

[Shri Abid Ali.]

- (i) Ministry of Labour Notification No. PF-501 (17) /A4, dated the 27th January 1953.
- (ii) Ministry of Labour Notification No. PF-523(6)/A-5, dated the 23rd February 1953.
- (iii) Ministry of Labour Notification No. PF-523(8)/A-6, dated the 3rd March 1953.
- (iv) Ministry of Labour Notification No. PF-504(109)/A-7, dated the 4th March 1953.
- (v) Ministry of Labour Notification No. PF-516 (10) /A-8, dated the 4th March 1953.

[Placed in Library. See No. 5-33/53.]

(1) THE FINANCE BILL, 1953

(2) THE CENTRAL EXCISES AND SALT (AMENDMENT) BILL, 1953

THE DEPUTY MINISTER FOR FINANCE
(SHRI M. C. SHAH) : Sir, I beg to move:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1953-54, and the Bill further to amend the Central Excises and Salt Act, 1944, as passed by the House of the People, be taken into consideration."

Sir, before I deal with the proposals in both the Bills, I should like to make one preliminary observation, and that is this. The proposal to readjust the excise duty on tea is really a part of the Budget proposals but it could not be included in the Finance Bill owing to the time required for making certain administrative arrangements

KHWAJA INAIT ULLAH (Bihar): On a point of order, Sir. Generally Members are not allowed to read speeches. Are the Ministers exempted from this rule, Sir?

PROF. G. RANGA (Madras): Sir, the practice has been whenever a Minister has to make a very important.

statement, especially in connection with the Finance Bill and such serious matters, the Ministers have been allowed in the past—all these years—to read out their statements. That is the usual practice, Sir.

SHRI M. C. SHAH: Sir, I was saying, that the proposal to readjust the excise duty on tea is really a part of the Budget proposals but it could not be included in the Finance Bill owing to the time required for making certain administrative arrangements without which it is not possible to apply the provisions of the Provisional Collection of Taxes Act to the changes in the duty. It will be convenient therefore, as permitted by you, if for purposes of consideration this Bill is also treated as part of the Budget proposals and I trust the House will approve of this course.

I shall, Sir, first deal with the provisions in the Finance Bill as they affect income tax. As hon. Members are aware, the Bill under consideration makes no change in the rates of income and super tax. The only change made is to raise the exemption limit in the case of personal incomes from Rs. 7,200 to Rs. 8,400 in the case of undivided joint Hindu families and from Rs. 3,600 to Rs. 4,200 in the case of individuals. This involves a loss of about Rs. 80 to 82 lakhs in revenue, but, as was explained by the Finance Minister in his Budget speech, this will have a compensating advantage of taking out nearly 70,000 assessment cases off the Income Tax Department and therefore this change will ultimately be beneficial in giving relief to those who have got the lowest income bracket. It will also give some relief to the already overburdened Income Tax Administration which will now be able to give more time to important cases and thereby getting more revenue by way of income tax.

As regards amendments proposed in the Income Tax law, one of the important changes is in section 15(B) of the Income-tax Act. Though the limit of exemption of donations

has been reduced from 1/10th to 1/20th of the total income in the case of assesseees other than companies, and the over-all limit from Rs. 2,50,000 to Rs. 1,00,000, the range of charitable institutions has been now very-much widened. It will no longer be necessary for the Central Government to approve the institutions, for the donations made to all charitable institutions which satisfy the conditions laid down in the statute will be exempt in the hands of donors to the extent of 1/20th of their total income. Two amendments were made in this provision in the House of the People. It was contended that all those five conditions were cumulative and so in order to clarify that position, amendments were moved in the House of the People and were carried and the net effect of that was that out of the five conditions three were cumulative and had to be satisfied by all institutions, while out of the remaining two only one had to be satisfied. Again, Sir, we have added an explanation and by the addition of that explanation, it has been made abundantly clear beyond doubt that an institution for the benefit of Backward Classes, Scheduled Tribes and Castes and also institutions for the welfare of women and children will not be 'regarded as for a particular religious community, but will satisfy the conditions for the exemption of donations thereto. It has also been made clear that donations made prior to the 1st April 1953 to institutions approved by the Central Government will be governed by the existing provisions of the law and will be exempt.

Sir, the second important change relates to the restriction in the set-off of speculation losses. Here, the House is well aware that in the original Finance Bill it was provided that the speculative losses will be allowed to be set-off against speculative gains only. There were certain difficulties pointed out to the hon. Finance Minister, and certain consultations were held. It was the intention of Government not to harm the genuine trader or businessman, and so we have made certain important amendments.

Thus this second important change relates to the restriction in the set-off of speculation losses. Here also an important amendment was made in the House of the People and the categories of speculative transactions which were in the nature of hedging in the normal course of a person's business have been excluded from the restriction imposed. Thus, in the case of contracts entered into by an investor or dealer in stocks and shares to guard against any future loss due to price fluctuations in his holdings or the contracts entered into by the members of stock exchanges or forward markets in the nature of jobbing or arbitrage have been excepted. These are the very important amendments made in the clause.

The third important change relates to the exemption from super-tax of dividends received by a company from an Indian company formed after the 1st April 1952 and engaged in the specified basic industries mentioned in the Schedule to the Industries (Development and Regulation) Act, 1951. In the original Bill the date was 28th February 1953. It was pointed out to us that there may be certain companies which may have been formed after the 1st April 1952 but their capital may not have been subscribed or they may not have gone into production and therefore they also deserve some consideration. So this date has been changed from the 28th February 1953 to the 1st April 1952.

Lastly, I may also refer to the change made to remove the anomaly under which a foreign company carrying on business through a branch or a foreign subsidiary paid less tax than if it carried on business through an Indian subsidiary. This disparity has been halved by reducing the super-tax rebate admissible to a foreign public company from one anna to half anna and increasing the rebate admissible on dividends from a subsidiary Indian company from one anna to one and a half annas. The disparity which was about 11 per cent, in tax has thus been reduced to about 6 per cent, and the intention is to remove this altogether in a year or two.

[Shri M. C. Shah.]

I now turn to customs duties and duties of excise. Here again, the changes are not many. We are retaining the additional duties on customs or surcharges as the case may be for another year. The yield from these is about Rs. 10 crores.

A number of minor changes have been made in the import duties. New duties are being imposed on horses costing over Rs. 2,000 each and on precious stones and the like. The existing duties on milk foods for infants and mvalids, certain essential medical supplies like penicillin in bulk, antibiotics and sulphha, drugs, scientific and surgical instruments, prints, engravings and pictures are being reduced. With the simultaneous liberalisation of import policy in respect of some of the luxury and near-luxury items the duties are being raised to bring in some additional revenue. We are also increasing the import duty on betel-nuts by about two annas a pound as a measure "f assistance to the indigenous grower and to give him a reasonable return on his product.

Sir, in the field of central excise only one change is being made, namely, the substitution of specific duties for the present system of *ad valorem* assessment in respect of fine and super fine cloth. On account of the fall in prices early last year, from March 1952 onwards, certain specific duties were fixed by notification as an alternative to the *ad valorem* assessments provided by law. With the further fall in prices, however, the *ad valorem* rates again continued to be the effective rates and it became administratively almost impossible to fix the real value of fine and superfine cloth for assessments. It has, therefore, been decided to replace the present *ad valorem* duties by the specific duties mentioned in the Bill.

Coming to postal rates, I may mention that only two changes are being made by the Bill in inland postage rates. Postage on book pattern and sample packets is being raised from

nine pies for the first five tolas ana three pies for every additional 24 tolas to one anna, and to six pies respectively. The existing rate of six annas for every 40 tolas of parcels is being raised to eight annas. These increases together with the small increase in the registration ana insurance fees which have been made-by executive order with effect from the 1st April 1953 will only help to cover partially the deficit in the work-ing of the postal services. Government are satisfied that these increases will not fall on the poorer sections of the community.

Sir, I shall now pass on to the Bill, dealing with the changes in the excise duty on tea. The House is well aware: of the difficulties which the fall in the world prices of tea has created for the tea growers in the country. Certain measures were taken by Government, such as guaranteeing to the scheduled banks and co-operative banks in respect of the advances made to the tea gardens for financing the current crop year, and the concession of giving them some time for paying the excise duty and income-tax, full details of which were given in the Budget speech of the Finance Minister. Since then the matter of giving some measure of further assistance has been under the active consideration of Government and it has been decided that the basic excise duty on tea should be reduced from three annas to one anna per pound and that on package tea, that is to say, tea packed in any kind of container having not more than sixty pounds net the duty should be four annas a pound if issued from the producing gardens and three annas per pound if issued from the premises of blenders and packers. In other words, the loose-tea will be at a duty of one anna per pound and package tea, whether produced by the gardens or subsequently packed by blenders and packers, will pay a duty of four annas a pound. Government do not expect that the increase in the duty on package tea would materially

affect the retail prices, but the relief in the duty on loose tea collected from the primary growers would give them welcome relief and assist in the recovery of the industry from its present difficulties.

Sir, I move.

ME. CHAIRMAN: Motion moved:

"That the Bill to give effect to the financial - proposals of the Central Government for the financial year 1953-54, and the Bill further to amend the Central Excises and Salt Act, 1944, as passed by the House of the People, be taken into consideration."

SHRI B. C. GHOSE (West Bengal): Sir, I am glad that the hon. the Finance Minister has been pleased to grace this House with his rather rare but always genial presence. In reply to the debate on the grants of the Finance Ministry in the other House a few days ago, the Finance Minister stated in reference to the Party to which I have the honour to belong, that the differences between him and us were not so much in the final objectives as in questions of practicability. That does not appear to me, Sir, to represent the position quite correctly. The difference between him and us, if I may say so, is almost, if not completely, of the order of difference that would obtain say in Britain between the Liberal Party shorn of most of its *laissez-faire* prejudices and the Labour Party. There is also another fundamental difference between him and us. I think, the Finance Minister does not believe in socialisation as such. We, Sir, feel that it is absolutely essential that we must remove inequalities with a view to establish a Socialist State. I would not like to dilate on that matter on the present occasion, but this difference in attitude and approach is demonstrated in our respective differences towards the problem of nationalisation. I know the Finance Minister had replied to this question but still I would like first to take up the question of banking and insurance.

Now what did the Finance Minister state? It amounted to saying in effect that so long there is an important private sector, nothing was to be gained by nationalisation of banking and that as the public sector increased, private banking would automatically disappear. Now, so far as the second part of the proposition is concerned, that is self-evident. If there is no private sector, there would be no private banking. But in so far as the first part of the argument is concerned, I am not quite sure if either theory or practice supports him. I do not know if the Finance Minister is aware that even Australia passed a law—I am sure he would be perfectly aware—nationalising commercial banking. And I believe he would agree also that the private sector is as important, if not more, in Australia than in India. Of course he is also aware that that law did not take effect because that was declared unconstitutional by the courts. But, that I submit, Sir, is an entirely-different story.

The Finance Minister had also referred us to certain observations in this connection made by the Planning Commission. I am not quite sure that the Planning Commission quite supports the Finance Minister's contention, although I am perfectly aware that he has been one of its most important architects. Now, let us see what the Planning Commission says in this matter. He referred us, I believe, to paragraphs 28, 29 and 30 of Chapter II of the Plan. In paragraph 28 there is one observation to the following effect:—

"The large credit needs of agriculture and of industry, especially of cottage and small-scale industries, cannot be met except through a network of credit institutions which will mobilise savings in the rural areas and disburse credit on a large scale to productive enterprises, individuals, co-operative or joint-stock."

Now I would like to ask the Finance-Minister if he considers that under

[Shri B. C. Ghose.] private aegis that network linking both the urban and rural areas is at all possible to develop.

In paragraph 29 the Planning Commission states:—

"The Reserve Bank has succeeded in bringing the organised sector of the money market well under its control. Under the Banking , companies Act, the Reserve Bank has wide powers for regulation and supervision of the credit policy of banks."

That is perfectly true, but as the Finance Minister knows perfectly well, what the Reserve Bank can do is to exercise more or less a negative function. It is not so effective as a positive force. If it is required to restrict credit, of course the Reserve Bank can do it more or less satisfactorily. If it is a question of expansion ■ of credit, that is not so easy; as he himself knows, *one* may take a horse to the water, but can't force it to drink. And I believe, Sir, that that is also recognised by the Planning Commission, because in paragraph 30 it goes on to say:—

"Central Banking in a planned economy can hardly be confined to the regulation of the overall supply of credit or to a somewhat negative regulation of the flow of Bank credit. It would have to take on a direct and active role, firstly, in creating or helping to create the machinery needed for financing developmental activities all over the country, and secondly, in ensuring that the finance available flows in the directions, intended. Banking development, through the normal incentives of private banking, is apt to be a slow process, particularly in a country in which deposit banking and the use of cheques is likely to take root only slowly among the masses of the people....."

And it goes on to say:—

"The banking system and in fact the whole mechanism of finance in-

cluding insurance, the stock exchanges and other institutions concerned with investment, will have to be fitted increasingly into the scheme of development visualised for the economy as a whole." Now, Sir, I ask you: Does this support the Finance Minister's contention that the banking industry should not be nationalised?

SHRI H. N. KUNZRU (Uttar Pradesh): The Finance Minister has himself reckoned this.

SHRI B. C. GHOSE: I admitted that in the beginning. Will it serve the needs of the Plan and will he be a little more communicative about the ways and means that is referred to in the Plan, by which the whole mechanism of finance will be fitted into the scheme of development? One difficulty about certain observations made by the Planning Commission, to which I had referred on previous occasions also, is this that they are couched in language which can be interpreted in any way that one likes and I am entitled, Sir, to the interpretation that I am trying to make out in the House today, particularly when it says that banking development under private aegis is not likely to work out the purposes of the Plan.

I do not have to say very much on insurance because the case for nationalising insurance is very much stronger, because from the question of taking it over and paying compensation, as compensation has to be paid, I do not think that the capital involved in insurance companies is very large and it would therefore be very much easier to take it over and there should be no difficulty in its management because it is virtually managed by the State today. What is the justification in having so many insurance companies, paying so many managements such huge sums of money, when the whole thing can be taken over by the State and managed as satisfactorily probably as it is being managed today? In this connection, I should like to know why the insu-

insurance companies which are being administered under administrators appointed by the Superintendent of Insurance, are not being taken over by the Government at all. They might start by taking over these companies first, if they want to gain experience, and gradually extend nationalisation to cover the other insurance companies as well. The reason why we have been urging the nationalisation of these industries is that it will help the purposes of the Plan. Otherwise the money that is necessary and the directions into which that money should be made to flow may not be possible to achieve with the private system of credit institutions that we have today. It is also necessary to accelerate the process of removal of inequalities for the purposes of the Plan. May I in this connection draw the attention of the hon. the Finance Minister—I am sure he has read them—to certain observations made by a U.N. publication entitled "Measures for the Economic Development of under-developed Countries."? It says:—

"In our judgment, there are a number of under-developed countries where the concentration of economic and political power in the hands of a small class, whose main interest is the preservation of its own wealth or privilege, rules out the prospect of much economic progress until a social revolution has effected a shift in the distribution of income."

Now, I maintain that the socialisation of banking and insurance and other suitable undertakings will help this process of a social revolution. The same publication also makes the following observations:—

"If the leaders win the confidence of the country and prove themselves to be vigorous in eradicating privilege and gross inequalities, they can inspire the masses with an enthusiasm for progress which carries all before it."

It goes on to say:—

"To secure rapid economic progress involves capturing the enthusiasm of the masses for improvement and making new knowledge available to them directly. This can happen only if hope is held out to them of progressive attainment of a just social order. To arouse their enthusiasm is a matter of popular political leadership."

I am afraid, Sir, that this type of popular political leadership is sadly lacking in our country. In regard to the whole question of nationalisation, the Finance Minister told the other House that apart from leadership, you require great resources in men and administrative machinery. It is quite true but the crux of the matter is leadership which has got the confidence of the people. I believe that is what the Government lacks today. It has no faith in itself nor in the people. Otherwise, the Government would not have gone all over the world in trying to get experts for things necessary and unnecessary, not having sufficient confidence. I believe, in the people of the country. Only the other day,—I believe it was yesterday or day before yesterday—in connection with cottage industries, it was said that an expert was brought from Japan to advise the Government as to what sort of cottage industries might be started among plantation labour. When some Member asked if the All India Village Industries Association—I believe that is the correct name—was consulted in the matter, the hon. Minister concerned said, "No". He did not think it necessary, because it was much better to have a foreign expert. This is an attitude of mind which, I believe, is inimical to rousing popular enthusiasm. Stretching this attitude of getting experts from outside a little, I should like to ask—although I have every confidence in the hon. the Finance Minister—whether they are going to have an expert Finance Minister from outside, whether they are going to get an expert Prime Minister from outside to advise us as to how the Government should be •

[Shri B. C. Ghose.] carried on here, although I should say that I have every confidence in the Prime Minister and in the Finance Minister for carrying on the Congress administration, but I was carrying the argument a little further to show the absurdity of the position into which ■Government are forcing themselves.

The second subject that I want to raise is a matter which has been dis- cussed at some length in this House and which was also gallantly defended by the Finance Minister in the ■ other House, viz. the work of the Ministry of Parliamentary Affairs. I admire the Finance Minister for the • spirit of comradeship that actuated him in making a gallant defence of that Ministry, but Sir, I should like to know something about that Ministry.—The Finance Minister said in the other House that Members did not really care to study the work that the Ministry for Parliamentary Affairs and its staff are called upon to do I do not plead guilty to that charge, because I tried to find out what that Ministry actually does. I went to the Library but it could give me no information. I found there was nothing available outside what the Finance Minister had stated about it. Then, Sir, I looked up the Budget papers, but I found it made no mention of this. Nor did the Explana- tory Memorandum give any informa- tion about that Ministry.

SHRI ABDUL RAZAK (Travancore-Cochin): Did you ask the Congress Party about it?

SHRI B. C. GHOSE: I was not entitled to ask them; otherwise I would have asked them. I looked up the publications issued by the Government • from time to time—and they are a good number—and there was one called "The Subjects for which the Various Ministries and Departments of the Government of India are responsible." In that booklet the Ministry of Parliamentary Affairs <Does not figure at all. So, Sir, I do : not think it is quite correct to say

that we have not tried to study the work of that Ministry.

SHRI C. G. K. REDDY (Mysore):" You see it strutting about.

SHRI B. C. GHOSE: What I would like to know is whether this Minis try has been working adequately and properly. Take the work of this House itself. The House sat for a few days, it was stated, because of the PEPSU affair and then there was no business. But a provisional calendar of sittings was circulated to us and according to that provisional calendar this House was to have adjourned only from the 7th March to the 25th March. The House was to have gone on sitting from the 26th March. That was the original arrangement. Now, I should like the Minister who is charged with the duty of planning the business of both the Houses to explain how it was originally fixed that this House should sit from the 26th March. The PEPSU matter had not come in then. Then, as regards the business of this House itself, I should like to ask certain questions and get certain information. In regard to the business of this House, I should like to know if the Secretariat of this Council or the Leader of this Council is at all consulted before framing the programme of this House or its sittings, and I should also like to know whether a little more of planning could not have had the effect of having some more Bills introduced in this House. While speaking about the work of this Houso during the discussion on the Appropriation Bill, certain Members spoke. I should think, in a rather apologetic tone and almost in a defeatist mood. I think that the actual objective conditions do not warrant such a mood at all. I feel it is rather difficult to speak about one's own achievements, but still with modesty I should like to say that this House has been doing quite good work. It is a very useful and efficient tool, but Sir, the worth of a tool depends upon the use that is made of it by the workman. If the workman does not use it or abuses it. the tool will naturally be

found to be worthless. You may give the dog a bad name and hang it but I should like to be hanged without getting a bad name. That is all my contention. I should think that if the Government would only care to plan the work of both the Houses a little more carefully, then the work of the Government could be carried on more efficiently and, I should submit, even more economically, because we could save time and expense for the Government.

There are only three or four other matters to which I should like to make a brief reference. One is about the necessity of introducing national accounting in our Budget procedure. This is a matter to which I have referred too often. I refer to it because the Finance Minister, in the course of the discussion on the Budget last year, gave certain assurances about it.

He said that there was a National Income Committee which had submitted a preliminary report and the final report was to be submitted in the course of two months time. That was in May last and I believe a year has passed by. What is happening? I believe there is a National Income Unit attached to the Ministry of Finance. What is that Unit doing? Can we not have this matter of having national accounting or national income statistics put on a "better and more stable foundation" so that these statistics can be had from year to year because I believe the Finance Minister realizes that if he is going to plan and get results then without these statistics, he will be only groping, to a large extent, in the dark and the sooner we get these figures, the better it is for us.

Secondly, I might refer briefly to the rather hackneyed subject of the distribution of direct and indirect taxes. I myself am not very enthusiastic to refer to it because it has been discussed sufficiently in both the Houses but whenever we say that there has been some regression in the tax structure, the Finance Minister

always tells us, in reference to a particular year, that the burden borne by the direct tax-payer is very heavy. The other day he stated in the other House that apart from direct taxation, even in regard to indirect taxation,—of course the export duty may be considered to be borne by the foreigners and regarding import duty even, the *per capita* incidence was roughly Rs. 56/3/- on the rich and only Rs. 2/9/- on the poor. I don't dispute the figures of the Finance Minister. That may be quite true but while he is true, we may also be correct. What I mean is that although the incidence on the wealthier section may be quite high, in the tax structure there may yet be a regressive trend and I should like to demonstrate that by reference to certain figures. If you take the figures of direct revenues, the principal heads of revenues, for 1950-51, 1952-53 and 1953-54—I don't want to refer to 1951-52 because that was an abnormal year—we find the total of Corporation Tax and Income-tax has been going down. In 1950-51 Corporation Tax was 41 crores roughly and Income-tax was Rs. 85 crores. In 1953-54 the Corporation Tax is estimated to Rs. 37 crores and Income-tax Rs. 68 crores. Take Customs and Excise. Customs in 1950-51 was Rs. 157 crores and in 1953-54 Budget it is Rs. 170 crores and Excise was Rs. 68 crores in 1951-52 and Rs. 94 crores in the Budget for 1953-54. That shows that whereas the direct taxes, taken as a whole, are decreasing in yield, the yield of indirect taxes is increasing. So although the burden on the wealthier section may still be very great, there may still be a regressive tendency in our tax structure over the last few years. That is my contention. It may be that the Finance Minister considers this trend necessary; and that it amounts to a form of an incentive budget.

Thirdly, in regard to postal rates, I don't accept the proposition of the Government that every Department must be run on a profit basis. It depends. Even if a Department has to

[Shri B. C. Ghose.] be run on a profit basis, not every section under it need run on a profit basis. If we are speaking of Postal Department, we must speak of the Postal Department as a whole. Even in the estimates for 1953-54, there is a contribution of approximately 53 lakhs to be made to the General Revenues. That shows that the Postal Department is not running at a loss. Certain sections may be running at a loss. Does that justify us to increase the rates because 10 A.M. certain sections may be running at a loss? Then there is another consideration in this connection. The Government has been saying that the increase in these rates will affect not so much the individuals or the poorer section but only the businessmen. Now if that were correct, then would it not mean that Government revenue in other directions would be decreasing e.g., from Corporation Tax or Income-Tax, because the businessman will have to pay higher charges on postage and that will entail more expenditure and to that, extent their profit will decrease? So they will be losing atleast to a certain extent on Corporation and Income-tax and they will gain in postal rates. Will this mean any net gain to Government? On the contrary, certain private individuals are likely to be affected and will be affected and a petition has been circulated to us also. I believe that it has not been a very wise move on the part of the Government to take recourse to this measure.

Sir, there is only one thing that I wish to refer to and that is with regard to unemployment and that also is a very important and difficult subject. In this regard the Finance Minister stated in the other House as follows:—

"I myself do not consider that there is any other solution to this problem except promoting and accelerating the economic development of the country. It is quite

possible to quote figures from time to time showing how unemployment is fluctuating; may be it is increasing, may be there is a great deal of frictional unemployment. But I am persuaded that if one has formed a correct judgment in regard to the pace of investment expenditure, then one must be in a position gradually to bring the problem of unemployment under control."

That is perfectly true but my difficulty is that I get bogged down by this observation when he says:—

"I am persuaded that if one has formed a correct judgment in regard to the pace of investment expenditure, then one must be in a position gradually to bring the problem of unemployment under control."

I want some more direct information. What does he mean by this? Does he consider that in later years the employment situation will be better? I want clarification, because this is a general observation. It would have been more forthright to accept, the statement which has been given in the Planning Commission's Report where it says frankly that we cannot expect much in regard to the solution of the unemployment problem during the first five years. This is what it says:—

"The first Five Year Plan lays emphasis on increasing agricultural production and at the same time creating a base for future industrial expansion. This limits the immediate expansion of employment opportunities for the educated unemployed. It is only when a more rapid expansion of the industrial sector than is envisaged in the present Plan takes place that there will be the possibility of increasing avenues of employment for the educated classes."

That means that there is nothing, that there is not much hope for solving this problem during the first Five Year period. But I believe that is

very dangerous and also it betokens to a certain extent a defeatist attitude. I believe, with intensification in our agriculture and with improvement in agricultural methods, we might have even an opportunity for increasing employment. Further, a policy might be adopted for protecting and encouraging labour—intensive, small and cottage industries—and here handloom weaving of course occupies a very important and prominent place. I feel that the Government should not take a very mechanistic view of the whole situation because it is an important problem for the country and unless some satisfaction can be brought about in this matter or if I may put it in another way, that unless this problem is, to a certain extent, solved, discontent will increase among a section which has been a very potent factor in society and that may betoken danger to the society in future.

MR. CHAIRMAN: Mr. Rama Rao.

SHRI RAMA RAO (Madras): I request I may be given my chance tomorrow, Sir.

MR. CHAIRMAN: Mr. Hegde. [Mr.

DEPUTY CHAIRMAN in the Chair.]

SHRI K. S. HEGDE (Madras): Sir, the Bill under discussion affords a large number of topics for addressing ourselves to; but I propose to confine myself to just two or three points. I feel that the incidence of taxation has reached the optimum point and it might be dangerous to national interests to over-stretch it. I am also conscious of the fact that in a Welfare State there is a series of growing needs and we must provide for them. We have to think of ways and means as to how we can do that without increasing the burden of taxation. I for one believe that there is large room for *economy* both in the Defence sector as well as in the Civil Administration. I have

27 CSD

heard with rapt attention the remarks that were made by my hon. friend Dr. Kunzru with reference to the Defence Budget. He sounded a note of warning against undue economy which might affect the efficiency of the Army. I am conscious of the fact that we must have an efficient Army, not only for external purposes but also for internal administration. I for one will not at any stage, be a party to decreasing the efficiency of our Army in whatever sector it might be. I am entirely in agreement with him. when he said that the efficiency of the Army must be kept at a very high, level. But I do feel, and many friends whom I had occasion to consult also agree with me, that without jeopardising the efficiency of our Army there is lot of room for useful economy. I had a long discussion with a District Superintendent of Police who was incharge of anti-corruption work. He was investigating into a very important matter and he told me that so far as he could find out, not less than a crore of rupees was going down the drain. I suppose in many matters you may find it extremely difficult to prove the case against any particular individual. But the fact of the loss to exchequer remains. There is a widespread feeling everywhere that in the Defence Department a good deal of money goes down the drain and we must close the rat-holes. By closing these rat-holes we do not damage the efficiency of the Army. We rather increase its efficiency. There is a feeling in a section of the Army today that so far as the expenses in the Army are concerned, they are not subject to control and, that they are entitled to spend as they please. We must be aware of the fact that we are spending about fifty per cent, of our overall revenue on the Army. We must examine and see whether we really cannot have any useful economy.

If I turn my attention to the Civil Administration, I feel that there also there is large room for economy. Unnecessary Departments have been

[Shri K. S. Hegde.]

created now and again and once you create a Department, that Department will work for its retention. The officers of the Department are anxious to justify their existence. It is but human nature and I am not blaming it. But it is the duty of the administrative machinery to see that it employs only the minimum personnel and that we do not over-burden our Administration with persons and officers unnecessary for discharging the necessary duties.

Now, apart from economy and matters allied to it, we must also see how exactly we could prevent large-scale cheating and fraud being committed on the Government. The hon. Members of this House and of the other House have been shocked by the disclosure of several scandals. It is only very recently that the Public Accounts Committee submitted its report on the Hirakud Project and I am sure hon. Members of this House and of the other House must have been greatly pained on going through it. A report of this nature shakes the confidence of the public in the Administration. It not merely shows to the public that large-scale depredations are being committed by our officials, but it also shows that we are not able to manage the machinery which we ourselves have created. That is why I am rather nervous about extending the activities of the Government. I have very patiently heard the remarks of my friend Mr. Ghose. I for one also feel that this State must become increasingly socialistic. But at the same time, unless we have got efficient administrative personnel, to extend our activities in the public sector, it might be extremely dangerous to do so. We will be creating a machinery over which we will have no control whatever and that machinery ultimately might engulf us by itself. As such we must hasten slowly. I for one am entirely in agreement with the Planning Commission which says that at least for a few more years we must restrict or

rather we must be content with the activities of the State as they exist at the present day. We must be very very cautious in extending the area of the public sector.

Of course, it is I know, rather difficult to apprehend the activities of these administrative marauders and put limits on their activities. It is not a very easy matter; but we must solve this problem. I have confidence in the party to which I belong and I have confidence in the leadership in the Congress Party, that with leaders of Pandit Nehru's character, strongly supported by an able Finance Minister and the rest, if they cannot tackle the problem, then this country has no salvation whatsoever at all. The problems are big, but we have big men to face them. We must summon up courage enough. We must deal with them in the manner in which they must be dealt with. I know it is not very easy to deal with them. We may have to deal with them from the public front and from the administrative front and even from the legal front. We must create a virile public opinion against all these corrupt acts. Up till now the policy of the Government is, more or less, a negative one. It looked as if our Ministers were anxious to justify the administrative personnel at whatever cost. This has given an undue encouragement to our officials. I do feel that it is the duty of the Ministers to protect the officers lest they should lose confidence in themselves or that there should be demoralisation amongst them. By all means protect all the efficient and honest officers, but do not extend your protective wings to the undesirable officials. I have read with pain the statement of the Minister for Planning which he issued after visiting the Hirakud Project. He made a statement, but what do we see in it? He has paid compliments to the officers there. But what do we see in the report of the Public Accounts Committee? How are you going to reconcile the two? How do you expect the public to have con-

fidence in your statements if they are patently wrong and patently unacceptable?

SHRI C. G. K. REDDY: That is your leadership.

SHRI K. S. HEGDE: You are making our position uncomfortable in the country. My friend Mr. Reddy exclaims—that is my leadership. Sir, there is no logic what you call—exception proving the rule. If it is a question of comparing the leaderships, I can assure my friend that he can never produce leadership comparable in calibre to ours. Of that I can assure him. I would request the Prime Minister to give greater attention to this aspect of the problem. It is true, and we are thankful for that, that the officials of the Finance Department assisted Public Accounts Committee in detecting many frauds. But it is not enough, Sir; you must see that the culprits are punished quickly, speedily and effectively. Now, I do know, Sir, that there are a lot of limitations, administrative as well as legal. I am a lawyer myself; added to that I was a Prosecutor also. I know that we have copied blindly the British Jurisprudence. It is good probably in England; it was good probably in ancient days but today law requires considerable modification if we are to deal effectively with this class of people. I do know, Sir, that the Criminal Procedure Code and the Evidence Act, as they are today, may hamper your efforts to put down corruption. There are a number of sections which extend their protective wings to undesirable social elements. Ever since I have entered this House, repeatedly by my questions and speeches, I have been trying to impress upon the Law Minister the absolute necessity of having a Law Commission to revise the penal laws as well as other laws and to amend them to suit the present conditions. A year ago he gave the assurance that the Government was considering it. I do not know when the consideration will finish and when we shall have the benefit of this Law

Commission. Until and unless you amend at least some of the provisions of the Evidence Act and the Criminal Procedure Code, we shall never be able to effectively deal with these persons who cheat and defraud the Government.

I pass on to the next subject with reference to which I propose to offer a few remarks. I am one of those who are entirely in agreement with the recommendations of the Planning Commission. It is true that there might have been greater socialistic emphasis in certain of the recommendations that the Planning Commission has made. But in all Plans, I am sure that there will be certain limitations. Those limitations are the products of existing social and economic environments. It is no good to go on criticising the Plan once the Plan is accepted by the country and the Government of the day. It is the duty of everyone of us to stand shoulder to shoulder with the Government and to see that the Plan is fully and effectively implemented. I shall not deal with the whole of the Plan. I shall confine myself to one particular aspect, that is, the Community Project. I for one consider that in all the recommendations made by the Planning Commission, the most useful, the most popular and probably the most effective would be the Community Project, if properly implemented. May I say, Sir, if properly implemented? It has created a good deal of public enthusiasm. In fact, Sir, all our political opponents were under the impression that the Plan will not be able to excite sufficient public support. I would invite them to go to the different centres where the Community Project is working to see for themselves how exactly the public has responded. It is only the other day that Shri S. K. Dey, Administrator of the Community Projects visited my District where one of the Projects is working. When he went to some of the Centres, it was past ten in the night; hundreds of people were waiting there to show him the work that they had

[Shri K. S. Hegde.]

done. We have done more than 20 miles of road, all from voluntary labour. Sir. There have been offers of financial aid and voluntary labour. That is the part that the people have played. Let us turn round and see what the Government have done. I want the hon. the Finance Minister to underline this that the Government has done absolutely nothing up till today. In fact, Mr. Dey himself, If I felt his pulse correctly, thought that useful and energetic public enthusiasm is being wasted by Governmental non-co-operation. It is a pity, Sir, to say the least, that the State Governments have not moved at all. There seems to be no unity of purpose and there seems to be no co-ordination in the administration. What is happening is that in my own place we undertook that the people shall put up the road and the Government shall put up the culverts. Government agreed with the recommendations. The roads have been put up but there are no culverts yet. We are going to have the rainy season from June onwards and without the culverts, the entire road will be washed away. What public support do you expect in such a contingency? What is happening is that the Planning Commission is speaking in *one voice* and the hon. the Chief Minister of Madras is speaking in another voice. The Planning Commission said that the local Development Councils will be delegated powers to give administrative and financial sanction but to a question that was put in the Madras Legislature the hon. the Chief Minister of that State stated that the need of the hour was concentration of Power and not delegation of power. I do not know who is right—whether the Planning Commission or the Chief Minister of Madras—but it seems to me that they are not speaking with one voice but in two voices and if it is your opinion as well that no substantial Power should be delegated to the local Collectors or the local authorities. I can assure you, Sir, that nothing will come out of this community project. It will

be a dismal failure. What is happening today? For every small item of work, you will have to send up a report to Madras which is 550 miles from my place. It takes months before you hear anything from there and ultimately the proposal is returned saying "Could you not add a comma here and a full stop there and send it back?". The red tape is there. I playing its fullest part. Sir, I appeal to the hon. Finance Minister as a Member of the Planning Commission to find out a way of achieving the expected results. Instead of creating a social revolution, we are creating a sense of frustration in the minds of the public today and that frustration will create such enerv which you and I will never be able to contain. I am glad that we have created a large measure of social consciousness in the minds of the public. It is now for us to co-ordinate and harness that energy and to put it to best social use. If we do not do it, well, you know, Sir, that the public opinion can convert itself into a mob opinion and once that is done, the good name of our Government will be at an end and we will be swept away by the forces that we ourselves have created.

Now, Sir, I have a few other suggestions for your consideration. In the Five Year Plan and specially dealing with the Community Projects, you have not conceived of any plan to coordinate the activities of the State, the local bodies and the Community Project. Today, these three agencies which are undertaking development work are working in isolation. Each one has got its own programme; there is no integration of the programme and there is no co-ordination of their activities. In fact, we had a very interesting phenomenon in my District. We have been asked not to take up any road work which is proposed to be undertaken by the State. In my State, Sir, we have got what is called the Post-War Road Development system, and, for which Post-War I do not know—whether it is for the last war or for

the coming war—but now there is a programme' of work on paper and we are told "Don't take up that work because Government might take it up", not that Government is going to take up but they might. There is no provision even in the present Budget for that work. Now, what has happened is that we have put down a number of feeder roads in the belief that the Post-War developed roads will come into being. Now, we are having the feeder roads without the main road. We do not know when the main road is going to come and, without the main road, the feeder roads have absolutely theoretical existence, without any use whatsoever at all. I went on a deputation to the hon. Minister for Public Works and the Chief Engineer of the State. I told them of the anomaly and they said, "Yes, it is quite right. We will try and see that those roads are put up immediately in the Community Project Area." That was about seven months back. I anxiously scrutinised the Budget of the Madras Government this time; there is no provision for that road even now. Again, we wrote to them "Now that you have not provided for the road, will you at least permit us to take up the main roads in the Community Project area?" After three months the reply came that the Community Project would not take up any of those roads as they were to be undertaken by the State Government.

Similarly, look at the local boards. The local boards themselves have got their own plan, Five Year Plan or Seven Year Plan or whatever that might be. Many of the local boards are living a hand-to-mouth existence in my State and probably so in other States as well. Practically they have no money for any development scheme. Excepting having paper schemes, I do not think that within any reasonable future they will be able to implement those schemes. For that reason, in the Committee of which I was also a Member, we passed a resolution requesting the Government to permit a

co-ordination of the activities of the local boards as well as that of the Community Project so that they might work together. Anyway, at the end of three years, the local boards must take up the responsibility for maintaining and continuing the works executed by the Community Project. For that purpose a resolution had been sent to the Government and after some time we got a cryptic reply that the Project administration shall not take up any of the works which will have to be done by the Local Boards or proposed to, be undertaken by the Local Boards. That is how it stands.

We have started very well. It is now for you to see that it is continued in the manner that we anticipate and is anticipated in the country. Otherwise the Community Project will become a countryside joke. I am saying it with all seriousness. I have contacted Mr. Dey a number of times; I have contacted the hon. Minister for Planning sometimes the hon. Minister does not even find time to acknowledge the letters. This is the state of affairs. We must devise ways and means to implement the proposals made by the Planning Commission. The State Governments must be requested to take the recommendations seriously and not in a half-hearted manner as some of the State Governments have done. They seem to have their own mental reservation as regards many of the recommendations of the Planning Commission. You will find it very difficult to implement your programme of work if you do not command uniformity of action on the part of all the States. I wish you had an independent Corporation or an independent agency to implement the main proposals of the Planning Commission rather than leave it to the sweet will or rather the varying wills of the different States in this country.

Well, Sir, the time before us is very short... The discontent in some quarters is certainly growing partly due to our own inefficient manner of handling

[Shri K. S. Hegde.] ling matters, and it is time to try and see that things are done in the proper form and that the necessary vigour is introduced in all our activities. I do not want to take un the time of the House in dealing with this subject further but I would make an appeal to the hon. Finance Minister, who is also R member of the Planning Commission, to see that the recommendations of the Planning Commission are taken up and implemented in all their aspects *o that we may achieve the results which we hoped for.

PROF. G. RANGA: Mr. Deputy Chairman. I wish to congratulate my two hon. friends who preceded me on the very careful study they have made and the useful analysis indeed of our economic conditions and also of the manner in which the administration is failing to give us satisfaction and of the prospective failure or the feared failure of the community projects if such and such changes are not made. I totally agree with my hon. friend Mr. Hegde in the analysis he has made of the reasons that may contribute to the failure of the community projects. I also agree with him when he said that the Centre should take a hand in trying to remove many of these anomalies that go on cropping up because of the conflict in the wills and practices of the Central as well as the State administrations. But I wish to dissent from the last enthusiastic recommendation he made, namely, that the Centre should see that the Five Year Plan is implemented by all the State Governments in every detail. I am sure he did not expect us to take him literally. But at the same time, even generally too I would like to tell the House that the Planning Commission was careful enough to realize that your State Governments are themselves democratic, governed by their own State Legislatures, and the State Legislatures have to consider the public opinion of their people and then in the light of whatever is sanctioned by the Legislatures in their own respec-

tive areas, they will have to implement the recommendations that are made by the Planning Commission. Now, Sir, I am not surprised at what my hon. friend Mr. Ghose had said, namely, that the recommendations of the Planning Commission were rather vague. They have to be vague. They cannot go on giving in percentages in regard to everyone of the details as to how much should be done in each State and so on. They can only indicate the trends in which the State Governments as well as the people themselves have got to be helped by the Central Government. The State Governments also-on their own initiative should function •n order to achieve such and such broad results. If that is taken for granted, then I am sure, Sir, most of the suggestions that my hon. friend-Mr. Hegde had made would come into their own proper places and they ought to be given the best possible attention not only here at the Centre but also in the States. I have been myself a great enthusiast of these community projects and I am glad the Central Government has agreed to place large sums at their disposal. I have already expressed my impatience that the number of these community projects is not enough, and the funds placed at their disposal are not enough. But even these funds will become absolutely useless and will not be able to give us the results that we expect from them if these difficulties that have been narrated today and many other difficulties that have come to the notice of so many of us are not met

Sir, the Community Project is nothing new. The idea started from Mahatma Gandhi himself when he inaugurated his constructive programme as long ago as 1921. Over a period of years, extending over twenty years, I think a number of selfless workers all nver the country have been carrying . on these constructive programmes and projects. Then the Madras Government took the initiative in 1946 and started what was known as the Firka Development Programme. Much was

expected of it then—as is now being expected of the community projects—but it could not yield good enough results for the simple reason that the administration then was an old-time administration which was not prepared to co-operate in the endeavour made. There were certain defects in it, the main defect being that there was no officer placed in charge of any Firka project, big enough, high enough in the official hierarchy, to impress the District Collectors and the District Superintendents of Police and the engineers and other people and obtain from them necessary co-operation and get through the thing and get results. I hailed the community project when it came because I felt that the missing link was prodded for in it. The project officer was given first of all the status of additional district collector and therefore it was thought he would be able to impress all the other district officers and would be able to get the necessary response and co-operation from them. We find now that they are not able to do it. Secondly, Sir, we also expected that the local boards would not be meeting with difficulties—political administrative or otherwise. I thought that the work programme as settled upon by the Community Project and its officer and its advisory council would be carried through with the wholehearted cooperation of all concerned whatever might be the earlier practices but unfortunately that is not the case today. In actual practice there is so much of obstruction. Only the other day, there was a conference of these officers also here in Delhi. Shri V. T. Krishnamachari was giving them advice. But what was the good of this advice or what was the *good* of their decision if the Centre here, especially the Finance Minister, does not make it his special duty to go round the States if possible, if not to invite a conference of these States or to request the Prime Minister himself to invite a conference of the Chief Ministers and their Finance Ministers and whichever other Ministers who are directly responsible

for the success of these community projects, put to meet those people and tell them that the Centre is expecting them to make these community projects a success by warning them if need be, or by cajoling them and if this is not enough, for them to go down there, to the States, and address the local legislatures either publicly, if that is permissible under the Constitution or privately in a non-official manner and convey to them the will of the Central leadership..... to see that this country progresses as rapidly as possible, as quickly as possible, and in a comprehensive manner so that this discontent that all of us would like to prevent could be put down and people could be given the greatest possible satisfaction at the earliest possible moment.

Having said that, Sir, I would like to take up some of the points in regard to the financial proposals, I have already said once before that the tendency has been in the recent past to reduce the tax burdens on the rich people. I did not very much deplore it, but at the same time it is not possible for us to commend it. If it can be proved to us that these rich people have not been becoming richer and richer, that they have not been able to make any profits, certainly there can be a case for this tendency to go on as it is being allowed to go on. But in actual fact, we find from the facts given by the hon. Finance Minister himself that it is not so. He has given this information up to 1950. Possibly it has got to be amended to some extent because later on prices have come down. From page 112 of his own Explanatory Memorandum regarding industrial profits you can see that profits have not been going down to any unsatisfactory level. On the other hand, jute was making 456, where it was making only 100 in 1939. These are profits after all other expenses have been accounted for. Cotton was making 356 and iron and steel alone comes last with 134. Tea was 271; now, of course, tea is very bad. Sugar is 256.

[Prof. G. Ranga.] Paper 479, coal 209 and cement 333. Surely it cannot be less than 100 anyway. It must be more than 100; that means they must be making as much profits as they were making in '40. A very much more. Then what is the special justification for allowing this tendency to go on. I can understand if it could be proved—also I would like it to be proved; so far it has not been proved—that these rich people have been saving all this money which they are given more or less as a gift by the general public here in this country through these reduced tax burdens. If they have been using this money for the development of the industrial resources of the country by starting new companies, setting up new plants and new industries, then it would have been different. That information has not been given to us. On the other hand, if any efforts had been made by Government to reduce imports, especially of luxuries and mid-luxuries and so on—and in that way also make it impossible for these people to waste their money on luxuries, but to induce them to put their money, plough it back, into the industries, there would be some justification on this score for reducing their tax burdens. There is not much evidence of that. Some enquiries were made by the Gokhale Research Institute and other research workers in different parts of the country which have proved to us that the richer people have been growing richer and richer and the poorer people have been growing poorer and poorer in this country. Well, possibly, this tendency cannot be arrested in a day or in a few years, but certainly as long as this tendency goes on, is there sufficient justification for allowing the other tendency of reducing the tax burdens on the rich people to go on growing as it has been growing in this country?

The question of the burden of dispropor-
tion was raised and my hon. friend

Mr. Ghose was careful enough to say: 'We cannot ride this horse' too far because it is difficult first of all to disentangle these burdens that are being borne by the rich and by the poor. But at the same time the Finance Minister, even though he cannot have accurate figures in regard to these things, is generally expected to keep his fingers on the pulse of the economic development of our country, and the financial resources of different classes of our people and when he finds that the poor people are not becoming any the less poor and the rich people are not becoming any the less rich, then I should think it would be his duty to see that the tax burdens on the poor people are not allowed to grow any more. But, Sir, what do we find in regard to the collection of these excise duties? We find, Sir, that collections from excise duties have been going up. The revenue from Union Excise Duty was 12 crores 79 lakhs in 1942-43. In 1945-46 when we all returned from jail and began to complain about the heaviness of the incidence of these excise duties, it had risen up to 46 crores 37 lakhs. Now they are 94 crores. Who is paying? It may be said that the rich people are also paying. But can it be said that the rich people pay as much as the non-rich people? I am not calling them poor, but non-rich. Somewhere or other a line has to be drawn: it is more a psychological decision that the Finance Minister has got to make any time, but at the same time it must be possible for the Finance Minister to feel that this burden would be falling more and more on the non-rich people, that is the consumers, and even among those only the people who are non-rich consumers, as apart from the poor.

THE MINISTER FOR FINANCE (SHRI C. D. DESHMUKH): Sorry to interrupt. Sir, I would like to know what the hon. Member considers as rich and what he considers as poor. Where would he draw the line? Is it in terms of income? If I know that, it will be

convenient to deal with his speech afterwards. j

PROF. G. RANGA: There are two categories. Non-poor people are those people who are expected to be exempted from the payment of income tax: that is, those who have appreciable incomes, but which are exempted from income tax. They are non-poor but yet non-rich. I cannot say they are poor, but at the same time I am not prepared to say that they are rich. Therefore they are non-poor and non- ' rich. First of all that is a kind of margin. Then I am prepared to allow his discretion to go up as far as he likes but I would like to put it at ' Rs. 12,000 a year.

MR. DEPUTY CHAIRMAN: Perhaps the hon. Minister would like to know ; where you draw the line.

PROF. G. RANGA: I would do it when I become the Finance Minister. I will be quite content if he gives some indication. Supposing we draw a line at Rs. 12,000 per annum—that means Rs. 1,000 per month—now, anyone who gets more than that should be considered to be a rich man in this country, because we are so poor. Supposing we start from there, then let him consider the tax reliefs that he has given—not only himself, but his predecessors also, since we became free—then we would be able to see whether after all these tax reliefs that we have been given have been thoroughly justifiable. That is all that I can say. It is quite possible that people who get more than Rs. 12,000 per annum or more than Rs. 10,000 per annum, are very very limited in number. But at the same time if he were to consider the profits of these corporations and these joint stock companies and there also apply not the same rule but make the same approach to them, then it might be possible for him to get quite a -4ood enough number of people from among those who are paying today income tax and those people may be made to pay a little more smd made to bear a

larger tax burden than what they are having today.

Then I come to my hon. friend the Finance Minister, and his Ministry. They have thought of giving some relief to the tea industry. It is not enough. We all know that my hon. friend Mr. Mazumdar has been reminding the House so often how inadequate indeed has been the help that has been given either to the retrenched labour or to the tea growers or to the tea exporters. Nevertheless a genuine effort is being made to help them, in the way of helping this industry, especially through the means that they have adopted in seeing to it that they get monetary help from the scheduled banks. The scheduled banks, I suppose, get accommodation from the Reserve Bank. The tea growers should be given some assistance, some respite anyhow from the demands that their creditors might be making on them. That is a very good approach.

I wish to plead that a similar approach should have been made, at least it should be made now, to the tobacco industry, to the millions of people who are producing what is known as Virginia tobacco. During the last three years this crop has not been doing well. Last year it wa. more or less a failure. This year it is an abject failure. In several districts of Madras and in Mysore also this Virginia tobacco is being grown and on each acre a peasant is obliged to invest not less than Rs. 500 on what is known as out of pocket expenses by the time he transplants the seedling. Then, by the time the whole crop is ripe and ready to be r*r;ed in the barns, as they call them, he might have invested at least another Rs. 500 per acre. In addition to this, there is his own family labour. All this money is at the mercy of the market. More than that: it is at the mercy of the colour that this tobacco is able to develop. The peasant never knows whether it is able to develop| the right colour or not until it gets¹ dried in the barn, and he has got to| pay a heavy price for it. Then he

[Prof. G. Ranga.] has the leaf with him. If It does not get the proper colour, the price goes down 50 per cent, or even 100 per cent. If the colour is completely bad, he loses everything. Nevertheless the leaf is there on his hands. New. there are the rules of the Central Excise Department. They come and say, "You have got so much tobacco on your hands. Either you get it sealed in your own godowns, or you destroy it, or you pay the excise duty." If he does not pay the excise duty within a certain period, he has got to destroy it. If he does not destroy it, there is no other means by which he can possibly free himself from the responsibility of paying duty. If he himself is the dryer, that is, the owner of the tobacco barn, and has all this tobacco on his hands, he is obliged either to borrow money at heavy rates of interest and pay this duty, or to destroy it completely, or to sell it away for a song to rich men who can afford to invest the money. Sufficient care has not been bestowed up till now by the Finance Ministry to the question of giving relief to these people. This happens every year. The incidence of this loss has become calamitous during this year, because the colour has gone so completely low that they are not able to recover their investment. Their investment is gone, but they have to pay the excise duty either directly or indirectly. They have no money to invest again in order to raise their crop next year. Is it not the duty of the Finance Ministry in its various aspects to come to the rescue of these people? I want this matter to be examined very carefully. I referred this question to the Commerce and Industry Ministry. They said it was a matter for the Agriculture Ministry. What can the poor Agriculture Ministry do? It is the Central Board of Revenue and the Finance Ministry who have got to come to grips with this problem and not the Agriculture Ministry.

Then I come to the responsibility of the Agriculture Ministry also. The present difficulties of the tobacco

growers have brought one point to i.e. fore, and that is the need for organising a crop insurance scheme for these people. This crop is more amenable to crop insurance than any other crop, because it is a special crop. But at the same time I am not prepared to advise the Government to undertake crop insurance to the extent of 100 per cent, of the value of the crop. If they were to make an effort to insure the crop only up to 50 per cent, of the value of the crop, then it would be possible for the growers to feel that they have been protected against a complete loss of their investment and that their out of pocket expenses can be recouped through some such insurance scheme, and then it would be possible for this industry to be carried on. I would like a detailed and careful study of this problem to be made by the Finance Ministry.

The question of rural credit was raised by my hon. friend. I agree with him that there is great need for more banks in our rural areas. But it has two sides. If you are going to start banks in rural areas only to mop-up whatever savings there might be in the hands of a few bigger landlords and bigger peasants and take them over to the cities, there to be lent to organised industries at very low rates of interest, then you will not be doing a good turn at all to the rural areas. If, on the other hand, you are thinking in terms of starting rural co-operative credit banks in every village, and, where there are two factions, two banks in such village so that each faction will have its own bank and will not be quarrelling within the bank's management, then it might serve the rural areas much better. But how can these rural credit banks provide the necessary funds to the rural people unless the Government of India adopts some unconventional methods? I have already made one suggestion, and I hope my ^resolution will come up for discussion in a few days and I hope to go into it in greater detail¹ then. I will now only mention my earlier suggestion that there is need.

in addition to all the existing rural credit institutions that we have today, for organising a number of State agricultural finance corporations with the apex at the Centre, an All-Indn Agricultural Finance Corporation. I know my hon. friend the Finance Minister himself has said that w^e should hold our souls in patience because some committee is studying this matter, and that the Reserve Bank is also seized of this matter, and that there is an amending Bill on the anvil. But that kind of attitude is just not enough. A more active attitude than that is necessary, because if they are going to wait until all these things come to fruition, it will be years, and in the meanwhile these people will go to the wall.

Then, Sir, there is the bigger question, and that is the question of nationalisation. We all know the views of the different parties in this Bouse as well as in the other House on this question. But it should be possible for us all to agree upon certain basic matters. Nationalisation cannot be complete unless we have a totalitarian State as in Soviet Russia and certain other countries. Tf nationalisation, on the other hand, can be had within a mixed economy—even in a State which tries to progress towards a welfare State, then there are distinct limits, one of the limits being the kind of administration that we have. My hon. friend Mr. Hegde said that the kind of administration that we have today was not good enough. Next, the kind of Ministries that we are able to have are also not good enough. That is why they are not able to run the administrative machinery as well as they ought to. The problem is there, and all these things are an indication that it is there. I wish to join issue with my friends on the Treasury Benches who go on saying that in such a huge administration as this, which has to deal with so many big industrial and agricultural and multipurpose projects, there are bound to be certain defects and certain scandals, but that nevertheless we should not lose heart.

I am not prepared to -agree with them in that complacent attitude. If[^] on the other hand, they had come forward to tell us that such and such administrators had been sent away from such and such project because they had been found inefficient—I am putting it at the lowest, not even dishonest—and put in less responsible positions, we could have had some satisfaction. So many of the scandals have been unearthed, yet what is it that my hon. friends have been doing? These officers who have been responsible for making all these scandals are still going about merrily.

SHRI K. S. HEGDE: They are promoted.

PROF. G. RANGA: Some of them may have been promoted.

SHRI C. D. DESHMUKH: The Chief Engineer who was in charge of Hira-kud was sent back long ago.

SHRI K. S. HEGDE: Sir, I want to know if it is correct that Mr. Kapoor is going on deputation to America?

SHRI C. D. DESHMUKH: I do not know about it, but as I said, the Chief Engineer was sent back long ago.

SHRI K. S. HEGDE: According to the report, the Chief Engineer is the least guilty person. There are others who are actually guilty and they have been promoted.

PROF. G. RANGA: I do not wish to mention any names, but there are some others—even more highly placed than this Chief Engineer—who are responsible for all these scandals. I do not want to go into details, but one detail I must give and that is this. The Parliament gave sanction for this Hirakud and Parliament wanted these people to give first preference to the local people, local Engineers and others who could be available, but they went the other way about and went all the way to Punjab and so many things like that. My hon. friends from Orissa had already regaled the House with so many of these things in both the Houses.

[Prof. G.-ftanga.]

Then, here is this Domodar Valley also. At the time of passing that "Bill. Sir, I was anxious while in the Select Committee that the Damodar Valley Corporation should be made as independent as possible of this inefficient administration at the Centre. But to my chagrin, I found later on that this inefficient Central Administration was more efficient than that Damodar Administration. Now having been loaded with this kind of administration which is not only inefficient, which is worse, what is the use of our nationalising this industry or nationalising that industry? I was one of those who also gave sanction to that industrial policy of the Government of India and that industrial policy of the Government of India had had to be amended seriously later on because we found that we could not implement it with the kind of administration that we had. We said that within the first ten years we would not nationalise the iron and steel industry but thereafter we would think about it. We said also that certain basic industries like oil refinery, machine tools etc. should be straightaway taken up by the States themselves. We could not implement it. On the other hand, we had to go back upon it. It is not as if we were inconsistent. It is easy for some of those friends who believe in totalitarianism to turn round and then say: "You have failed to fulfil your own promises" and all those things, but if we believe in democracy and if we believe in making use of the administration that we have and then going ahead and improving it, then all that we can do first of all is to rectify some of the mistakes that we have ourselves made. We did make a mistake in hoping to go so far ahead in that industrial policy and that is why we were obliged to step back one or two steps in the hope of going ahead several steps; in fact, after we are ready for it.

Sir, I am also in favour of the principle of nationalising banking; but I am not prepared to go ahead

100 per cent. That is why I have been insisting that the Imperial Bank at least should be nationalised. Let us get some hold over economic system. Even if we cannot manage all these banks at one and the same time, let us catch hold of this Imperial Bank at least. With that it would be possible for us to extend credit supply in certain directions

and to reduce it in 11 A.M. certain directions with

this instrument of Imperial Bank in our hands. At present we are entirely at the mercy of the Reserve Bank for the supply of capital to the rural areas. Tomorrow it should be possible for us to have the Imperial Bank and its resources also to be pumped up into the rural areas. And I want the Government to make a serious effort indeed in this direction and it is in this direction that Government has failed very badly indeed.

Sir, I agree with my hon. friend Mr. Ghose when he said "We want socialisation". What sort of socialisation do we want? That is a very important thing for us to consider.

MR. DEPUTY CHAIRMAN: You have taken half an hour.

PROF. G. RANGA: I will be quick, Sir.

Now this 'socialisation' is a very fascinating term first of all and an idea and a conception. I would like to be fascinated by all such ideas and so would every one of us. But when we begin to go into it, so many things are being raised. Only this morning there was a plan in regard to the ship operations. Up to 75 per cent., the Government has taken up. Only 26 was being made available to the public.

SHRI M. C. SHAH: To the Seindia company 26.

PROF. G. RANGA: I see, the public was not able to subscribe and therefore the State has taken up also and they placed at the disposal of this company 26 per cent. And then when the Government did not have any machinery for them-

selves with which they would be able to control it, they made use of the existing machinery which was already there and then we begin to have doubts. It is no good having such doubts. When we allow some experiments to be made, then we should at the same time give freedom to the Government in different ways in order to bring within its ownership and control as many industries as may be possible and if not the whole industry, as many parts or sectors of an industry as possible and then manage them by a joint-stock company or a managing agency or by direct State management. Therefore, Sir, we must be prepared to make up our minds: if we want more and more of this socialisation, we must then allow the Government to make experiments and when they begin to make experiments, let us accept them first of all in good faith and then judge them only by the results that they are able to achieve.

I am very glad, Sir, to know that this exemption limit of income-tax has been raised, but I would like to remind the Finance Ministry and the Deputy Finance Minister also of the need for giving some consideration to our agriculturists. I am not going into any details in regard to this matter, but one point I would like to mention in this House. So far as all these commercial any trading interests are concerned, Sir, they are not subject to any direct taxation until they come to have an income beyond this exemption limit. But when it comes to the agricultural classes, the peasants themselves, they are made to pay a direct tax as per the amount of land that they hold. They think it is a sort of a property but we must look upon it as a source of employment. And when it is a source of employment, then it is necessary for Government to see that their source of employment is not tax"-.! as such but only the income therefrom comes to be taxed. And that is why I want the Government to develop the idea of imposing an income-tax

on agricultural incomes and exempting our peasants from the payment of this onerous land revenue. I am mentioning this now because they have appointed a Taxation Enquiry Committee. I would like the Government to see that the Taxation Enquiry Committee will go into this matter and reduce the heavy burden from the shoulders of our poor peasants.

Then about this question of leadership. My hon. friend, Mr. Hegde, has already answered in part the point made by my hon. friend, Mr. Ghose. There is much in that leadership, I agree. We have good leadership in our country but the trouble with our leadership is that it is over-burdened with too many responsibilities. Our leadership has got to free itself from so many of its administrative responsibilities and should be prepared to place itself at the disposal of this Government as a whole and also of the Governments in the States, and of the people. It must free itself from all administrative responsibilities except the Prime Ministership. Our Prime Minister should grow into a national leader and not be imprisoned by my hon. friends there in the Congress Party itself.

SHRI M. C. SHAH: He is a national leader.

PROF. G. RANGA: He must outgrow the Congress Party and place himself at the disposal of all the people in the country, of all political parties, at least such of them as are willing to place themselves at the disposal of such a national leadership, and in that way give an opportunity to the people to draw such inspiration as they could and should from him.

SHRI K. S. HEGDE: There is lack of leadership in the second line and not in the first.

PROF. G. RANGA: And it would be good for the people. They have to realise it just as my hon* friends, the Praja Socialists, have realised it today, that we have in him the **one** personage who commands the confidence of all.

AN HON. MEMBER: Not of the Traja Socialists.

PROF. G. RANGA: I exempt then those friends from this generalisation, but all the rest of us are glad that we have a leader like that, and while that leader is healthy and hale and is in the possession of all his faculties, it is necessary for us, the really genuine democrats, to maximise our efforts, even for my friends - on the Treasury Benches, the various Ministries and even the Legislatures, for every one of us to maximise our efforts so that this Five Year Plan may be completed within four years.

SHRI BASAPPA SHETTY (Mysore) : Mr. Chairman, while supporting the Finance Bill, I should like to say a few words about the Malnad parts which are very backward in South India. They are the most undeveloped parts of South India. It is unfortunate that the Central Government have completely ignored and neglected these parts. The Malnad parts consist of one-third of Mysore on its western¹ side, the whole of Coorg, the whole of South Kanara including Mangalore, and also the Western Ghats. The Western Ghats form the most important part of Malnad. Malnad is very rich in forests. So many things are grown there like paddy, coffee, cashewnuts, rubber, sandalwood, etc. Any quantity of timber is available in those parts. There is a large forest wealth which should be exploited. The first problem of Malnad is roads. The roads there are in a very bad condition because of the very heavy rainfall which ranges between 50 and 200 inches annually. The roads are completely washed away during the rainy season. I therefore suggest to the Finance Minister that he should kindly see that a certain portion of the Central Road Fund is earmarked for the construction of concrete cement roads or at least tar roads wherever it is possible. The ordinary metal road cannot withstand the heavy downpour there during the rainy season. I earnestly request the Central Government

to pay their utmost attention to the improvement of the roads in the Malnad parts. During the monsoon which continues for about five to six months, the people are literally imprisoned in their tiny villages because of the heavy rains and consequent floods. They cannot stir out of their villages on account of heavy rains and consequent floods, to bring their articles to the markets and also to purchase the necessary 'samans' from the market. Hence huge bridges have to be constructed over big rivers. This is the real situation there and people are actually suffering. That is why in my speech on the Railway Budget I stressed the importance of the construction of a railway line between Kadur and Sakleshpur *via* Chikmagalur which would open up the interior parts of Malnad and help in the economic advancement of the people of those parts. Also, Sir, the question of power projects and irrigation projects should be taken up very seriously in those parts, because there are very very big rivers there like the Cauvery, the Thunga and Bhaora and Kaveri have their source in the Western Ghats. The power projects will give us enough electricity for lift irrigation. The Kalanidhi River Scheme in the Bombay Presidency, after completion, would produce about half a million Kilowatts of electricity as per the programme of the Bombay Government. Similarly, the Honnemaraon Project in Mysore State, if undertaken and completed, is expected to supply about three lakh K.w. of electricity. The Mysore Government have repeatedly requested the Central Government to take up this project, which would go a long way in helping the Grow More Food Campaign by giving water and electricity for lift irrigation purposes. In spite of their repeated requests, the Central Government have not cared to take up this project and complete it. There is a great demand from the agriculturists for the supply of electricity for lift irrigation. I request the Central Government to

take up this project and complete it early.

The prevalence of uncontrolled abundance of malaria is another factor contributing to the deterioration of the economic condition of the people of Malnad. People have been suffering from enlargement of spleen, and their vitality is sapped by malaria. For the purpose of checking malaria, the present number of health units there should be increased and D.D.T. spraying should be undertaken on an extensive scale. Sir, there was a proposal to start a D.D.T. factory in Delhi. I would request the Government to see that this factory begins to function early as the health of the nation is very important.

There is also vast scope for developing small scale industries in Malnad. There is plenty of bamboo in the forests which can be used for -starting paper industry. It is estimated that the bamboos available would satisfy more than half of India's requirements. Bee-keeping industry can be developed in Coorg and Mysore as there are a lot of wild flowers in the forests. Large quantities of timber also are exported from Malnad parts but afforestation should be taken up systematically side by side with the exploration of the forests. Malnad can supply any quantity of raw materials for several industries. In Malnad illiteracy is appalling. Special efforts should be made by the Central Government to see that expansion of education takes place in South India. Along the West coast there are several natural ports which cry for development. For instance Mangalore, Malpay, Karwar are there. If they are systematically developed, they can serve as outlets for the vast hinterland. Karwar can be the best naval base for India. Bhatkal can be developed as a shipbuilding centre because there is large timber available in the near forests. There is the Bhadravati Iron Works within 100 miles which can supply the iron and steel and there is the Mabatma Gandhi Power Station also

from which electricity can be supplied to Bhatkal. Malpay has excellent potentialities as a fishing port. Because of want of transport facilities, tons of fish are thrown back into the sea. Therefore all these industries can be developed in the Malnad parts if only proper survey is made. I learn that a survey was made by some Americans in several parts of India and it was found that the second biggest concentration of mineral wealth was to be found in the triangle formed between Bhadravati, Karwar and Gadag. I don't know the details but there are a number of places where people expect to find deposits of minerals. As it is, Bhadravati in Mysore, which is in Malnad, is producing iron and steel and is expanding. Near Dandeli in North Kanara District manganese is being mined. I learn that sulphur pyrites are found near Karwar.

The Malnad is really a tourists' paradise. One can drive for hours and hours in the thick evergreen forests which is in itself a great delight. There are a number of historic places in the heart of Malnad and just adjacent to it there are magnificent temples. Beginning from Karkal, Mudabidre in South Kanara we have Belur, Helebid, Gomateswara in Hassan, Sringeri in Chickmagalur, Gokarna in North Kanara District which are places of historic interest and of great appeal to art and religion. There are waterfalls like Garasoppa which can be made places for tourists, the artist and the religion as well.

All these served with a coordinated network of roads, railways and ports can be sources of considerable income from tourists traffic. I feel that the area will be one of the greatest attractions in India for tourists.

It is unfortunate that the Malnad Improvement Committee once constituted by the Central Government to go into the question of these special problems connected with Malnad parts has ceased to function for reasons unknown to us. It seems that

[Shri Basappa Shetty.] its first report was sent to the Planning Commission and afterwards the Commission prevented the Committee from submitting its further report. I don't know the reason for it. The preliminary report was beautiful covering all the problems that could be tackled in Malnad. Even now I request the Central Government to see that the Committee is revived or a High Power Committee is appointed to go into the details of these special problems of Malnad parts and submit a report as early as possible. I would request the Government to kindly see that they take action on the report submitted by this Committee.

With these few words, I resume my seat.

SHRI KISHEN CHAND (Hyderabad): Mr. Deputy Chairman, we are discussing the Finance Bill and therefore I shall confine myself to the policy of taxation adopted by the Government and see what its incidence is on the various sectors of society. You will permit me, Sir, in considering this taxation policy, to consider the States' taxes also because in assessing the burden, we have to take them also into consideration. I may point out that roughly the incidence of taxation in this country is about Rs. 15 per head of population in the States and about Rs. 12 per head of population in the Centre. If we look into the States' share of Rs. 15 per head of population, it will be found that it is entirely borne by the poorer sectors of the society or it may be said that it is evenly borne by all sections of society. The States' taxes consist of land revenue which is entirely borne by the agricultural population. The other States' tax is excise duty on liquor which is consumed largely by the poor strata of society and it is borne by them. In certain States where there is no excise duty, it is supplemented by sales tax and now as the sales tax has been made a multi-point sales tax, by the time the goods reach the poor agriculturist or the rural population, it is multipli-

ed three or four fold. These facts will bear out my contention that in the States the taxation is entirely borne by the common man. Now coming to the Centre, our central taxation consists of three main items. The first is income-tax and super-tax. Let us examine the incidence of income-tax on the various sectors of society. The income-tax is collected very largely from companies and limited concerns. Out of a collection of about Rs. 150 crores, nearly 80 to 90 crores is paid by the limited concerns. Even here it will be found that a tax of about 90 crores is collected from a profit of about 250 crores or even more which arises by a higher rate of consumer price. It only means that really the tax is indirectly paid by the consumer and as a large part of the consumer goods are consumed by the common man, he is indirectly paying the income-tax to the Central Government. Except that portion of the tax which is paid by the rich persons and the super-tax, the rest of the income-tax is borne by the common man so that out of 150 crores at least the burden of 100 crores falls on the common man.

Now I come to other taxes; but before I go to them. I would like to stress one point which I stressed when we were discussing the Budget proposals. The limit of exemption has been raised from Rs. 3,600 to Rs. 4,200; but that is not sufficient as the prices of all goods have gone up fourfold. The exemption limit in 1939 was Rs. 1,500 and it should now be raised to Rs. 4,800 for a single individual and Rs. 9,600 for joint families.

Now I come to the other taxes and take up the export duty and the import duty. Let us first examine the export duty. Some hon. Members stated in this House that the export duty is paid by the foreigner. I beg to submit that this is not correct. The export duty should really be the difference between the internal prices and the world prices. When the world prices are higher than the internal prices, and the

Government does not want the internal prices to go up, it levies a duty—the export duty. It means that by levying the export duty the internal price is kept down. If the export duty had not been levied, the internal prices would have gone up and the poor agriculturist and the poor producer of raw materials would have got higher prices. By levying this export duty you are really depriving him of the higher price and that means that indirectly you are collecting it from him. So my contention is that the export duty is indirectly borne by the prime producer of agricultural goods and raw materials. It has been pointed out by certain hon. Members that this duty on tea has been the cause of our losing the world markets. I submit that that is not correct. Our country is the biggest producer of tea; but this industry is held largely by British interests; not only the production of tea but the curing, blending and the maturing part of it is done largely by British concerns. They so manipulate the prices that they get large profits and the price paid to the local producer is reduced. The India tea gardens get a lower price because they do not do the blending and the curing of it. They have got to sell the green leaves to the foreign concerns who make the largest amount of profit and here also it is the producer of our country who has to pay this export duty.

Similarly in the matter of import duty. The import duty levied on luxury goods or on the imports of machinery, is certainly paid by the richer sectors of society. But any import duty that is levied in the shape of protective duty is really raising the price of goods produced in the country and the imported goods, and here also, by paying higher prices, it is the consumer who is the chief sufferer. Sir, it will be found that in our economy, we have so fashioned our taxation policy that 90 per cent. of the tax is collected from 95 per cent. of the population. I beg to suggest that we should so

27 CSD

alter the taxation policy that only those sectors of society which are able to bear the burden may have to pay them. How is that possible? Can we make any constructive suggestions to the hon. Finance Minister with a view to changing the taxation policy. I will submit a few suggestions.

SHRI J. S. BISHT (Uttar Pradesh): Why not report to the Taxation Enquiry Committee?

SHUT KISHEN CHAND: We are now considering the Finance Bill and before we pass it, we must examine it. If any hon. Member thinks that there is nothing to discuss in the Finance Bill and that whatever taxes are levied by the hon. Finance Minister, should he accepted—well—that may be his opinion; but I think that when we are discussing the Finance Bill we must carefully examine it. I may have occasion to send my humble suggestions to the Taxation Enquiry Committee; but I should like to use my privilege of discussing the Finance Bill here and instead of sending them in the form of amendments I will make some simple suggestions.

My first suggestion really relates to the State sector but as it has got effect on our taxation policy, I will take it up. First, there is the sales tax. The imposition of the multi-point sales tax has involved such a large number of traders and has caused such hardship that it has found a simple relief in the form of evasion of sales tax. One may not be very much worried about this evasion of the sales tax if it rested there; but when this evasion takes place by not issuing any receipt for the sales, they do not go into the total sales of the merchant and thereby the income-tax assessment is affected. At the time of purchase of goods, the merchant shows it as his expenditure, but at the time of the entry of income, it does not come in, as the sale is affected without cash voucher in order to avoid payment of sales tax. He is thus avoiding an entry in his sales, and therefore, the

[Shri Kishen Chand.] income-tax authorities are losing the money. I would suggest that instead of sales tax being levied by the States, the Centre may impose a tax at the source, that is to collect the tax from the manufacturer, then distribute the proceeds of that tax among the various States. It will not require such a cumbersome machinery as for sales tax collection which is very very expensive and is leading to a good deal of corruption in our society. I would suggest that in place of the sales tax there may be a Central tax on the sale of goods from the prime producer, that is, only the factories and the manufacturers will have to pay the sales tax and the proceeds of that will be distributed among the States. Similarly in the matter of imported goods, as the imported goods also are sold in the markets and have to pay sales tax, I would suggest that apart from the import custom duty levied at the port of entry, another 5 per cent, may be added to it and the proceeds of that 5 per cent, may be distributed among the States. In this way we will reduce the cost of collecting agency and avoid leakage of revenue.

In the matter of export and import duties; I would request the hon. Finance Minister to be a little more vigilant. It is an old story how one and a half years back, by a rather bad manipulation of the export duty on jute in the first few months, the Central Government lost a great deal of income by not levying the export duty at the proper time and then lost the export trade of our country by continuing the export duty longer than was necessary.

In the manipulation of these export and import duties the Finance Department must be more alert than it has been in the past. I submit, Sir, that now we have an opportunity. World price of coal is higher than the price of coal produced in our country. Japan is importing coal from our country. Pakistan is getting coal from our country. If they do not get this coal

from our country, they will have to get it from other world sources and pay higher prices. Is our Finance Department alert and thinking seriously of imposing an Export Duty on coal, equivalent to the difference in the world price and the home price? If they follow this policy, we will get a large amount of revenue from the foreigner. Sir, the prices of many raw materials are coming down. Why are we so keen about jute from Pakistan? There is internal production of jute in the country. In order to safeguard its interest, will it not be advisable to levy an Import Duty on jute imported from Pakistan? It is a matter of common knowledge that the stocks of jute in Pakistan are very heavy. Why* is not our Government alert enough to take advantage of that situation? Why does it not impose an import duty so that Pakistan will have to sell its jute at lower prices? Why do we not impose any duty on cotton imported from Pakistan? I submit, Sir, that our Finance Department is following the old policy of taxing our poor countrymen and letting off the foreigner by our high idealism, and allowing him to earn profit at the cost of our poor countrymen.

I want to say a few words about the increase of postal rate on book packets. I think that in the nationalised industries—Post Office is a nationalised service—the Government has got to be very careful. The Government has got the monopoly and in any monopolistic trade you can always go on increasing the rate and taxing the common man indirectly. I think this increase is due entirely to the inefficient management of the Postal Department. Our rates for post cards are very heavy as compared to what they were, say 20 years ago. Some of us probably remember half an anna letter; now, it has been raised to two annas that is four times. In postal packets, the rate has been raised from 9 pies to 12 pies but I do not find any justification for this increase. Simply saying that more Post offices are being opened in the villages, is not a justification for raising the postal rates.

This brings me to the fundamental question of nationalised industries. What is the future before us? We are going to progressively nationalise industries and naturally the income from income-tax is going to come down. If all industries are nationalised there will be no income from income tax and, therefore, our Government should so manage the nationalised industries that they make profit. There should be some sort of a minimum basis of profit from all national industries and we should progressively try to increase the Government income by increasing the profits in nationalised industries. If our country has got to become great, it can only become great when the Government has got more resources. It can only further the objectives of a Welfare State if the Government has got more funds. Where are these funds going to come from? The limit of taxation has been reached. The taxes are so high that if you take a poor man in our country where the *per capita* national income is only Rs. 250 a year—remember that this is only the average; there are a large number of people who are only getting Rs. 180 a year—out of that we are taking Rs. 15 for the State and Rs. 12 for the Centre, that is, Rs. 27. Then, there are local taxes, local rates; if these also are added up, it amounts to nearly Rs. 40. Nearly Rs. 40 is taken away from his meagre income of Rs. 180. I think, considering the low income, our country is the most highly taxed. The burden has reached the limit and no further taxation is possible. Yet we want a Welfare State. How are we going to reconcile? By completely altering our tax structure, by completely changing this Finance Bill. That is the only way of doing it.

With these words, Sir, I close.

SHRI GOVINDA REDDY (Mysore): Sir, while welcoming this Bill I would like to address myself first to the need for economy in administration and in Government expenditure. This point, Sir, was discussed at great length during the Budget discussion by me and also by the different sections of the

House and we were of opinion that administrative expenditure should be reduced as far as possible and that Government should have control over expenditure. It is very important, Sir, When we have a look at our revenues, we realise how important this question is. The revenues are depleting. There is no chance of our revenues increasing until all our projects come up and until we are able to increase the production of national wealth. Well, this is a matter which is problematical and if we are going to have increased national wealth, as I think we would, it would take not less than a decade. During this decade what may happen we do not know, but our revenues may not remain as steady as they are even today and for what I know I may even say they may register a fall, a further fall. Under these conditions and taking into consideration the fact that our expenditure on social welfare is increasing by leaps and bounds we should make sure that we do not come to suffer. So, taking up this state of the revenue position, we have necessarily to exercise some control over our expenditure. The very fact that the Finance Minister has resorted to deriving revenues from small things, like the revenue that is got by increase of postal rates, like the revenue that is got on medicines by certain import duties, or the revenue that is got from a duty on the import of horses and also by enhancing certain duties, shows that he is at his wit's end to find increased sources of revenue. Taxation has reached its limit and therefore there is very little scope for increasing the taxation. So when taxation cannot be increased and when there is no chance of our revenues increasing otherwise, it is but wise that we should exercise a restraint on our administration. While replying to the points raised by the Members of this House and the Lower House during the Budget discussion and also while replying to the points raised by the Members of the Lower House on this Bill, the Finance Minister has been pleased to observe that some effort is being made to economise but

[Shri Govinda Reddy..! he does not seem to believe in it, or he does not seem to think that there is much scope for effecting this. Taking the one point of reducing the salaries of the establishment, he was pleased to work out some details and show that after all we would be economising to the extent of about 2½ annas or so per head. Well, arithmetically he is right. But Sir, in state-craft it is not arithmetic alone that counts. We have to take the psychological and sociological factors: In his working out the figures he is quite right, I concede that point, but he has forgotten to take these factors into consideration. Well, Sir, the whole nation will adjust itself to the top ranks, to the leaders of the nation and to the high-placed officials. One Mahatma Gandhi was able to take the whole nation to strict austerity. He, by himself living an austere life, made us give up our luxuries or our costly habits: he made us take to simple habits and he impressed upon us the good lesson of economy. The whole nation conformed to it and the whole nation adjusted to his ideology. Well, it is possible. Sir, that, if the Government itself is run on more economical lines, the people also will try to economise and help the growth of the nation. It is therefore necessary that the Government should, as far as possible, try to economise. This must be got done. Sir, because when there is no hope for increasing our revenues, we must reduce expenditure in this particular line. It is a common thing that the Administration leaves it to the various departments to suggest measures of economy. Well, Sir, the departments, as they are constituted, would not readily like to economise. When proposals are called from every department for economising, then no department comes forward unless it is proposed by the head of the Administration and if at all economic proposals do come forward, it would only be very slight and minor proposals that would be forthcoming. As I was saying, this must be got done. In this connection I would give a small

instance to show how it could be got done and what the expedient was. There was a scientist in the East, Sir,, who discovered some mechanical device, which was a wonderful thing in those old days, and he went and presented it to a European monarch. The monarch himself was very pleased, with the device and he wanted his own scientists, his own engineers to devise such a mechanical device as that-Well, they were at a loss to find out how it could be done. So they confessed to the King that they were not able to do it at all. Then the monarch took a very simple expedient. He confined all the scientists and the engineers in prison and said: "Until you do it, I am not going to allow you to come out". What happened was that within a few months they somehow or other were able to devise that mechanical invention. This story shows Sir, that "where there is a will there is a way". If Government make up their mind to economise in administration, it is quite possible to economise. I would like the hon. Minister to devote his attention to this aspect. The other aspect is 'control on expenditure.'. We have taken up projects every one of which needs crores and crores of rupees and tens of crores of rupees. Of course the normal methods of checking the expenditure are there. But we find to our great regret that even these normal checks were not allowed to take effect there in the departments. The Public Accounts Committee has given a Report and the Public Accounts Committee observes that the Irrigation Ministry was not prepared to see that the procedure of accounting described by the Auditor-General was not followed. This is a really wonderful thing. We have a statutory officer for this purpose, the head of the whole State to prescribe the methods of accounting, and that the department which is spending "crores and crores should not be ready to follow the procedure prescribed by the Auditor-General is something really wonderful. I am glad that they have after all accented to follow that procedure, and it would be wise therefore, when the tendency is like this.

to devise all possible checks to have control over expenditure. I would like to suggest—since we have large projects, a number of them—to the Government to appoint committees, small committees of three individuals, not more than three individuals, public individuals, private men of integrity, either Members of the Parliament or outsiders of integrity and standing, to go into this question. There should be a committee for each project to supervise every expenditure and assist the audit department in the method of both keeping the accounts as well as expenditure. That would go a long way and if we slacken our efforts in that direction, it means that crores and crores would be wasted. It is common knowledge that our projects have not gone on right lines or rather the expenditure at least has not gone on right lines. There is need to "be very vigilant in this direction.

The other point that I would like to refer to is this. While replying in the Lower House to the comments made on the provision that is made for enhanced exemption limit in respect of certain foreign companies in the matter of payment of super tax, the hon. Minister said that there is nothing surprising in allowing foreign companies to come here either to invest their capital or take it back, or in allowing dividends on foreign investments to be taken back after payment of income-tax. Well, this sounds very curious. If the hon. Minister were in England, and had made a statement, there would have "been nothing to wonder at because in England the society is advanced, the people are educated and they are able to care for their own interests and therefore State protection for the individual interests and social welfare is not so much called for. But in a country like ours, where social welfare is a thing that the State has to take up and lay its arms on, it is surprising that the Government should think that there is nothing wrong if a foreign company came here, invested money, made profits and carried away the profits to their country. It -

cannot understand, Sir. I cannot even imagine that a foreign firm should come here and make investments.

SHRI M. C. SHAH: But then they pay income-tax.

SHRI GOVINDA. REDDY: How much is it of the profits that are earned? There are other problems also, Sir. If a foreign company should come and invest here and if it is allowed to earn out of that investment, then necessarily it means it exploits here. And then in the field of employment so much of employment, so much of national employment is displaced and a national concern loses what that concern could have earned what the foreign concern earned and if the foreign concern was not there, the indigenous company could have rightly earned the profits that the foreign company in its place earned. And if profits are allowed to be carried away to a foreign country, it means that we are losing so much profit which any national concern could have earned in its place. Well, the Government should make their policy clear in this respect. Of course it is not my intention that the Government should prevent foreign companies from investing their capital here but it is certainly my intention to say that the Government should control the investments of foreign concerns here and they should control the profits also. In all social welfare countries like China, Russia or even U.K., investments, the method of earning profits and the quantum of profits are controlled and the direct application of funds also is controlled. That is very necessary, Sir, because if a national concern earns the profits that a foreign concern earned, then it would plough back into the country and it would have served other purposes. Therefore they should not place the indigenous concerns, native firms, at such a disadvantage by freely allowing foreign companies in their midst. We are not at such a stage when free trade could be allowed, when there can be a free field for business, and free

[Shri Govinda Reddy.] competition in business from any country. We are at such a stage when we have to protect our industry and when all our industries have to be under the protective wings of the Government. When such is the case, that the Finance Minister should say that there is ■ nothing wrong in the foreign companies taking back what they bring along with what they earn here of course after paying income-tax, is really not sound

SHRI M. C. SHAH: You should read V the whole paragraph.

SHRI GOVINDA REDDY: I have read it and in this connection he has also made another statement, "Of course we are training up our own personnel. The know-how experts will train up our young men." I have got some observations on this point. There have been so many know-how experts in India that we cannot count them on our fingers' ends, that we cannot put them within a few hundreds of figures. All sorts of experts are coming here. It has been pointed out during Question Hour that a good number of these experts do not know the know-how and that they are not know-how experts. I myself tabled one or two questions wherein by eliciting information I was astonished to find that even things like projects, plans and designs are prepared in a foreign country and are entrusted to foreign firms. In connection with the establishment of a marine oil terminal at the port of Bombay Harbour, the plans and designs were entrusted to a British firm. I asked a question whether they had referred it to any engineering firm in the country before entrusting to a foreign firm. They had not referred it but they presumed that no engineering firm was competent. And I am also told, I do not know how far it is true, - I am subject to correction, that a model of a project that was to be prepared was got from a foreign country. It is a disgrace, Sir, that we should go to foreign countries

for small things like this. I could understand if, after exploring our engineering genius we were unable to do a certain thing, we invited, foreign engineers to do it. But when an ordinary B.E. with some experience could attend to the work of a project or plans or designs, taking the help of foreign experts is something which is not national.

SHRI M. C. SHAH: Which projects

SHRI GOVINDA REDDY: Well, Sir, I gave one instance, that is, the marine oil concern at Bombay Port. I suppose it is a refinery. Well, I have other instances also, but I am sorry I have not got them here. But there are other instances also and during Question Hour they have been elicited. I would not like our own Government to put our genius, our ability, our engineers and our experts at a discount. I would therefore like to suggest that in all such things it is only after our own people are exhausted and it is only after we come to the conclusion that our people are incompetent to do the job that we should think of resorting to foreign experts. Therefore in inviting these know-how experts Government must exercise some vigilance and they must exercise some control.

With regard to the postal rates, although it is not a considerable burden on any particular class of people, I would like to throw a humble suggestion to the Government that in any future proposals that they make they should keep in mind one important aspect of public finance. That is a man does not feel if, when he gets an income, you take away a portion of that; but when he is not getting an income, if you tax him, he feels always. So the Government must take care to exploit all sources of income for their taxation proposals. Of course, the lower strata of society is not capable of yielding much on that ground, but the upper strata must be explored, the rich and the well-to-do must be explored. The, hon. Ranga pointed out that

whereas a simple agriculturist is called to account for the income on his property while, owing to exemption limits, even some business people go scot free. That should not happen. So the most important point is that instead of taking resort to small things like the enhancement of postal rates which will simply irritate—I can understand if it brings five or six crores to Government—for these small things, Government should, as far as possible avoid taxing people. They should tax only where there is income.

12 NOON.

About Malnad to which my hon. friend Mr. Basappa Shetty referred, the Committee submitted a Report but that Report was not given effect to because the Madras and Bombay Governments were not prepared to pay their quota. Because two States failed to pay their quota according to the recommendations of a Committee that it should be put into cold storage or abandoned is a very sad thing. All the difficulties which my friend expressed are really true and the Government should try to go to the relief of Malnad because by not developing those areas we lose one important source of revenue and development of national wealth as was pointed out. There is so much scope for exploiting forest wealth; there is so much scope for tapping mineral wealth and if these two are developed, then necessarily the standard of living of those people will improve and they would be able to pay more to Government in the shape of taxes and so these double sources of earning and increasing national wealth would be possible to the Government. I would like further to appeal to Government to revise the Plan. I am not very particular that a Development Committee should be constituted, but a machinery should be devised to attend particularly to Malnad problems.

I am also glad, Sir, that the Finance Bill gives relief by way of

raising the exemption of income-tax and that is a very great benefit which has been welcomed by the country and I need not say more upon that. It is one of the most important and the brightest features of this Budget. Sir, on the whole I welcome this Finance Bill and I give my support to it.

SHRI B. RATH (Orissa): Mr. Deputy Chairman, I will discuss this Finance Bill so far as it gives some relief to some and also it puts additional burden on the masses of India. Sir, the Finance Bill, had it given some relief to the vast masses of people who have already been taxed both directly and indirectly, would have been a welcome measure but in none of the proposals we find that relief. Of course, our friends who consider themselves to be true democrats may feel that it is in the direction of national progress and that it is in the direction of the evolution of a healthy State. I do not understand the difference between a true democrat and an untrue democrat. I feel that perhaps a true democrat is a most mobile person. Only when a man can become very mobile, he becomes a true democrat. But as a rolling stone gathers no moss, so also in the true democrats' utterances there is no substance.

Sir, it has already been discussed what should be the State's policy towards Industries? Whether it should be nationalised, whether it should be socialised or whether it should be left to private enterprise to develop as has been the case in the recommendation of the Planning Commission. But instead of going through those learned discussions we find that when certain industries fail to make an earning for the private profiteers, the State intervenes and nationalises it. When the private capital fails to undertake certain industries or fails to develop it from its own resources, then the State comes in to support it. They invest money in it, invite "the leaders of industry" to take up the management and pass it on to the country as a

[Shri B. Rath.] nationalised industry. The Hindustan Aircraft Factory was started, as its name indicates, for the manufacture of aeroplanes and aero engines as well as for their assemblage. But what do we find? This factory is being gradually converted into a railway coach building factory, a railway body building factory, for which the undernames are to be imported. This is also the condition in the new nationalised industries which we are going to start in the field of aviation. We have to examine and see how far an industrial undertaking is really nationalised and in which cases the State intervenes and nationalises an undertaking. In some cases we find that the State nationalises private companies where those private companies fail to make profits and run into huge losses.

As regards the taxation proposals of the Government, I need not go into the past taxes which have been analysed by my hon. friend of the Socialist Party from Hyderabad. I will simply draw the attention of the Government to the fact that while they claim to give relief to the people by removing the salt tax, they are taxing them again through other measures. They have been forced to remove the salt tax not because they wanted to do it, but because the psychology of the country, the national movement of the country, expressed itself in the demand for its removal. That is why they cannot tax that commodity any further unless they want to lose face. That is the reason why they are going to tax the people and realise more revenue than what the salt tax was bringing in. They have taxed almost all the consumer goods, thereby taxing the poor sections of the community heavily, and in this small taxation measure also they are going to tax the poor consumers by imposing tax on betel-nuts, increasing postal rates, etc. This betel-nut tax is going to be called a preferential revenue tax. May I know from the hon. Minister whether he took into con-

sideration the fact that the vast majority of the people who are the consumers of betel-nut are going to be taxed again to the extent of 25 per cent.? I say it is not going to be a mere addition of 25 per cent. They are going to be asked to pay more, because once the Government starts increasing the price of the commodity, the middlemen come in and! they increase its price six-fold. If we study the statistics that are available, we find that in the year 1950, out of the 51 lakh maunds of areca nut that was consumed in this country, 25 lakh maunds were of local production and 26 lakh maunds were imported from outside. Most of the imports were from Ceylon, Singapore, East Pakistan and some other countries, in the case of which a reduction of six pies in the form of imperial preference operates. If duty is calculated on that quantity of 26 lakh maunds which paid import duty, it comes to Rs. 10,40,00,000. Even considering that it is Rs. 10 crores or even Rs. 9 crores because of the reduced duty in the case of Commonwealth countries, why is it that we are getting an excise duty of Rs. 4 crores only from areca nut trade? Where does the rest of the amount go? I want to know that.

Moreover, to say that because we want some revenue, and because there is need for some imports, therefore we should impose a duty so as to get more revenue, is not always sound economy. We know that the Finance Minister in the other House has stated that in order to protect the indigenous areca nut industry they are imposing this additional excise duty so that the cultivator may have a good price for his areca nut. May I draw his attention to the report of the Central Areca Nut Committee, page 5, where the Committee, while discussing this question says that even as regards what the areca nut grower actually produces, he has not been able to dispose of it to the best advantage, thanks to the

array of middlemen who have stood between the grower and the ultimate consumer and pocketed a considerable proportion of the profit which legitimately ought to go to the grower. Sir, if the Finance Minister and his colleagues are so much interested in the cultivators' well being, let them see that these middlemen who actually derive the maximum benefit out of the business are restricted to a greater extent. If the Government cannot do that, they cannot throw the burden of the taxes on the shoulders of the people and fleece them in order to fill their pockets. That is my submission. If the State is not competent to control the supply of commodities, if the State is not competent to make available to the consumers the commodities at a reasonable price and also guarantee to the producers their price with a little profit, then the Ministers who are there should cease to exist rather than to further burden the consumers "by collecting more taxes from them. I submit, Sir, before this Budget was placed before this House, we know what happened. Somehow the traders came to know about it in advance and the result was that the betel-nuts were kept away from the market and the price started rising. I can tell you, Sir, that before you placed your Budget before the House, in the mofus-sil areas betel-nuts became a scarce commodity and prices went up considerably. If the Ministers are keen to ease the situation with which the people are faced in the mofussil areas, they must say as to why the prices rose just before the Budget was placed before the Houses. There was definitely something behind it and the reason is so obvious.

SHRI M. C. SHAH: Prices of betel-nuts?

SHRI B. RATH: Yes, prices of betel-nuts went up by 20 to 30 rupees.

SHRI M. C. SHAH: Are you sure about it?

SHRI B. RATH: If I were not sure, I would not have said so forcefully.

SHRI M. C. SHAH: Perhaps you are misinformed.

SHRI B. RATH: I am a betel-nut eater and I am a purchaser of betel-nuts. If my purchase price is to be challenged, then I do not know whether the Minister will challenge one day the whole world.

SHRI M. C. SHAH: I have got the figures.

SHRI B. RATH: Now, Sir, there is another thing. It is high time that in the interests of consumers the betel-nut price must come down. If we take the basic price in 1939 as 100, we find that in 1947 the average price of betel-nuts was 633, in 1948 it had slightly dropped to 555, but in 1949 it again went up to 586 and in 1950, (for the whole year, I have not been able to collect the figures from the library, but) I can say that the average price went up to 644. And, Sir, the middlemen are making a huge profit thus causing immense hardship to the consumers. I therefore submit that this excise duty on betel-nuts should go.

And then, Sir, with regard to the postal rates, the Minister in charge of postal rates said that the poorer sections of the people will not be affected. That may be partially true. But does the Government know that a child in the mofussil school has to get his books by registered parcels from the cities?

(Interruption)

SHRI ABDUL RAZAK: Does the hon. Member mean that students in primary schools or in middle schools or in high schools get their books individually by book post?

MR. DEPUTY CHAIRMAN: That is what he means.

SHRI B. RATH: By registered post, not by book post. So, Sir, I submit that the increase in postal rates has been injudicious and the Government should have given the people at least some breathing space. And moreover,

[Shri B. Rath.] Sir, I do not know whether by increasing the postal rates they are going to get more money out of it because we have seen that by raising the Railway fares the Railway income started decreasing and that is why the Government, was forced to give some concessions. That experience should have been taken into account.

Then I come to the scandals in the Government Departments. My friends on the other side have at last come out, and I must thank them to a limited extent because they have only touched on the huge wastage that is happening in public funds. I submit, Sir, that if the Finance Minister so wants, let him close the Hirakud Dam. I will not object. He has expressed. I am told by some hon. Members from the Congress side, that he wants to close it because of some scandals. The people are no longer silent. Unless there is a proper climate, it is better to stop it than proceed with it. They say they are going to produce electricity there. For what purpose will they utilise this electricity? They have no schemes. The other day I was told that there will be an aluminium factory, that there will be a steel plant. May I know whether the Ministers are talking about facts or are they talking about merely imaginary things? Have they made any decision about a steel plant or an iron factory there? They were talking about these things in 1947. Have they made any advance? Whether at all there is going to be a steel plant there. I want to know definitely. If that is so, I can understand that the electricity produced there will be consumed.

With regard to the Plan, we are often told that eminent engineers with vast experience are advising us, and through their advice we have lost about Rs. 46 lakhs on the business of designs alone. Actually we have lost about Rs. 10 lakhs, if we take the three Assistant Engineers employed into consideration. Because original-

ly they wanted to have spillways only on one side and later on they decided to have spillways on both sides, the whole design had to be changed. Again they started the construction of the subsidiary dam. and in 1951 the Government of India came to the conclusion that it must be stopped and something else must begin. They have locked¹ up so much money like this and the Government of Orissa must pay interest. Why should they pay it? Originally in 1946 it was planned, that there will be two Lift Irrigation canals and two Flow Irrigation canals in the Sambalpur area. What the topographical map of the area had shown has become an unreal thing. So they are talking of one Lift Irrigation Canal in the Sambalpur area. That will increase the cost and so they are now getting down to the delta where it is easy to build canals but I doubt whether water will be available there. So I want a thorough investigation to be made. Now they are going to the delta area. All the money that they are spending, all the money that is being wasted is to be realized from the people. The electricity about which our friends are dreaming so much,—that with the development of electricity the prosperity of the country will grow,—that will not give much revenue. Canals will be constructed for realising more water rate from the people who are already over-burdened for realisation and imposing of betterment levies. The Committee are forcing the Government of Orissa to immediately come with a Bill and start collection of betterment levy from the people. They want to levy to the tune of Rs. 250 per acre in the first class lands of the Sambalpur area, Rs. 100 for the third class lands and from the coastal area Rs. 150 per acre. That is how they are going to collect the money from all the people, whether they are benefited or not by these canals, but through whose areas these canals will pass. This is a matter of serious consideration and! I submit that the same might be happening in other canals. So it is high time that the whole thing¹

is very seriously considered. I am not going into the wastages again and again because it can't be checked unless the Government is serious about it. We can only bring it to their notice but if they start protecting the very officers, it is of no use. There is possibility of economy if Government intends to effect it. There is possibility of reducing our tax burden if they have mind to do it.

SHRI J. S. BISHT: Mr. Deputy Chairman, Sir. I rise to support the Finance Bill that has been introduced by the hon. Deputy Minister, for Finance. This morning, we heard a lot of criticism with regard to the implementation of the Five Year Plan from both sides of the House, this side as well as from the Opposition Benches. I think that sufficient attention has not been paid to analyse and find out the true cause of this difficulty in the administrative set up. *if* my judgment the chief trouble with regard to the implementation of the Plan on which our whole future progress depends is due to the fact that we have an administrative set up very efficient and fitted to serve an Imperial system based on the conception of *laissez faire* economy, whereas after 1947 we have got a democratic set up which is wedded to a Welfare State conception. The result is that the administrative system that we have inherited from the British and who inherited it from the Moguls is totally unsuited to meet the situation today. So we have these difficulties. We go to the district level. The District Board does not know what the District Planning Officer is doing. They do not know what particular roads, what particular hospitals or plans are being arranged **for** by the Collector through his District Planning Officer and¹ the whole thing is in a mess. The local authorities and other local bodies who are anxious to help in building up our country do not know each other's mind. With your permission, Sir, I may be permitted to digress a little. It so happened that when the East India

Company took over the *divoani* of Bengal from the Nawab, after the battle of Plassey, right down to the days of the Mutiny, for about a hundred years, they made experiments with various types of administrations at the district level. Later on in 1858 the wheel had turned a full circle and the East India Company came back to the old Mogul view that the executive authority must be concentrated in the hands of the local representative of Government. The result was that the paternal and authoritarian rule was restored. Unfortunately the Finance Minister is not present now, otherwise he himself would have borne testimony to the fact that as between the work of a district officer at the time when he himself was district officer and now there is a vast difference. In those days also the District officer was overloaded with work. He was in charge of the law and order situation. He was also in charge of the administration of the district. He had to carry on the administration and also do the collection of revenue and all that goes with a collector's work. But now, since the war and especially after 1947, anyone who goes to the district can see that the district officer is overloaded with all sorts of work. My hon. friend Prof. Ranga said this morning that the Prime Minister is overloaded with work. But the actual fact is, the man at the bottom, the key-man in charge of **the** district is also overworked, and overloaded with all kinds of work. He is there arranging as before the "law and order" of the district. The "law and order" is not going on very smoothly and crime is increasing. He is in charge of the district supply. One Deputy Collector under him is known as the district supply officer. He is also in charge of the co-operative movement. He is in charge of rationing, and the district planning also is under his charge; and on the top of all that, with the abolition of the zamindari system he is also now charged with the management of these zamindari estates. The result of all this is that all our good and grandiose

[Shri J. S. Bisht.] plans contained in the Five Year Plan are not working well. Therefore, I submit for the serious consideration of the Government that they should divest the district officer who is known sometimes as the collector in the South and sometimes as Deputy Commissioner in the North of all these magisterial powers. Incidentally I may mention that our Constitution has laid it down in the Directive Principles that the judiciary and the executive should be separated. I do not see any reason why there should be so much delay in the matter of effecting this separation. It is not going to cost us very much. If you completely separate the judiciary from the executive, then the District and Sessions Judge comes in charge of the magistracy and he will be under the High Court. And the Munsiffs and Subordinate Judges can also carry on magisterial duties under the District and Sessions Judge. This will relieve the district officer of all work pertaining to the judiciary. It is also necessary to relieve him of the police work i.e. with the work of maintaining law and order. In our province of Uttar Pradesh there was a Police Reorganisation Committee appointed in 1946. It sat for two years under the chairmanship of Dr. Sita Ram who was later on our High Commissioner in Pakistan. There it was emphasised before him—and those were the days of great disturbances, —that there should be this separation of functions. The Committee was not charged with the work of the separation of the police work from the District Magistrate—that was a larger question and an all-India question—but there, many persons including a member of the I.C.S. Mr. Khub Chand, I think, who was District Magistrate of Kanpur proposed before that Committee that the District Magistrate should be relieved of the responsibility for law and order and that it should belong entirely to the Police which was becoming more and more a specialised department.

Now, Sir, that point was also emphasised

by the gentleman who is now the Inspector General of Police in U.P. and who was here in Delhi as the Director General of Civil Aviation. Many other important and expert officers also emphasised that point. If Government will carry out this double reform, that is divesting the District Officers of their responsibility with regard to law and order i.e. with regard to police work and also divesting them of judicial work and putting them as a sort of District Administrative Officers—that is the name that we have given to these people now that is the Indian Administrative Service—if you put them there as such, then they can be in charge of these development projects also. They could then co-ordinate all these things, carry on this co-operation work, carry on this village uplift work, carry on the work of the Village Panchayats, co-ordinate what the local authorities are doing. I submit, Sir, the working of the Five Year Plan will go on with much greater vigour and with much greater efficiency. Otherwise, if the present administrative set up goes on, you can expect no better results, because some clerk in the office of the Collector in every District in India will be dealing with some department and the papers will be passing from one desk to another without any work being properly done. I was under the impression that the Government of India was about to appoint a sort of Police Commission to go into the whole thing but we have heard nothing so far and I hope that a Commission will be appointed with regard to these things, to separate these things so that the District Administrative Officer may be solely in charge of coordinating all these works of administration only so that he gets ample time to carry on this development work.

Now, there was one more point which was pressed this morning; that was with regard to the expenditure incurred in the Defence Department. I, Sir, entirely agree with Dr. Kunzru when he said that the Government of India shall not, under the pressure of criticism from the Opposition Benches.

reduce the expenditure on defence. I have never been able to follow the line of argument of those people who are always fixing an arbitrary figure with regard to the reduction of defence expenditure. I think that when the Appropriation Bill was under discussion, I forget the name, but an hon. Member of this side said that it should be reduced by 60 crores. I do not follow even the logic. Now, I tried to analyse some of these figures and I find that with regard to our defence expenditure. Army expenditure is about Rs. 163 crores—I am omitting the lakhs altogether—Army expenditure is Rs. 163 crores. the Naval expenditure is Rs. 11 crores and the Air Force expenditure is Rs. 25 crores. Then, I leave aside expenditures like noneffective and capital expenditure. Now, I believe that there is no dispute with regard to expenditure incurred on the Navy because we have got only a very small naval force and we are very anxious to increase its strength. There is no dispute with regard to the Air Force expenditure of Rs. 25 crores. This expenditure is in fact insufficient compared! to the size of the vast sub-continent like India. Now, we are left, therefore, with the Army expenditure of Rs. 163 crores. Here, Sir, I may just point out that there is some idea that the standing army should be reduced and that we should concentrate more on the Navy and the Air Force. I submit, Sir, that this is a very dangerous line of argument, firstly, because we are not a maritime power at all and we will never be. Geographically, and otherwise, like Russia or China or Germany, we are and will always remain a land power. Therefore, we must give first priority to our land forces and the Air Force and the Navy can only be in aid of the land forces. Therefore, all this expenditure of Rs. 163 crores is very small as compared to four million men of China or five million men of Russia in their armies. I shall give you further analysis of the figures.

With regard to Army expenditure I find that the money spent on pay of

officer,, and other ranks comes to about 43 crores only and if you take the pensions and rewards, that comes to about eleven crores. Pensions will have to be paid in any case and also' the rewards will have to be paid in any case. So there is no room for economy there. So we are left with only 43 crores out of 163 crores for the army, which are paid to the officers and men of the army. So I do not understand what further economy can; be made. We have a small army but then it should be supplied with the necessary equipment, with the required number of tanks, artillery, etc. It is no use sending our boys there i^—you do not give them proper equipment, proper barracks, proper food' and other supply services. I am unable to understand what further economy can be effected in this direction.. Sir, the main body of the army must be in readiness to come promptly to the aid of the country in case of aggression from outside or in case of internal rebellion. We do not want an army merely for show to be shown^ on the 26th of January of each year. For that purpose a small army, a so-called army, similar to the one that the Princes or the princely States had' in the old days, I mean before 1947, will do, just to make a sort of show. We do not want any army for show. We expect that our army should be effective, must be strong enough to-resist any aggression and naturally must also be strong to quell internal rebellion. It must be vigorous enough, well-disciplined, well-armed and in sufficient numbers to be available in any corner of this vast sub-continent which is 2000 miles long and 2000' miles wide. In view of this I submit that the expenditure which is being incurred in this regard is quite appropriate. In fact last time also I gave these figures and I find! that the total expenditure in India on the armed forces comes to about 22 per cent, only because most of our critics-do not take other factors into consideration when comparing India with England. We have got the State Governments and the total revenue of

[Shri J. S. Bisht.] all these Governments and the Centre is about 900 crores. Therefore 200 crores for the Defence Services only constitute, as I was submitting just now, about 22 per cent, of the total expenditure.

Lastly, Sir, there is this third point -on which I wish to draw the attention of the Ministry of Finance. The hon. the Finance Minister in his speech before the House of the People said that he had' worked it out and found that direct tax in 1939-40 was 28 per cent, and he added that from 1948-49 to 1952-53 it varied between 55 and 45 and that in 1953-54 it is 43 per cent. I am unable to make out what this direct tax rate is, whether it is a percentage of the total tax paid by an individual or whether it is a percentage of the total tax revenue. This is not quite clear. I presume that this 43 per cent, direct tax is related to the total taxes. If I am wrong, the hon. the Deputy Minister will please correct me. But Sir, from the calculations that I have made I find that the direct tax is only 23 per cent, of the total taxes. Comparing it with the U.K. and the U.S.A., in the U.K. it is about 55 per cent, and in the U.S.A. it is as high as 82 per cent, whereas in India it is only 23 per cent. In fact I have got further details. In the U.K. the direct tax is—Individual 30; and Corporation 25 per cent. In the U.S.A. it is—individual 43 and Corporation 39 per cent. In India it is—individual 15 per cent, and! Corporation 8 per cent. Now let us compare the 'customs' and 'excise' figures with those countries and there again you will find a marked difference. Regarding 'customs' in U.K. it is 20½ per cent, and in U.S.A. it is only 4 per cent, and in India it is 38'6 per cent. Regarding 'excise' in U.K. it is 1p-8, in U.S.A. 14 per cent, and in India it is 21 so that if you compare these things you find that in the U.K. direct taxes form 55 per cent, of the total revenue whereas customs and excise in the U.K. come to about 36'3 per cent. In India the corresponding figures are 23 per cent, and 56'6 per

cent, or say roughly 60 per cent. How they would be appreciated by the common man, especially the consumer, I cannot say. For instance as a consumer I can say—I smoke a very few cigarettes—that I find for instance that a tin of 'Capstan' cigarettes costs Rs. 3. Its actual cost price ex-factory is ten annas and the excise duty and customs duty on tobacco and other things come up to Rs. 2/6/0, so that every time you buy one small tin of cigarettes, you are paying Rs. 2/6/0 of way of tax. That seems rather not very fair. You may charge hundred per cent, at the most: you may charge ten annas on ten annas or even twenty annas on ten annas, but to charge Rs. 2/6/0 on a small cost of ten annas is rather too high and I am sure the Ministry of Finance will give some relief on this.

Sir, with these remarks I support the Finance Bill and I hope the Ministry of Finance will give attention to the remarks I have made.

SHRI M. P. N. SINHA (Bihar): Mr. Deputy Chairman, I rise to say something with regard to this Finance Bill firstly on principle. Sir, it is an established principle for any Government who has in view a Welfare State to tax rich people, tax men of higher strata and to give relief to middle class men and to lower middle class men. Sir, if you look at the list which is given in this Bill, you will find that there are very invidious distinctions made. For example, you find that on jewels the import duty is 20 per cent and if you come to necessary things like Penicillin and Sulpha drugs there also the duty is 20 per cent. Is there any reason for this sort of taxation? Who purchases these precious stones? Only people who have extra money and who do not know how to use their money, people with tons of money. I mean the capitalists and blackmarketeers. They are afraid of keeping their money which they turn into jewellery. When you are taxing, why are you putting an import tax of only 20 per cent, on that? Is there any justification for that?

Well, Sir, the necessary things like Penicillin and Sulpha Drugs, as you know, are specific medicines for certain ailments and you also know, Sir, that a very large number of people—middle class men and lower middle class men—die because they cannot be treated properly because these specifics are not within their reach. I would like the Government to make these two drugs, Penicillin and Sulpha, absolutely free from any duty. So long as we do not produce them in this country in sufficient quantity, it is only proper that there should be no taxation levied on such articles.

What does the whole list which has been given here speak of? We have to examine this list. There is a tax of 7 per cent, on all milk foods. I think, Sir, these milk foods are very necessary for our children and there should have been no taxes proposed on this item.

There is one point, before I come to the tax on betel-nuts, which is so odious. Take, for example, any article in the whole of this list which is appended to this Bill. Start from vegetables and fruits, and go to perfumery, newspapers, fountain pens, cotton fabrics, and so on. What do we find? We find that a marked concession has been shown to the United Kingdom in preference to other countries. Why this policy, Sir? Why are we going to be so friendly to the United Kingdom at the cost of other countries? What has England done to us to deserve this favour? England ruled over us for over 200 years. She destroyed all our trade and all our commerce and made the people of this country absolute beggars. She looted all our valuables and took them away from this country. She inflicted upon us, all kinds of disgrace and hardship. You, Sir, also perhaps spent many years in jail along with others. Is it on that account that we are going to show that country special favour? You will find in this list that the import duty on all goods imported from the United Kingdom is less by 5 per cent., by 10 per cent., and in some cases by 20 per cent. Why? I think

there is still some lurking love in us for that country, and certainly in the Congress High Command here, who want that this friendship with England should continue. I think it is a bad omen. If you really want to show preference, you should really divide the countries into two groups. In one group you should include Asian countries, countries which are our neighbours, like Pakistan, Nepal, Indo-China, Burma, China, and Ceylon, and the countries of the Middle East, which have suffered like ourselves at the hands of imperialist governments. Put them all in one category. Put the exploiters of the world in the other category. In that category should be included England, the United States and other countries of Western Europe. Then make a distinction, and put a very much higher import duty on goods which come from the second category which I have just mentioned. The countries around us, and the countries of the Middle East and the Far East, which have suffered for hundreds of years at the hands of the European exploiters, should be shown special favour. There should be co-operation between all these countries and ourselves in the matter of trade.

DR. RADHA KUMUD MOOKERJI (Nominated): We have the sterling reserves to consider.

SHRI M. P. N. SINHA: That does not matter. The Government has been accused times without number of a sort of leaning towards the Commonwealth. It has been denied by the Government and by our Prime Minister here who said that we were not a member of the Commonwealth (*Interruption.*)

SHRI K. S. HEGDE: No, Sir.

SHRI M. P. N. SINHA: He said that we were not a member to that extent—that we were not a regular member. That is what he has said, if I remember aright.

Whatever it may be, I think that if we have to put a smaller duty on that account, we had better get out of it. But my point is very clear that there should be no concession shown to the

[Shri M. P. N. Sinha.] United Kingdom in the matter of taxation. If it is to be shown, it should be shown to the countries that are our neighbours. And this policy of making invidious distinction must be done away with once and for all and that too quickly.

The second point which, Sir, I wanted to make is this. Clause No. 8 in the Bill says:

"For the year beginning on the 1st day of April 1953, no duty shall be levied on salt manufactured in, or imported by sea or land into, the territory of India, excluding the State of Jammu and Kashmir."

Let the Government make it clear whether or not the State of Jammu and Kashmir is a part of India. If it is a part of India, then this distinction in favour of that State should not have been allowed to be made. Sir, after all we know that behind the removal of this salt duty there is a pious wish of the man who brought independence to India i.e. Mahatma Gandhi. He said that salt was being used by the poorest of the poor in India and it is absolutely essential for everyone living in this country that salt should be free. And I think, Sir, it is to respect that sentiment of the Mahatma that salt has been made free. You cannot say that the people in Kashmir are richer than the people in other parts of the country. Therefore, Sir, I would like to say that pressure may be brought to bear upon the State of Jammu and Kashmir to make salt free of any duty and make it as cheap as possible.

Then, Sir, with regard to the postal rates, one of my esteemed colleagues has rightly invited the attention of the Government to the fact that in a country like India where people are not so much educated and where education has still to make perceptible advances, it is necessary that the means of educating the people should be cheap. It is true, Sir, that in the mofussil people have started getting more packets, more papers and leaf-

lets and I think, Sir, it is not right to make that a costly affair.

Sir, I am not in favour of the proposal of the hon. friend who has just preceded me to lower down the taxes on imported cigarettes for two reasons. I find, Sir, that the crop of tobacco in several parts of India has suffered on account of taxation at a higher rate e.g. in my part of the country, Bihar, from where I come, people are giving up the production of tobacco; it is a money crop. Well, if you lower down the import duty on cigarettes, the position will be worse.

1 P.M.

As regards betel-nuts, as most people including the people of the South, Bengal, Bihar, etc., are addicted to the habit of betel chewing, it will be a gesture from the Government if it reduces the tax to some extent. The tax is to be 94 annas per lb. for betel-nuts coming from British colonies and ten annas for betel-nuts coming from other countries. It is still to be known which are British colonies. Perhaps it includes Malaya where they are killing thousands, or may be it includes some other places, I do not know.

Then, in passing, I should like to make a reference to the argument of some of my friends that there should be a cut in the military expenditure..

MR. DEPUTY CHAIRMAN: You leave it to the hon. Minister.

SHRI M. P. N. SINHA: I want to strengthen the arguments of the hon. Minister. I say that there should be no reduction in the military expenditure so long as there is a race for armaments, so long as we are surrounded on some sides by people who are hostile to us. The people who are sitting on the other side are made to support the Government, but if I support the Government, it will have greater value.

Then I want to say a few words about the refugees from East Bengal-

On the floor of this House and outside in the country much has been said with regard to the resettlement of the refugees from East Bengal, but with no results. More than five years have passed, we have spent crores of rupees on the rehabilitation of refugees but the problem stands where it was when India was partitioned. Is this not a serious matter? Are we going to be satisfied with merely making speeches or should we do something tangible in the matter? The whole approach has been wrong. You calculate as to how much has been spent on the refugees from East Bengal. You don't understand the problem. The problem is, that they must be brought down to a situation where it will not be necessary for you to spend anything. It must be said to the credit of our brethren, the refugees from West Pakistan, who have been able to a very great extent to rehabilitate themselves, probably at the same or equal cost, but the fact is to a very large extent that they have got themselves rehabilitated but so far as these unfortunate brethren from East Pakistan are concerned, the problem remains where it was. The point is that they want some place to settle. I was very sorry to hear from one of the Members—perhaps it was Prof. Banerjee who said that the West Bengal Government

AN HON. MEMBER: It was Prof. Ghose.

SHRI M. P. N. SINHA- That the Central Government refuse to take any advice or co-operation of those people. Probably they were men on the spot and they could give best advice but that is neither here nor there. I brought out a scheme of rehabilitation of the refugees from East Bengal and it was published in the papers of India—in the 'Searchlight' and 'The Indian Nation' in their morning issues of the 13th and 14th August, 1952. If I were to give the whole scheme here, it will take one hour more

MR. DEPUTY CHAIRMAN: Please pass it on to the Rehabilitation Ministry.

27 CSD

SHRI J. R. KAPOOR: And a copy to us also for our benefit.

HON. MEMBERS: Why not place it on the Table of the House?

SHRI M. P. N. SINHA: I would strongly invite the attention of the Government in the Rehabilitation Department to carefully examine those schemes of mine. That gives you a solution of the problem. It does not do any harm to the province of Bihar. It permanently settles the question of refugee settlement and above all, the scheme will spare all kinds of acrimony and bad name which you are getting on account of your not being able to settle this question.

AN HON. MEMBER: What is the cost of this scheme approximately?

SHRI M. P. N. SINHA: I will give the details in five minutes.

MR. DEPUTY CHAIRMAN: You have exceeded your time, Mr. Sinha.

SHRI M. P. N. SINHA: I will finish in two minutes. It is no use placing these men from East Bengal at a place where they will have difficulty. We had experience of it. About 5000 were sent to Orissa and they ran away because of difficulties experienced by them. A few thousands were sent to Ranchi and they came away. They are all assembled in Calcutta or round about Calcutta and are spoiling Calcutta also by making the food situation in that city very difficult. So they should be settled down near the boundary with Bengal so that they will think that they are in Bengal and of course some portion of Eastern U.P.

MR. DEPUTY CHAIRMAN: You need not go into the details, Mr. Sinha. It has nothing to do with the Finance Bill.

SHRI M. P. N. SINHA: So I say that this problem should be looked into more sympathetically and with a view to solving it for good.

MR. DEPUTY CHAIRMAN: Mr. Gulsher Ahmed.

SHRI GULSHER AHMED (Vindhya Pradesh): Sir, I request I may please be.....

SHRI H. P. SAKSENA (Uttar Pradesh) : Sir, one historical blunder that the previous speaker has committed should be corrected.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI H. P. SAKSENA: He said that in Uttar Pradesh they do not use betel leaves or betel nuts. That is a historical blunder that he has committed and it should not go down on record, uncorrected.

SHRI GULSHER AHMED: I request I may be permitted to speak tomorrow.

MR. DEPUTY CHAIRMAN: You may continue tomorrow.

SHRI GULSHER AHMED: I gave my name only for tomorrow.

MR. DEPUTY CHAIRMAN: But tomorrow you may not get a chance. So the hon. Member can begin now.

SHRI GULSHER AHMED: Mr. Deputy Chairman, I congratulate the hon. Finance Minister on the equitable adjustment that he has made, taking into consideration the monetary resources available to our country. I fully support all the adjustments that he has made. I would, however like to make a few suggestions for his consideration.

I come from a Part C State. Before the merger there were Indian States known as the Central India States. When they were merged, they formed a group—known as Vindhya Pradesh—as a Part B State. After that the taxation laws, the central excise laws etc. were extended to that State. According to that arrangement, we became subject to the income-tax law and that income-tax law has been put into force from the 1st of April 1950. But unfortunately for that particular State,

. Bills, 1953

what happened was this, that before the Constitution came into force, it was made a Part "C" State. So when it came to realising the income-tax, the people of the State were asked to pay income-tax on the level of the Part A States, while under the Constitution and other financial powers, the provision was made that income-tax should be brought to the level of Part A States after five years. After this period of five years, there was to be no difference.

Unfortunately for us who are of the Part C State, because it is thought =by people that probably we are backward and we have not got a good civil service and other things, we have been asked to pay the same amount of income-tax as the people in Part A States. This is causing very great hardship to the people in the State. Actually I have not got plenty of time now: so tomorrow I will just give a short geographical and social background of life there and try to explain that something that has been done there is really working hard to the people.

Some of the merchants from that State have been exporting and importing raw materials—*biris*, linseed, lime and other things from and out of the British India and now there is some sort of.....

SHRI M. S. RANAWAT (Rajasthan): No British India now.

SHRI GULSHER AHMED: I am talking of pre-independence days. So in those days we exported goods from the State to British India and it was said. "You made profit in British India, therefore, you should pay tax from the year 1943 to 1949." But then actually there was no income-tax.

There was no income-tax and what used to happen in those Princely States was that they used to have Customs and Excise Duties and some other kinds of taxes. Instead of having income-tax, they used to take them

