

14.00 hrs.

MR. DEPUTY-SPEAKER : Now, we go to the next item—General discussion on General Budget—Shri Madhav Reddi.

DR. V. VENKATESH : Kindly allow me one clarification ; otherwise I will not be able to go to my constituency.

MR. DEPUTY-SPEAKER : What clarification do you want ? Mr. Minister, he wants some clarification.

SHRI MADHAVAO SCINDIA : He wants plenty but he does not want to contribute...(Interruptions).

DR. V. VENKATESH : I cannot go to my constituency. I sit on dharna.

MR. DEPUTY-SPEAKER : This is not fair. If the Minister is not ready to answer, I cannot compel him.

DR. V. VENKATESH : I cannot go to my State.

SHRI JAGANNATH PATNAIK (Kalahandi) : We want lunch break for one hour.

SHRI BRAJAMOHAN MOHANTY (Puri) : There should be lunch break. You should not keep us hungry.

SHRI C. MADHAV REDDI (Adilabad) : Though the Budget debate is starting now, the Cabinet Minister is not here.

MR. DEPUTY-SPEAKER : Shri B.K. Gadhi is there.

PROF. MADHU DANDAVATE : It has been the convention of this House that when the first speaker starts initiating the discussion, a member of the Cabinet should be present in the House. It is not mentioned in any rules or Constitution, but it is the convention. They are throwing all the conventions to the winds. Look at the entire Treasury Benches, not a single Minister is sitting here. You look at the past. It has never happened.

THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B.K. GADHVI) : The Minister has gone to

participate in a lunch given in honour of the Palestine Parliamentary Delegation. As soon as it is finished, he will be here. (*Interruptions*).

MR. DEPUTY-SPEAKER : I am willing to respond to the feelings of the hon. Members that we should have a lunch break. But we are adjourning not because the Cabinet Minister is not here.

14.03 hrs.

*The Lok Sabha adjourned for Lunch till Fifteen of the Clock*

*The Lok Sabha reassembled after lunch at three minutes past Fifteen of the Clock*

[SHRIMATI BASAVARAJESWARI in the Chair]

GENERAL BUDGET 1988-89—GENERAL DISCUSSION

[*English*]

MR. CHAIRMAN : Now we shall take up General Discussion on Budget (General) for 1988-89. Shri C. Madhav Reddi.

SHRI C. MADHAV REDDI (Adilabad) : Madam Chairman, I rise to make general comments on the Budget which was presented to this House on the leap year day, on the 29th of February last.

While speaking on the Budget, the hon. Minister in his long speech, in the concluding paragraph, appealed to this House that this year's Budget should be a sort of an endeavour to have mutual cooperation and understanding. I reciprocate his sentiments and hope the hon. Finance Minister would take our criticisms in their proper spirit and respond to some of the suggestions which the Opposition is going to make on this occasion, though I am not sure whether some of our remarks are going to be palatable to the Government, as a whole.

Madam, the first impression which comes to everybody's mind is that this Budget has got a rural slant. Certain concessions extended to the rural sector are certainly welcome

so far as they go. But they do not go too far.

PROF. N.G. RANGA (Guntur) : This is the first time.

SHRI C. MADHAV REDDI : I have already said it.

SHRI SOMNATH CHATTERJEE (Bolpur) : It will be the last time.

SHRI C. MADHAV REDDI : But it looks to me that it was a crude response to the growing militancy of the 'kisans'. I would have appreciated if the response would have been more positive without waiting for any agitations in the country.

Madam, this Budget offers something to everybody. It gives something but it takes more.

[*Translation*]

You give by one hand and take away by the other. You pick the pocket in a way that the person does not even come to know that his pocket has been picked. Only on reaching home, he comes to know that his pocket has been picked, it takes him a full year to reach home.

You have rightly said that your pain is universal while our pain is personal. As you have said that your pain is universal so you want to share this universal pain with us all.

It appears that when we travel by air, we purchase a ticket for Rs. 2,000 and when 10 per cent increase is effected, the price of the ticket goes up from Rs. 2000 to Rs. 2200, but if the air hostess stops serving chocolates it leads to great upheaval. Though chocolate hardly carries any importance for those who travel by air, they being, millionaires. But when chocolates are offered, we attempt to take 10—15 pieces at a time. Mr. Tiwari has well understood this psychology of the people and the whole psychology of the Budget is similar to that of the air-hostess.

[*English*]

SHRI RANAVIR SINGH (Kaiserganj) : Chocolate is more important or Hostess...?

SHRI C. MADHAV REDDI : You can imagine that.

MR. CHAIRMAN : Mr. Reddi, you started your speech in English. So, you please continue your speech in English.

SHRI C. MADHAV REDDY : In response to the Chairman's suggestion since I started my speech in English, I would continue it in English. Madam, this is a peculiar budget and one of the peculiarities is that even though in this budget, the total additional revenue which is to be collected is only Rs. 615 crores, but before the budget was presented, the Government had already brought out measures to collect about Rs. 3010 crores. That is the new style of the budget making. This has already been commented upon by the various speakers on the floor of the House while speaking on the administered prices. I do not want to speak much on that.

I do not want to dwell much on that. But the new psychology is to see that while presenting the Budget the people are not taxed because at the time of the Budget the Government is directly in the firing line. You wanted to avoid it. We have no objection, but the point is that it is highly derogatory, against the conventions established in the functioning of this Parliament, and it should not be resorted to in future.

Madam, I was trying to go through the various chapters of the speech and also the voluminous reports which were placed before us to find out if there is any definite direction given in the Budget, apart from the various concessions, small sops, to various interest groups, because the hon. Finance Minister has divided the entire population into special interest groups and he had kept every special interest group in his mind while presenting this budget, but then I did not find any direction which has been given to the economy in this budget. The direction is absent because the Government did not want to solve any of basic important problems. They wanted to sweep these problems under the carpet. What are these problems which are facing the economy of the country today? We have the problem of increasing revenue expenditure, the problem of deficit, the problem of rising

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prices, the problem of dwindling foreign exchange reserves or the problem of budgetary constraints and so on and so forth. Now, these are the problems which had been kept in view earlier when you thought of making structural changes in the budget which are absent.

Regarding the growth of the economy, I find that while a claim has been made that in spite of the drought conditions in the country in several States the economy has attained a growth rate of 1 to 2 per cent, I do not know whether it is 1 or 2, but if you average it, it is  $1\frac{1}{2}$  per cent, even though the World Bank has estimated that the growth is nil today, but even if you take that  $1\frac{1}{2}$  per cent is the growth rate this year, what is the position? Last year the growth was about 4 per cent. Year before it was 4.5 per cent, the target fixed in the Seventh Plan was 5 per cent, but we have never reached the target of 5 per cent which was the Seventh Plan target and again if three years' growth rate is averaged, it is coming to 3.4 per cent or 3.5 per cent which is again the trend growth rate of the last 30 years which was named as Hindu growth rate. When I made out this point last time, it was criticised saying that it is not correct the growth is higher because if you take into account one year's growth, it cannot be the average growth. If you take an average of 4 to 5 years, what is your position? What is the trend growth? Which is more important? The growth slid down to 3.5 per cent and we are condemned to have that growth rate for many years to come.

Going to Agriculture where it has been claimed that the growth is satisfactory, the high growth was achieved only in the year 1983-84 when our food production was of the order of about 153 million tonnes. Thereafter, it started sliding down and today we have hardly about 140 million tonnes or even less. We never achieved the growth rate which was estimated in the 7th Five Year Plan, i.e. about 175 million tonnes. In the review meeting recently held by the Prime Minister in January, the Prime Minister advised the Planning Commission to take up a special scheme and prepare a working plan to see that this growth rate of 175 million tonnes is achieved. A task

force has been created. Now special plans are being drawn up. We do not know what special plans are they. But it means, there should be a jump of 25 million tonnes. How are you going to achieve it when you have not achieved it during the last three years? even with the figure of 153 million tonnes in 1983, how are you going to achieve 175 million tonnes of foodgrains in the next two years? What magic can you do? I do not know whether you have been discussing it with the States. Ultimately agriculture is the State subject. Many schemes which you have presented in the Budget are to be implemented by the State Governments and not by the Central Government. Have you discussed this with the State Governments? I understand that a meeting of the NDC is going to take place on the 19th of this month and I hope you are going to discuss this in the meeting. You also know their difficulties. I do not know how you achieve the target of 175 million tonnes, with a number of projects started by the State Governments not being completed, thanks to your high-cost economy, thanks to the administered prices being increased on essential commodities such as steel, coal etc.

The Government has claimed that it has achieved a target of 86% of the 7th Five Year Plan, in real terms. But "real terms" means, only financial terms. Please understand this. "Real terms" is not physical terms. At what stage are the several projects which we have planned in the 7th Five Year Plan? Has any review been undertaken? No. Many of these projects which are to be completed in the 7th Plan will be completed only in the 8th Plan, because of the cost over-run, as a result of the high-cost economy. In every project, ultimately you will not be able to achieve the physical targets set forth in the 7th Five Year Plan.

The hon. Finance Minister has said that it is a matter of pride that they have achieved 86% of the target planned in the 7th Plan, and only 14% is to be achieved next year. The hon. Prime Minister, while speaking on the Motion of Thanks on the President's Address said that the drought relief expenditure has been utilised to create assets, lasting assets in the villages. I do not know from where the Government is

getting the figures. Many of these projects, so-called projects taken up under various schemes, under drought relief schemes are not creating any lasting assets, for which you can take credit of. I can assure you all that expenditure has only gone for consumption, not for creating any assets.

**THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B.K. GADHVI) :** That is not correct.

**SHRI C. MADHAV REDDI :** Well, that is my assessment. You can ask the Chief Ministers when you are going to meet them on the 19th and they will be able to tell you the type of assets, you have created. You can take a sample survey of the assets created in the States and you will find that no asset has been created and it is not possible to create any lasting asset.

[*Translation*]

Simply some earth-work is done and nothing beyond that. This is what is happening every where.

[*English*]

Coming to the question of borrowing, my friend sitting by any side is reminding me that this year we have estimated the market borrowings to the tune of about Rs. 7,000 crores. But where are these borrowings going? Are they not going only to pay the interest charges? They are not enough. The borrowings, if you take external and internal, then perhaps you can say that you can cover the interest charges. Rs. 14,000 crores is the interest that you have to pay and you are paying this not only out of borrowings but out of additional sources mobilised by increasing the administered prices. The borrowings have become a great burden to the economy because we have come to a stage when these borrowings have become the self-feeding borrowings. That is, you are borrowing only to repay the interest charges and you will never be able to repay the principal. That has been the position today.

Coming to the revenue expenditure which is very high—and it is rising every year—this year we find that there is a steep rise in the Government's spending and there is a

revenue deficit of over Rs. 9,000 crores. It means your revenue receipts are not enough to take care of the revenue expenditure. Your expenditure is more by Rs. 9,000 crores. This gap is being filled by the capital receipts.

The over-all deficit of Rs. 7,484 crores is due to the fact that you have camouflaged the deficit by resorting to increase in the administered prices so that the promise made by the Prime Minister last year may be kept up to some extent even though the full promise has not been kept up. In spite of this, there is an increase of about Rs. 300 crores in the deficit. The deficit which was estimated last year was of the order of about Rs. 5,884 crores and it has been now revised to Rs. 6,080 crores. We do not know what is going to be the actual. After all, we are concerned with the actual deficit. The figures will come to us only after one year. Today, what is the actual position with regard to our net credit from the RBI? That is our deficit today. The figures which I had collected only two days ago show that there is already a net credit from the RBI to this Government to the tune of about Rs. 8,000 crores which is more than the estimated deficit this year. In other words, the actual is going to be more than Rs. 6,080 crores. What is the effect of this deficit which you had planned for the next year to the tune of about Rs. 7,484 crores? The prices are rising.

The Finance Secretary, in his post-Budget briefing to the press, gave a solemn assurance that this much of deficit is not going to create any problems. It could be contained. The economy can sustain this much of deficit and there is not going to be any rise in prices because of this deficit.

But if you study the figures relating to the whole sale price index, it shows that while the inflation rate is only 10%—it has been worked out by the Government—the wholesale price rise is 15%, not 10%. It is disproportionate to the rate of inflation. Then, if you go to the retail prices, the retail prices are much more, particularly in certain commodities, the retail prices are much more. In respect of oil, sugar, and other commodities like pulses, vegetables and fruits, the prices have gone up terribly. They are going to go up further because these are the



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figures which had been collected before the additional mobilisation Rs. 3,500 crores which the Government has collected by way of various tariffs and also by way of raising the administered prices very recently. The effect of that would be felt later. The point is that the prices are increasing phenomenally. There is no mechanism through which you can control these prices. You wanted to wipe out every tear from every eye of the poor people.

PROF. MADHU DANDAVATE (Rajapur) : Eyes are not available.

(Interruptions)

SHRI C. MADHAV REDDI : You are trying to wipe out the tears from the eyes of the children whose toys you have exempted from the excise duty...(Interruptions). You may be successful in doing so. But I do not know to what extent the children would be conscious of the costing. Then, you are exempting the *Sindoor*, you are exempting *Kajal* or some small utilities and articles of the kitchen and the household and you think that you will be able to wipe out the tears from the eyes of the house-wife. But I can assure you that when the house-wife goes to the market everyday and tries to purchase *dal*, oil, onions, vegetables, sugar and so on, you can really see the tears in her eyes. You will never be able to wipe out her tears.

SHRI INDRAJIT GUPTA (Basirhat) : Lipsticks have been left out.

(Interruptions)

PROF. MADHU DANDAVATE : Even in the case of lipsticks, sticks are imported and lips are indigenous.

(Interruptions)

SHRI NARAYAN CHOUBEY (Midnapore) : Sticks are being used as *danda* in the Dandi March.

(Interruptions)

SHRI C. MADHAV REDDI : The hon. Finance Minister has claimed that this year's agricultural outlay is more than 40 per cent of the last year's outlay. I do not know

how he got these figures because the figures are there which were given by him. If you go by the revised estimates, the revised figures, agriculture and irrigation both put together, the outlay is less this year than the last year. If you go on the basis of the estimated figures of last year, the increase is only 20 per cent and not 40 per cent. Anyway, these are the figures which need to be looked into again because it looks to me that an impression was being created that we are going all-out for the development of agriculture in this country.

PROF. MADHU DANDAVATE : Mr. Madhav Reddi, if you take the revised estimates, there is a decline of 3 per cent.

(Interruptions)

SHRI C. MADHAV REDDI : Yes, there was a decline. That is what I have said already. The figure is less this year than the last year. We are concerned only with the revised figures. These are the figures which are before us. Already, you have revised the figures. You must have spent already. That is why you have revised them. There is some basis for revision. You do not go to the earlier one estimated figures which were presented here on the floor of this House last year, they have no relevance today. Agriculture may get a little boost because of certain concessions given to the farmers. I welcome them and I have already said about that. The farmers today will be getting the credit more particularly reduction of interest on crop loan. Now, a sum of Rs. 3000 crores is going to be invested in Agriculture by the Banks.

That is the limit fixed. Seventeen per cent of the total loans given by the banks would go to agriculture and so on. But then it is difficult to pass on these benefits. How are you going to monitor this? I would like to know whether all the commercial banks, regional rural banks and all the financial institutions are going to see that this 17 per cent is kept up by them for giving loans to agriculturists? That is most important.

Coming to the question of certain concessions which had been given to the small scale industries and some of the other industries which were languishing because of

several factors, some of them, I certainly welcome particularly the small scale industries which are suffering, the plastic industries which are suffering because of the high cost of imported material. Now you have reduced the Customs Duty on the PVC, also on the polypropylene, Polyethylene, high density, low density and so on. But reduction is so marginal that it would not make much difference. But all the same, these small concessions are to be welcomed. But, while the Finance Minister has given a threat on the Floor of the House that these have to be passed on to the user industrialists.

*(Interruptions)*

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI A.K. PANJA) : To the consumers and not to the industrialists.

SHRI C. MADHAV REDDI : To the consumers and if consumers do not get these concessions you are going to withdraw these concessions to the industries. I welcome that statement. But I would like to know how you are going to monitor it. I am happy that some of the industries have already come out that they are going to pass on these to the consumers, for example, the polyester filament yarn, and staple fibre etc. But nylon yarn people have not yet declared it. But those people have not come out. Have you called them, have you told them to show the response on Government's concessions and see that these benefits are passed on to the consumers ?

Similarly, the tax benefits given to the farmers, that is, excise relief to the pesticides intermediaries, and for pesticides which are imported you have reduced the import duty. The pesticides which are of special grade, you are reducing the duty 100 per cent. But those who are using these pesticides for pesticides formulations, are they going to pass on this to the farmers ? Then again, what is the mechanism ? How are you going to see that these benefits go down to the cultivators, to the marginal cultivators who really need this benefit. Now what is the mechanism ?

Coming to the non-plan expenditure

again, I have missed two points. The Defence. The Minister claimed that this year, the expenditure on Defence is less than the last year's outlay. It is not so. This year the actual revised figure is less than last year's estimate. That is what he said if I remember correctly. If that is so, I would like to know what is the reason why is it that when we have put a figure of Rs. 12,500 crores last year on Defence estimates now it has been reduced in the revised estimates to Rs. 12,000 crores ?

This is the only item in which we see reduction. Why is it so ? As a matter of fact, we all know that there is an increase in this expenditure because of our commitments in Sri Lanka, because of several...

SHRI INDRAJIT GUPTA : Sri Lanka thing is not included.

SHRI C. MADHAV REDDI : Not included ? Where is it concealed ? I do not know. There is lot of concealment. If it is not included, I am not able to understand it. If he has not included expenditure on Sri Lanka, who is going to pay for the expenditure incurred on IPKF ? Where is this amount going ? Why is it that today your revised figure is less than the estimated figure of last year ? What is the reason ?

*(Interruptions)*

THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B.K. GADHVI) : We will show you in the reply that your apprehension is totally misleading.

*(Interruptions)*

SHRI C. MADHAV REDDI : I am not concerned about what you are going to say. I am concerned with what you already said that your actual revised estimates on Defence are less by Rs. 500 crores. How could you do this magic ; that is what I am trying to understand.

When I was going through the various figures of the Budget, the cat was out of the bag. I will tell you what I found out, how you concealed the Defence expenditure in the Revenue expenditure. Usually the

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allocation on Ordnance Factories is in the Defence but is shown as revenue expenditure. Similarly, Rs. 540 crores on Border Roads has to be on the Defence. You have removed it and put it in the civil expenditure. Rs. 350 crores for Space Research and then Rs. 205 crores for Atomic Research, all these items of expenditure you have removed from the Defence very quietly to the tune of Rs. 1200 crores and put in the Revenue expenditure to show that this year actually the Defence expenditure has been less than what was estimated last year which is a real concealment.

SHRI B.R. BHAGAT (Arrah) : That is a saving.

SHRI C. MADHAV REDDI : Saving. That is what the Minister said and that is what the Finance Secretary has said in his Press briefing that because of our economy in expenditure, because of our better performance the expenditure has gone down. What a ridiculous statement ! Well, everybody knows that Defence expenditure has increased. But you say that it is reduced by Rs. 500 crores...(Interruptions)

Coming to the question of subsidies, there is an increase. This year the subsidy is estimated at Rs. 6391 crores. I don't discourage subsidies, I am not against them. But what purpose the subsidies are serving today—the subsidies for fertilizers, for food, for several other items ? Going by the subsidies on fertilizers and food, it is a total subsidy. The system of subsidy is so defective today that I am happy that the Prime Minister has cautioned the Finance Minister about the subsidies and said that they should have a second look at the subsidies. While there is a need for subsidies, the subsidies should be given to the people who really need them. Because subsidies on certain items which are costly should reach the needy people at a cheaper rate. But this is a blanket subsidy. The blanket subsidies will have to go and subsidies should reach only to the weaker sections who actually deserve subsidies—either food subsidy or fertilizer subsidy. Why should the kulaks get the benefit of subsidy on fertilizer ?

The 7th Plan expenditure so far on food

subsidy was of the order of about Rs. 5850 crores and it was estimated that the 7th Plan total outlay should not go more than Rs. 4763 crores. Already in three years we have given Rs. 5850 crores on food and you have another two years to go.

Coming to the question of transfer of resources from the Centre to the States, the Government has claimed that this year there is going to be a greater transfer of resources from the Centre to the States. It is estimated that the total transfer to the States will increase from Rs. 24870 crores in 1987-88 to Rs. 26348 crores in 1988-89—an increase of Rs. 1478 crores. Now this includes the tax revenue which is due to the States. This is not a transfer. This is a statutory transfer. This is their share in the tax revenue. Then this also includes outlay on the Centrally administered territories. So this is an inflated figure.

In this connection I would like to mention that States are today starving of funds because of various measures taken by the Government. Last year we had abolished the Estate duty. The Estate duty revenue was coming to the States. Government said Estate duty is being abolished because the expenditure is more than the revenue. That is wrong. There was no extra expenditure involved. The same department of Income-tax was administering the estate duty work. But we agreed to this and it was abolished. This year it has come in a new garb. We were happy that it is coming but when I looked at it I found that the Centre will be getting the entire revenue under the Wealth Transfer Act not a single paisa is going to come to the States.

Then in the mid year you had imposed the surcharge again which has been abolished and merged with the tax—the surcharge on the Income-tax, the surcharge on the Wealth Tax and the auxiliary excise duty and import duties. From all these surcharges not a single paisa goes to the States even though States get 45 per cent from the excise duty. So although this year excise duty rate has been enhanced by  $\frac{1}{2}\%$  yet not a single paisa will go to the States.

Then you say you have assisted the State Governments to the tune of Rs. 2000

crores for drought relief. What have you done! You have collected tax by way of surcharge and then the gross tax revenue has been transferred to the States. What have you done! Then when you have transferred these funds or given assistance to the States what is the assistance that you gave to the States. It is Rs. 2000 crores which you have given to the States, a substantial amount of this has gone as advance plan assistance and not an additionality.

That is, it has to be adjusted against the plan allocations next year. It is only the margin money that you have given to the States that goes as grants in aid. Also, it is a small amount of grant-in-aid which you have given to Bihar, Assam and U.P. for flood relief because you don't give flood relief as advance plan assistance. You give as grants-in-aid. But for drought, the entire amount of Rs. 1,500 crores, which has gone to the States, has gone only as advance plan assistance. It is not an assistance at all. It is only a sort of an adjustment which will have to be adjusted next year. That may be kept in view.

Then, Madam, the national savings scheme, The Indira Vikas Patras, the new Kisan Vikas Patras, what are all these? Is it not diverting the funds which the States are getting by way of small savings because States get nothing out of these news schemes? The small savings income has gone down because of these Patras which are more attractive because you have increased their interest rates.

I would like to make certain suggestions in this connection. You have said that the poultry equipment, several items used by farmers, etc., and small items will be exempted from excise duties. But it has been seen that whenever a policy decision is taken by the Government, and when notifications are issued. They do a lot of mischief. Two years ago, in this House, it was suggested to the Finance Minister that the poultry farmers, small farmers, should be given exemption from the excise duty for the equipment which they use. The Finance Minister responded and said, as yes, we are giving exemption to the poultry equipment." But what is it that has been done? The actual benefit has gone not to the farmer but to the hatchery—a big man—because the Department

thought that the hatchery is a poultry farm. They have given relief to the hatchery man. They have given relief to the feed maker but they have not passed on this relief to the actual farmer, poultry farmer. The equipments which the poultry farmer is using are the cages, wiremesh etc. There is no poultry farm in the country which is free from cages. Everybody has to use cages. The birds have to be kept in cages. It is very costly equipment and it is not exempted in spite of the fact that several representation had been made by the small farmers.

What I mean to say is that when notifications are issued giving effect to certain policy decisions taken by the Government it is the duty of the Government to see that they are issued after a reference is made to the administrative Ministry. Are you doing it? I say, you are not doing. The Finance Ministry think that they know everything. There is no need for them to refer to the Ministry of Industry or Ministry of Agriculture or any other Ministry. How do you know? How do the Finance Ministry know what is the equipment of poultry farmer? Unless you ask the Agriculture Ministry, how do you know it?

Similarly, Madam, there is a small concession given to the cement units. I think it is a step in the right direction. But then that was a result of the efforts made by the big cement lobby. Actually, the mini cement units are suffering and not a single VSK cement plant is working today economically. Have you given any additional relief to them? Actually the VSK technology was developed by the Industries Department, by the Cement Research Institute. Depending on this particular technology, several people have started small small cement factories in the country. About 100—150 cement plants have come up. At the time when they started the cement plants, the duty exemption was there to some extent. That was withdrawn subsequently and today all these mini cement plants are closed. About Rs. 150 crore worth of investment has gone waste. It has gone down the drain. You ask them. They will be able to tell you what happened to this VSK technology mini cement plants. Why have you not considered the relief to them?

They are working in competition with



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major Cement plants and they have become unviable units. They are working in competition with the major units and they are at a disadvantage and hence they are not able to run the units. When you give relief to these units or to any industry, you have to see whether the actual benefit is going to the big or small people. In this respect, I demand that a study should be undertaken immediately in consultation with the IDBI to know whether the relief given to the mini-cement units which are working is sufficient or not and whether more relief have to be given to them.

Much has been said about the progress in our country, progress in economic terms but what is the position today? India has the largest number of educated and uneducated unemployed in the whole world. What have you done? The Seventh Five Year Plan was employment-oriented Plan according to you. But where is the employment? There is no other country where there is so much of unemployment. India has the largest number of slum-dwellers and there is no other country in the world where there are so many slum-dwellers. You are thinking of so many programmes of house-building. I would like to remind that India has the largest number of malnourished children. India has the largest gap between the richest and the poorest inspite of the socialistic talk on the Floor of the House. India has the largest number of economic offenders. You had been telling that the Government of India has conducted some 9000 raids. I do not know how many raids have you conducted in the last one year and what is that you have got from them?

[*Translation*]

Much cry and little wool.

[*English*]

What is happening today whenever you conduct raids, much before the people reach there, the information is passed on to the offender. There is somebody who tells them that 'they are coming, be careful'. Nothing will be found out. Today we find that the tax compliance in this country is lowest. It is only 25 per cent. Tax evasion is to

the tune of 75 per cent which we know for a fact. We live in the society and we know what is happening. We know how much money is made by people and how much money is going to the blackmarketeers and how much evasion of tax is taking place in the country.

India produces its energy, coal and steel at the 'highest cost' in the world. That is the position of our public sector. We have a big public sector of about 225 units in this country and every public sector is incurring huge losses notwithstanding the proposals of the Government, the memorandum of understanding and the holding company concept. Where is the concept? Today you have about 25 or 30 industrial units for which you have no Chief Executives. Can't you find people who can head these institutions? Should you keep these institutions without Chief Executives for so many months?

India has the largest number of public sector units which run on losses; it has the largest number of gold and silver hoarders. So much of smuggling is going on in this country and the hon. Minister says that he could not stop smuggling and that is why the duties have to be reduced. In spite of several efforts made by the Government at the borders, the smuggling is going on in gold, synthetic yarn and synthetic fibre and fabrics. Then, we are getting smuggled goods worth Rs. 4000 crores every year, particularly the sarees, synthetic fibres. What is it that we are doing? And yet we feel that our economy is doing very well and we are progressing and we have contained the inflation that we are able to absorb this inflation and that if there is a very good monsoon, we would be comfortable. It is a big 'if'. How can you depend on a good monsoon and make your Budget? Where is the guarantee? For the last three years we had a bad monsoon and you assume that there would be a good monsoon this year simply because for the last three years, we have had a bad monsoon. The entire optimism of this Government is based on the favour of a rain-god; if the monsoon is good, everything will be all right, otherwise God knows what is going to happen to our economy.

SHRI B.R. BHAGAT (Arrah) : Madam Chairman, as was expected, the hon. Member who opened the debate on the General

Budget, emphasised, if I may use that word, only the negative aspects of the Budget ; he did not see any positive line, and produced arguments which cannot stand for a minute the test of economic judgments. I can only say this.

Let me put this year's Budget in the real perspective. According to me, the perspective is that this year's Budget was prepared in the backdrop of the worst drought in this country over a century. You can only call it a situation of economic disaster.

15.58 hrs.

[SHRI VAKKOM PURUSHOTHAMAN  
*in the Chair*]

You have a situation today when the foodgrains production has fallen by 10 per cent ; the production was short by about 15 million tonnes as far as the foodgrains are concerned. It has affected all along the line the various economic factors. The industrial production which was calling high and we were considered one of the countries in the top brackets in the whole world in our economic growth was also affected. In July last year the industrial production had recorded a peak of 16 per cent growth in one month, but as a result of this drought it came down in October last year to 4.6 per cent. This was the economic situation, agricultural situation and the industrial situation. During the last year, the prices had increased by 5 per cent only, now we have been seeing that every week, the prices had been going up this year. The wholesale cost of living, WCI, is 9.2 per cent and the CPI, consumer price index, is running high, in double digit figure. This is the situation, the situation of calamity. The credit should go to this Government that it did not lose heart.

16.00 hrs.

They stick to it and analysed the situation and then produce a Budget which is not only a sound one but bold enough to meet the situation. It is a judiciously balanced Budget also. It not only takes care of raising of direct and indirect taxes but it also has sound provisions of reliefs. It has been described by many as a 'Welfare-Oriented Budget'. It is a Budget which will not only heal the ravages of the

economy which is being worsened by the drought and unprecedented flood in the eastern part of the country from where my friend Shri Somnath Chatterjee hails—I think he will agree with me that the entire country is hit either by drought or by the flood...

SHRI SOMNATH CHATTERJEE : Our duty is to stand with the people.

SHRI B.R. BHAGAT : Yes, we are supposed to be with the people. We are all representatives of the people and I do not challenge that we are not with the people.

So, Sir, if you see the general reaction, the reaction in the Press or the reactions of the hon. Members, everybody has welcomed the Budget.

SHRI INDRAJIT GUPTA : Who says ?

SHRI B.R. BHAGAT : I say it. I have a whole list of the hon. Members' comments, but I do not have the time to read it out. But the point that I wanted to make is that the criticism, whatever criticism is there, it is more of a special kind. Generally, everybody has acclaimed the Budget and that is the point that I want to make. Whatever criticism or whatever objections were there, they were made on a particular aspect of the Budget. I will also deal with some of them. I am also concerned with certain trends in the economy but that does not mean that the object, the direction or the strategy followed in this year's Budget is wrong. It is absolutely correct and I think this was the only way to meet the present situation.

Therefore, I will begin by saying, what does this year's Budget seek to achieve ? The main thrust of the Budget is on regeneration of the rural economy because the worst ravages have taken place. Already we have poverty in our rural areas. We have the problem of unemployment and the backwardness in the rural areas and this year's drought has caused further ravages to it. So, the main direction of the Budget....

PROF. MADHU DANDAVATE : Why did you call it a degeneration of the rural economy ?

**SHRI B.R. BHAGAT :** I said, the thrust is towards the regeneration of the economy. So, the main thrust is on agriculture, education so as to improve the quality of productivity which in turn will improve the quality of life of the people.

The next area which the Budget covers is about the housing, particularly the rural housing. This is a directional change in the Budget. I think Shri Chatterjee will appreciate this directional change as he has a sensitive mind.

**AN HON. MEMBER :** Which direction you are talking about ?

**SHRI B.R. BHAGAT :** A directional change towards the rural area. Only a bold person or only a Government which has commitments to the people and which has a faith in the future of this country can take this step despite the economic situation that we are facing. It has taken all kinds of risk. We believe that as a result of the policies undertaken in this Budget, we will see, if I may say so, an upsurge in the economic activities through stimulation of demands in the rural areas. This will lead to a higher growth which will lead to the revenues thereby improving the tax collection. Therefore, the basic strategy followed in the Budget is about the employment generation in rural areas. You might have seen large reliefs being generally given to the various industries. We have also industries in rural sectors. These are done to create employment.

Then comes the upgradation of technology. It has a very wide ramification. I am telling you this because it is not only technology leading to improvement in rural sector—it is not the technology which we give to the public sector as to how to improve productivity, how to bring down the cost of interlinkages—but also various other factors which include not only management but also the labour. This is my point. This has also been emphasised. But what is more important is the upgradation of technology in the rural sector—improvement in seed, the water management, etc. This year's Budget not only wants to create 2 million hectares of irrigation, which is just an ambitious programme, but also how to improve the water management.

Complaints have been coming for creating

additional irrigation potential. But it leads to fertility of soil going down, water-logging and various other problems. Using too much of water where too little is required or smaller amount of water is required, leads to all these problems. This also requires a high level of technology.

This will meet the requirements of more areas by way of irrigation—optimum irrigation. So, by suitable management we can improve all these things. All these things have been provided in the Budget. The Finance Minister has given relief to certain areas. I will come to it a little later. I will just illustrate the points because of shortage of time. You see how in the broad strategy of regeneration of rural sector they are not only trying to make up the 15 million tonnes of foodgrains that the country might have lost but will also go forward to improve it further.

The target which they fixed for this year is 160 million tonnes. If the estimate of foodgrains production is 135 million tonnes and you are asked to produce 25 million tonnes of foodgrains more, you yourself can see the boldness of it.

In this broad strategy, you see the line which we have taken—by way of providing relief to the rural sector for regeneration of economy. It has been conceived in that line. It is not only the rural plan which is stepped up by 40 per cent in one year but also there is an increase in the plan allocation. The anti-poverty programme is being stepped up

“Energy Sector—32 per cent

Transport Sector—27 per cent”

Allocation for infrastructure increased by 25 per cent. All these things are done with a view to regenerate economy. These things have been done not only to achieve 25 million tonnes of foodgrains or by giving relief to some of the small-scale industries, electronic industries, the weaving industries, the handloom sector by providing the low cost materials such as filament yarn, viscose yarn and the polyester fibres, but to create hundreds and thousands of new employment in the rural sector. This is the strategy. In the electronic industry, the same thing has

been done. All reliefs have been directed towards that. Therefore, you will find that on the one hand there is 5% surcharge and on the other hand there is 10 per cent surcharge on the Income Tax payers below Rs. 50,000. It will yield you a big amount of money. There is also 5 per cent surcharge on Excise Duties.

On the other hand, reliefs were provided to the depressed industries or the consumer industries or to various other units so that for the consumer, the prices of articles of items coming from mass consumption industries do not increase. That is why I say that it is economically not only a sound budget, but that it is a very judicious mix of reliefs and taxes—indirect and direct. The ultimate objective is to stimulate both agriculture and industry, and to enable the economy to be healed completely, and to go forward. Go forward : that is the point I want to emphasize, because I want to compare it with the two earlier situations, the first in 1966-69. In 1966-69 there was not only a big fall in production, there was not only a negative growth, but there was a Plan holiday. We could not make our two ends meet—in the matter of resources.

What happened recently ? (*Interruptions*)  
 What happened in 1979-80 ?

PROF. MADHU DANDAVATE : Shall I tell you what happened in 1979-80 ? You not only broke the Janata Party and the Janata Government, but you also betrayed the dissidents' Government which you helped to come to power.

SHRI B.R. BHAGAT : In 1979-80, the growth rate was minus—4.7. I will come to the deficit, when I deal with deficit financing and prices. Although the deficit was not high, there was a price rise of 21.9%. This is what had happened.

PROF. MADHU DANDAVATE : Why don't you quote what the World Bank said during our regime in 1977-79 ? The World Bank had said that that was the best economic performance.

SHRI B.R. BHAGAT : I do not have the time. I have been asked to finish soon.

SHRI SOMNATH CHATTERJEE :  
 Time will be given to you,

MR. CHAIRMAN : Will your time be given to him ?

SHRI B.R. BHAGAT : Let us not forget the point I am making. I said that a situation, not serious as during this year occurred in 1966-69. It happened in 1978-80, in particular during 1979-80, and the result was disaster. The present situation is a far worse situation, because the whole country is affected. But you see the stark difference in the management of the economy. First is drought management. The hon. Member said : 'You have given us Rs. 1500 crores as advance.' But the Finance Minister has provided Rs. 2,000 crores for drought management expenditure, although the 10% surcharge yielded him only Rs. 467 crores. He has raised Rs. 467 crores by way of special surcharge on account of drought, but he has spent Rs. 2,000 crores, making various cuts, e.g. the Prime Minister had directed that in the expenditure, there should be a 5% cut.

The hon. Member was making a big issue of it. He said that it was concealed, and that it was a window-dressing and all that. The real fact is that last year's Defence estimate was Rs. 12,512 crores. This has been cut down, as a result of measures taken by the Prime Minister and by the Government, to Rs. 12,000 crores. That is why there has been no increase ; it has been reduced. There has been a saving. There is nothing like a trap in it. There is no concealment in it. It is purely as a result of the policies that there has been a saving to the extent of Rs. 512 crores. This has been so everywhere else.

The point that I am making is that the Finance Minister said in his budget speech that although he raised Rs. 460 crores by way of surcharge, he spent Rs. 2000 crores over the drought. Now, you are complaining in what form he has got it. You should be grateful that at least Rs. 1500 crores have gone to the States ; the Centre had been able to spend another Rs. 1500 crores out of the savings managed in the economy ; and yet the Prime Minister committed that he did not like deficit ; he said so in his speech last year and he will see that this deficit is not increased. He never knew that he was facing such a situation, the worst in 100 years ; and still the deficit did not



[Shri B.R. Bhagat]

increase. (*Interruptions*) It has increased marginally only. Why the deficit did not increase because of the drought management and control over the expenditure not only in defence but all along lines. He had been able to manage it month-to-month, week-to-week ; and the result was that he produced a revenue receipt budget, which is more manageable. As a result, that provides for Rs. 7,400 and odd crores this year. But this is a manageable limit. In any other year, I would have said, there would have been difficulties to make a budget. This goes to the credit of this Government because of their sound policies and to the leadership provided by the Prime Minister and everybody concerned for this. We have been able to produce a budget which is going to redeem the country, which is going to redeem the economic situation in the country. This is not only my opinion but the opinion of a majority of sections—your opinion also.

PROF. MADHU DANDAVATE : You mobilised resources before the budget.

SHRI B.R. BHAGAT : Well, we had discussed it. I will not touch that.

PROF. MADHU DANDAVATE : It is like having children before the marriage.

SHRI B.R. BHAGAT : Criticism has come that the budgetary deficit will fuel inflation. Already people have talked that prices will rise. The perpetual Cassandra has said that there will be a big rise in prices—70 per cent. It is true that the budgetary deficits have been rising since 1985-86. The estimated deficit of Rs. 5655 crores became Rs. 8285 crores.

PROF. MADHU DANDAVATE : For the entire Seventh Five Year Plan, it was Rs. 15,000 crores. You have already crossed Rs. 26,000/- crores.

SHRI B.R. BHAGAT : Now Rs. 8000 +Rs. 6000 +Rs. 7000 crores this year, if you take three years together, it is true that the 7th Plan provided for Rs. 13,000 crores of deficit financing ; like this year, if we take three years together, that is true ; that is a matter for concern. The Prime

Minister last year said that he did not like this deficit. But when you are facing with a situation, what can you do ? How would you meet it ?

PROF. MADHU DANDAVATE : He does not like corruption. How would you meet it ? (*Interruptions*)

SHRI B.R. BHAGAT : How to meet it ? There has been disagreement among the economists. Economic experts also differed on it. One type was the older type, the classical type. I think a budget should balance. A budget should balance ; it should not lead to any deficit. But that view is a long ago given up. Even the most conservative countries believe now that deficit is inescapable. The only thing is you should follow a package of policies in which the deficit should be absorbed. What is our position ? If you take a period, say 1970-71, I take that long ago a period, in that period the budgetary deficits those days were, Mr. Patel knows, those were the days of various small deficits. The deficit in the year 1970-71 was only Rs. 285 crores. It went up to little higher in 1972-73—little I say relatively with now, Rs. 1291 crores—and now the era comes from 1985-86 onwards it is Rs. 4937 crores, Rs. 8261 crores, Rs. 6000 crores and this Rs. 7200 crores. You can see the situation, the relative situation changing.

What is the point I am making ? Please appreciate the point I am making. You see the growth rate. If the growth rate is higher, whatever is the deficit that is absorbed. There is no resultant price rise. This is the experience of our economic development.

PROF. MADHU DANDAVATE : What is the growth rate ?

SHRI B.R. BHAGAT : In 1970-71 the growth rate was 4.3. Now, I come to the growth rate for 1975-76. The deficit in the budget was Rs. 368 crores. The growth rate was 8.9 and the price rise was negative,—1.

Now I come to that year, the famous year, 1979-80.

PROF. MADHU DANDAVATE : Come to 1977-78 when your parallel

Government was there.

**SHRI B.R. BHAGAT :** You want 1977-78 ? In 1977-78 the deficit was—that was Mr. H.M. Patel's budget I think—Rs. 933 crores. The growth rate was 8.7. The price rise was 0.3.

**PROF. MADHU DANDAVATE :** Hear ! Hear !

**SHRI B.R. BHAGAT :** Hear the conclusion and then you say, "Hear, hear !" What I say in conclusion is, and I am drawing the conclusion with your approval, in 1979-80—I do not want to go into it—there is a negative growth rate of —4.5 per cent and price rise of 21.4.

**PROF. MADHU DANDAVATE :** You see. (*Interruptions*)

**SHRI B.R. BHAGAT :** Therefore, the highest deficit was in 1986-87 Rs. 8261 crores. (*Interruptions*)

The growth rate was 4.1 or 4.9 I think. And the price rise was how much ? 5.3 ! With the highest deficit if you are able to re-generate growth along the direction that it is needed then you can manage the economy with a reasonably stable rate of prices. This is the conclusion that our experience has shown and I think the hon. Member was on this issue saying that it is a phony issue. Although I do not underestimate the inflationary content inherent in an economy as a result of deficit financing, as an economist, or a man with practical knowledge, one of those who know about economic development, I do not underestimate the inherent inflationary potential of deficit financing. But if it is accompanied by a package of programmes, then it leads to the stimulation of growth. Therefore, the Finance Minister has provided a higher outlay for the rural sector and for the anti-poverty programmes.

(*Interruptions*)

[*Translation*]

**SHRI NARAYAN CHOUBEY :** Speak from your heart.

**SHRI B.R. BHAGAT :** This is the

voice of my soul, I do not have two voices. This is the voice of my heart.

[*English*]

He has provided for stimulation and regeneration of the rural economy and also for an increase of twenty-five million tonnes of foodgrains. He has provided special programmes for the industrial sector. The objective is that if there is an increase of twenty-five million tonnes of foodgrains production, then there is bound to be growth in the industrial sector to an extent of five to ten per cent. If this is achieved, I can say with all sense of responsibility that the prices will never cross the double digit figure. (*Interruptions*) Monsoon is still a factor. Now we are not dependent on the monsoon as it used to be called previously that Indian Budget is a gamble of monsoon. But it is no longer now. Today, if you see the figures, in Kharif the production, has fallen down from 88 million tonnes to 71 million tonnes over the years. But during the last four or five years, the rabi crop has been increasing. During the last four years of drought, there has been a shortfall in kharif production, but the wheat crop has been rising. Even this year, in a State like Bihar, where agriculture has not achieved that progress, we are going to produce one million tonne more of wheat production. Therefore, you can see, how much we have become independent of the monsoon.

In spite of the last four years of severe drought, the rabi crop production has been increasing year by year. This shows that as a result of the programmes undertaken, although Indian economy is badly ravaged by agriculture, it is no longer dependent on the monsoon as it was dependent upon in the earlier times. But all the same, if the monsoon is good, we will achieve the increased target of twenty-five million tonnes. i.e. we will achieve 160 million tonnes of foodgrains. If the monsoon is average, we will be achieving the increased target of 15 to 20 million tonnes of foodgrains. God forbid, if this monsoon is also going to be calamitous, even for that eventuality the Finance Minister has provided in the Budget.

**PROF. MADHU DANDAVATE :** If you are only depending on monsoon, then you are not required at all.

**SHRI B.R. BHAGAT :** There has been a provision for two million hectares of irrigation. Therefore, what is necessary is the support of the whole House. The level of the quality, the level of performance that is required from all of us, of the Government, of the various Departments who are engaged in this task should be exemplary high. It should not be a performance which lacks in quality, which lacks in the thrust of highest efficiency. This is absolutely important.

Now I come to other problem, for which the Government has been criticised, expenditure. The average Government expenditure is rising every year by 16, 17 and 18 per cent. The non-plan expenditure is assuming a proportion of 60 to 70 per cent of the total budgeting. But it cannot be helped. What is the non-plan expenditure? Although developmental outlays are important because it leads to the growth, the non-plan expenditure is inevitable. There are four facets of it. One is the expenditure on Defence. We would like to bring about a saving without jeopardising the programmes of defence. You have seen the high level of excellence our defence forces have achieved not only in their morale but in their missile programme also. We are becoming self-reliant in our defence basic programmes. With the thrust on defence R & D, the thrust on various new weapons, the recent success in our target missile, I do not think the House will like to have a cut on these figures. All the same, whatever fat is there, whatever water is there and whatever air is there in those budgets, that has to be cut. The cost effectiveness of expenditure including on defence, has to be increased. There should be a high level of performance. I think, the Finance Minister and the Government have already taken steps in that direction. They are going into zero-base budgeting in stages. This is one device they have thought of to overcome this problem. After this, whatever is the expenditure, it should not be related to the past expenditure and increased pro-rata of a certain percentage over there. But it should be related to the effectiveness of that—how much it is cost effective. Through the system of quarterly budgeting, diversion of resources from tardy-progressed areas to more priority and better programme targets, all these sophistications are being introduced and improvised. Another system

is commitment budgeting which will be complementary to zero-base budgeting. I think, this is the system we should concentrate on. I think, Mr. H.M. Patel will agree with me that it will be very difficult to prune down any of the expenditure. Defence expenditure cannot be pruned down. Then there is expenditure on interest payment on the capital we are borrowing. It is a matter of concern and I join you in that concern. When our economy reaches a stage, we have to raise capital resources, borrowing and other things to meet our revenue expenditure. Every year it is going up. It means that we are living beyond our means. That is why, we require more and more borrowings to pay interest. Some of the economists have calculated that there will be a time by another 10 years or so, when we will reach a position that we will borrow everything and will not be able to pay interest charges. It is called debt trap. It is a matter of concern and the Finance Minister should do something in this regard.

There is enormous growth in expenditure. Since the plan has started, the Governmental expenditure has grown up by 52 times. We have to see the perspective. We have taken up planning. It is not only a financial budgeting but it is a social budgeting also. The objective is to complete transform the economy, complete eradication of poverty and to achieve full employment. The objective is to have a public sector at the commanding heights of the economy. When these are the objectives, when you have to invest Rs. 43,000 crores in the economy only in the public sector,—when you have a large Defence budget, when you have the mounting interest payments, when subsidy itself is...(*Interruptions*).

**MR CHAIRMAN :** Order, order. I am sorry to tell the senior Members that it is not fair on their part to have a running commentary when somebody is speaking. Please keep quiet.

**SHRI B.R. BHAGAT :** Then there is the food and fertilizer subsidy. The subsidy on food is going down because the food stocks are coming down. But in the subsidy on fertilizers, there has been an increase of Rs. 3,000 crores. Can the House object to that expenditure? So, each item I can categorise. This criticism is a smoke screen—

the criticism of increase in non-plan expenditure, increase in Government expenditure, increase in deficit. This is not correct. Analyse it item by item, on which item are you going to cut. Therefore, the answer is that don't proceed on this direction, proceed on the direction of cost of effectiveness. I have spent twelve years in this Ministry in the formation period. I can say with responsibility that the control over expenditure exercised by the Finance Ministry then is not being exercised today. Now there is a Cabinet Committee on the Government expenditure. The Revenue Expenditure Department of the Finance Ministry is the instrument. They used to fear the Finance Minister. In every country they fear the Finance Minister, I can tell you. I have known the Finance Ministers in the fifties and in the sixties. Even in the Soviet Union, when I was introduced, I said : "He is the most dreaded man because he will not sanction any Rouble when he thinks it is unnecessary". Can we say of the Finance Minister or the Finance Ministry today that everybody is afraid of him and his Ministry? Every money that is unnecessary, every money that is wasteful, every money that. ...*(Interruptions)*.

MR. CHAIRMAN : Order, order.

SHRI B.R. BHAGAT : Therefore, the answer is that whatever money is spent, there should be close monitoring. I emphasise this point because the expenditure has come to such an astronomical figure, geometrically and otherwise. Every rupee that is being spent anywhere, must justify itself, must justify its cost effectiveness.

Another problem that the country faces is the balance of payments. My friend on the other side has spoken about the balance of payments position, our external accounts, our external resources. The international environment is negative. You have seen how our foreign assistance is going down. You have seen how, as a result of various international measures in the GATT and the protectionist measures pursued by the industrially strong countries, the export growth is coming down and down, how the world trade is coming down. This is a problem not only of India but of the entire developing countries. But there also, India faces

the problem, of course. The balance of payments strains are there, but it does not face the problem to the extent which some other economies are facing, such as, the economies of the countries like Brazil, Peru and others, because we have followed a very wise policy of living beyond our means, so far as our external resources are concerned.

Again, on the top of it is the commercial borrowings. We have been forced to resort to commercial borrowings outside. The rate of that also is going up.

Another problem is our dependence on imported oil. The price of that also is going up in the world market. So, all these factors have brought a pressure on our balance of payment. The Economic Survey itself says that year after year percentage of our balance of payment position is coming down. There is erosion in our balance of payment position. To stop this, there are two ways. One is stimulating our export, to increase our exports.

This year another thrust of the hon. Finance Minister's Budget is to promote the export and for this he has given a number of facilities. But the real thing in export is that the cost of our industrial products must be brought down so that they are able to compete in the world market. They are not priced now item by item. In textile industry, in electronics industry, in chemical industry, he has taken action so that export is stimulated and the second way of doing it is to reduce our imports. But import substitution is again a problem. That is why, it is necessary to reduce consumption. So, these are the two approaches he has followed. To achieve this, the only way is that you must follow it to a success and there again I should say that a very high level of performance is required in every area.

My last point is about the public sector undertakings. One of the consequences of the public sector is not that its high performance is a resource crunch that the Finance Minister has said. I did not say the other day that administered prices are necessary. But it is the only way with which social economy can be managed. I maintain that point. But it should not be a cover for inefficiency. If it is a cover for inefficiency, the price that we will have



[Shri B.R. Bhagat]

to pay for it is the contribution made by the public sector towards the general resources. Although the net performance of the public sector, that is, the contribution of the public sector is 12.5% to the capital employed—the contribution towards the general revenue—but if you take away the taxes, its profitability would be 5.6%. But it conceals the fact that almost half the public sector is making losses. It is only the other half and mainly the petroleum industry, is making the bulk of the contribution. So, this kind of generalisation does not hold good. I am not one of those who want that if the public sector is not doing good, it should be handed over to the private sector. That is defeatism.

SHRI BASUDEB ACHARIA (Bankura) : You have handed over Scooters India Ltd. to the private sector.

SHRI BALI RAM BHAGAT : We have accepted the public sector goal, we have accepted the policy of achieving social economy. You see what China has done. You see what Soviet Union is doing. The Chinese today are top-bracketed in the growth rate of world's economy. They have achieved a phenomenal growth rate of 13%. The economy of China for the last ten or twelve years has been growing at the annual growth rate of 10% or so. You can imagine that we have been doing it since 1950 and we have been described as a medium-growth industry country, by the United States and the United Nations. Our growth rate is 5% or a little more. If the performance of the public sector is to be at high level, we should see that it is neither a time over-run nor a cost over-run. If we achieve these two things—when China can improve the performance of their economy, we can also do it—we can definitely expect high level of performance from the public sector undertakings.

India is known as the country of talent. You see the Indians, wherever they go they perform miracles. Even in the best of countries they are rated high. Why in this country we cannot achieve these things which are sought to be achieved? This is the question we ask ourselves. The public sector, if they deliver the goods, if their

contribution—their contribution has been going down. (*Interruptions*). They were asked to contribute to 40 per cent of the revenue, public sector revenue. (*Interruptions*). It has been reduced to 33 per cent. Why? This is the problem of the Finance Minister, this is the problem he is facing. This is the problem of the deficit budget, this is the problem of deficit financing and as I say, to conclude, Mr. Chairman, the Finance Minister through this Budget has put a premium on the efficiency or the efficient performance of the economy and he has put everybody on test, all of us, the political system, the administration, including himself.

SHRI A. CHARLES (Trivandrum) : Including the Opposition.

SHRI B.R. BHAGAT : Of course, Opposition. It should be there. (*Interruptions*). This is a year in which if we achieve what the Finance Minister through his budget wants to achieve to stimulate growth, overall growth to 5 per cent to 6 per cent which it can be done, it can be even more—after a year of lower growth, the next growth can even be 7 to 8 per cent, it has happened in the past. If we achieve that, we will not be only redeeming ourselves, we will not only be redeeming our pledges to the people, but we will be taking the country forward and earn the gratitude of our people and the respect of the whole world. Let us dedicate and commit ourselves to this plan or programme which the Finance Minister has contemplated. Thank you.

SHRI VIJAY N. PATIL (Erandol) : Sir, I support the General Budget. As my predecessor has said, our party has asked from the Opposition cooperation mainly in the form of not going on strike or not inducing the people to go on unnecessary strikes without any tangible reasons. In this country we require more efficiency and if the Budget is to be good, if the performance is to be good, we require cost-effective working.

Mr. Chairman, Sir, in the General Budget, the Minister has given the best possible budget he could in this difficult year. We have seen that right from Gujarat to Uttar Pradesh there is a severe drought and from Bihar to North-East, all the States

were affected by floods. There also we lost the Khariff crops and with this, when the concessions were given to the farmers our Opposition friends started saying that this is the pre-cursor to the snap polls, to the mid-term polls. I am surprised that in this background there is a political bandh organised tomorrow to demand for the mid-term elections. If you are thinking that this Budget is presented in this background, then why there is the necessity of organising bandhs ?

AN HON. MEMBER : It is *dharma yudh.*

SHRI VIJAY N. PATIL : It is not *dharma yudh.* You are just feeling that the days of Jayaprakash Narayan will come. But that is not the case.

We had seen three years ago that in Gujarat, some agitation started over reservation. There also, our Opposition Members said, earlier agitation started in Gujarat and spread to all over the country and this time too it would spread all over the country. But it died down with the political calculations and proper management of the Government of Gujarat. Even in your Opposition camps, there is a difference of opinion about tomorrow's bandh. What is this costing our economy, we should understand. Mr. Chairman, when we made 5-days a week, there also there was a difference of opinion. In a country like ours, we should have 6 days a week and we should work more, because we have got so many holidays. That is why, the Government cost, administration cost goes up. If you calculate the holidays that Government employees get, added to that certain holidays declared because of inevitable reasons, it comes to about 50% of the total 365 days a year. The Concessions given to union leaders for enjoying the holidays also add to the cost. What the union leaders do is even in small towns, they will form Secretaries, Presidents and Treasurers and all the office-bearers enjoy special holidays. My hon. friend, Mr. Sontosh Mohan Dev might have observed in the Communication Ministry, out of 365 days, 165 days are enjoyed as holidays and full payments are to be made. The Minister has made a provision of Rs. 700 crores for the payment of instalments of dearness allowances. It is a

welcome provision and we also like to tell the Opposition Members that during the difficult year, they do not make the employees go on unnecessary strike.

Sir, in the case of loans to the farmers, the concession given of 1.5% up to Rs. 7500 and the reduction of interest rate to 11.5% for loans above Rs. 7500 up to Rs. 15000 taken by the farmers, is a welcome measure, in this General Budget. What we are giving in the form of subsidy to the producers of fertilizers, ultimately to the farmers, is to the tune of about Rs. 3000 crores. (*Interruptions.*)

MR. CHAIRMAN : Nobody from the Opposition wants to speak. What can I do ? I am prepared to call you.

SHRI SOMNATH CHATTERJEE (Bolpur) : My name was there earlier.

MR. CHAIRMAN : But you sent a note that you would speak on the 16th.

SHRI SOMNATH CHATTERJEE : I sent it just now, when you called another person to speak.

SHRI VIJAY N. PATIL : Mr. Chairman, Sir, the subsidy given for fertilizers is Rs. 3000 crores and it is likely to rise to Rs. 7000 crores by 1990. In this, we have to think of other sources of fertilizers like increase of nitrogen in the gobar gas plant, fertilizer through growing of Algies etc. Rs. 7,000 crores in 1990 is to cost us much, as a mention made by Shri Bhagat Ji about the interest payment. In the direction of fertilizers also, we have to plan in advance and think of what concessions we can give to the producers of fertilizers in the small scale industry, and to the farmers who have directly adopted gobar gas construction and increased the use of nitrogen and saving of cost in that field.

We welcome the slab increase in the case of income-tax from Rs. 10,000 to Rs. 12,000 for the standard deductions, by the hon. Minister. But if it would have been Rs. 15,000/-, it would have been more welcome because honest tax-payer can plan to invest in LIC, Provident Fund or Savings Bank Certificates, etc. We must decide upon particular system and particular bonds. We

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decided that Indira Vikas Patra will become double figure within five years. But, two years ago, it was made to six years. Now it is brought down to five years. Once we decide upon a policy, we should stick to that decision for at least one term, that is five years, in regard to those Certificates. Otherwise, it creates confusion in the minds of people and the target we want to achieve through these bonds may not be achieved. Once we decide upon a policy whether it is income-tax certificates or interest to be paid on the deposits, it should be of long duration. It should not be for one or two years initially and later on the planners again change the period.

Overall, the Budget is welcome by all the sections of the people.

What we are spending on Defence is unavoidable. But the achievement made by the Department, specially the Department of Space by launching the Prithvi missile is the greatest achievement. We are among the first five countries which have got such type of missiles and we are becoming one of the advanced nations in the field of military weapons. This is a very good achievement and, for this purpose, if we are to spend more on research of such type of systems in the field of electronics and other fields, we should not hesitate to undertake such research.

We should give more allocations in the Budget for alternate sources of energy because, although we have got coal reserves in our country and we have got oil in the Bombay High and in Visakhapatnam and in Assam, these sources of energy would be vanishing over a period of time. It is a short-lived energy source. The alternative sources of energy, even the nuclear fusion, and the separation of hydrogen in the field of atomic energy, require expenditure on research and if more amount is given for research, it will be a big step in the direction of economic development.

If energy is cheaper, many things can be cheaper. The price rise can be controlled. Energy is the main thing required in all the fields, industry, agriculture etc. and it is needed in our day to day life on the roads

and in the houses. If we try to make this energy cheaper by giving incentives to the researchers to find out alternative sources of energy, it will be a big step forward and in this General Budget, our veteran Minister has brought forward this important point is very much laudable because this is the first Budget of Mr. Narayan Datt Tiwari.

SHRI SOMNATH CHATTERJEE : This is his last Budget also.

SHRI VIJAY N. PATIL : Don't dream like that. Don't dream of Mr. Jayaprakash Narayan's movement tomorrow. That is what I had mentioned earlier also.

SHRI SOMNATH CHATTERJEE : He may go to Uttar Pradesh as Chief Minister.

*(Interruptions)*

17.00 hrs.

SHRI VIJAY N. PATIL : Mr. Chairman, Sir, our Opposition friends, wherever they are ruling in the States, there also they are not able to manage well. They expect more from the Central Government and when they expect more from the Central Government, our Budget has to be tight also. They take the help of Sarkaria Commission and I think they are not dreaming of coming to power at the Centre and that is why they want more powers to be given to the States.

*(Interruptions)*

SHRI SOMNATH CHATTERJEE : Let the people decide. Why should we talk ?

SHRI VIJAY N. PATIL : People have already decided. They have decided in Tripura also. You were boasting of Tripura all the time. You have seen that now. I do not want to take much time of the House. I will, in conclusion, say that it is a very good budget in this difficult year.

SHRI SOMNATH CHATTERJEE (Bolpur) : Mr. Chairman, Sir, our gracious Finance Minister is a perfect specimen of Avadi culture, of soft-spoken, simple—a courteous gentleman—By his self-effacing attitude, he can conceal what he does not wish to reveal, however ugly the facts may

be. Similarly, by his budget, he has suppressed the real situation and has drawn a rosy picture of the economy under the facade of 'sweet-tongued and nothings'.

Sir, the Congress Party has ruled this country since Independence throughout except for a few odd months in the 1970s. Now, the economic policy of this country has been formulated by the Congress Party and the Congress Government over the years. The budgets, except for two or three years, have been prepared by this Party and this Government. The Five Year Plans have been drawn up and supposedly implemented by this Party and Government. But what is the balance-sheet at the end of this period when we have celebrated four decades of Independence? Nearly, 1,50,000 industrial establishments are sick or closed, throwing lakhs of workers and employees and their families on the streets. Over four crores of educated young men-and-women in this country are searching for jobs desparately. Prices of essential commodities are beyond the reach of the common people and the prices are rising everyday. The country is caught in a debt trap—both internal and external. There is a stagnation—whatever may be the figures that have been given—in industry and agriculture. There is black-money in operation of over Rs. 40,000 crores and it is ruling the economy. People are steeped in abject poverty, misery and illiteracy. This is the signal contribution of this Government and this Party.

Sir, now, we have to consider this year's budget projection in the background of the real situation which does not find any recognition or any place in the budget speech of the hon. Finance Minister. A budget is not only to give the financial proposals but has also to project the future economic policies of the Government and has also to fairly present the existing state of things prevailing in the economy. But on both counts this Budget has failed the people. It neither honestly deals with the present; nor projects the future correctly. I am sorry to use such words; but it is full of manipulations, cliches, homilies and gimmicks with which one can hardly tackle the mounting and the serious problems in the country.

Once we analyse the Budget proposals

and what had preceded the Budget announcement, it clearly exposes the class character of this Government and its pro-monopoly landlord orientation and anti-people policies. That is why we don't find any provision for any relief to the common people suffering from spiralling price rise, unemployment, growing industrial sickness and the problems faced by the rural sector.

It is no good to operate in a system of make-believe situation unless the problems which are really plaguing the economy of the country are identified and are sought to be dealt with. What is there in this Budget to loosen the stranglehold of monopolists and multi-nationals, the smugglers, the black-marketeers and the financial crooks over the economy of this country? What is there in this Budget to deal with the all-pervading corruption that is eating at the vitals of our country? What is there in this Budget, what conscious efforts have been made or shown to check the price rise, to provide greater employment, to remove industrial sickness and revive our industry and to remove the poverty of the people for which a stringing slogan had been given by the former Prime Minister? What is the substantial provision made for improvement or spreading of education and for medicare?

Sir, we find these basic problems, which are facing the people of this country, are not being really adverted to, far less dealt with, but our leaders are more busy with jaunts outside and *Tumashas* inside, together with senseless extravaganza.

One of our leading economists, Prof. Bhubatosh Datta has said, I believe rightly, that this year's Budget seeks to go everywhere without any constraint of a sense of direction and it has only length, but no depth. We find that the basic problems have not been adverted to and the Finance Minister has adopted an ostrich like attitude. That is why the distortions in our economic system have not only been not sought to be removed, but have now been magnified by the populist, yet anti-people and anti-working class provisions in the Budget.

We have been told that the Budget has provided for removal of excise duty on Kajal and Sindoor and all these things and



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a calculation has been made that Rs. 25 lakhs thereby have been sacrificed by this Government.

AN HON. MEMBER : Do you oppose it ?

SHRI SOMNATH CHATTERJEE : No, I don't oppose it. But unfortunately our hon. Finance Minister does not advert to the fact that many women in this country are having sindoor erased from their foreheads because their men are dying of starvation after retrenchment. That aspect has not been adverted to.

Sir, the annual budget of any Government operating in the system that we have in our country ought to be a very important document but by reason of the tactics that has been adopted it has become a non-event and a futile exercise. The Parliament's very important right to scrutinise the budget proposals and the government's accountability to Parliament have become empty slogans and the Parliament's right is being consciously eroded because the bulk of the additional resources which have been mobilised have been outside the budgetary exercise by means of executive fiats and by means of rise in the administered prices of various commodities of public necessity or consumption. Thereby the Parliament's right has been pre-empted and it is nothing but an attitude of arrogance towards the entire parliamentary system of government and a deliberate affront to Parliament.

There has been an increase of Rs. 1171 crores by reason of additional imposts by way of increase in telephone, telegraph and postal tariffs plus the hike in railway fares. Further, resources to the extent of Rs. 2769 crores have been raised by means of increase in the administered prices. The government has proposed to raise about Rs. 550 crores by taxation proposals in the budget as against Rs. 2769 crores outside the budget. Since 1985-86 to 1988-89 a total sum of Rs 7412 crores has been raised by way of additional resources outside the budget by raising the administered prices against a comparatively much lower sum of Rs. 1982.6 crores by means of taxation propo-

sals in the budgets which come within Parliament's scrutiny. Therefore, the sanctity of the budgetary process is being consciously diluted and the over-riding role of Parliament to sanction and not to sanction any impost has become almost a dead letter. We cannot but complain and allege that this is guided by their petty political interests. They want to avoid scrutiny by Parliament and at the same time they are motivated towards depriving the States of their ordinary resources which would have gone to them if the process of budget had been followed in the matter of raising revenue by way of increasing the excise duty and so on and so forth.

This year's whole budget exercise is to project soft budget, to impress upon the vote bank because of the steep erosion in the rural sector of this country that this party is now facing and at the same time to make a populist budget but in the process of providing a soft budget and a populist budget, our charge is that of grievous damage has been caused to the economy. This budget is an anti-people budget and it is an anti-working class budget and it is neither development oriented nor welfare oriented. (*Interruptions*)

Sir, the so-called pro-farmer stance of this budget is a myth and the benefits will not really go to the persons who are tilling the soil far less to the landless labourer. It will be really to the benefit of the rich farmers. This budget depends—as it has been said after the budget was announced—for its successful implementation on a good monsoon. Therefore, a budget which depends for its success on the vagaries of the nature, is nothing but an infantile attempt to woo the electorate. An election budget is not necessarily a pro-people's budget.

In his over anxiety to project that this budget is for the purpose of providing real help for irrigation, agriculture and for the farmers, it is very unfortunate that a Minister of Mr. Tiwari's calibre should get into a grievous mistake. I wouldn't say 'deliberate'. Mr. Tiwari would not do it ; maybe a mistake in the calculated projection that has gone in his speech, namely, that the plan outlays in respect of agriculture and irrigation are being increased by 40 per

cent. This is totally an illusory figure. The outlay for agriculture has been increased from Rs. 911 crores to Rs. 1,078 crores and for irrigation from Rs. 167 crores to Rs. 217 crores. The two together increased by 20 per cent and not 40 per cent, as has been shown by, let us take it, unintended jugglery of figures. The budget of the Government of India should not contain such mistakes. It is nothing but regrettable that misleading projection should have been made in the budget speech of the Finance Minister of India. What has been done is that the outlay in agriculture alone in the last year of Rs. 911 crores has been taken as the base and has been compared with the allocation in agriculture as well as in irrigation in 1988-89 of Rs. 1,078 crores and Rs. 217 crores to concoct an increase of Rs. 40 per cent—the increase is of 20 per cent, if the budget estimate for this year is compared with the budget estimate of last year. It will be 20 per cent. If the revised estimate for the last year is taken, then the proposed outlay for this year is, in fact, lower by 3 per cent. This is the benefit you have given to the farmers !

Discount on the fertiliser prices has been announced with great fanfare but the industry has been plagued with excessive stocks and the companies have been offering a discount of 10 per cent or more. The concessions that have been given to the farmers will not really benefit them. I would like to know from the hon. Minister how the marginal and small farmers are going to be benefited. Mr. Madhav Reddi has really posed a pertinent question. What is the methodology by which you will see that these benefits—whatever benefits you have given, I am welcoming them—will go to the persons who really need them? Therefore the problem in the agriculture sector cannot be solved by merely giving some concessions like this.

17.20 hrs.

[MR. DEPUTY-SPEAKER *in the Chair*]

THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B.K. GADHVI) : The prices of fertilizers have already gone down in the market.

SHRI SOMNATH CHATTERJEE : Is

it of any use until and unless the real persons who need them get the benefit of it ?

(*Interruptions*)

SHRI C. MADHAV REDDI : It had gone down because there are no takers.

SHRI SOMNATH CHATTERJEE : So far as the people in the rural areas are concerned, what is the policy of this Government? What are the provisions of the Government to really help the lot of the people, to improve their lot? So far as the rural improvement is concerned and better living conditions of the rural people are concerned, what has been provided? Hundred crores have been provided for the rural housing which is nothing but a pittance, considering the requirement of housing. So far as water supply, sanitation, Central assistance to the tribals, medical and public health programmes are concerned, we would like to know as to what are the provisions made on them. The outlay on rural water supply has been increased by Rs. 40 crores and on health by Rs. 23 crores only. Many new schemes have been announced like the rural housing bank scheme that we had in the last year's Budget presented by the Prime Minister and also like the Indira Aawas Scheme etc., etc. What is the fate of these schemes? Unless the schemes that have been announced are properly implemented, things will not improve. What is the modus operandi that you have thought of? How long will it take to make the different schemes effective and operative? Till then, the real benefit will not go to the people who need them. There are several discrepancies in the Budget. One is glaring. The expenditure on RLEGP of Rs. 730 crores this year estimated to generate 370 million mandays of employment. While last year, the similar level of expenditure, namely, Rs. 725 crores was estimated to generate 30 per cent less, namely, 256 million mandays. Only by five crores more, how can there be a generation of mandays to the extent of 114 million more mandays and when there is escalation of prices? They look like mere pious platitudes. The Finance Minister has tried to project an unreal boom in economy and agriculture. We are saying, well, whatever you are providing if they are not properly implemented, they will not go to the

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people who need them. There should be proper implementation of this, in any event, they are quite marginal, but whatever you have provided will be of no help for boosting agriculture or coming to the aid of the farmers of the rural people. On whom is the burden imposed? How much is the burden? Rs. 3150 crores have already been raised by administered prices, railway fares, etc. Now, another Rs. 615 crores have been raised by this year's Budget and out of this Rs. 550 crores are to come from customs and excise duties. Corporate taxes are Rs. 40 crores only.

Direct taxes and the income-tax and wealth tax will be bringing about Rs. 10 crores each. What is the effect of this new impost? This Government, over the years, has fully relied, and dangerously relied on increasing indirect taxes for the purpose of raising revenue. The total recovery of income-tax for 1987-88, as per the Budget estimate, was Rs. 2845 crores, the corporate tax was Rs. 3000 and odd. The total direct taxes for 1987-88, the Budgetary estimate was Rs. 6523 crores as against the indirect taxes which is Rs. 3394 crores. Rs. 6000 and odd crores are the direct taxes and Rs. 33094 crores are the indirect taxes and the percentage of indirect taxes of the total tax revenue of the Government is 82.3 per cent and that of the direct taxes is 17.7 per cent. Does it require any learning in economics that if you go on increasing the indirect taxes, the burden falls on the common people. It is bound to increase the prices. There are affluent sections of the people in this country; there are assesseees who can bear the burden of the direct taxes. There is, however, no attempt to realise those taxes by means of direct imposition. This has brought the lopsidedness in our economy. This is a dangerous principle and theory of making resource mobilization through increase in indirect taxes and it has the necessary consequence of putting greater and greater burden on the common people. As has been said already by Shri Madhav Reddi, what about the direct taxes? You have given some relief to some people, to those who can bear it well, but you have not touched others. You have abolished the Estate Duty, and

have brought in wealth transfer tax, but what will be the total amount that can be recovered and is expected to be recovered? This imbalance in the direct and indirect taxes not only remains, it is perpetuated and it is bound to bring further distortions in the economy. The indirect taxation is always a regressive measure and along with this come the administered prices increases and further the huge deficit of Rs. 7484 crores which is bound to increase the prices.

It is by these methods that you are going to finance your Budget and the tax concessions which have been provided are minimal. The result is that today greater and greater burden on the common people of this country has been imposed by this Budget.

The additional taxation in the Budget to the extent Rs. 1535 crores, the continuance of the surcharge on direct taxes and also changes in the customs duty all taken together the amount is a substantial tax burden which remains. Over and above this, there is an uncovered deficit of Rs. 7484 crores in spite of Prime Minister's assurance and his anxiety that the last year's deficit would not be increased. Perhaps they could not help it, they will refer to drought and floods, but the position is...

SHRI RAM PYARE PANIKA : This is a factual position about drought and floods. How can you say that...*(Interruptions)*.

PROF. MADHU DANDAVATE : After forty years of independence, why do you want to depend on rains?...*(Interruptions)*.

SHRI RAM PYARE PANIKA : He is only using his vocabulary, but speaking nothing on the Budget.

SHRI SOMNATH CHATTERJEE : I cannot make a speech through gestures, I can make it only through my vocabulary.

MR. DEPUTY-SPEAKER : No interruptions please. You may continue.

SHRI SOMNATH CHATTERJEE : Have you exhausted?

SHRI RAM PYARE PANIKA : No, Sir.

**SHRI SOMNATH CHATTERJEE :** Sir, the current year's deficit has been kept at Rs. 6080 crores, but the next year's deficit is contemplated or calculated at Rs. 7,484 which is uncovered. Along with this there will be an increase in the defence outlay of 13,000 crores subsidies will go up by another Rs. 890 crores but the rise in the interest charges will be 2,658 crores. Therefore, the future revenues of this country will be more and more mortgage to debt services.

Now, what is the figure of our debt position? This is not mere vocabulary, this is statistics. So far as the outstanding debts are concerned, the internal debts for the year 1987-88 is 98,151 crores, and the external debt is 23,999 crores. The total is 121,150 crores against which the total liabilities and other obligations over 190,890 crores as against our assets which is 164,192 crores. The net liability is 26,698 crores.

Sir, so far as the interest payment is concerned, this has risen by 61 per cent over the past two years. Last year alone it had increased by 32 per cent.

Sir, by this process, we are allowing ourselves open to and are facing even bigger debt-trap than at present. Sir, kindly see the Government's expenditure level. The total plan and non-plan expenditure which was Rs. 63,887 crores for the year 1987-88 has risen to 66,937 crores in the revised estimates in the Budget for the year 1988-89. The total stand at 76,561 crores. So far as the non-plan expenditure is concerned, the increase in the non-plan expenditure in the 1988-89 Budget is 21.90 per cent above the Budget estimates and 16.03 per cent above the revised estimates for the out-going year. Now, 69 to 70 per cent, please correct me if my figures are wrong, of the Budget allocations would be eaten by the non-plan expenditure alone.

So far as the interest payment is concerned, they have allocated Rs. 14,100 crores. Then Rs. 5,500 crores for the subsidies including fertilisers. Then the administrative cost of the bureaucracy which is there, it has been calculated that it would leave barely 30 paise out of every rupee for productive development activity.

So far as the price and money supply

figures are concerned, they are very important. It has been given in the economic survey that for the first 10 months of 1987-88, if it is calculated on an annual rate, then the inflation figure becomes 11.8 per cent and not 9.8 per cent and the increase in the money supply becomes 17.4 per cent and not 14.5 per cent. That means so far as deficit is concerned, it is bound to be further swelled and it cannot be controlled.

The other disturbing feature is that the Finance Minister is depending more and more on non-Budgetary support for the Plan. He has imposed very high and unrealistic burden on the public sector corporation to finance this Plan. The coming year's Budgetary support to the Plan has been cut down to under 56 per cent and the public sector has been asked to raise as much as Rs. 12,715 crores. This is 66.7 per cent higher than the resources mobilised internally and through market borrowings by the public sector in 1987-88, prior to the last pre-Budget increases. Now, how can the public sector suddenly raise its contributions by two-thirds in the absence of unconscionably high and further increase in the administered prices. Therefore, what we are apprehending and not only apprehending but it is almost certainty that for the purpose of resource mobilisation for the plan, the public sector cannot possibly raise this money and therefore there is bound to be further doses of increase in the administered prices which is bound to have a very serious and deleterious effect on the economy and is bound to put a very serious burden on the common people.

So far as borrowings which I was referring to are concerned, the Economic Survey says that "in order to check the borrowings, there must be control or curtailment of expenditure by the Government." But what is the proposal in the Budget?

Last year 72 per cent of the total borrowings went only to meet interest payments on existing debts. This year, new borrowings will be of Rs. 7000 crores and as I have said earlier, it means interest payments will go upto Rs. 14,100 crores. This is the state of our economy. It is calculated that by the end of the Budget year 1988-89, the Government's borrowings would exceed its assets



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by Rs. 40,000 crores and the Government will have to pay a liability of Rs. 2,24,180 crores for which there are no adequate assets. Now how does the Government meet this? It has to meet it by printing notes. We have to print notes of Rs. 13,500 crores to meet the expenses of this Government in a year. It comes to about Rs. 24 crores everyday, if the notes have to be printed. It is for meeting the day to day expenses of the Government of India. The revenue account show that expenditure is more. Over a period of last 7-8 years, the revenue expenditure which is over and above the revenue income has come upto the staggering figure of Rs. 42,808 crores. That is how this deficit is met—again by printing notes. The printing of notes means, you borrow money from RBI. The result is, today the value of Rupees has come down to 13 P. The cost of living index—I have got the figures here—rose by 135 points between 1970-79. But during the next ten years that is from 1978—two years of Janata Rule or one year of Janata Rule they are fond of referring to—to the end of 1987, it has risen by 431 points.

During the previous nine years it was only 135 points, and in the subsequent ten years it is 431 points. The nett borrowing for 1988-89 will almost equal the net outgo of interest. The borrowing is Rs. 7,000 crores; the interest payment is Rs. 6912 crores. Therefore, the entire fresh borrowings will have to be utilized for paying the interest.

The position is this, that apart from Rs 24 crores which you are printing every day, you are also borrowing Rs. 20 crores every day, with a view to running this Administration. (*Interruptions*)

Kindly consider the effect...(*Interruptions*)

AN HON. MEMBER : What is your suggestion ?

SHRI SOMNATH CHATTERJEE : I am giving some suggestions. I suggest that you go.

Kindly consider the effect of what you are doing, on the State Governments. Of

course, our Constitution has provided for the distribution of powers and has provided for distribution of resources in this country. But can India be strong, and really have a vibrant economy if the States are languishing? Nobody can dispute that the most important welfare obligations under the Constitution are imposed on the State Governments. Every year, every day an effort is being made by the Central Government to reduce the availability of resources to the States. Why is surcharge imposed? Surcharge is imposed, so that the amount recovered by surcharge is not to be shared with the State Governments. Why are administered prices increased, and why excise duties are not imposed? (*Interruptions*) You have not been listening. Don't play like a broken record. drought and flood, drought and flood...You don't understand things.

Therefore the position is this : the Central Government does not have to share this with the States. The relief given in Customs and Excise duties means diminution of resources for the States—automatically. The new revenues which will be collected by reason of certain new imposts, the extra revenue that would be collected, which will be shared, amounts only to Rs. 28 crores, and it will be available to the States. The loss of Rs. 590 crores which will be a deduction by way of relief, means that the State Governments will lose 45% of this revenue.

Now, we do not get part of the surcharges, we do not get part of the administered prices which have been increased, and there are lesser and lesser resources available. When the problems of drought and floods are faced by the State Governments, what do they have to do? They have to come before you and be here on bended knees for the purpose of getting resources to meet the necessary expenditure that has to be incurred. No State Government can wait for your team to go there; then for you to make your exercises and give your amounts, whatever you choose to provide for State Governments. I am sure that this is the difficulty faced not only by the Opposition Governments. All Governments are facing it. Therefore, if you analyze the memoranda that are filed by different State Governments—both non-Congress and Congress—before the Finance Commission, you will find that similar agonies, similar difficulties and similar problems had

been expressed by all the State Governments. But what is this smug feeling of satisfaction that all the Chief Ministers will have to come to Delhi and will have to dance attendance on you? You say: 'We shall, in our *ipse dixit*, through Planning Commission or otherwise, through some officers or otherwise, decide things, because the Central Government can never make a wrong estimate or assessment.'

But the additional expenditure which the State Government will have to incur, where do they find money from? Therefore, it is impinging on the other welfare projects which they have, which I have been saying earlier also; and what Mr. Madhav Reddi has already referred to. This is a very serious problem.

Kindly see the lopsidedness of our Constitutional set up as it is being interpreted by the present Government at the Centre. A very important project of the State Government for the benefit of the State is not even being cleared. We have been crying hoarse for clearing the Haldia Petro Chemical Complex. There are committees: a Committee of Ministers; a Committee of Secretaries; a Committee of experts and so on and so forth. It is not being sanctioned till today. Then there is a Bokreshwar Thermal Power Project. Nobody knows when it will be sanctioned. It was conceived as a joint sector with the State Government. Now, when everything has been cleared, USSR Government has agreed to participate, they want to do it in the Central sector. This is the way they are putting obstacles in the State's progress.

[*Translation*]

THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B.K. GADHVI): Is this Haldia project under the State or in the private sector?

SHRI SOMNATH CHATTERJEE: You do not know even this much. It is a big problem.

(*Interruptions*)

[*English*]

MR. DEPUTY-SPEAKER: Please wind up.

SHRI SOMNATH CHATTERJEE: I have to answer the Minister. I cannot ignore the Minister. Kindly give me one minute for Mr. Gadhvi. A request was made for it to be in the public sector entirely. Then the Central Government refused to do it although they were doing it in the Central sector in other areas. Then we offered it to be in the joint sector between the Central Government and the State Government. An assurance was given on the Floor of the House by Shri Shiv Shankar. Then they said, no, the Central Government cannot provide any money; they will not join; you find out your own resources. And no State Government in this country out of its own resources can set up a petro-chemical complex. Well, with their full knowledge and with their full concurrence of the Central Government, we had been able to get finance. Now, if they are objecting to that.....

AN HON. MEMBER: Goenka.

SHRI SOMNATH CHATTERJEE: Now, if they are objecting to Shri R.P. Goenka, let them say that. If they have got any allergy for him, we do not know. He was known to be very friendly; he is still known to be very friendly or close to the power that be here. Now, today, one Minister in the Government of India asked me about our collaborator.

THE MINISTER OF FINANCE AND MINISTER OF COMMERCE (SHRI NARAYAN DATT TIWARI): May I just put the record straight. The hon. member has mentioned that I have given an entirely wrong statement in my budget speech regarding raising an outlay of the Department of Agriculture, Cooperation and Water Resources by 40 per cent over the current year's outlay. If you look at pages 14 and 15 of the 'Budget At a Glance' you will see that the estimate for 1987-88, the current year's outlay is Rs. 675 crores; for the next year (1988-89), it is Rs. 227 crores for water resources. So, I request the hon. Member to see the correct outlay on pages 14 and 15, which I have just mentioned in my speech. It reads as follows:

"It has been decided to increase the outlay of Department of Agriculture and Cooperation and Water Resources by 40 per cent above the current year's outlay."

[Shri Narayan Datt Tiwari]

So, I would request him to look at pages 14 and 15 and not at page 10.

SHRI C. MADHAV REDDI : Page 17.

SHRI SOMNATH CHATTERJEE : You kindly see page 17—Budget a glance. This is your document. I have not printed it. Then you kindly see it in your speech.

I have said that if my computation is wrong, please correct me. But everybody seems to be understanding in that way only.

I am reading from your Budget Speech. On page 3 of your Budget Speech, you have said :

“Plan outlays for Centre and States in respect of agriculture and irrigation are being increased by 40 per cent.”

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI A.K. PANJA) : It is in fact 40.7 per cent.

SHRI SOMNATH CHATTERJEE : Then come to page 17 of your “Budget at a Glance”. Kindly see what you have mentioned.

“Over 40 per cent increase in outlays for Departments of Agriculture and Cooperation and Water Resources.”

And kindly see what is mentioned in brackets.

“Agriculture and Irrigation (Rs. 1295 crores)”

And compare the figures.

PROF. MADHU DANDEVATE : It comes to 20 per cent.

SHRI SOMNATH CHATTERJEE : Therefore, it is nothing but 20 per cent. I have mentioned those figures. You please go through my speech.

SHRI NARAYAN DATT TIWARI : I request you to take Departments which are given as a whole, and not.. . (Interruptions)

SHRI SOMNATH CHATTERJEE : That is the explanation. That is the explanation that is being given. That is not in your Budget Speech. That is you your secondary clarification, of the Finance Secretary, that if you take the department-wise figures.... (Interruptions)

PROF. MADHU DANDEVATE : As a clever economist you calculated the percentages and read it here. But somebody has taken up different quantities. That is the trouble.

SHRI B.K. GADHVI : See page 19, it will be all right.

SHRI SOMNATH CHATTERJEE : Now, the Finance Minister will please prepare an intelligible calculation next time, when he replies.

Now, the position is that although some relief has been given here and there, more as a sop, than a very well thought out or well conceived proposals for the purpose of what Mr. Bhagat has been saying, regeneration of the economy, therefore, the regeneration—he has been talking of it—is needed, or the economy today needs re-generation. It is not a thriving economy.

Whatever we are saying, look at your past records, look at your proposals. What are the problems? What are the problems that you have identified as the basic maladies which are plaguing our economy? That is why I have tried to mention it. I am not trying to repeat that.

This Budget does not deal with it, it does not tackle this problem. Where is the growth-oriented or the welfare-oriented budget?

Therefore, we cannot but oppose this Budget, cannot but say that this is contrary to the people's interests. This will perpetuate the disparities between the people of this country. This will perpetuate poverty in which more than half of the people of this country are steeped in. This will not result in distribution of resources in this country. This will not create employments which are badly needed in this country. Your emphasis on modernisation is not helping the unemployed people, the youth of this country. There are more and more unemployed.

I would like the hon. Finance Minister to answer that, because, we have been saying that the public establishments of the Government of India, industrial establishments, have been closed down. The Stationery Office has been closed down ; 1200 employees have been thrown to the streets for no fault of theirs. It has been decided that Government of India Presses would be closed down. Three Presses will be closed down, and 7000 employees will be thrown on the streets. The establishments which the Central Government, which they have been running through their agencies for years are being closed down ! That means that there are more and more unemployed. What is the good of saying that there will be so much employment in the rural sector ? How do you postulate ? That means, this Government does not think that human element has any relevance.

You are only interested in modernisation and computerisation. You want very glossy covers of your Budget speech. I do not mind in having it in ordinary cover, but I want to survive in this country as a human being with my head held high. Is there any such prospect that this Budget throws ? Therefore, we cannot but say that this is an anti-people Budget, this is an anti-growth Budget, this is a Budget which will perpetuate the miseries of the people and will bring greater and greater problems to the common people of this country.

[*Translation*]

SHRI MANOJ PANDEY (Bettiah) :  
 Mr. Deputy-Speaker, Sir, I support the Budget for 1988-89 presented by hon. Shri Narayan Datt Tiwari.

Sir, some senior friends of Opposition parties have overlooked the good points of this Budget. According to my opinion it will not be wrong to say that our senior colleagues and friends have not seen the salient features of the Budget. They have not seen the spirit behind the Budget. Our

senior colleague sitting on that side has stated that this is not a Budget for the farmers. In my opinion, this Budget is for the farmers. They have further termed it as an anti-people Budget. I want to ask Shri Somnath Chatterji whether the Kutir Jyoti Programme, Jal Dhara Programme, the National Housing Bank, the National Small Scale Industry Development Bank, Kisan Vikas Patra and Indira Vikas Patra are anti-people schemes ? If our learned friends sitting on opposite side term such schemes as anti-people, then they may be blessed and their wisdom too. There is a great difference between their way of thinking and that of ours. I say that God may bless them with right thinking so that they at least do not call it as an anti-people one. If they call such a Budget anti-people, what will they characterise a pro-rich Budget. If the people on Opposition benches term it as an anti-people Budget, then it will be total bankruptcy of their intelligence. If something to improve the condition of the villages has been talked about in this Budget, then it is not an anti-people Budget. I have only to say that if they term it as an anti-people Budget, they are familiar with neither the people living in villages nor the people living in cities and nor with this country. Sir, those who do not know the country but still are the Members of this House, then only God is the dispenser. Nothing can be said beyond that.

Sir, the first and the foremost thing in this Budget is that Central Government has presented the image of our people living in villages. Still they call it as an anti-people Budget.

[*English*]

MR. DEPUTY-SPEAKER : Please continue tomorrow.

18.01 hrs.

*The Lok Sabha then adjourned till eleven of the Clock on Tuesday, March 15, 1988/ Phalguna 25, 1909 (Saka).*