success of the second Five Year Plan, you should go and convince them. It is not a question of delivering here a school-room lecture in a debonair manner. When we say that in order to control this, levy excess profits tax, you say that it is impracticable; when we say, you open fair price shops, you say that is impracticable too. The hon. Finance Minister stated in another place that controls in this country had been a failure. I quite concede that controls have been a failure. But has it been a failure due to the consumers or due to the mechanism through which it was worked? Are the consumers going to pay for the corruption and inefficiency which can be compared only with that of the mandarin-ridden Manchus of China? Are the consumers of this country who are already below subsistence level going to pay and going to be penalised for it? That is a question which the hon. Members of the Congress Party should not dismiss lightly. Here they are sitting, presiding over the destiny, over the fate of millions of this country who, as Prof. Kabir has just now stated, are not getting even the *per capita* yardage of 16 yards per year. It is a very serious matter.

Then we come to another aspect. The hon. Finance Minister stated the following in justification of his measure; firstly the supply of cloth was not commensurate with the demand and therefore price inhibition was necessary. He also stated that during the second Five Year Plan period India has to export 1,000 million yards but during the last year our export has gone down by 100 million yards. He also referred to the Planning Commission's recommendations in this context. May I invite the attention of this House to paragraph 42 at page 97 of the Report of the Planning Commission, wherein they have stated that for this increase in our export two things were necessary; first is to improve the competitive position of the industry and secondly to increase the export of handlooms. I would like to know from the Government—they can dismiss our observations by the brute majority at their command but they owe an answer to this country—what they have

[Shri S. Mahanty.]

done to improve the competitive position of the industry and secondly what they have done to increase the export of handlooms. Sir, much has been said about handlooms. The hon. Finance Minister himself has stated that they had been given licences for spinning mills but now they were threatening to cancel those licences if the licensees did not go into production within a stated period. What is this? You give licences to the spinning mills and those spinning mills, which are under the clutches of vested interests, are not producing enough yarn for these handlooms so that they may not prove within a measureable time a serious competition to mill-made textiles. So neither handloom cloth is produced nor our mill capacity is being fully utilised. The prices are going up and when people are asking for more cloth, you come here in a most brazenfaced manner to bring about a price inhibition to restrict consumption. Is it fair, I ask. You ask your conscience. There is no question of asking this House. Ask your own conscience; ask your own heart, if you have any.

SHRI J. S. BISHT (Uttar Pradesh) : Suppose this is not done. But still will the prices rise or not?

SHRI S. MAHANTY: If the prices go up well, you have price control. The Tariff Commission had worked out the sale price already, giving a certain margin of profit to the trade and to the industry. If in Delhi under their very nose the trade is making excess profits it is for the Government to introduce some system of control. They should not ask the consumers to pay for that. This is a kind of Fascist argument which I can never understand. You say you want to mop up profits; then why can't you levy excess profits tax? The hon. Finance Minister has not said a single word against the proposal. Mr. C. P. Parikh, if the P. T. I. report as published in the Statesman of 4th September is correct, had said that he would have preferred the levying of an excess profits tax to excise duty. So, when a mill magnate himself says, 'levy excess profits tax' the hon. Finance Minister comes here and says that it is impracticable. It may be impracticable with the elections in the offing but you have to give a convincing answer to the country as to why instead of levying an excess profits tax on the industry and the trade you are shifting the burden on to the consumers.

SHRI J. S. BISHT: There are millions of retail traders. How can you levy excess profit tax?

SHRI S. MAHANTY: It is for the Government to find out the method.

SHRI V. K. DHAGE: Many more will be the consumers.

SHRI S. MAHANTY: Then, the hon. Mr. Sinha who was the first speaker, supported this measure. I have every respect for him. He is a very good advocate but always pleads for wrong briefs.

Sir, he said this is a taxation measure. So, I ask the hon. Finance Minister, why not be more honest and say this is a taxation measure? The hon. Finance Minister has stated, elsewhere, that he is not taking to this measure as a source of revenue or taxation at all.

SHRI H. C. DASAPPA: That is what he said even here.

SHRI S. MAHANTY: So, if it is, I thought Mr. Sinha has been at least more honest by saying that it is a taxation measure, but I would expect that amount of honesty from the Government to say, here is a taxation measure and then we can work out on whom the incidence will fall. So, in spite of the various recommendations of the Planning Commission and the Taxation Enquiry Commission, we will say to the people that here you are overtaxing the consumers who have already been saddled with a variety of indirect taxations while leaving persons in higher income brackets free. Therefore, judging from all these points, I do not consider there is an iota of justification for this measure. He said further, over and above, the demand exceeding the supply, now that the 'Puja' and 'Sankranthi' are in the offing in this country, when people are in a mood of buying spree, the demand will go further up. Therefore, this should be passed on, this excess profit should be passed on to the traders. Now, I have got here two letters published in the "Statesman", Calcutta edition of 5th September 1956. Sir, one letter states:—

"In the course of my Puja shopping during the last two or three days I came across few shopkeepers who had not raised prices to the full extent of the increased duty. The old price-markings, hurriedly erased, are only too clearly visible!"

I have not the time to read out the two letters which have appeared in the "Statesman" of 5th September. But these letters show that even the cloth issued much earlier than the levying of this impost, is being sold at these enhanced rates. It is six annas more on superfine cloth and 4 annas more on other varieties of cloth. Before I resume my seat I would ask the hon. Finance Minister to state why there cannot be a price control.....

**SHRI J. S. BISHT:** People do not want it.

**SHRI S. MAHANTY:** Do you think people want this increased levy? What criterion are you going to apply to assess the popular opinion?

(Interruptions.)

**MR. DEPUTY CHAIRMAN:** Order, order.

**SHRI S. MAHANTY:** Let him not interrupt. He will have enough time. What I say is: Why are you not imposing a price control, a quality control and even, if necessary, a control on consumption? People may not like various things. People do not like imposition of this levy too. Therefore, the hon. Member, Mr. Bisht, may have his own views; I am entitled to give expression to my own views and what I say, this is most unfair, this kind of robbing Peter to pay Paul.

**MR. DEPUTY CHAIRMAN:** There is a message from the other House.

## MESSAGE FROM THE LOK SABHA

### MODIFICATION OF THE REPRESENTATION OF THE PEOPLE (PREPARATION OF ELECTORAL ROLLS) RULES, 1956

**SECRETARY:** Sir, I have to report to the House the following message received from the Lok Sabha, signed by the Secretary of the Lok Sabha:—

"In accordance with the provisions of Rule 352 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to inform Rajya Sabha that the annexed motions for modification of the Representation of the People (Preparation of Electoral Rolls) Rules, 1956 which were laid on the Table of Lok Sabha on the 24th July, 1956, have been passed by Lok

Sabha under the provisions of sub-section (3) of section 28 of the Representation of the People Act, 1950, at its sitting held on Friday, the 7th September, 1956 and to request that the concurrence of Rajya Sabha in the said motions be communicated to this House."

## MOTIONS

1. This House resolved that in pursuance of sub-section (3) of section 28 of the Representation of the People Act, 1950, the following amendment be made in rule 2 of the Representation of the People (Preparation of Electoral Rolls) Rules, 1956, laid on the Table on the 24th July 1956, namely:—

In clause (c), after "may" insert—

"Subject to the approval of the Election Commission".

This House recommends to Rajya Sabha that Rajya Sabha do concur in the said resolution.

2. This House resolves that in pursuance of sub-section (3) of section 28 of the Representation of the People Act, 1950, the following amendments be made in rule 11 of the Representation of the People (Preparation of Electoral Rolls) Rules, 1956, laid on the Table on the 24th July 1956, namely:—

(i) in clause (a), omit "and" at the end;

(ii) in clause (b), add at the end "and"; and

(iii) after clause (b), add—

"(c) supply free of cost two copies of each separate part of the electoral roll to every political party to which a symbol has been allotted by the Election Commission".

This House recommends to Rajya Sabha that Rajya Sabha do concur in the said resolution.

3. This House resolves that in pursuance of sub-section (3) of section 28 of the Representation of the People Act, 1950, the following amendments be made in rule 26 of the Representation of the People (Preparation of Electoral Rolls)