

MR. Deputy-Speaker: How is it connected with the blockade and delay in the arrival of foodgrains?

Shri K. Narayana Rao: We have been discussing the other point and the two are inter-connected.

Mr. Deputy-Speaker: He can ask questions only on the statement laid on the Table of the House.

Shrimati Tarkeshwari Sinha (Barh): May I know whether this recent complication will affect in any way the total commitment that has been made by the consortium countries recently in their last meeting to give additional food aid, as America is doing? Is it likely to be disturbed?

Mr. Deputy-Speaker: That question has already been replied to.

Shrimati Tarkeshwari Sinha: I was asking about the consortium countries, not America; they have promised to give matching food aid.

The Deputy Prime Minister and Minister of Finance (Shri Morarji Desai): This discussion will make it more difficult. So, let us keep silent over it.

डा० राम मनोहर लोहिया : घर का भेदिया बुरा होता है मोरार जी भाई ।

श्री दामोदरभाई शास्त्री (पटना) : पश्चिमी एशिया में जो संकट पैदा हुआ है उस के संबंध में मंत्री महोदय के बक्तव्य से पता लगता है कि देश में अनाज की दिक्कत होने वाली है । तो उस का हल निकालने के लिए माननीय सदस्य डा० लोहिया साहब ने एक प्रस्ताव रखा है कि हमें अपने देश में ज्यादा से ज्यादा गन्ना पैदा करना चाहिए यह बात सही है पर मैं मंत्री महोदय से यह जानना चाहता हूँ कि हमारे देश के अन्दर किस किस प्रकार बहुत पैदा हुआ है मुनाफा-खोरी के पास, ज्वारीबाजों के पास, बाहे के पास के अन्दर ही या गहर के अन्दर ही, मंत्री महोदय के पास क्या इस बात की कोई

स्वीय है कि उनके पास से उस छिपे हुए गन्ने को निकालें और निकालकर जनता के बीच में दें और बास कर जिन इनाकों में प्रकाल है वहाँ ज्यादा से ज्यादा गन्ना भेजें न कि वहाँ गन्ना भेजने में कुछ कमी करें जैसे कि अन्दाज लग रहा है कि वह कुछ कमी करना चाहते हैं, तो मैं यह जानना चाहता हूँ कि मुनाफाखोरों के खिलाफ कोई कर्मचारी की जाने वाली है या नहीं ? छिपे गन्ने को निकालने की नीति बरती जायगी या नहीं ? ऐसा कोई योजना भापके सामने है या नहीं ? या उसके बारे में सोचना चाहते हैं या नहीं ?

श्री जगजीवन राम : यह बहुत ही मजेदार प्रश्न है और उपयोगी प्रश्न है । जहाँ कहीं भी अनाज जरूरत से अधिक है वाहे वह किसान के पास हो या व्यापारी के पास ही उस को निकालना आवश्यक है और फिर यह दोहराना चाहता हूँ जिस बात को बार बार दोहराया है कि जो राज्य सरकार इस मामले में तीव्रता से कदम उठाएगी केन्द्र से उस को पूरा सहयोग दिया जायेगा । सदस्य महोदय से मैं अनुरोध करना चाहता हूँ कि वह बिहार सरकार में जो उन के दल के मंत्री हैं उन से जरा पूछें कि कि एक दफे ज्वारीबाजों से गन्ना निकालने का कार्य शुरू करके बीच में क्यों छोड़ दिया गया ? क्या सेंटर से कोई रोकवट हुई उस में, यह उन से जाकर पूछें !

14.35 hrs.

GENERAL BUDGET—GENERAL DISCUSSION

Mr. Deputy-Speaker: The House will now resume general discussion on the General Budget. Shri K. C. Pant may continue his speech.

The Minister of State in the Ministry of Finance (Shri K. C. Pant): Mr. Deputy-Speaker, Sir, yesterday I was trying to deal with the criticism against Government expenditure and I was pointing out that the Government had taken various steps to curb this expenditure. In this context I was referring to the role of the Staff Inspection Unit of the Finance Ministry. The Staff Inspection Unit of the Finance Ministry inspects the various departments of the Government, carries out work studies according to a predetermined programme and its job is to locate surpluses. In the course of 1966-67 this unit inspected 53 offices and the cases in which its recommendations were accepted led to an economy of 2,523 posts. In addition where proposals were made for fresh recruitment etc., withdrawal or modification of these led to an economy of 2,450 posts. The total economy which was brought about by the Staff Inspection Unit was of the order of Rs. 212 crores, as a result of these reductions which, I hope, the House will agree, is not an inconsiderable amount.

Now I turn to Plan expenditure. There has been criticism from both sides. Some have said that the Plan is too large; some have said that the Plan is too small. The bulk of the expenditure under the Plan is developmental expenditure and in spite of the need to maintain this development expenditure at as high a level as possible keeping in mind the need for future growth and the necessity for keeping the momentum of economic growth going, Government has exercised great restraint in keeping down Plan expenditure this year. The total provision in the current year is Rs. 1,826 crores including Rs. 10 crores on account of the proposed additional provision for financial institutions. Of this Rs. 590 crores is on account of assistance to States, and Rs. 1,236 crores is for the annual Plan of the Centre and the Union territories. The point to remember here is that in money terms

the provision for the Plan for the Centre and the Union territories this year is roughly of the same order as that of last year and I hardly think that it would have been possible to reduce it still further. I hope that no section of the House seriously suggests that the second year of the Plan should in money terms have been smaller than the first year of the Plan.

An hon. Member: It should.

Shri K. C. Pant: The States, in fact, actually got smaller Plan assistance than in 1966-67 and the assistance to the States was mostly for the purpose of increasing agricultural production. Sir, I heard a voice—I think, it was Shri Pilo Mody's—saying that the Plan should have been reduced. I ask him: Would it have been wise to reduce the Plan even if it meant lowering outlays on agricultural production and giving up or slowing down those projects which are in hand, which are progressing and for which foreign exchange arrangement have been made?

Shri Pilo Mody (Godhra): Yes.

Shri K. C. Pant: Would he rather that this capital which has been invested lie infructuous? I do not think he would mean that. In fact, I would be inclined to agree with Shri P. Venkatasubbaiah that the maximum effort should be made to expedite projects which have been taken in hand.

Then, a sum of Rs. 40 crores is included in this Plan provision as assistance to financial institutions and it is intended to make sure that the level of investment in the private sector is kept up to the extent possible under the present circumstances. At the same time, Rs. 200 crores are provided for iron and steel industry and heavy industries. Again, it is the need to keep the momentum going, not to allow projects on which certain expenditure has been incurred to slow down or to be given up, that is at the back of this Rs. 200 crores investment. It is also a question of creating sufficient demand for private as well

as public sector industries which depend on the capital goods industry for a market. I may remind Mr. Mody that while he is complaining that the Government is investing too much in the Plan, at the same time, we hear, now-a-days, the private sector complaining that the Government is investing too little and they are complaining that because the Government is investing too little, their demand is going down and, therefore, their production is going down. Previously, we used to hear that the Government was investing too much in transport and that now the Government is investing too little. You must not look at this question in a compartmentalised way. We have an integrated economy and both the public and private sectors are inter-linked, one providing the demand for the other. I dare say that even if the private sector wants to maintain or increase its rate of growth even from the narrow angle, it should consider the role that the public sector plays. Unless the public sector grows, it is impossible for the private sector to grow. He may not agree with me. I have given a concrete instance where the private sector is complaining that the Government is investing too little.

Shri Piloo Mody: That is what happens in the permit-licence-raj.

Shri K. C. Pant: It will not do to insist that the private sector should maintain or increase its growth and, on the other hand, to complain of the public sector getting too much of the resources. I think, I have dealt sufficiently with this particular aspect. The Government has made an attempt to reconcile essentially conflicting objectives of price stability and the avoidance of further recessionary trends in the economy. I do not think more could be expected of it in the present circumstances.

Now, I turn, briefly, to the broad philosophy behind the taxes that have been levied. It has been said in the House and also outside by some that if the subsidy on foodgrains was given up—

—Shri Hanumanthaiya mentioned

that point—it would not have been necessary to mobilise additional taxation. Government does regard this subsidy as a temporary expedient. But, whatever one's view on the food subsidy, in the long run, surely, it cannot be argued that it would have been preferable in the present circumstances, to increase the price of foodgrains rather than tax consumption of items, like cigarettes, synthetic fibre, motor spirit and, indeed, tea or coffee or footwear. Therefore, in judging these alternatives, one has got to see what is the other alternative. If you give up the subsidy on foodgrains and you raise the price of foodgrains, it hits the common man, the poorest section of the society, very hard. If you tax certain consumer items which do not play the same vital part in his budget, surely, that is preferable in the present circumstances. That is a point to be remembered.

On the other hand, Shri P. Ramamurti went to the other extreme. He said that reduction in fertiliser subsidies is a breach of the promise given at the time of devaluation. I do not know whether there can be any promise to keep up subsidies in perpetuity on any item. I do not think any Government can do it. So, I would submit that those who suggest that taxes should not have been levied should consider this alternative or reducing the subsidy on food and fertilisers and I am sure that most sections of the House would come to the conclusion that it is preferable not to give up the subsidy on food and fertilisers to the full extent at the present moment in preference to what we have done.

It may be argued, why not direct taxation instead of indirect taxation? It has been argued, in fact. There is no doubt that indirect taxation does tend to increase prices and does tend to give rise to a general expectation of further increase in prices. If it were possible, certainly the ideal thing in the present situation would have been not to levy any taxes at all. But can

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it be seriously suggested that when the industry is already depressed as it is at the moment, it is possible to increase direct taxes to any significant extent? It is not as though this is the first Budget that this Government has introduced. Direct taxes have been stepped up from time to time in the past on various occasions. Even now we are engaged in a detailed examination of direct taxes and we are anxious that these suggestions should be discussed. We have refrained from making any major change in direct taxes until we have carried out this study.

An hon. Member: What about capital gains?

Shri K. C. Pant: I said, the whole system of the structure of direct taxes is under study. In this particular Budget, the changes that are suggested are only minor and selective. Some of these concessions have been welcomed relating to savings, tourism, tax-holidays and assessments on a prospective basis. These are important not so much from the point of view that revenue will be generated immediately but from the long term point of view as pointers to the direction in which our structure of direct taxes will have to move in time to come.

As to indirect taxes, here again, the indirect taxes this year have been selective and discriminating. This has been acknowledged and I do not, at this stage, wish to give the justification for all these indirect taxes because that has already been done in the course of the Budget speech. But I would like to mention that the effect on prices of these indirect taxes, of the excise duties, would probably be smaller than would have normally been expected when the duties are automatically passed on to the consumer. This is because of the objective conditions obtaining in our country today. There is a fall in the real in-

comes which is acknowledged all round and this has generated a certain amount of consumer resistance. This consumer resistance will act as a brake on the increase in prices. Then Government has also exercised the utmost discipline in restraining its expenditure. I have already referred to it in detail and so, I do not think I need to repeat all that.

Shrimati Tarkeshwari Sinha (Barh): May I interrupt the hon. Minister for a minute? Just now in the course of his speech, he was said that points have been made in this House that discriminatory treatment has been given in regard to excise duties. He says he does not want to elucidate on that point. That does not create a very good impression. He should categorically deny that. He should not leave it to the Finance Minister to reply to that point; he should himself reply because he has confirmed the suspicion; charges have been levied in the House. He should categorically deny that.

An hon. Member: He is not capable of it.

Shri K. C. Pant: I have understood her saying that certain duties are not discriminatory. I have never said that they are discriminatory. The exact word that I used was 'discriminating'.

Shrimati Tarkeshwari Sinha: That is dangerous.

Shri K. C. Pant: I have said, "selective and discriminating".

Shrimati Tarkeshwari Sinha: Selective but not discriminating.

Shri K. C. Pant: With all respect, I would like to say that there is a difference between the two words.

Then, we have a liberal import policy which will also, we hope, add to this tendency to resist price increases.

Finally, I hope hon. Members would have noticed that the excise duties this year are of such a nature that their incidence increases with the incomes of the individuals. In other words, they partake of the character of direct taxes in this sense. This is all that I have to say on the taxation of this year.

A number of hon. Members have shown a keen interest in tax collection, and they have mentioned that Government do not collect all the taxes that they levy. Quite frankly, I would say that there is a certain amount of tax evasion and tax avoidance in this country as indeed there is in other countries.

Shri Dhireswar Kalita (Gauhati): To what extent?

Shri Piloo Mody: What we have got to do with tax evasion in other countries?

Shri K. C. Pant: Some people know more about the extent than others.

Shri Piloo Mody: What is this argument that because it happens in other countries it happens here also?

Shri Jyotirmoy Basu (Diamond Harbour): We are convinced that the hon. Minister knows how to make an under-statement.

Shri K. C. Pant: The real question is whether we are doing all we can to reduce tax evasion and tax avoidance and delays in assessment and collection. If hon. Members will only have some patience, I hope to be able at least to tell them what steps we are taking, and then perhaps they can come to their own conclusions.

Shri Vasudevan Nair (Peermade): We have heard it so many times.

Shri K. C. Pant: Firstly, a drive has been launched to bring more and more people under income-tax assessment. I shall give you the figures. The total number of assesses was 1.2 million at the end of 1962; this has increased to more than 2.7 million by

now, which is an increase of more than 100 per cent in five years.

Then, in order that a disproportionate amount of time of the income-tax officer is not spent on small cases, we have told them that they should accept the returns of lower income bracket assesses only after sample checks and that they should devote more time to the bigger cases.

Company cases account for nearly 55 per cent of the tax collected. Separate circles have been formed all over the country for the disposal of company cases and these have been manned by efficient officers. Higher category non-company cases account for nearly 20 per cent of the tax collected. These cases too have been segregated and concentrated and have been given to efficient officers for disposal. I am glad to inform the House that these steps have resulted in the disposal rate going up from about 18 lakhs in 1964-65 to nearly 27 lakhs in 1966-67. The average disposal per income-tax officer has also gone up from 1003 in 1962-63 to 1814 in 1966-67, that is, by more than 50 per cent.

Then, simplification and rationalisation of the income-tax structure is another step that is being taken and that is constantly under review. Then there is the introduction of the system of functional distribution of work among the ITOs

Shri M. Amersey (Banaskantha): It is Parkinson's law.

Shri K. C. Pant: under which administration and collection and assessment have been separated. Some hon. Member mentioned Parkinson's law. I think he should not speak about things which he does not know fully. A pilot study has been carried out on the functional distribution of work, and if he is interested and he comes to me I shall show him the striking results that have been achieved as a result of this functional dis-

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tribution of work. Therefore, it has been decided to extend it to more income-tax circles. The training facilities and refresher courses etc. are being improved. In order to expedite the disposal of appeals, more Posts of Appellate Assistant Commissioners have been sanctioned.

Then, there is the popular subject of black money. I agree with Shri P. Ramamurti that it is a social and economic evil and it has to go to be tackled from all possible angles. But I am sorry I cannot agree with him that this evil can be eradicated by demonetisation. That, I think, is not possible under present circumstances. But I can assure him that this problem is engaging the attention of Government and every effort is being made to unearth undisclosed income.

In this respect also, I would put before the House the concrete steps that have been taken. There are various legislative measures taken in the recent past in this sphere. These include enlarging the powers of search and seizure, tightening up of the provisions regarding imposition of penalty for concealment of income as well as those relating to prosecution for such offences. Then there were two specific voluntary disclosure schemes which also resulted in voluntary disclosures to the tune of Rs. 197 crores. Under the enlarged powers of search and seizure, the income-tax department carry out searches and effect seizures about which we have questions in the House every day. This has yielded a large amount of concealed income. Administrative steps are also being taken. We have set up four intelligence units, in Bombay, Calcutta, Madras and Delhi. The House will be glad to know that they have been doing useful work. Then there has been liberalisation of the procedure for grant of rewards for giving information. Prosecutions have also been launched in the recent past. I do not want to go into details, but these are the broad outlines. But let

me assure the House that we do not propose to relax our vigilance in respect of black money.

My hon. friend, Shri Dwivedy, mentioned that the former ruling princes were not being assessed to tax properly. Let me give him the position. Barring the privy purse which has been exempted by the Constitution, the former ruling princes are in the same position as any other citizen of this country. They pay tax on their wealth; they also pay tax on gifts made by them. Thus there is no discrimination in their favour.

Finally, I should like to say something about the public sector undertakings. Several members here referred to the working of public sector undertakings. I think there is no difficulty in agreeing that their working could be improved, and needs to be improved. So indeed does the working of the private sector. What is extraordinary is the manner in which the public sector is run down as though mere denigration is going to solve the problem. There has been a systematic attempt to misinterpret the financial results of the public sector undertakings. I must repudiate such misinterpretation. I am glad to agree with Shri Dange on this. I am prepared to give facts and figures. What are they? At the end of 1965-66, the total investment of the Central Government in 74 undertakings amounted to Rs. 2,415 crores. Now all of this was not productive capital. Part of it was investment in projects which had not come into production, part of it had been investment in expansion programmes. Therefore, if we confine our attention only to effective capital, it was of the order of Rs. 1,413 crores. Even here, many of the industries represented by this effective capital have come into production only recently. Considering the nature of public sector undertakings, it is natural that they have long gestation periods: they are complex units and require training of personnel, and it would not be fair to expect each and every one of them to

run profitably immediately on coming into production. Even so, out of 40 running concerns, 31 including Hindustan Steel, made a profit of Rs. 56.4 crores in 1965-66, after providing for depreciation, but before interest on capital, loans and taxes. Only eight undertakings showed a net loss. Even if you take all of these 40 together, including the 8 which incurred a loss, the over-all return on capital employed works out to 3.8 per cent. This is not a very high rate of return, this is a low rate of return, but if allowance is made for the fact that many of those plants have just begun working, and if allowance is made for the fact that they are very difficult ventures I think that this is not a poor return at all.

15 hrs.

In the case of 12 undertakings which have been established for sometime now, the returns are much better. The gross profit as percentage of capital employed has been in excess of 10 per cent in the case of 12 undertakings, and in the case of several undertakings, including Bharat Electronics, Indian Telephone Industries and Hindustan Antibiotics, the return is of the order of 15 to 20 per cent.

To give another example, in the case of Ashoka Hotel, which was at one time greatly maligned, the return is of the order of 12.8 per cent in 1965-66. This is not bad. Nobody can call it bad.

It is not my intention to convey that we cannot improve the working of the public sector. We are seized of this problem, we have a Bureau of Public Enterprises in the Finance Ministry which has been set up to co-ordinate the working of public sector undertakings, to review their performance from time to time, and also to carry out pre-sanction studies, pre-sanction scrutiny of projects. Then, there is also the problem of unutilised capacity which the Bureau is looking into. Today there is unutilised capacity in the capital goods industry sector. The Bureau is looking into

it, and already orders for the new power plants that are to come up in the fourth plan, or that are going to be expanded, have been placed on the Heavy Electricals, Bhopal, and Bharat Heavy Electricals, Hardwar, Hyderabad and Thichy. Wherever capacity is still left unutilised, an attempt is being made to diversify production. An attempt is also being made to lay down certain guidelines to reduce construction costs on township housing etc.

As far as management is concerned, an attempt is being made to get suitable talent wherever it is available, whether in the Government or outside. Recently we advertised and we got a thousand applications from outside. These are being looked into. Inside the Government, a panel is being formed of suitable officials who can man these public sector projects, because every official is not automatically suited for this kind of work.

In the field of experts also, I would like to mention, though I will not go into details, that the public sector has made a significant contribution in the course of the last year.

Finally, certain suggestions have been offered which I found very interesting. I must make a reference to them. One was Mr. Dange's suggestion to pay the managers of public undertakings on a salary cum commission basis. Coming as it does from him, this is particularly interesting, and I am sure we shall try to profit from it.

Mr. Hanumanthaiya and Mr. Shantilal Shah dwelt on the virtues of competition and also on economic incentives, and there was a meeting of minds between them and Mr. Dange on this point. That means a very long and wide bridge. Therefore, we shall certainly consider this aspect, and we will consider all these suggestions which have been made.

I can only say that there is nothing intrinsically wrong with our pub-

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lie sector projects. They will come up in due course, as many of them have already come up. What is needed is that all sections of the House treat them as national projects, as projects into which this nation's money has gone, capital has gone, which must produce results for the common good. If Parliament encourages these projects from this point of view, I am sure that they will be encouraged in their turn to produce better results.

I think that my time is up. I know that there are many other speakers who are keen to take part in this debate. So, I do think I should continue with my speech. I thank you very much for giving me this opportunity.

Shri N. Dandekar (Jamnagar): Mr. Deputy-Speaker, Sir, I wish I had at my disposal the kind of time that the Minister of State has taken because I would very much have liked to deal with a number of issues he has raised. Unfortunately my time is limited and his time is not. I would therefore confine myself to what appears to be by common consent the two major standards of reference in the light of which the budget must be considered and in the light of which one has to form one's judgment on the budget.

It is agreed on all hands that in the first place one must consider the budget from its immediate impact in terms of holding the price line. And the second standard of reference for judgment would be in its prospective impact; will it arrest inflation?

Taking up the first—the impact of the budget on the immediate price situation—I think there is a good deal of confusion because it is not clear always what particular price line one is talking about. I would therefore like to consider this matter with reference to three separate sectors in the economic life of the country. In the

first place, what will be the effect of the budget on the working class cost of living? Secondly, what will be the effect of the budget on the middle class, the lower and upper middle class cost of living? And thirdly, what will be the impact on wholesale prices generally and on industrial inputs and outputs. It is perhaps—I say “perhaps” because I am not quite sure—justifiably claimed by the Finance Minister that the immediate impact of the budget on the working class cost of living may be negligible. Certainly if the monsoon turns out to be as well as every one hopes, there will be no overall adverse effect if you come to look at the matter three or four months hence. But I do not think the same can be said about the impact of the budget on the middle-class cost of living. Shri Shantilal Shah described the figure of a person wearing factory made shoes, rayon or terebene clothes, smoking cigarettes and perhaps imbibing rather more than was good for him of coffee or tea. That describes the middle-class people who try to maintain some standard of living in these difficult times, the white collar brigade, the lower middle class and the upper middle class. I am quite certain that the impact upon the middle class cost of living of this budget is going to be quite considerable whether it is the cloths or the shoes they wear, the beverages they drink in terms of tea or coffee, the cigarettes they smoke, the newspapers they read or the postal facilities they use. Many of the things that goes into their standard of living, that which makes for the quality of the standard of living of the lower or upper middle class is going to be directly affected by the consequences of this and the Railway budget. I do not think we would be right in ignoring the middle class in this country or the impact of this budget on the middle class. One has to be really in close contact with them as I have the good fortune to be, to know something about them. They live mostly in urban areas; it is true

they are not in large numbers in the rural areas. But the impact of this budget on an already ground down middle-class, a middle-class that has in the family very few income earners, a middle-class that is ground on the one side by the rising prices and on the other by indirect taxes which subtract from the net value of their income,—is going to be quite serious and I do not think that anybody would dare contradict that proposition.

From the general economic stand point, even if we want to forget the human beings for the moment, the impact of this budget on the wholesale price structure, that is to say on the prices of industrial inputs and industrial outputs, coupled with the impact on them of the railway budget that has raised freight rates and the like will, I think, be quite serious. When I say it is quite serious, I am not measuring it in terms of 10 per cent or 15 per cent. I am measuring the impact quite simply as regards holding the price-line. That, I take it, is the main criterion of judgment. All ministers and various other people have been going round urging upon everybody the necessity of holding the price-line; hence, the point in not whether all these things done by the budget and by the increase in freight rates are going to put up wholesale prices precisely by five per cent or 7 per cent or even 3 per cent. The point quite simply is that the impact of the budget on holding the price-line is going to be quite serious in the sense that there is not going to be the slightest hope that the priceline for industrial purposes, in terms of costs to industry, is going to be held at all.

I turn now to the other major aspect. The second standard of reference is perhaps even more important, from which, it is by common consent agreed, the budget ought to be judged, namely, will this budget have the effect,—not just in terms of psychology and verbiage of that kind but specifically—of arresting inflation in this country? If it does not,

then I suggest it is a complete failure. It does not matter to what degree it further stimulates inflation; We may disagree as to the degree in which it may stimulate inflationary forces. But, Sir, the point really is that, today, the economy is so overheated and there are such strong inflationary forces in all sectors that the question for consideration is whether this budget will arrest inflation. This question too can be best explored, and best considered, in terms of three situations. They are the ones that have an effect on the inflationary situation. The first is governmental expenditure. The Minister of State was at great pains to indicate that there was hardly any scope for economy in public expenditure. I have not heard a more startling proposition from anyone either in this House or outside, and I would like to quote to him the authority of the Deputy Prime Minister and Finance Minister himself who, less than a year ago, indicated, undoubtedly, in broad terms because he did not have the details with him on that occasion,—that the scope for economy in this country was of the order of ten per cent. This was a "must", not a choice or an optional possibility or anything of that kind but a necessity of the economy in this country even in terms of practicabilities.

Now, Sir, I do not want to weary the House with too many figures, but I have here some very interesting figures given in the India Pocket Book of Economic Information, about the growth of revenue expenditure in the Central and State Governments, taken together. I think these are really relevant figures, because these are not really separate fisca—the State Government fisca and the Central fisca—and because the State fisca are dependant in a very large measure indeed upon the resources that are supplied to the States by the Central Government. The progress of non-developmental revenue expenditure of

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the Central and the State Governments, other than on debt servicing and defence, in the last three years is as follows: General Administration and External Affairs, 1964-65, Rs. 120 crores; 1965-66, Rs. 136 crores; 1966-67, nearly Rs. 140 crores. But the really important figures are not these,—every body talks about this general administration,—there is another classification here called "Others", that is to say, not debt servicing, not defence, not general administration but "Others". It is this item to which I would like to invite the attention of the House. It was Rs. 451 crores in 1964-65, Rs. 468 crores in 1965-66 and Rs. 552 crores, (budget estimates) for 1966-67. I ask you: when the Minister of State says, "Make positive proposals as to how and where shall I look for economy", has he seen these figures? I suggest to him he had better take a look at the accounts of the year 1963-64 and ask himself the question, "Why can't I get back? What is the cause of the difference between expenditure of 1963-64 and 1967-68, the budget expenditure? Where has it all gone and what can I do to slap it down back to nearly where it was four years ago?"

Sir, I will leave it at that.

There are various other interesting figures in that publication, for instance Table 14.5 at page 139. But the most interesting one is Table 14.7, about gross capital formation and Government consumption expenditure. I would invite the Finance Minister's kind attention to page 141 of this official publication and ask the simple question: how has the consumption expenditure grown over the last three, four or five years. When I ask 'how', I do not mean there is not always an explanation available. I do not mean just 'how'. The question for the Finance Minister should be: can I not get back to where I was 3 or 4 years ago? I am quite certain that if eco-

nomny endeavours of that very specific kind were made, it would be possible to do something quite substantial.

I will quote an example which is within my knowledge. In 1949, when this country had to devalue the rupee for the first time after the war, I was in the States Ministry and the task of bringing down the expenditure of the Government in a substantial way was entrusted to an economy Committee consisting of the then Finance Minister, Dr. Mathai and the then Deputy Prime Minister, Sardar Patel. I remember having participated in this exercise. It was on the lines I had just suggested;—how and why had expenditure grown over the last 3 years? What is there to stop us from getting back to where we were 3 years ago? I do not say, you can always succeed. But if one proceeded along those lines, a substantial, practical way of approach is available and should be explored. Sir, the second major factor in regard to inflation is this. Everyone in this House seems to have accepted the claim that this is a balanced budget and there is no deficit financing in it. I am astonished by this, because I see in this budget reliance upon PL 480 counterpart funds to the extent of Rs. 290 crores, of which Rs. 135 crores is euphemistically called "investment" of PL 480 counterpart funds on behalf of the US Government. I raised this point in this House in 1965 and the then Finance Minister attempted to shoot me down. But Reserve Bank money obtained and spent by way of investment of PL 480 funds as deficit financing; indeed, any kind of expenditure of PL 480 funds, is inflationary regardless of whether it is authorised expenditure in terms of what the US Government is entitled to spend or in terms of what the US Government gives by way of grants or in terms of what US Government gives by way of Cooley loans to industry or by way of direct loans to the Government of India for public sector development—

though these are not the categories I am now referring to. I am here referring to the utilisation of the unspent balances in the PL 480 account by the procedure known as "investment" of PL 480 funds. I derive authority for saying this from what Mr. John P. Lewis has himself written in his book entitled *Quiet Crisis in India*, written in 1962. It is not as if the Government themselves are not aware of this, or that they have not themselves urged that these are inflationary processes. It is said in that book (I quote):

"From time to time there have been vociferous complaints from the Indian Government officials that the expenditure of US PL 480 rupee holdings is dangerously inflationary. It is argued that the expenditure of PL 480 rupees at the time it occurs, is unmatched by any fresh injection of real resources into the economy. Some United States officials have vehemently denied the charge, often reasoning from the assumption of simultaneity between arrival of aid goods and the expenditure of the rupee funds to which they give rise."

Sir, I maintain that in this budget, even after allowing for what is to be spent out of PL 480 funds legitimately,—that is to say, outright grants, Cooley loans and ordinary loans to the Government for various projects etc.,—the illegitimate drawings upon PL 480 unspent balance by what is called "investment in special securities," I submit, is in fact deficit financing. This budget is a deficit budget to the extent of Rs. 135 crores, because that is precisely the extent to which reliance has been placed on this particular source of created money.

Finally, Sir, with regard to arresting inflation, the third question that one asks oneself is this: does the budget, taken as a whole, enable the

revival of dynamism in the economy in regard to production and in regard to savings and investment.

I always like to deal with this question of production by setting out a certain economic series of which the terms are functionally related to each other. If one is considering the short-term problem of increasing production, that which is relevant today, this year, the next year or the year after, because of the condition in which our economy is,—what we need is a quick spurt in production of a magnitude such that we do not have to cut back on consumption, as that would mean our going back in our standard of living to some years ago. We want an increase in production of a magnitude such that after satisfying domestic consumption there is an adequate surplus left over for export, otherwise all talk about reviving dynamism in the economy becomes meaningless.

The main terms in the production series are: firstly, costs;—that is the main thing in this whole problem of production;—secondly, volume of production; and the third is the availability of current finance. You have all heard of the severe bank credit restrictions now in operation. The fourth term in the series is that of profitability, if you have got volume and proper costs, if you have the right kind of credit situation, then you get profitability.

When I look at these four terms in the production series in the light of what is going to happen, I am sure about costs because, as I said earlier, I am perfectly certain that the costs are going to go up. As regards volume, in so far as volume is dependent upon this country's current importations against non-project aid for current requirements, I think the Government have done that job well and I do not mind congratulating them on the extent to which there is now availability of foreign raw materials, components and so on. But what about this question of credit? The

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Finance Minister was at pains to explain that with the falling away of or going away from deficit financing it may be possible for the Government to restrain the Reserve Bank of India from imposing all these tremendously restrictive credit situations where the industries today are strangled for lack of working capital. I wish it were so. It would be so if there was no real deficit financing in this budget, but with the deficit financing already committed in this budget to the order of Rs. 135 crores I have no doubt that the Reserve Bank will be unable materially to make any change in its credit policy in future compared to what it has been in the last two years. Sir, I have expressed by apprehensions not only about rising costs, but also about highly restrictive and costly credit availability. When you have rising costs and restrictive credit, you cannot get volume; when you have no volume you cannot have profitability; and if you do not have profitability you have to cut back on inputs. Lacking volume, you have to restrain consumption; and you may argue, you can do this and you can do that. But you are not going to get the magnitude of production required to meet your demand at rising costs and prices, and you are certainly not going to get adequate production for exports because it is going to be more and more profitable to sell in the home market, in the internal market, and increasingly unprofitable to export.

About these export promotion devices by taxing, instead of making the export effort worthwhile in a positive way, we have got continuously into the habit, not only in this field but in many other fields, of doing things in the negative way. You make the other thing less worthwhile. In other words, you make home consumption less worthwhile by heavy excise duties, so that the wretched people will be forced to export. I suggest

that is not the way to re-introduce dynamism in the economy. Dynamism will be there only when the economy is capable of production a magnitude such as that the home demands can be fully met and an ample surplus is left over for exports that can be sold at very low prices.

Finally, Sir, about savings and investment, that is to say the long-term prospect. Is there in this budget any reasonable long-term prospect, let it be three years, five years or seven years, of introducing dynamism in the economy? And here comes the other series, which is: savings, investment and capital formation. Mere saving is useless, unless it goes into investment. Mere investment in existing shares is useless unless it is converted into investment in new equity shares resulting in capital formation. It is these three firms in this series one has to look at. And, in regard to all these, when I see the tremendous trifles that the Finance Minister has put in by way of tax relief for individuals, for companies and all that, adding all that up it comes to nothing, of no significance at all. I see no desirable effect of this budget on the magnitude of savings. I see also that there is no desirable effect of this budget on the magnitude of investment in equities. So long as you do not take account these two situations, there is going to be no effect on the magnitude of capital formation; and unless we have adequate growth of capital formation,—Shri Pant can talk as long as he likes about sustaining the rate of growth, sustaining this and that, all that kind of thing,—other than in the public sector for which finance is forcefully taken out of the economy, in no other sectors that I can think of is there going to be voluminous saving, nor lively investment nor therefore, capital formation.

So, to conclude, I take a very dismal view of this budget. If I had

time, I would have also attempted to answer many of the points raised by Shri Pant and to make positive proposals. Unfortunately, I have no time. But I know I am right in saying that these are the tests. Will it hold the price line, the workmen's cost of living, the middle class cost of living and the wholesale price line that goes to constitute the inputs and outputs of industrial enterprises? The answer is in the negative. Then I look at the second test. Will it arrest inflation? Again, the answer is in the negative. Will it arrest with a jerk, not just a little here and there, governmental expenditure? The answer is in the negative. Is it going to arrest deficit financing? The answer is in the negative. Is there anything that goes to stimulate the volume of production in the short term? The answer is in the negative. Is there anything which over the long term can enthuse people about saving, investment and capital formation? The answer is in the negative. It is altogether an inadequate budget, I am very sorry to say.

श्री ब्रह्मद आगा (बारामुल्ला) :
उपाध्यक्ष महोदय, इस बात से कोई इन्कार नहीं है कि इस वक्त मुल्क में इन्फ्लेसन्स की वजह से, लेकिन मैं उम्मीद थी कि माननीय मंत्री श्री पन्त ने अपनी तकरारी में जो बजाहत की है उसके बाद शायद उन मुश्किलों की डाकू पिक्चर फिर पेश नहीं होगी। लेकिन मालूम होता है कि कुछ लोगों में बयूसी का आत्म इस तरह बढ़ गया है, कि वह फस्ट्रेजन्स उनमें है कि वे समझते हैं कि वह गवर्नमेंट वाले कुछ भी करे वह कोई भी अच्छा काम नहीं कर सकती है। मुझे याद आता है कि

धन महकम हो तो झोड़ी है बचावें पस्या
कितने सूझा पसंद देता है शक्ति लम्हा :

मैं सर्व करण्य चाहता हूँ कि वह मुल्क हर पार्टी और हर वक्त का मुल्क है, वह एक

मुल्क का कोषिका का मुल्क है। हम ने इस को धाने ने जाना है, लेकिन बयूसी और फस्ट्रेजन्स का यह आत्म हम को बकीन धाने बढ़ने से रोकता है। जरूरत इस बात की है की हम सब मिल कर पुर-उम्मीद कोषिका और पुर-उम्मीद एहसास के साथ धाने बढ़ें। इस हाउस में दोनों तरफ से यह कहा गया है कि यह बजट दुस्त डायरेक्शन में एक दुस्त कदम है। अगर हमें इस बात पर बकीन है तो हम अपनी मेहनत और कोषिका से जरूर धाने जा सकेंगे।

श्री राममूर्ति ने कहा कि पंडित जी ने एक तकरारी में कहा था कि हम मुल्क में कमिन्सिग हाउट्स को कंट्रोल करेंगे। श्री राममूर्ति और श्री डांगे ने यह भी कहा कि हमारे मुल्क में 75 बिजनेस हाउसिन्स में तमाम इकानोमिक पावर का कानसेन्ट्रेशन हो गया है। श्री डांगे ने यह भी कहा कि हमारे मुल्क में एक सैलरी मार्केट है जब कि यहाँ पर होनी चाहिए बायर्व मार्केट। हम इस बात को तस्बीह करते हैं, लेकिन हमारे दोस्तों को यह भी सोचना चाहिए कि यहाँ पर मानोपलीव इनक्वाटी कमीशन भी तो कांसेस गवर्नमेंट ने ही बनाया है।

कांसेस गवर्नमेंट को इस बात का खुद एहसास था कि ऐसी खुरत पैदा हो रही है और ऐसी खुरत पैदा होते हुए उन्होंने महसूस किया कि ऐसा कमीशन अक्वाइट करना चाहिए और ऐसा कमीशन अक्वाइट किया तो यहाँ कांसेस गवर्नमेंट फिर उस पर एप्रोप्रियेट स्टेप लेनी और कमिन्सिग हाउट्स को काबू में करेंगी। हमको नाउम्मेदी क्यों है? नाउम्मेदी की कोई बात नहीं है। हम ने यह स्टेप लिया और हम धाने बढ़ेंगे। सवाल यह है कि अगर यह नाउम्मेदी को छोड़ दें, फस्ट्रेजन्स को छोड़ दें, जैसे कन्ट्रोल लेविंग ने कहा कि मुल्क के आत्म में सब को कोषिका से करके

बाहिए, हम को फूड इस कदर देना करने की कोशिश करनी बाहिए

Mr. Deputy-Speaker: The hon. Member may continue his speech on Monday.

15.31 hrs.

COMMITTEE ON PRIVATE MEMBERS' BILLS AND RESOLUTIONS

THIRD REPORT

श्री हरद्वाल बेदगुग (पूर्व दिल्ली) : श्रीमन्, मैं प्रस्ताव करता हूँ कि यह सभा गैर-सरकारी सदस्यों के विधेयकों तथा संकल्पों संबंधी समिति के तीसरे प्रतिवेदन से जो 7 जून 1967 को सभा में पेश किया गया था सहमत है ।

Mr. Deputy-Speaker: The question is:

Shri P. K. Deo (Kalahandi): Sir, before you put it to vote, I submit that more time should be given for Shri Nath Pai's Bill. Only three hours have been allotted for this. We need at least five hours to discuss this. It is such an important Bill. It is a constitutional amendment and it has far-reaching implications. So, I submit that at least five hours should be given to it.

Mr. Deputy-Speaker: Already there was a letter from Professor Ranga and the Committee has taken into consideration his letter and increased the time to three hours. We shall see when it comes before the House on the next occasion as to what the position is and shall consider it.

Dr. Karnal Singh (Bikaner): On a point of clarification, Sir. I have a Bill, number 3 on the list, which is only for a formal transmission to a Joint Committee. I would like to seek your guidance as to whether this Bill can be sent to the Joint Committee

today because there are two other hon. Members who will take up so much time. My Bill is only a pure formality.

Mr. Deputy-Speaker: It is difficult to say at this moment. I think, it is rather impossible to reach that Bill. What I would suggest is that as he has already written to the Committee that point will be considered at the next meeting of the Committee and the Committee will give consideration to upgrading the Bill.

Shri P. K. Deo: Sir, the House can override the decision of the Committee.

Mr. Deputy-Speaker: Yes, I said so; but not now.

श्री यशपाल सिंह (देहरादून) : एक मिनट डा० कर्णो मित्र को दे दिया जाय ।

Mr. Deputy-Speaker: If it is possible, certainly he will get time but if it is not possible what can I say? How can I provide even a minute or a second? Time is very limited; so, I have suggested a way out.

Dr. Karnal Singh: The only submission I wish to make is that this Bill seeks to bring in a language for the entire State of Rajasthan and therefore it is very important; hence this submission.

Mr. Deputy-Speaker: I have already gone through the Bill. It is not sectional; it is a language for the whole State. The Committee will take into consideration all the aspects.

Now, let us proceed with the business. The question is:

"That this House agrees with the Third Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 7th June, 1967."

The motion was adopted.