

[Mr. Deputy-Speaker]

"That Clauses 3 and 1, the Enacting Formula and the Title stand part of the Bill".

*The motion was adopted*

*Causes 3 and 1, the Enacting Formula and the Title were added to the Bill.*

SHRI F. H. MOHSIN: Sir, I beg to move:

"That the Bill be passed."

MR. DEPUTY-SPEAKER : The question is:

"That the Bill be passed."

*The motion was adopted*

13.55 hrs.

GENERAL BUDGET, 1976-77—  
GENERAL DISCUSSION

MR. DEPUTY-SPEAKER : We now take up general discussion on the Budget.

SHRI INDRAJIT GUPTA (Alipore): Mr. Deputy-Speaker, Sir, during the last two days our Finance Minister has received a much larger share of bouquets than he is probably usually accustomed to for the budget which he has presented. On a closure study of his budget proposal I find that there are some new features in it undoubtedly which merit attention but the new features are both positive and negative. There is of course, much larger than usual increase in the outlay for the Plan. This is welcome. There is 31.6 per cent additional allocation for the Plan outlay, and as he has stated in his speech, this is higher than in any other one year during this period in which we have been going in for Five Year Plans.

Moreover, it is also a good thing that this big increase in the Plan outlay has been proposed at a time when prices are not rising. Previously due to the terrible inflation that was going on any

Plan outlay was proving illusory because the physical targets which were represented by those budget allocations were being heavily eroded by the fact of inflation. This time because at this moment at least prices are not rising—I do not know what will happen if the rains fall again but that is all beyond even the Finance Minister's control—therefore this increased budget outlay in terms of physical targets will be much more meaningful than it was in previous years.

The second new feature is that on the face of it at any rate there is no sort of sweeping attempt—as was done in the past—to put burdens on the Common man in the form of a heavy increase in excise duties on articles of mass consumption or popular consumption. Excise duties had become in the previous years the major source of collecting revenue and very large amounts were sought to be collected by imposition of excise duties. This time that position is not there. Some excise duties have been lowered, some excise duties have not been changed and a few excise duties have been raised also. But there is not that kind of general pattern of trying to raise a large amount of revenue by means of a sweeping increase in excise duties, that is, indirect taxes. That is also a new feature. Thirdly, there is also another new feature and that, in our opinion, is the absolutely unwarranted and dangerous concessions which have been made, which are proposed here in the budget proposals, to the industrial and business community, to big business to the monopoly sector in our country in the private sector. These three factors are all new, in a sense. Not that concessions were not made in the past also, but the range of concessions, the extent of the concessions, the volume of the concessions this time is such that certainly it represents something which is a break with the past.

14 hrs.

Now, as far as the Plan outlay goes, I would say that this is rather like going to the tailor and ordering a very

nice an expensive-looking suit of clothes to be made by him for you. There is nothing wrong with the suit, the suit that you would like to have made. The suit of clothes is very nice if it could be made to your measure and would fit you, later on it would be very comfortable and look very smart—no doubt about it. But the only trouble is that later on you may find that you have not got either the cloth or the wherewithal to buy the cloth out of which the suit is going to be made. I have no quarrel with the plan for the suit at all. In fact, I personally welcome very much things like the 34 per cent increase in allocations for science and technology. It was something which was needed. I welcome the relief which has been provided for pensioners, which was also very long overdue. These are good things from the social points of view. I welcome also, incidentally from my own point of view, the attention which is being given in terms of allocations to the development of sports of physical training of sports coaching schemes. I think it is an important thing which is not paid very much attention to in this House at all.

The allocations which have been made for the core sector for petroleum, for steel for power have all been substantially raised though not very much in the case of coal where the figure is more or less constant—it is not very much of an increase. In any case although proper priority has been given to agricultural production also the development of irrigation schemes, flood control, fertiliser, and so on this has not been done at the expense of the development of the core sector of industry in the public sector. I am glad for that because advice is being given, counsels are being given from all parts of our country and from all parts of the world also, to us that we should cut down these fund allocations for the development of basic and heavy industries and concentrate more on the production of food. I do not agree with that theory at all. That theory has been propoun-

ded by various foreign economists, the World Bank and some other gentlemen like that who seem to think that India's interests lie in only becoming a grower and exporter of food, and we have been advised not to waste scarce resources in going in for this kind of big development of industrial projects. As far as I can make out, that theory or that advice has not been heeded, and I am glad for it.

But one thing I would just like to query. The Minister might kindly clarify it later on. While I am on this question of the core sector, I find that an amount of Rs 100 crores has been provided for the Kudremukh project, although, it is admitted in the budget documents also, that the Kudremukh project is being entirely financed by Iran—the words used here are wholly financed by Iran. So I would like to know why it became necessary to provide such a large amount as Rs 100 crores for this Kudremukh project, if it is to be wholly financed by another country, because the project is meant primarily to meet the needs of that country. I am not going into its pros and cons at the moment, but as a budgetary exercise, I would like to know why Rs 100 crores should be provided—not a small sum—for a project which is to be wholly financed by the Government of Iran. These are some good things. But as I was saying, it is not enough to pick out the design of your suit of clothes that you want to wear. It is also necessary to see that you get the wherewithal by which the suit can be really tailored.

I find another new thing in this budget—the very modest amount of resource mobilisation which has been attempted. Mr Subramaniam's predecessors would I think have shrunk back in horror at the thought that the additional tax yield for the central sector would be only about Rs 48 crores. That is the net result of the concessions. The bulk of the concessions goes to the business and industrial sector, with some little in taxes and excise duties. The net result is that we

[Shrimati Parvathi Krishnan]

a statutory committee, set up by a resolution of Parliament. That Committee, goes to Lucknow and visits the goods shed. A Senior Deputy Mechanical Engineer there prevents them from working and threatens to assault a member of the Committee. I complained to the Minister. What happened? Not even a one-line acknowledgement. Is this a serious matter or not?

You talk about the emergency. What is there in the 20-point programme? It is meant for removing the inequalities and economic imbalances that exist today. And one of the things that we have been demanding from the beginning is doing away with the contract system. Parliament in its wisdom thought of setting up this committee and passed a resolution for that purpose. And a fooling little DME has the cheek to assault a member of that Committee! Is he not showing thereby contempt for Parliament itself? And he continues in service. Not only does he continue, but to the workers who stand up to him, he says: "off with you, the emergency is there, you are retired." And it is significant that among those to whom he has given these retirement notices there is a sufficient number of Muslims also. It is very significant that people who are responsible today for promoting Sakhas of the RSS are also responsible for taking action under the emergency against those who belong to a minority community. Is it justice. I ask you? Is this the kind of thing that should be allowed to continue? How can the railways ever improve. how can you get the real co-operation of the workers?

I am glad that the Minister has thanked the railway workers for their co-operation, but that co-operation has been *in spite* of the administration, *in spite* of all these pinpricks, all these attacks, and not because they are being given a fair deal. By no means. All the heart-burnings that led to the strike of 1974 are still there.

Where are your railway workers being given accommodation? In Bokaro, in Bhilai, where there is no private building, where they have to pay fantastic amounts as rent, wherever there are small places, are the railways not going to give quarters to their employees? Is this not a thing that is necessary for the development of your economy, for the more efficient working of the railways. The Minister has not told us anything about this in his speech.

His speech is beautiful, in very nice English, perfect language, very picturesque, it can even put one to sleep because it is a sort of lullaby, but at the same time, the reality is not there, and it is the reality that we have to face if we want to progress in this country. The railways need a complete overhaul. To begin with, these Railway Board people, the so-called experts, are now trying to become more and more experts, and are waiting for these consultancy Projects abroad. What a lovely opportunity for them! I think they must be all planning to go abroad as soon as the Budget is over. I am not talking about the Ministers. The whole point is that the Ministers are helpless. This is what we have been saying again and again: reorganise the Railway Board which is misleading Parliament, misleading the Ministers and leading the whole people of our country up the garden path.

SHRI G. VISWANATHAN (Wandi-wash): You have been saying this for decades. What has happened?

SHRIMATI PARVATHI KRISHNAN: When I say it again and again, something sometimes impinges. Once or twice, something has happened. So, we hope that we have struggled for it. But I would plead that unless and until you take the workers into confidence, unless you have really a serious system of workers' participation in the management, which is there in all other public sector concerns, including all the registered unions in the

industry, unless you do that, you are not going to get any change in the railways, because all the workers have got a right through their representatives to convey what they think is wrong and to convey their ideas for setting them right.

Without a proper scientific job analysis you cannot achieve lasting results and such a scientific job analysis cannot take place unless and until you see that the co-operation of the workers is gathered *in toto*.

Lastly, on the question of new lines, Mr. Parashar, as usual, wants all to go to the hill station every summer. So, he wants that hill stations should be brought into the general stream of railway lines. I have no quarrel with that. But, I think, it is time that we have before us a real perspective when, within the shortest possible time, New lines will be opened up, old lines may be overhauled, metre-gauge will be converted into broad-gauge. The largest sufferer in all this has consistently been the Southern Railway, and in the Southern Railway today we find more and more that the various goods that have been moved are the goods that are being moved constantly by road.

For instance, recently, a new Tea Express has started from Mettuplayam to Cochin. This is a fast passenger train. This train originally was the train which used to serve the students and the workers who were going to the Government Press. This is also on that line. But what happened when it was turned into the Tea Express was that those small stops had been cut out. The students and the Government employees and others who used it every day, who had their season tickets, are unable to use it. But the Tea Express keeps going empty up and down. I think they have earned something like Rs. 3000. I do not know. I am not sure of the Railway Board's figures, because they always say that they have earned Rs. 3000.

But then they forget the other Rs. 500 or Rs. 2000 that they have earned somewhere else and then bring up to Rs. 5000 or whatever it is. The point is this. Ad hocism to which the Public Accounts Committee has drawn attention they suddenly started a new train here and a new train there—is not going to help. That is, the recommendations of the Railway Convention Committee and the Public Accounts Committee have to be taken very seriously and have to be gone into with a sense of urgency and emergency. We are talking in a period of emergency. But the railways have to juggle up. They say that the stations are cleared; reservations are now more easily available. Passengers do appreciate that the railways have improved in their services. Nobody can deny that and the workers have also got a role in that. But is that enough? Is that part of your national economy. That is something that should have taken place a decade ago and the Railway Board needed an emergency to do it. Are they not ashamed of themselves? Could they not do it before the emergency? Only after the emergency that they able to do it. Why was it not going on previously? Could they not bring it before? It is not only in emergency that I speak, I am talking in terms of national progress, in terms of national economy. If our industry is to loog up, if our industrial progress is to be stepped up, it cannot be done unless and until the railway also change their whole outlook, change their method of functioning and put up before the Parliament in the shortest possible time a really comprehensive scheme reorganising their finances on the one side, reorganising themselves on the other side, and at the same time, giving us a perspective of what we can foresee for the railways in the coming years.

SHRI S. A. KADER (Bombay-Central-South): Mr. Deputy-Speaker, Sir, I would like to begin my remarks by quoting the hon. Minister of Railways, Shri Kamalapati Tripathi, from his Budget Speech, on p. 13:

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country, but this time also nothing has been done in this regard.

I can undertake some argument about income-tax, but what is the justification for the steep reduction made in the wealth tax rates? How is it going to help? We know from the raids and investigations carried out last year what enormous amounts of concealed wealth there must be in the country as a whole, apart from the declared ones. Only the tip of the iceberg came to light in the course of the recent raids, searches and seizures. I think the concessions given in the wealth tax are completely immoral. In the higher brackets, people with Rs. 3 lakhs or 5 lakhs worth of declared wealth have been given a steep reduction in wealth tax. Some corresponding tax perhaps on expenditure could have been levied. But that has not been done. Income-tax on big people is reduced drastically, wealth tax is reduced drastically and no expenditure tax is levied on them.

As far as reduction in excise duty goes, as I have already mentioned, there are a few articles which are of common use like soaps, tea or readymade garments. Of course, readymade garments now is a field into which big business houses are also coming. Even a foreign firm like Union Carbide has been given licence to set up a modern factory for manufacturing readymade garments. If the cheaper variety of readymade garments come within reduction of excise duty it is a good thing and I do not mind that. At least some people will have a little relief. But so far we find that the relief in excise duty is given mainly to urban middle class people. I do not say that they should not get it. No one should get away with this idea that some relief is being given which will actually accrue to the really vast sections of the poor people either in the countryside or in towns. It is after all people who use soaps or razor blades and go in for readymade garments who will get some relief. There is no doubt about it. And also those industries

which are producing these goods were running into some difficulties of accumulated stocks or unable to sell them today in the market. These goods like television sets or water coolers or refrigerators, can by no stretch of imagination be called mass consumption goods. I do not know what percentage of people even in towns are able to afford these goods nowadays. They have given some relief, which relief, I think, is meant primarily to help the industry producing, what is still in our country, luxury goods.

Now, the trouble is, as I have said earlier, with this big increase in plan outlay plus the increase in tax concession mainly to the upper income groups, business and industrial community, the net result of these two things is a huge deficit. This deficit is sought to be balanced, to some extent firstly by bank borrowings. That means more money will have to be lent by the Reserve Bank of India to the Government of India. That money will be pumped into the economy and to that extent, certainly it will not have deflationary tendency but it will have inflationary tendency. But there is no way of making up this deficit at all. Borrowings from the bank is already provided for. Secondly, by taking quite a substantial amount out of the impounded dearness allowance fund of the workers. Originally, it was not meant to be taken out but it was meant to be frozen with the Reserve Bank. But when you have a Budget like this, then there is no alternative for the Government but to lay hands on that fund, and they are proposing, I think, to take Rs. 480 crores out of this frozen dearness allowance fund and to bring it back into circulation. I think, the total impounded amount will be about Rs. 900 crores on account of dearness allowance and Rs. 50 crores on account of compulsory deposit and out of this it is now proposed to take Rs. 480 crores in order to support the Budget.

Thirdly, the Minister will have to rely, and this to me is the most dan-

gerous part of the whole proposal, more and more on external assistance for budgetary support. There are not very many new projects which are proposed in this Plan outlay; I mean new projects, hardly any. It means that external assistance will have to play a much more important and—I should say—almost, in these conditions a decisive role in providing support for the budget. Here, it is put at Rs. 819 crores net; i.e., after paying off our obligations for the year, we are relying on external assistance for Rs. 819 crores. I think that such an extent of foreign assistance for budgetary support, is not a very desirable thing. I am reminded of the days when the seat over there which is now occupied by Mr Subramaniam, was occupied by Mr. Asoka Mehta. I do not want that we should again be dragged back to that ideology and to that theory of Mr. Asoka Mehta, that the womb of the Indian economy, as he called it, should be opened up for foreign capital to come and help us to grow and develop. But if you don't make provisions for resource mobilization on a 'sufficiently massive scale' and this time it has been absolutely given the go-by, because those sectors of our society and economy from whom these resources have to be mobilized, have been given the utmost and maximum concession—the Government will have to fall back on these three things: first, borrowings from the bank; second, reliance on large amounts taken out from the frozen impounded dearness allowance of the workers, and third, foreign i.e., external assistance. There are other disturbing things also; e.g. the Voluntary Disclosure Scheme of which we were never much in favour, though the Minister seems to think that it has produced very good results. I think that the amount that has been disclosed under that Scheme may not perhaps be one-twentieth of what has actually been concealed, still. However, even under that Scheme, it was provided that the people making those disclosures would have to pay the Wealth Tax at the old rates. Now, in this budget, these rates have been sharply cut. At the same time, while it is provided that the Compulsory Deposit

Scheme is to continue for another year, no clear answer is available here, about the other counter-vailing part of it, viz., the legislation passed here for restriction—not legislation, but the scheme that was there for restriction—on dividend payments. We were told at that time that on the one hand the dearness allowance increases would be impounded to the extent of 50 per cent, and on the other hand, to keep the scales even as it were, Government was putting this curb on dividend payments, so that that money will not be distributed to the shareholders, but will remain with the companies and ploughed back into productive investment. Now, as far as I am able to understand, though it is not clearly spelt out, that restriction has been, or is going to be, removed. Now, there is no restriction on dividend payment, on distribution of dividend but on the other hand, the Compulsory Deposit Scheme is extended for another year. I would say, taking it by and large, that this budget is meant to mollify the rich classes in this country, and to some extent to soften up the urban middle class. Some people are saying—may be they are being uncharitable, I do not know; you can tell me—that it is an election-year budget, because in case elections are held towards the end of the year, the ruling party knows very well that its Achilles' heel may now turn out to be the urban middle class. They are much more confident about the rural countryside, though I do not know why, because from what is happening in my part of the country at least, I know that the medium farmers and small farmers are fully in a discontented state of mind, because of the kind of forcible recovery that is taking place from them, of loan arrears and revenue arrears. But, anyway, may be the ruling party feels that, as far as the majority of the people in the countryside are concerned, "we can be sure of their support" through the 20-point programme and so on. But it was the towns and cities which were also the

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centre of JP's movement, which never could really spill out into the countryside; their main bases were the towns and cities. May be, it is with that kind of outlook that the Minister is seeking to mollify the urban middle class, to some extent, by not increasing the indirect taxes, and by giving some relief here and there, and also through this massive dose of concessions to the business and industrial community. But the fact of the matter remains that this huge Plan outlay, this big additional Plan outlay which is there, does not provide how a bigger share of the fruits of the developments which are envisaged could really go to the poorer and the poorest sections in our country.

Then, there are some strange things happening. I do not know why all the Finance Ministers, even those who were in the past such big votaries of prohibition, Gandhiji and all that—of course, the present Finance Minister does not always talk about these things—all of them have this kind of weakness of every time exempting liquor from the taxation net.

THE MINISTER OF FINANCE  
(SHRI C SUBRAMANIAM): State subject.

SHRI INDRAJIT GUPTA: Still, you can give some kind of guidelines to the States. Shri Salve knows very well that along with whisky people take a thing called soda and that soda also is exempted. All aerated water he has taxed, all sweet aerated water he has taxed, but soda has been left out so that those people who would like their whisky need not pay anything extra for their soda! I do not understand this.

Finally, I would urge upon the Minister to reconsider the quite heavy increase in excise duty on medicines, on medical preparations, on all patented and proprietary medicines. I do not understand why, in this kind of taxation pattern, suddenly this item

has been picked out like this. Most of these patented and proprietary medicines consist of life saving drugs.

SHRI C. SUBRAMANIAM: They are exempted.

SHRI INDRAJIT GUPTA: They are not exempted.

THE MINISTER OF STATE IN CHARGE OF THE DEPARTMENT OF REVENUE AND BANKING (SHRI PRANAB KUMAR MUKHERJEE): Life saving drugs are exempted.

SHRI INDRAJIT GUPTA: About 60 per cent of these life-saving drugs are purchased and stocked by Government hospitals, Railway hospitals and ESI hospitals.

SHRI VASANT SATHE (Akola): This is to curb the brand name.

SHRI INDRAJIT GUPTA: No. The result would be that the Government's bill and the bill of the Government institutions for the purchase of these drugs will go up, apart from the fact that the poor people who are prescribed these medicines which are usually quite expensive, will find it impossible to buy them, or they have to take loans, or sell their ornaments and vessels in order to buy them. So, I would suggest that this 5 per cent additional excise duty on these medicines, which is supposed to bring in a revenue of Rs 18 crores, should be withdrawn. Even at the prevailing rates, which is 75 per cent on these medicines, the recovery last year was to the tune of Rs 27 crores, and now what is being proposed will give an additional revenue of Rs. 18 crores, which means that in all Rs. 45 crores would be levied from this item of medicines. I think medicines are not less important than food in our country, and this matter should please be reconsidered. This is a very massive dose of taxation on a very important and essential item.

As you know, there are three sisters, Faith, Hope and Charity, we read about in the fables. It seems to me that the Finance Minister is relying on these three sisters.

MR. DEPUTY-SPEAKER: He is relying on the tide in the affairs of the nation.

SHRI INDRAJIT GUPTA: He is relying on his faith in the business and industrial community that it will accept the Government's gesture and respond by stepping up productive investment. But it is a moot point whether this extra disposable income which will remain with these people as a result of lower taxation will really be used for productive investment. There is nothing to ensure that, nothing to guarantee that. There is no system within the Government machinery or any monitoring system by which these extra disposable incomes can really be linked, physically linked, with the productive performance of these people who are going to be left with lakhs and crores of extra money this year. How are you going to do that? If you do not ensure that, I will say you are simply relying on your faith in these people.

Then he is relying on hope that better revenue collections will be there due to less evasion of taxes. But I find that the speech is silent, ominously silent, on whether or not the enforcement drive, to whatever extent it was carried out, will continue. I know it could only touch the fringe of the problem, but nevertheless it was a welcome thing, this drive against evasion, these searches, these seizure, without which your voluntary disclosure scheme would not have worked at all even to the extent that it worked. It came in that background only. People were afraid. So, when you are dangling this big carrot in front of them, please also remind them a bit of the danda in your hand.

SHRI C. SUBRAMANIAM: We will use a bigger stick.

SHRI INDRAJIT GUPTA: You should say it here that if they do not respond by playing the part which you are expecting them to play, I do not expect it but you must be banking on that.

SHRI C. SUBRAMANIAM: I have the stick also.

SHRI INDRAJIT GUPTA: You may have it, but take it out of your pocket.

Then, charity is from abroad, the foreign aid's role in sustaining the Budget which, I have already explained, is in danger of becoming an unnecessarily major component of our Budget-framing. This will be very dangerous. Rs. 819 crores used for this purpose is something which I view with a great deal of misgiving. Of course, it may please the shades of Mr. Asoka Mehta, but that is no certificate for relying on this kind of thing.

Finally, I will ask him what happens if two things do not come off. What happens if big business does not play fair? After all, we have gone through certain experiences. The prices of cotton crashed, but the prices of cloth did not come down. The prices of raw jute crashed but the prices of jute goods did not come down. What bigger concession could they want than this? The prices of their essential raw materials which are the major components in their cost of production, crashed one after the other. The farmers growing cotton and raw jute were reduced to conditions of acute distress, but the prices of cloth never came down, the prices of jute goods never came down.

Similarly, in many things it can be shown how this racketeering and artificial rigging of prices is done and how the middleman also plays a very



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important part in it. As far as textile prices go, Mr. Subramaniam has admitted in his speech, and he has said:

“Hon. Members are aware that in the textile trade whenever there is a slight pick up in demand, retail prices are raised without any relation to changes in the cost of production. The benefit accrues to middlemen at the consumers’ expense.”

But what is he suggesting as the remedy?—that the mills will now be asked to stamp the maximum retail price on every metre of cloth for sale to consumers in the domestic market. That means this is nothing new. To some extent, the middleman, margin of profit may be controlled, if people adhere to that stamped retail price. But what about the stamped price itself? And what about the price on the packaging? This thing, we passed last year that all goods which are sold in retail in any form of packaging must have the price stamped on it. But what about the price? Who determines the price? I can stamp any price I like on the package. I can stamp any price on any uncontrolled variety of cloth. Controlled cloth is not going to be manufactured by any mill. Mr. D. P. Chattopadhyaya has announced that he has given them freedom that they have not to produce even one metre of controlled cloth. It will all be done by the handlooms and powerlooms. So, the cloth which is going to be manufactured in the textile mills, who will determine the price which the manufacturer will stamp on the metre of cloth. Is this the way to bring about any price control? I cannot understand.

What happens if these people do not play fair? Then the whole calculation of this Budget will go astray. And secondly, what happens—after all none of us is to be blamed for it if the monsoons do not come off

next year if the monsoons are poor or fail as happens by rotation sometimes in our country. Then what happens? Will the inflationary process start again? We have been lucky in having two years of good rain, two good crops, fortunate thing for us. But what happens if this does not continue? What happens if these big businessmen do not play the game, as I am sure, they will not. We will all be well and truly in the soup. Therefore, I would say that budget proposals cannot get any unqualified support from us, though there are positive features in the proposals, which I have enumerated. But the dangerous extent to which the concession has been given frittering away the resource mobilization in this country to back up this plan outlay does not according to us forebode well.

DR V K R VARADARAJA RAO (Bellary): Mr Deputy-Speaker, Sir, I do not intend to go into a detailed discussion of the different items which are included in the Budget, and I am sure, this has been done to some extent by the Member who spoke just now from one particular angle, and I am sure, the people who would speak after I finish will deal with these details.

What I should like to do, if I am given the indulgence, Sir, is to take a broader perspective of the economic situation as to why we have taken up,—what I think has been rightly called, a bold experiment,—and how—it is going to be linked up with the future development of the country. I think, there is no doubt about the fact that the last three-four years of economic experience that we had, has left a profound impact both on Government and on public opinion regarding the kind of regulatory and fiscal policies that we have been following over the years with a view to bring about both economic growth and increased social justice. And I think, it is that back-

ground which is responsible for the Finance Minister taking to, what is called, the miracle—I would not call it a miracle myself—I prefer the expression used more neutral expression—of taking calculated risk to see whether a new system of regulations and fiscal methods, will succeed in dealing with this kind of a problem we have been dealing so far, and which have not succeeded in dealing with to our satisfaction. This is the kind of background against which I should like to develop my points.

I would say, first of all, in the last three or four years, our investment has fallen in real terms without any shadow of a doubt. In terms of money values, perhaps. But in terms of constant prices, in the last three or four years, the public sector investment has fallen down considerably. With the rise in prices of the order took place from 1973-74 till towards the last part of 1974, the step up that took place in Plan outlays was not of a very significant order. So, the investment came down as far as the public sector is concerned. As far as the private sector is concerned, of course, the investment did not go up at all. All round, there was a fall in investment, in the economy, in real terms in the last three or four years.

Now, that in turn affected the economic growth. The investment is always linked up with economic growth. Unless there is more investment, you cannot have more economic growth and you cannot step up the rate of economic growth. Not only that. Actually, the investment was not even in many sections of the economic community, keeping up the maintenance of the existing equipment, replacement of worn-out equipment, replacement of obsolete or outdated equipment and substitution of modern equipment and efficient equipment. Therefore, all round, the investment was not going up. Even the existing investment was being corroded with the result that the spring, purely from economic point of view that

makes for growth, namely, capital was not in good shape.

I think, this is one of the things that must have activated the Finance Minister in coming forward with these proposals. I do not think we should try to draw political motivations, political inferences, from the Budget....

SHRI ERASMO DE SEQUEIRA  
(Marmugoa): Why not?

DR. V. K. R. VARADARAJA RAO:  
Every Member of Parliament is entitled to draw whatever inferences he wants.

SHRI INDRAJIT GUPTA: May be a good motivation.

DR. V. K. R. VARADARAJA RAO:  
Not a political motivation. It is a kind of an economic exercise. I think, this is one of the major things that must have activated the Finance Minister, how to deal with the problem of investment, how to step up the investment. If we do not do it, how are we going to deal with the problem of economic growth?

I want to refrain assiduously from quoting statistics or figures in the course of my speech. But I want to quote a few figures. If you look at the figures from 1970-71, the rate of economic growth, either in terms of GNP or *per capita*, has come down steadily. In 1970-71, it was 4 to 5 per cent. Then, it came down to 3 per cent and further even to 2 per cent. If you take *per capita* figure, it is minus with a small plus in between. Obviously, no economy could last for long on this basis. In *per capita* terms, there has been almost a zero rate of growth in the last three or four years. Even in terms of GNP, it is not more than 2 or 2-1/2 per cent rate of growth. Therefore, I think, the first thing we must remember, if we are judging the Budget, is: Has it or has it not become essential in the economy to step up investment

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and, if so, what are the options open to us to do so? I think, this is the first point that I would like to make.

The second background that, I think, explains some of the thinking behind the Budget has been the tremendous evil effect that has been exercised in the entire economy in the last three or four years, that is, the phenomenon of black money. We have been accustomed to hearing his predecessor, I think, saying practically in successive Budget speeches, about working of what he called a parallel economy in the country. Evasion of taxes, avoidance of taxes, evasion of regulations, smuggling, evasion of foreign exchange regulations, all these things were resulting in the accumulation of a system of money supply within the country which was not subject to control, which was not accountable, which very often could not have been identified and yet which was playing a very important part, in my opinion, in pushing up the inflationary phenomenon it was a moral question as well as an economic question. I think this was another thing which the Government more or less—and I think quite rightly—made up their mind to tackle with all the force at their command, to smash, to the extent within their power, the black money phenomenon. I think this is, again, a background which has got to be taken into account while judging the budget. Whether a high rate of taxation, by itself, promotes the growth of black-money or not, is a question on which I have no firm opinion because I have not seen any statistical exercises. So far as the current phenomenon is concerned, some big reduction in taxation was given in 1974-75 which must have applied to the assessment year 1975-76, and I do not know what exactly has been the effect of this. It requires a lot of detailed analysis and I don't think the data is available for a detailed analysis, sector by sector, group by group and so on. It

is difficult to dis-entangle these two factors or several factors together and say how far the rise is due to increased managerial efficiency in the Taxation Department, but I think there is no question about the fact that in the last few months there has been a considerable increase in the managerial efficiency in the Taxation Department. I don't know what the figure is as regards the collection of advance payment of tax in 1975-76 as compared with the advance payment of tax in 1974-75, i.e. the previous year, but advance payment is one of the ways whereby managerial efficiency can show itself. Then, again, I think there was a very big step up because of the fear of black money directed against its owners and of those evading income-tax and wealth-tax by way of seizures, warnings, use of emergency powers and all that. So, it is very difficult for me and I am not prepared to say, as an honest academic economist, that the high rate of tax is by itself responsible for the high rate of evasion and, even if this were true, per contra, whether a lowering of the rate of tax will by itself bring about an increase in the responsiveness of the people to pay taxes. I don't know about that; but I find from this phenomenon something quite different ...

AN HON MEMBER You don't know who is doing this?

DR. V K R VARADARAJA RAO: I am afraid I don't have no contact with any big tax-payer or tax evader. I lead a very secluded life, Mr. Deputy Speaker.

Now, a thing that struck me—and this is what I want to develop later on if I get the time—is that if we want to raise resources on the kind of economy in which we function, the private sector plays quite an important part in the generation of income. I am not talking of the self-employed private sector where there are small

fellow<sub>s</sub> who don't earn even what they need to expend—the rural poor and the urban poor and so on. If we leave out the sector below the poverty line and take only what we call the effective population—people who have money to spend, people who can make their choice, people who have got the capacity to buy this and that and so on—the private sector in our country plays a very important part. And, in this kind of economy, a serious question I want to raise is whether it is possible for us to raise the resources that we want through the method of progressively higher direct taxation. I am glad that my friend Mr. Indrajit Gupta has said that he did not even mind 66 per cent if the exemption limit had been raised. I do not know whether 66 per cent is less inductive of evasive tendencies or 60 per cent is less inductive of evasive tendencies or 40 per cent and so on. But one thing I know is that, in almost all socialist economies, progressive direct taxation of the kind employed in this country has not been used for purposes of resource mobilisation....

SHRI INDRAJIT GUPTA: Because there are many other ways.

DR. V. K. R. VARADARAJA RAO: I do not know why Mr. Indrajit Gupta takes on himself the task of defending the system which I am not attacking. What I want to point out is this. I take very seriously what our ultimate object is. The ultimate object that we want to have in this country—I am sure there is no dispute on that as far as my Party is concerned—is establishment of a democratic, socialist society, establishment of an egalitarian society, a very drastic reduction in inequalities of income and wealth, which means extension of equality of opportunity and creation of a society where the quality of life will improve for the vast masses of the people. That is our objective and I have no doubt that we are standing by that objective. Therefore, the larger question I want to raise and which may be taken up after all this present budget business is over

and after the current year's experiment fails or succeeds, is this. It is important for us to ask ourselves this question: how do we mobilise resources for an economy that wants to become a democratic, socialist society, to what extent we can rely on direct taxes, especially on the marginal principle, because, the whole evasive tendency in the direct taxation comes, to a large extent, because of the marginal principle—suddenly, a fellow finds that he makes 'X' rupees more and has to pay at a much higher rate. As far as I am concerned, I have been trying to do a little thinking on the real philosophy behind this Budget, why this has come as it has come. One conclusion that stands out, as far as I am concerned, at the moment—I may change my mind later, but as far as my present thinking goes, this is the conclusion—is that, for the financing of a society which is moving towards a socialist society—I do not say that we are in a socialist society, nor can we hope to have that in five or ten years' time; it takes some time; it is not something which you can get by pressing a button—, which is moving towards a democratic, socialist society, what kind of public finance system we want to have. I think, this is the question which, to my mind, has been posed by what we have done in regard to the reduction in the tax-rates in the various slabs—on the direct taxes.

I remember, exactly 42 years ago, I wrote a book on taxation of income in India, and this was published in 1934. Then I attacked the step system of income-tax and wanted the slab-system; I attacked the step-system of income-tax where there were no slabs and pleaded for the introduction of slab-system and produced a graph to show how the graph was very much smoother if we had the slab-system, while in the step-system there would be certain injustice done to certain income-groups. I did that 42 years ago. Now I am not sure in my mind—it may be because of senility or growth of wisdom, I do not know—whether the slab-system which we have adopted in order to give us a smooth curve, pro-

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gression curve, of direct taxes is something which is the most appropriate from the point of view of direct taxation in this country.

Then, the next background apart from the fear of black money which, I think, is a justified fear and where something had to be done to deal with it,—no doubt, a reduction in tax rates along with all the other things—the *danda*s to which Mr. Indrajit Gupta referred is there; I am sure, the Finance Minister has got the stick; he does not want to show it to Mr. Gupta, but the stick is somewhere about. In politics you do not move in one straight, vertical line ...

SHRI INDRAJIT GUPTA: You are holding a brief.

DR. V. K. R. VARADARAJA RAO: I do not hold any brief. Mr. Gupta sometimes holds briefs; I have heard him holding briefs. I do not hold any brief. He knows it.

The third thing, which is a smaller thing, if I may say so, has over-impressed the people in this country and when the people in this country are impressed, naturally Government is also impressed, because the Government represents the people and what the people are impressed by, also impresses the Government. In the last four-five months, if I may let off my private grievance in this House, you could not find a single speech, a single statement, or an article excepting in one or two weeklies, which are of not mass circulation, presenting the point of view other than one particular point of view, which is bound to impress the public opinion and may be it also impresses the opinion of those who represent the people in Government. There has been talk of recession saying that there is no demand, inflation has been conquered, there is no longer any fear of inflation, what we are now afraid of is disinflation, what we are now afraid of is deflation, and therefore, we want re-inflation, we want

more money to be pumped in, and, therefore, reduce taxes, increase the capital outlay, do this and do that. The whole idea was that more income, more money should be pumped into circulation in order to deal with the subject of recession. Then recession will mean accumulating of stock, and accumulating stocks, in turn leading to lay-offs, retrenchments and the retrenchment of workers in the cities, who are articulate and vocal—not people, who are not articulate and non-vocal—will create problems. The point is, is there any recession? I can quote from the Economic Survey and I can quote from the Reserve Bank Report. I can also quote from other analysis which are not published in the mass media of communication. One can, for example, quote from the Economic and Political Weeklys and so on.

15.00 hrs.

There have been two views on this and the major view has been that there has been some recession, some accumulation of stocks in some industries, but, by and large, there has been recovery because of the factors of recovery that have been there in 1975-76. Thanks to the very good management by Government, to its fiscal policy, to its monetary policy and to its investment policy, and if I may also add, to the increased element of managerial efficiency which they have brought into the administration of enterprises. Last year has seen a big step-up in the production of power, a big step-up in the production of coal and a big step-up in the transport facilities and all these things are extremely relevant from the point of view of industry. Even the industrial rate of growth has gone up to 35 or 4 per cent if you take the two quarters. Some industries, have, of course, not been benefited. There are, what we call durable consumption goods. As a matter of fact, there is a mention in the speech of the Finance Minister, Part A. He has pointed out that it is true that there has been a certain amount of recession and accum-

mulation of stocks in some of the durable consumer industries. He says, something has got to be done to deal with this problem. He has sounded a very important note of warning. Whatever is done will be temporary in order to give them breathing time, to diversify their production, to change on the style of production and how exactly that has to be done is a point which you cannot expect the Finance Minister to cover in his speech. This has to be carried on in the year as a whole.

There is another thing which has influenced the public opinion, I do not know, whether it has come in the Delhi papers or not, but living in Bangalore, we have seen huge one page advertisement on the need for reducing the price of petrol. If the reduction takes place in the excise duty on petrol, that will lead to so much more employment. I am sure that advertisement will also form part of the income-tax deductible costs. I do not know. It is a huge one-page advertisement I have seen.

SHRI N. K. P. SALVE (Betul): Very fallacious.

DR. V. K. R. VARADARAJA RAO: The important thing, therefore, to which I want to draw your attention is—this is the second major point I want to make—what kind of economy have we developed in our country? How far is the economy that is developed in our country a result of the kind of mixed economy we have been developing in our country? These are major questions and I think it is time that we started talking about them. May be some years hence we may find satisfactory answers. What is the kind of economy that we have? What has happened? Why is it that so much investment has gone into durable consumption goods, the demand for which is not from the lowest, the demand for which is not from the urban poor or the lower middle or even the middle classes? How is it that we have been building up in our country what I have called in another context a class market rather than a mass market? I think this is a point we have been caught up. We

have been caught up with the fact that having rightly or wrongly, consciously or unconsciously, through our various measures and so on, brought about a class market dominated economy rather than a mass market dominated economy, we find that because of the black money seizure and because of those funds drying up, there is suddenly a decline in their purchasing power and there is a decline in the demand and suddenly there is a recession and there is accumulation of stocks and so on, the threat that people will be thrown out of employment, people have been thrown out of employment and more people are threatened to be thrown out of employment. In a way it is something where anybody, even Mr. Gupta, sitting on the other side, would have found it in the context of the contemporary picture very difficult to take a decision which will satisfy all aspects of his emotional and intellectual personality....

SHRI INDRAJIT GUPTA: You think it is really a recession?

DR. V. K. R. VARADARAJA RAO: Of course, there is a recession in the market for durable consumption goods—There is no doubt about it—for, what I would call, class consumption goods because the class income has fallen, because of the fall in speculative and trading incomes and because of the black money being more or less at least to a considerable extent having been eroded. I would not accept Mr. Gupta's statement that the voluntary disclosure is an ice-berg, that it only represents 1/20th of the concealed income. I do not know on what statistical or economic or econo-metrical basis the figure is worked out. The figure worked out is Rs. 1500 crores multiplied by 20, that is, 30,000 crores of concealed income and wealth in this country. I do not know. I would not say that everything has come out. And I am not also prepared to accept that it is only a tip of the ice-berg, that one-tenth shows up and nine-tenths go down. He went a little further and said that it is only 1/20th. It is more than an ice-berg, may be a baby ice-

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berg which has not shown all of it at the top. But apart from that, there is no doubt that hoarding has come to a stand-still. Why are our dealers not stocking? Why has hoarding gone down? Because the black money that was going into luxury consumption and hoarding and which was going into anti-social activities, or part of it has been immobilised. So the demand has gone down. This is the dilemma with which we have been posed. For the time being we have to solve it in the way we have solved it. I do not say that there was no other way. May be there was no other way. But I think this is a lesson we should draw from the point of view of how are we going to build up our future economy. Are we going to replace the class market-oriented economy by a mass market-oriented economy? And if we want to do so, what does it involve in terms of various kinds of structural changes because it seems to me that merely penalising somebody will not help. We tried regulation and controls. What happened? As a result of licensing and regulations and controls we built up the monopoly houses. As a result of all the progressive taxation and other kinds of taxation, we widened the gap between the small income groups and bigger income groups. The kinds of measures that we have tried in the context of bringing about a socialist society have failed and I would say that this Budget is the result of a reaction of that and at the same time, practical and realistic because where do you go from here? When you find yourself with all the necessary facilities for step-up in production, the production is not going up. Therefore, I think the Finance Minister has followed the twin strategy—one, where he has not controlled but gone all out to increase to the maximum possible extent the plan outlay. I entirely join with Shri Indrajit Gupta in welcoming the Plan outlay.

I want to ask whether this 31 per cent increase is on the basis of the figure for 1966-67 or the Budget Esti-

mate for 1965-66. Or does it take into account Rs. 500 odd crores of extra expenditure which was incurred on the Plan in 1975-76?

Going to the speech, I find that about Rs. 490 crores expenditure has been incurred. May be, this has been taken into account when you talk of the increase of 31 per cent. But when it is not taken into account, on calculations, we find that the rate of increase becomes smaller because it goes up by Rs. 500 crores and, therefore, the difference comes down by Rs. 500 crores. Therefore, the rate of growth becomes smaller to the tune of 22 to 23 per cent rather than increase of 31 per cent.

Budget is one of the documents on which you have to spend days and days. There was a time when I could read it with a fair amount of intelligence but now I find it difficult to get all out of it unless I refer to a series of other documents which I cannot get.

The Plan outlay has been increased and for the right priorities. I have no doubt in my mind that that is going to have a healthy effect on the toning up of the growth of economy.

The other part of the strategy is to increase private investment. In our country, while it is true that public sector outlay determines the fortunes of the private sector outlay, there is no analysis to show that private investment in our country is quite as important as the public sector investment. Take particularly the restricted field of Industry and Manufacture. How to step up private investment? I think, the strategy has been to raise the disposable income in the hands of the people who will use that income for increased investment and consumption.

I think this is the strategy to raise private sector capacity to increase investment and also to go in for increased investment by the Public Sector. So, increase in investment has been the basis of these various measures that have been devised in the Budget.

MR. DEPUTY-SPEAKER: Please conclude.

DR. V. K. R. VARADARAJA RAO: You should be a little I know you are partial to the Opposition. You have got to be....

MR. DEPUTY-SPEAKER. I am not partial at all. I have a request from your party's whip that 30 minutes should be given to you and 20 minutes to the second speaker and 10 minutes

DR. V. K. R. VARADARAJA RAO. I see sometimes there is an advantage to sit in the Opposition to get more time from the Deputy Speaker I cannot change my seat only for this purpose.

MR. DEPUTY-SPEAKER No, it is not like that.

DR. V. K. R. VARADARAJA RAO. I would say that this Budget is a Budget which was inevitable under the circumstances under which we found ourselves in the current year, with all the opportunities for stepping up the economic growth. If we do not take advantage of the opportunity now we would lose it and if in having advantage of the opportunity we have resorted to measures which were not taken by the previous Finance Ministers or somebody else I think that is not relevant. I think the question has got to be looked at functionally and not from the point of view of motivation or sentiment.

Having said that, I would like to say two more things and then conclude. Firstly, there is no doubt that we have given certain concessions and those concessions have been given on the basis of response that will be forthcoming of the kind that we desire for those concessions. What is the response that we desire? The first response that we desire is an increase in savings; we desire an increase in priority investment and we desire non-increase in the demand for all sorts of luxury, semi-luxury consumption goods. This is the situation. I hope I am not mis-interpreting the philoso-

phy behind the Budget. There have been concessions. Concessions have been there almost to everybody. Even Mr. Indrajit Gupta has said that no burden has been placed on anybody. So, if at all you want to call it in this way, I would not call it a 'Rich man's Budget' or a 'Poor man's budget'. I think one can use a neutral term and if everybody has been benefited either negatively or positively, in such a case, you can call it a 'Sarvodaya Budget' because nobody has been hit. Some people have been benefited, but nobody has been hit excepting those poor consumers of medicines. I completely agree with Mr. Gupta and I would also like to join my voice with him from our party to appeal to the Finance Minister. While he may tax the drinks that contain a large amount of alcohol, there are a number of proprietary and brand medicines which are extremely and absolutely vital for people who have got to face various kinds of illnesses. Therefore, I hope he will do some re-thinking on the subject of the increase in excise duties which he has imposed.

I must conclude now and I am not saying that I am for throwing up my hat in the air and say that we had a wonderful budget and a miracle had been achieved. I would say this that I congratulate the Finance Minister for not having allowed emotional or sentimental or pseudo ideological, populist considerations to influence his judgment in doing what I think is a very good technocratic exercise. Sir, it is a very good exercise, in trying to get the economy moving once again, by using various methods of 'incentives and concessions' which could set up the investments, step up growth and stop the recession.

Finally, Sir, speaking for myself, I have not been a member of any political party except the Congress and this party too. I joined after the Bhubaneswar Resolution was passed by the Congress, when the Congress amended its constitution to declare its objective as establishment of a



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'Socialist Democratic Society' in India. Till that time I never belonged to any political party at all. But from my college days till now, Sir, I have only been somewhat anti-communist; that is to say, I did not like violence; I did not like hatred, I do not like any of these things. I have always been a social democrat from my college days in Bombay right up till now. I therefore believe that we really want to establish in this country a 'Democratic Socialist Society'. For that purpose, I think, now, resulting from the kind of policy we have to follow in this Budget, we have to ask ourselves the question whether for a few years we want to let the economy grow in a particular way and then change it or do we start bringing about the changes which are necessary from now on, and in answering this question, we must also answer the question whether if we let these things grow in this way, we can pull them back later on. We have faith and expectation. I do not use the word charity, but we have hope and expectation. We stand, and my party stands, for a new social order, the establishment of a new socialist society and this Budget is only an instrument for the purpose of getting out of the current situation and putting the economy back on its rails. I hope that in due course the re-thinking which will follow this particular budget will enable us to establish a more realistic, more implementable, more effective policy for bringing about social change.

Sir, I have great pleasure in supporting the Budget.

**SHRI A K GOPALAN (Palghat).** Mr. Deputy-Speaker, Sir, I am glad that I am speaking after Dr. Rao. Dr. Rao has represented some views opposite to the views which I am going to offer.

Sir, the budget presented by the Finance Minister has been unani-

mously hailed by the big business and big industrial circles of the country and it is no wonder. For it is framed in their interest; their demands on the Government have been conceded. The common man, his sufferings, effective measures to improve his lot—all these find no place in the budget, except for some crumbs that have been thrown in here and there.

But, before dealing with those aspects, within the limitations of the time at my disposal, I shall speak about one thing. A great deal of publicity is given in the entire Press, which as we all know, is completely controlled by the Government about the officially inspired celebrations of "A Decade of Progress" that is the decade of Smt. Indira Gandhi's Prime Ministership. Let us see what this progress has been about which an Euphoria is sought to be artificially created.

If this is the "progress" with regard to the most essential items of food articles, the availability of cloth, the other most essential article for the people had declined from 152 metres in 1965-66 to 129 metres in 1974-75. The Economic Survey says that in 1975-76, cloth production had declined by over 10 per cent. Even if we do not take into account the large stocks that have accumulated and remains unsold, the net availability has further declined by over 10 per cent, that is the net availability has been 116 metres which means a reduction of over 23 per cent in this decade.

As regards employment, unemployed on the live registers of Employment Exchange, has grown in 1965-66 to 82,17,649 in 1973 which includes all categories seeking employment, such as graduates, matriculates, skilled, semi-skilled and unskilled workers. Figures after 1973 are not available. But the Economic Survey for 1975-76 admitted that the number has swelled by several lakhs in 1974-75.

[**SHRI VASANT SATHI** in the Chair]

15.24 hrs.

The first item of progress is that for the first time since independence the rupee was drastically devalued. Why? The then Finance Minister, Shri Sachin Chaudhary had frankly admitted in a circular to the Congress Members of Parliament that the Western countries, particularly, the U.S.A. had demanded it and threatened stoppage of all 'aid' if the demand was not complied with.

According to the Economic Survey of the Government of India, for 1975-76, published a fortnight ago, per capita net availability of cereals had declined from 418 grammes in 1965 to 373.6 grammes per day in 1975; of pulses—the only source of some protein for the common people, net availability had declined from 61.2 grammes in 1965 to 41.7 grammes in 1975. Of edible oil from 3.6 k.g. to 3.2 kg (the table does not mention whether it is for the whole year or per month). Of vanaspati from 0.8 kg to 0.6 kg. of sugar, availability was 5.7 kg. in 1965-66 and 5.8 kg. in 1975-76. But if the large quantity of sugar that has been exported in the last three years, whereas there were no exports in 1965-66, is taken into account that net availability would be much less.

The same survey says that employment in the private sector was, 68-5 lakhs in 1966 and was 68 lakhs in 1975. But these figures until 1972 did not include Jammu and Kashmir, but later on included that state. Hence there has been an actual decline in total employment in the private sector, despite all the new industries and expansion that have taken place in the period.

The increase in rural employment has been colossal, but of that, there are no official statistics. The annual average index of wholesale prices of foodgrains had gone up from 154 in 1965-66 to 401 in 1974-75; of fuel, 2022 LS—3.

light and power from 131 in 1965-66 to 322 in 1975. The number of people below the povertyline has enormously swelled, though official statistics are not available.

Central and state taxes have increased from Rs. 8,064 crores in 1972-73 to Rs. 12,776 crores in 1975-76, that is in 3 years alone according to the Survey. It does not give the tax revenue for the earlier years. It can be safely stated that tax burdens on the common people has increased by 2½ times in this decade.

If this has been the lot of the common people during this "decade of progress" what has been the portion of big business? The survey does not give statistics regarding the growth of assets of monopoly houses. But it is well known that these houses have grown enormously. The Economic Survey says that the index of prices of Variable Dividends of Industrial Securities has gone up from 76.7 (with base year 1961-62) to 170.7 that is disclosed profits have grown by 2½ times.

The Survey points out that assistance actually given by Government financial institutions like LIC, IFC, ICICI, IDB, IRC, State Financial Corporations, State Industrial Development Corporations and Unit Trust of India, apart, from Scheduled Banks and their borrowings from abroad guaranteed by the Government of India have increased from Rs. 119.8 crores in 1965-66 to 414 crores in 1975-76. The total disbursements for five years from 1970-71 to 1974-75 alone amounted to Rs. 1,408.7 crores. (Figures for the other years are not given in the Survey). Taking the decade as a whole the total disbursements would easily be approach Rs. 2,500 crores. The bulk of this has naturally gone to monopoly and big industrial Houses.

The most important fact, about which all who cherish the freedom and independence of the country must be seriously concerned is the colossal increase of dependence on foreign aid.

[Shri A. K. Gopalan]

Gross Foreign aid authorisation amounted to Rs. 4,200.8 crores upto the end of the 3rd Plan in 1965-66 and went up to Rs. 14,727.1 crores by the end of 1974-75. Utilisation went up from 4,508 crores upto 1965-66 to Rs. 13,233.5 crores in 1974-75. Adding the receipt of Rs. 1,639 crores received in 1975-76 as per the Economic Survey, the total gross assistance at the end of 1975-76 actually stood at Rs. 18,366 crores

This means that in this 'Decade of Progress' foreign aid amounted to Rs. 12,166 crores as against Rs. 4,200 crores in the 15 years of the first 3 plans—a three fold increase.

To sum up, the decline in the availability of foodgrains, edible oils, sugar and cloth, the mass essential articles, from 15 to 30 per cent, price increase by nearly 250 per cent in foodgrains and fuel, colossal rise in unemployment, both rural and urban, increase in taxation by 250 per cent for the common people on the one hand and growth of monopolies, more than doubling of the profits of monopoly houses, increase in the drain on India's resources by multinational corporations and other foreign monopolists on the other, a three-fold increase in foreign aid, apart from a tremendous increase in investment by foreign monopolies—this is the achievement of the 'decade of progress.' Progress indeed for the Indian monopolists, and foreign monopolists, progress in taxation, progress in indebtedness and dependence on foreign countries. No amount of put-up shows and advertisements in the controlled press can hide these ugly realities revealed by the Government's figures, which is reflected in the real life of the people. One must be ashamed of these realities.

Is there any wonder then that with the policies that the Government has been pursuing, it landed the country into the worst crisis and recession? Our Party has been warning for years that the country was heading just for this crisis. At first, the Finance Minis-

ter and the Industry Minister denied the onset of recession. But the stark realities could not be hidden. Now in the *Economic Survey*, they call it 'sluggishness'. But they seek to hide the extent of the recession. They say it is confined to the automobile, refrigerator, television and textile industries. They parade the fact that there has been an increase in production in the big steel factories and coal mining. But the Table showing the stock position at the end of the year with the facilities in several industries has disappeared from this year's Review. Why? Is it because its inclusion will throw light on the extent of the recession?

But the fact is that the recession has been all-embracing. The increase of a million tonnes of steel in the public sector factories has been offset by the closure of mini steel factories all over the country, a loss of production of 1.2 million tonnes. And yet the stocks have piled up and the Government is looking for export of the meagre production of steel because there is no internal demand.

Small engineering units have been closed all over the country. Wagon factories have also closed down for lack of orders. There is accumulation of aluminium. The Minister of Mines stated in Parliament that coal has accumulated to the tune of over 7 lakh tonnes. Since then a lakh tonnes more have accumulated at the pitheads. If it goes on accumulating, there is danger of a huge fire disaster also.

*The Hindu* dated 21 January reported from official sources that Rs. 125 crores of capital have been locked up because of closure of small scale industries round about Delhi alone. The handloom industry is in complete doldrums. So also traditional industries of Kerala like coir, cashew nut and even the starch industry.

In addition to these closures, there have been mass retrenchments/lay-offs galore. The Labour Minister sta-

ted in Parliament that over 3 lakh workers have been laid off and thousands have been retrenched in organised industries—an understatement. But what about the huge unemployment in the unorganised sector?

The fact is that the Indian economy has been stagnating since 1966, the first year of the 'Decade of Progress'. It has been experiencing crisis after crisis, with shorter and shorter intervals of pickup. It took a number of plan holidays and finally it has found itself unable to utilise the meagre capacity that has been created. Why? Because the growth of capacity was coming into conflict with the limitations of the home market. This was bound to be so with the impoverishment of the mass of the people—the workers, the poor peasants and agricultural labourers. Their real income went in shrinking with exploitation by the landlords and moneylenders, the Capitalist market, increasing official taxation and deficit financing leading inflation eroding the purchasing power of the overwhelming majority of the people. Foreign loans and collaboration with foreign monopolists means further looting of the people. Multi-nationals operating in the country made huge profits with little investment and exported it, which has been brought out in the Hathi Committee's Report on the Drug Industry. These companies with an investment of a few lakhs of rupees have issued shares to foreign companies for consideration, other than actual investment, and drained several crores every year out of the country, and built up reserves of several crores, which also can be repatriated at any time. Increased foreign loans has meant exporting our commodities at prices dictated by the foreigners and purchasing their goods at enormous cost—ranging between 50 to 100 per cent more than the international free market prices.

When the inflationary spiral went beyond a point which the Govern-

ment could not allow it to grow, the anti-inflationary measures that the Government took, hit still more the common man. The impounding of half the increase in dearness allowance and the whole of any increase that the workers could secure by their struggles, and the slashing of Bonus together meant withdrawal of the purchasing power to the tune of 400 and 250 crores respectively.

The credit squeeze did not affect the big industries very much, but the small industrialists went down under its crushing weight and alone with them the hundreds of thousands of workers employed by them. True, this decreased the rate of inflation at first. After the good crop of above 114 million tonnes foodgrains as well as increase in other cash crops, thanks to the favour of the rain god last year, wholesale prices of foodgrains have come down by 7½ per cent from last year.

The Government parades this as its great achievement. That the rain god smiled upon the country this year. Was it due to propitiation by the Government? Did the Government perform a massive yaga or yagna to please the rain god? If so, why did it not do so all these years? The fall is also due to the receipt of external assistance to the tune of Rs. 554 crores more than what was budgeted, as stated in the speech of the Finance Minister.

Further, the impounded increase in D.A. and wage, which, at the time the Act was passed, it was stated would be kept with the Reserve Bank and not utilised, has been withdrawn from the Bank and used by the Government. This amounted to Rs. 400 crores.

But for these two measures, the deficit would have increased by 900 crores.

(Shri A. K. Gopalan)

What did the Government do to get out of "sluggishness" of the economy and stimulate investments?

Gone are the thunderings against the monopolists instead, in the name of incentives of investment, the Government gave a gift of Rs. 250 crores to the employers by the Bonus Act. A spate of concessions followed. Their unlicensed capacity was legalised more than once. The Monopoly and Restrictive Practice Act was reduced a farce. The cases against Birlas were just frozen. Several concessions were given permitting their entry into those consumer goods industry which was previously prohibited

After the imposition of Internal Emergency, 15 export oriented Engineering Industries were allowed 25 per cent automatic expansion of their licence capacity. Since all these industries are operating below capacity, this would only mean that the big Industrial Houses would be able to benefit at the expense of the smaller ones.

On October 25' permission for unlimited expansion was granted to foreign companies and large monopoly houses in 30 other important industries. Rules for liberalisation for financing these companies from Public Financial institutions were also announced.

With all these concessions, the recession continues, unabated. Even the fall of 7½ per cent in prices of foodgrains etc., has not helped revival activities. That is a measure of the erosion of purchasing power and the shrinking of the home market.

How does the Finance Minister propose to take the country out of the deep morass? He has accepted all the demands of the big industrialists—lesser direct taxation on the plea that it would lead to curbing the tendency to evade taxation, further

incentives to export promotion, etc. It is not necessary for me to detail all these.

After the emergency, the slogan was 'produce or perish'. It did not mean that total industrial production should increase, for what has been produced itself is not sold and closures and lay-offs are taking place. The slogan only meant that every worker should produce more for increasing the profits of the employer, and since the market cannot absorb the production, existing workers should be retrenched and face starvation.

The entire strategy for industrial revival is now based on increasing exports and producing for the foreign markets. The budget has made proposals that textile mills should produce for the export market, when our people are having a per capita consumption of just 11 metres per annum. For enabling them to compete in the export markets, the government promises them help to modernise the mills and liberal tax rebates for the purpose. That this would result in retrenchment of workers on a large scale is no concern for the government.

Another strategy on which the government is relying for industrial revival and expansion is reliance on foreign aid. The proud cry of 'self-reliance' and 'zero net aid' has vanished into thin air. The inflow of gross foreign aid which was Rs. 676.2 crores in 1972-73 had jumped to Rs. 1170 crores in 1974-75 and further went up to Rs. 1971.2 crores in 1975-76, according to the Economic Survey, 1975-76. The Finance Minister expects it to go up still further in 1976-77. This expectation is obviously based on the report of the World Bank Study Team which has recommended foreign aid of Rs. 2000 crores for 1976-77 to be progressively stepped up to Rs. 3174 crores in 1980-81 and to Rs. 4720 crores in 1985-86. This reliance on foreign aid would natura-

ly lead to the need for still more exports. What this means to the country is export at less price and import at higher prices. This can be seen from page 42 of the Economic Survey for 1975-76, where it states :

"According to the revised series on index numbers compiled by the DGCI&S with 1968-69 as base, whereas the overall total value of our imports rose by 73 per cent in 1974-75, the rise in the total value of our exports was only about 25 per cent. The result is that although there was an overall decline of 12½ per cent in the volume of our imports in 1974-75, and an overall increase of 7 per cent in the volume of our exports, yet the adverse trade balance widened."

Apart from the reliance on foreign aid, the government is wooing foreign capital and particularly the multinational corporations, promising them cheap labour and highest profits in the world! Knowing fully well our predicament, these multinationals are further arm-twisting us and demanding further concessions. They demand majority shareholding and free entry into any industry. The government is already moving in that direction. They allow majority shares for foreign companies in export-oriented industries. They have allowed a foreign company to put up a giant shoe-making factory. They have allowed a multinational (The Indian Leaf Tobacco Co.) to undertake fishing !

All this strategy of relying on exports is bound to end in a fiasco. When the entire capitalist world is in the grip of a very deep crisis, of recession and inflation at the same time what chance is there for Indian imports expanding on a massive scale?

What do all these reveal ? It is a tacit admission that India's huge population of nearly 600 millions, next only to that of China's, given the income distribution structure, is incapable of providing an internal market

for self-generating growth. The only solution is a redistribution of the income in favour of the vast weaker sections. One has only to contrast our country's economic experience of the last 28 years since independence with that of China to see the utter bankruptcy of the Government's policies. People's China, ravaged by a long war with Japan lasting for over 12 years and then three years of civil war started in 1949 on a much lower industrial and agricultural base. Despite its being deprived of Soviet technical aid after a few years, despite the boycott of the imperialist powers till recently, it has increased its production of steel to 30 million tonnes as against our 6 million tonnes, 400 million tonnes of coal as against our 100 million tonnes and 250 million tonnes of foodgrains as against our 100 million tonnes, whereas we are unable to sell our steel, and coal, there is no glut in China. Unemployment and illiteracy have been banished long ago. There has been no inflation and prices have been stable.

Similarly, the socialist world, while the capitalist world is passing through crisis after crisis, has been going forward, with rising standards for their entire people's and its share of world industrial production has increased from 25 per cent in 1951 to 40 to 45 per cent and it is going forward.

The Finance Minister seeks to give some protection to the handloom industry by raising the rate of excise duty on power loom units, the first two looms will be exempted and on the next two looms the rate of compounded levy will be increased from 100 to 125 per cent and on the rest the rates will be increased from Rs. 125 to 150 I dare say that the owners will circumvent this levy by splitting up the units in benami names. If he really intends to protect the handlooms, he must assure them yarn at cheap cost. This he cannot do.

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Another important factor to be noticed is that the fall in agricultural prices has been steep, hitting the large number of small and medium farmers. On the other hand, the cost of inputs have gone up, like increase in electricity rates, water rates and other taxation, the decrease in the price of fertiliser is marginal, a mere 10 per cent after an increase of 100 per cent during the last two years. At the same time, according to the Times of India dated 17-3-76, the spokesman of the Finance Ministry admitted to the Press that while the prices of agricultural commodities going into the production of industrial goods have steeply fallen, the prices of these industrial goods have not fallen at all. All this means not only pauperisation of the poor and medium peasants, but further erosion of purchasing power of vast sections of our population. How can industrial activity revive and the economy get out of the recession? But then, this would be forgetting that the Government does not rely upon this large internal market, but on exports and on the narrow elitist stratum of the population, consisting of the rich and upper middle class. Hence fairly substantial cuts in excise duties on such items of their use as Refrigerators, TV sets etc. but not on such items of mass consumption as cloth, kerosene, sugar and so on. In fact the mills have been totally exempted from making standard cloth intended for the poorest sections altogether.

The Finance Minister proposes to continue the scheme of impounding half the increase in D. A. and the full increase of wages for another year, which will be refunded in five annual instalments. He tries to soften the attack by the promise that the Government stands by its earlier commitment in regard to the refund of the amounts already impounded. But how will they do it? The original Act provided that pass-books will

be given to every worker and employee showing the amounts deposited, month by month. This has not been complied with. The employers have made bulk deposits in banks and naturally the banks will refund the moneys to them. In the absence of any record, the employers are likely to swallow up the amounts, as many have done with regard to the provident Fund and the ESI contributions made by the workers and employees. The contribution due from them, of course, they withheld. The Finance Minister must tell the House what he proposes to do to see that these Rs. 250 crores are not swallowed by the employers.

The Finance Minister, in a booklet bearing the title "Strategy for Integrated Rural Development", stresses the importance of land reforms and says :

"The item 'land reform', in the context of land scarcity and the exacting requirements of modern technology, should imply reforming land ownership and use, with emphasis on personal cultivation and management, without which there can be no responsibility for ensuring levels of productivity."

Very correct. It required 28 years after independence, for him to realize this simple fact which we have been stressing, propagating and fighting for, for the last 30 years. And yet he sets great store by the "New Economic Programme" of the Prime Minister. That Programme only declares the Government's intention to implement the land ceiling laws, tenancy laws already enacted and enactment of laws fixing minimum wages. These laws do not have the intention of reforming land ownership and use, with emphasis on personal cultivation and management. That would require the taking over of all the land of the landlords and distributing them to the landless and the poor peasants.

Here, I want to say that after the Emergency and the 20-point programme which is now seven months old, I do not know whether land has been distributed anywhere. If so, I would like to know how much of land has been distributed; and as far as the land legislation and surplus land are concerned, we see even editorials in papers saying that in some places, even the availability of the land is not recorded.

But even these laws have remained unimplemented all these years. Why? The Task Force of the Planning Commission had stated that it was so because of lack of political will on the part of the ruling party, and the innumerable ties that the landlords have with the officials. This has been again stated by a Committee of the Ministry of Agriculture six months after the enunciation of the New Economic Programme of the Prime Minister Mr. S. P. Appu, Joint Secretary in the Planning Commission, in a well-documented study conducted by him in 1975 on "Tenancy Reforms in India", says:

"Even now about 1/5 of the land is under tenancy and in certain regions, the incidence is as high as 40 per cent. Even after two decades of tenancy reforms, the position of tenants, particularly of sharecroppers, remains precarious."

Apart from other reasons such as the many loopholes in the legislations, the biggest obstacle, he points out, is the absence of reliable record of rights. Even where legislation was enacted to maintain such records, it could not be effectively carried out. This he attributes to considering that the tenants are weak socially and economically, that they are obliged to the land owners in many ways and that in the context of everincreasing population pressure, there is keen competition to lease in the available land. Such an attitude on the part of the tenants, namely, of not insisting

on their rights, is not at all surprising. Another reason for not recording the names of the tenants is that the subordinate functionaries of the Revenue Department often act in collusion with the landowners. It is necessary to add that the superior officers have winked at it, for they too have their ties with the landlords. For the same reasons, the other land reform Acts have remained on paper all these years.

On March 5th, 1976, that is, nearly ten months after the announcement of the New Economic Programme, addressing a two-day conference of Chief Ministers, the Prime Minister observed that there was

"a certain amount of lethargy and hesitation in implementation of land reforms. It was either due to people who had a vested interest in not having land reforms or because of a general lack of appreciation of the vital role of land reforms."

It is a tacit admission that vested interests in her party, entrenched in key positions in Government and organisation, obstruct the implementation of the land reform measures. Also, because of the ideology of the party as a whole, there is no political will in that party to implement the reforms.

Regarding the tenancy reforms she admitted that the position was unsatisfactory. As regards land records and record of rights, which are crucial to implement the tenancy laws, she admitted that the position was "unsatisfactory". She said that preparing records through surveys and settlement would take years. She, therefore, suggested that some ad hoc and practical methods must be found and that the Chief Ministers could sit together to thrash out this problem.

As regards distribution of land, she said that in order to show achievement both common and forest lands were being distributed, and added:



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"I do not think this can come under the heading of land reforms and so these figures of distribution are not correct figures."

So much about the claims made by the Government of land distribution.

The Prime Minister has further stated that a major problem that has been brought to her notice was the collusion between the local revenue staff and big farmers. Non-official participation was also not always helpful in pushing through the reforms. According to the Hindustan Times of 6th March, 1976, she said:

"I would like to know what is the experience of the States with the steps they have taken and what they thought about how to improve them further"

The Chief Ministers deliberated for two days and gave her no answer to the two crucial questions she had raised. Were not many of them, if not directly the landlords or vested interests she had referred to, at least connected with landlords? How could they infuse the political will?

The only way any land reform measure can be implemented is by organising the peasants and agricultural labourers, who are directly to benefit from such measures, and make them assert their legal rights and take possession of them. But the Prime Minister only recently denounced our party publicly and stated:

"What did the Marxists do when they were in the United Front Government in West Bengal? They incited the peasants to seize the land from the landlords. It is illegal."

Yet, allowing the landlords to keep in their possession land, which is not theirs, according to law, and enjoy it for years is legal! But asking those who are the lawful owners to take the lands from those who are in legal possession of it is illegal! This is the strange logic of the person who formulated the new economic programme.

We are proud of what we have done. We will tell the peasants and agricultural labourers that they cannot get their rights, unless they organise themselves, assert their rights and fight for them.

Knowing that she has no reliable instrument for implementation of the land reforms, which she has openly admitted in her speech to the Chief Ministers' Conference, she has prevented the organisations of peasants and agricultural labourers from functioning

The State Governments have arrested our cadres who have been leading the struggles for the implementation of the land reforms, for higher wages for agricultural labourers, for free house sites etc. and detained from under MISA. What chance is there then for the fulfilment of all these declarations of implementing the land reforms, tenancy laws, minimum wages etc. made *ad nauseum*?

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They are talking about unlawful occupation I may give my own experience The Kisan Sabha, of which I am the President, announced that since the Government was saying that there was no surplus land in Kerala, we would show them cases of surplus land. In Trivandrum, I got into the land of the Maharaja of Travancore, not for the purpose of occupying it, but only to draw the attention of the Government to the fact that it was surplus land. For that I was arrested and I was in jail for 10 days.

Government knows that its real policies as revealed in the Budget are not going to take the country out of the abyssal crisis. They can only add more burdens to the people. That is why suppression of all the fundamental rights, unleashing of repressions on our cadre who tell the people the real truth of these policies and fight for their reversal has become absolutely necessary. I refer here to an instance of the goonda attack that our cadre is facing in West Bengal with the connivance of the police and officials. I do not have the time to read the details which have appeared in the issue of February, 1976 of the CTFU Working Class. The magistrate who gave the judgment in that case was certainly a brave person.

To conclude, whether there is inflation or reflation or recession, the burden always falls on the common people. The affect of this Budget will be no exception to this rule. There is no worthwhile relief to the common people and their burdens will increase, but the common people will see that they do not increase by their organisations and their struggle

SHRI N. K. P. SALVE (Betul): With rapt attention I heard the speech of Mr. Gopalan which followed the pattern of the speeches delivered by Members of his party year after year on the Budget. His speech, like the speeches of the Members of his party, may have the dubious merit of a political attack, but I submit that there is hardly anything by way of an objective evaluation in that speech of the facts and situations on which any Finance Minister of a country has to frame his budget. And so far as I am concerned, that is sufficient for his speech. But what really surprised me was the performance of Shri Indrajit Gupta. He is one of the most brilliant orators of this House and usually he is objective and erudite in his speeches and he has to be given due credit

invariably for speaking plenty of sense but today I was not able to understand the main thrust of his arguments. In fact, I could make very little sense in the various arguments that he has advanced on different aspects of the matter, different facets of the Budget excepting possibly what he said about the reduction in the Wealth Tax rates and what he has to say about the impost on the medicine. I only hope that it was not due to an extremely ill-digested study of the Budget. If he has a good look at the Budget, he will realise that most of the points that he made, in fact, did not exist. The one point I was not able to understand is whereas he has appreciated that there was not any new impost and yet he was unhappy that there was not any resources mobilization by way of new levies of direct and indirect taxes. He also went out to say, that without more taxes how are you going in for massive investment in your plan outlay. And finally he was apprehensive that if you are going in for far too much plan outlay, there is likelihood of tremendous deficit financing; There was a great inconsistency in what he was speaking. At any rate, there is one point which I want to make clear to him. In so far as calculations of direct taxes are concerned, on which he said that there are concessions to big houses and monopoly sector. By that if he refers to indirect taxes, well, I have nothing to say. And if he refers to concessions in Wealth Tax one can understand. But if he is concerned with income tax, I want to point out to him that so far as budgetary provisions are concerned, there is hardly any relief in direct taxation, because an estimated receipt has been taken in a figure of 957, crores in the Budget against 1000 actual in 1975-76, and 1060 includes the figure they have received as tax on voluntary disclosure scheme. So far as Wealth Tax is concerned, despite a very steep reduction in the rate of taxation to which he has referred I agree with some of the objections he has raised. Credit has been taken for estimated receipt of 52 crores

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which is the same (52 crores) as last year. If they are to recover all those money, there is no reason to have the apprehension which Shri Indrajit Gupta spoke about.

I was one of the members of this Party who hailed this Budget as an imaginative budget, a budget which under the conditions could be the best budget, containing the best proposals, and after a diligent study of the various documents and papers which have been laid by the Finance Minister on the Table of the House, I feel impelled to an inference that this Budget is indeed imaginative and marks extremely significant watershed in the entire management of the economy and the fiscal strategy of our country. Dr Rao was absolutely right when he said that this was the strategy of a realist. One must understand properly the economic situation in which this Budget has been framed. The Budget has been properly received with warmth and jubilation by all sections of the people, through the length and breadth of the country, and in fact, it has been considered a reward to the nation for its hard work, dedication and discipline ever since the proclamation of the emergency.

Today, the entire atmosphere in the country is suffused with optimism and such opportunity no Finance Minister can let pass and that is why he has done this. A time had come when there was necessity for massive thrust; for a massive investment so that one can look forward for a purposeful acceleration of the economic growth in this situation with strength and confidence. The whole country under the,—as the Finance Minister said in his speech—resolute and dynamic leadership of the Prime Minister, had to fight and fight resolutely on two fronts. One front was created on the economy of the country, where for

merely 3-1/2 years, ending with the third quarter of the 1975, the country was engulfed in an extremely desperate battle against the inflationary spiral which was perniciously distorting the economy of the country. On the second front, the country was fighting the political forces which were trying to unleash all sorts of political indiscipline, who was trying to spread disorder and chaos, and one thing that has to be understood is that no economy of no country can never be stabilised where there is chaos and disorder.

Thanks to the Emergency that these political adventurists, these communal and reactionary fascist organisations have been put down in their place, and if you do not want to allow the gains of Emergency to slip through the fingers, it is absolutely necessary that these forces must never be allowed to raise their heads over again.

A great deal of tribute has been paid to the strength and resilience of the Indian economy the way it has behaved the way we have been able to retrieve and recover from an extremely desperate situation. Undoubtedly, it is a well-deserved tribute paid to the resilience and strength of the Indian economy. But I want to make a slightly deeper evaluation of the forces which have imparted this resilience and strength to the Indian economy. I come to the basic philosophy which we have followed, which we have given to ourselves which our country has adopted, as a result of which we have been able to stage such a magnificent recovery from the throes of inflation when many countries are still languishing and many countries are still facing the hazards of the inflationary spiral. That basic philosophy has been that we worked under a mixed economy.

Much has been said by my hon. friend, Shri Indrajit Gupta on that. While not paying tribute to our pub-

He sector which has rendered magnificent service, in the field of nitrogenous fertiliser, in the field of steel, in the field of iron, in the field of electricity, in the field of coal—our public sector has performed very magnificently in all these fields—he was all the while running down the private sector. I fail to understand why this sort of conflict is created between the public sector and the private sector. In fact, our philosophy is that we should have a very powerful public sector, duly supported by a very responsible private sector. Unless we work upon this philosophy, we will never be able to find a proper panacea for the problems of the people of our country.

Coming to the Budget, indeed the year ending 31st March, 1976 has ended with a deficit of Rs 490 crores as against an estimated deficit of Rs 247 crores. But despite this massive deficit, we find that the price stability factor has not been adversely affected primarily because the performance of the economy in the current year has been exceedingly satisfactory. There has been an overall growth in 1975-76 of 5.5 per cent as compared to the growth in the Fourth Plan period which was 3.3 per cent and 0.2 per cent in 1974-75 to which Dr Rao also referred earlier.

At this juncture, it was absolutely necessary to ensure that in the coming two or three years, having retrieved ourselves from the difficult situation, to go in for a very massive investment because there is absolutely no alternative for accelerating our growth except for putting in a massive investment. Therefore, the Finance Minister has very imaginatively earmarked the aggregate sum of Rs. 7,852 crores as investment for the Plan outlay of which Rs. 4,000 crores will be the Central Plan outlay and Rs. 3,762 crores will be the Plan outlay for the States. It is 31.6 per

cent over the 1975-76 outlay in the Plan. This is the highest development outlay in any single year.

What is more important is this. I am stating these figures with some purpose in view and it is this that the main stress of this massive outlays primarily is completion of the existing projects expeditiously particularly the projects in the field of agriculture, irrigation, power, petroleum, coal, fertilizers, steel, transport and communications. I really cannot understand how a man like Shri Indrajit Gupta failed to see the galvanising effect which the economy itself will have as a result of this massive investment into these priority sectors. I do not know which other priority sector he had in mind when he complained that priority sector had not been properly catered to in the Plan. I have no doubt in my mind that the massive, judicious, investment in agriculture and industry, strict economic discipline, strict enforcement of law against economic offenders is bound to ensure price stability, improve growth rate and, consequently, improve the lot of the people.

Therefore, Sir, one wonders whether one should take the criticism levelled against the budget seriously. The criticism has been that this is a Budget which contains a calculated risk. The criticism if I may put it this way in a nut-shell is that the proposed deficit is Rs 320 crores for 1976-77 and the trend of money supply is expanding—it has expanded by 7.5 per cent in February 1976. In addition it is said that this time there is the lowest tax mobilisation in the last ten years that it is only Rs. 55 crores, in its totality—deducting therefrom the share of the States—it is only Rs 48 crores and, in this budget, with a larger outlay in the Plan, the entire D.A. that was frozen would have to be withdrawn and it is said, this is likely to be the biggest enemy of price stability. This argument has only to be stated to be rejected for

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the simple reason that unless something wholly unforeseen and untoward were to happen, if one were to evaluate and study the Budget as a hard headed economist, what could one do in the circumstances? One could, at this stage, only mobilise what little savings we could get without burdening the people, and invest that money so that the growth is accelerated. That is what the Finance Minister has done. Any criticism, therefore, based on the expansion of money supply etc. is, I think, out of proportions.

However, there is another aspect of the matter to which I would like to draw the attention of the Finance Minister and it is this: I have found, by a diligent study of the various figures in the budget, that the budget for 1975-76 has a variation of nearly 16 per cent in its receipts. The actuals are Rs. 12153 crores as against, the estimated receipts of Rs. 10521 crores, the variation being 1632 crores. These comprise 435 crores on tax revenue, 496 crores on non-tax revenue and 701 crores on capital receipts. Likewise, on the disbursement side, one finds that the disbursements actually exceed the estimated disbursements to the extent of 1875—that is, a variation of nearly 17 per cent. These figures, therefore, create a little doubt in my mind as to what sanctity can be attached to the figure of 12970 crores which had been estimated as the total disbursements, on revenue and capital accounts, for the ensuing year. There is already a deficit of 320 crores which we have taken into account and, as I was studying the figures I found that in these figures, for higher receipt of tax and increase on the receipt side, there is very little cushion. Therefore, it is absolutely essential and necessary that every endeavour is made to collect as much money as is estimated here on the one side and, on the other side, so far as disbursements are concerned, a high sense of discipline has to be there and utmost economy should be exercised because

I think there is very little cushion left with the Minister in the budgeted figures, either for the receipts to go down below the estimated figures or to let disbursements exceed the budgeted figures. At any rate, I am sure the Finance Minister is the best person to know when to stop deficit financing the moment it tends to affect the price stability factor adversely.

Now a few words about direct taxes are absolutely necessary. I think by far the most courageous, dynamic and pragmatic approach that has been shown, at long last, by the Finance Minister is in respect of taxation of the income of non-corporate sector. The income tax of the non-corporate sector has gone, in the last two decades, through vicissitudes dependent entirely on the caprice, whim and private humour of Finance Minister after Finance Minister until it reached the most ridiculously vertiginous height of 97.75 per cent. One wonders, since the corporate sector rates are very much lower and rational, why this love and affection was shown to the corporate sector by the Finance Ministry and special animus against individuals, all these years. At any rate, it has to be understood that this theory—that we need high income tax rates, not for mobilisation of resources but for the purposes of eradication of enduring disparities between the wealthy and the poor, is not correct. There are examples of several countries—the greatest example being of socialist countries—that higher rates of taxation did not bring about an eradication of the disparities as such; it only makes the people more dishonest and makes the dishonest rich more rich. Theories apart, it is my respectful submission that rationalisation of the rates of income-tax was utterly imperative and necessary. I would however reiterate that this theory of high rates of taxation, either for mobilising revenue or for augmenting revenue, is a theory which has been despatched to the limbo of exploded myths; it is no longer considered a valid theory.

The real theory which prevails today is that augmentation of the revenue can only come about by augmenting growth of income allround, and that is what the hon. Minister is seeking to do. However, the Finance Minister was pleased to observe in this Budget speech:

"The remarkable response to the voluntary disclosure scheme, where the maximum rate was 60 per cent, lends considerable support to the judgment that the majority of Indian tax-payers would prefer to abide by the law and pay taxes as due, provided the tax burden is reasonable."

I really wish I am able to share his optimism....

AN HON. MEMBER: It has gone to 49 per cent.

SHRI N. K. P. SALVE: Whatever the Minister has done is the best under the circumstances. I am expressing a certain view whether people will honestly comply with the provisions of the law or not as a result of reduced taxation has to be seen. But the point I want to make is different. I wish I can share the optimism with the Finance Minister. But whether I share the optimism with him or not is not the question. My point is a little different; it is this. One thing has been proved to the hilt in our country and that is that irrational rates of taxation is no solution to the problem of tax-evasion. You must, therefore, have a rational rate of taxation which would, if anything, help curb tax-evasion. At least do not make your taxation unduly punitive on the honest end.

As regards reduction in wealth-tax, Shri Indrajit Gupta has already made his submissions, and I endorse what he had to say in the matter. From 15 per cent on urban land and buildings, the rate has come down to 2½ per cent. And the Finance Minister has stated in this connection:

"The additional wealth-tax currently levied in respect of urban lands and buildings has lost its rationale in view of the ceiling on urban vacant land and other measures in regard to urban property, and is proposed to be discontinued."

The urban land ceiling and the wealth tax on urban property are two different things; there is nothing in common between them. I do not know how this has happened. I hope, it is not due to the bureaucrats who have buildings and who want to save wealth tax on buildings ..

AN HON. MEMBER: It is a cover.

SHRI N. K. P. SALVE: I hope it is not a cover for anybody. It gives that impression. People who have buildings worth crores of rupees appear to me to be double-gainers: Government is not taking their buildings away plus they are getting a tremendous reduction in wealth-tax. I hope, the Finance Minister will reconsider this or at least explain to Parliament what he has said—because of the land ceiling law, the higher impost of wealth-tax is no longer relevant.

MR CHAIRMAN: I think, something is in the offing

SHRI N. K. P. SALVE: I welcome that

There is one thing that I want to point out to the Minister for Revenue and Banking. I welcome the provision regarding freezing the value of self-occupied property at the figure of 1971-72 or at the acquisition price. An unintended hardship is likely to be caused. After 1971-72, the market values of properties have fallen; specially in cities, where there has been land ceiling, the prices of the properties have fallen. Therefore, when you do this freezing, it should be the market value or the 1971-72 value or the acquisition price, whichever is the lowest.

[Shri N. K. P. Salve]

Mr. Indrajit Gupta has made a point that we are allowing reduction in tax-rates without making any provision for ensuring that this money comes by way of investment. I am sure he has failed to see that there has been an increase in compulsory deposits: the increase in the rate is from six to ten per cent in the case of incomes between Rs. 25,000 and Rs. 70,000, and the rate of increase is from eight to twelve per cent in the case of incomes above Rs. 70,000. This means that the disposable income is not going to be the same as Mr. Indrajit Gupta thought it to be. In fact, it is marginal as compared to what it was in the earlier year. I wonder whether compulsory deposit is the best way of mobilising investment. After some years, the money will be back, and one does not know what effect it would have in the economy of our country.

In fact, this sort of reduction should be given. Let the Government demarcate the areas of investment, let them determine what are the investments, and the people must make their investments on long-term basis into these areas

Then, there are welcome provisions for the weaker sections of the society; particularly, I welcome the insurance cover without payment to employees, who on death would be entitled to a certain payment, which will be equal to average balance in the provident fund in the preceding three years. The relief to pensioners is particularly welcome. The exemption from wealth-tax on homes constructed for low-paid employees is particularly welcome. About medicines, I fervently plead with the Minister of Revenue and Banking, not to tax the medicines. If you want to tax the tonics, do as much as you want. If you want to tax alcohol, tax it as much as you want. Vices have al-

ways borne the burden of the country, let them have more burden, but for God's sake, life-saving medicines should not be taxed.

Now a word about entertainment expenditure. The entertainment expenditure, as you know, is presently disallowed in its entirety. Section 2(B) is now sought to be deleted with the result that in principle, it is accepted that entertainment expenses to businessmen will be allowed. It is a matter of considerable gratification that this realistic attitude has been taken. Entertainment is as much necessary in business as much as it is in politics or any other field of life. Now it will be allowed to businessmen. It is good. My objection only is that this entertainment expenditure, though accepted in principle to be allowed, is contingent upon a person having a minimum of ten lakhs of profit. On ten lakhs of profit, the maximum entertainment is 5,000 or 1/2 per cent on the next forty lakhs, it is 1/4 per cent and on the next 1.20 crores, it is 1/8 per cent. That means, if there is a small man in business, he would not be entitled to this entertainment expenditure. This is an irrational approach. Wherever you find that this is being abused, you ruthlessly disallowed it, but I cannot understand the rationale in being so impractical and so unrealistic in this sort of allowance and disallowance.

Now a word about the bank rate. The Minister has given a whole lot of reasons and explanations for high bank rate. Assuming, while not conceding, that these bank rates are justified, may I ask, why is there no corresponding increase in the interest paid to the depositors? Between the rates paid to the depositors and the interest which the bank charges, there should not be variation of more than two to three percent, but there is much larger variation. That is the reason, why high rates of interest are

being charged, because unless a large difference is kept, banks will not have sufficient money to defray their expenses. In fact, this high rate of interest is nothing but a premium on the inefficient functioning of the banks. I would request the Minister to have an enquiry of the cost benefit in this sort of rate of interest, because it is no use justifying it otherwise. Some adviser to the Government said: Well, it forms only 2.5 per cent cost factor of the hundred percent cost. This is an absolutely understandable argument. Does it form 2.5 per cent of the cost of a small scale industry man?

श्री श्रीवास (बम्बई दक्षिण) : इतनी ज्यादा सुद की दर तो डिस्इन्वेस्टिब का काम करती है ताकि ज्यादा रेट छाफ इन्वेस्ट पर बैंक वाले ज्यादा लोग रुपये उधार न ले सकें। अगर नें तो ज्यादा ब्याज दें।

श्री नरेश कुमार लखरे : अगर डिस्इन्वेस्टिब है तो मुझे कोई ऐतराज नहीं है, ऐसी सुरत में प्राफिट बैंक का होना चाहिये। नेशनलाइज्ड बैंकों का मुनाफा होना तो सरकार को आवेना। लेकिन इस तरह का जो मुनाफा होता है, उस को खर्च कर देते हैं, नीकरो नें बाँटते हैं, दूबलिंग में लगा देते हैं—यह चीज गलत है।

I would like to say something about the investment allowance. This is a very important provision that they are making. But the way it is drafted makes me feel that no care has at all been exercised. Will you, refer, Mr. Minister, to Finance Bill page 1, and Memorandum page 7, and then again Finance Bill page 12, which says that one will get this investment allowance in respect of machinery installed after 31st March 1976. And in the memorandum it is stated that this relief is available for assessment year 1976-77. Page 7 says, "These amendments shall take

effect from 1st April 1976 and shall accordingly apply in relation to the assessment year 1976-77." I cannot understand how they can commit such an error in such an important drafting. There are very many other terrible errors of drafting. I am not able to understand to which year it will apply. If it is after 31st March 1976, how will it ever come from the assessment year 1976-77? Then it is said that after 8 years if the machinery is sold—a person can sell the machinery after years and he has been given a right to purchase a new machinery out of the investment allowance within a period of ten years. Now after 8 years if he sells the machinery and purchases not out of the allowance but out of the sale proceeds of the machinery, he will still be entitled to the allowance. Lastly, a whole lot of litigation arose on account of the terrible difficulty, quite understandable language used in drafting about creation of reserves. My respectful submission is: please simplify this. So many cases are there: 92 ITR, 96 ITR, 87 ITR, 100 ITR and the Indian Oil Corporation with the best legal advice available could not understand in which year the reserves are to be created. If that is the case even with the Indian Oil Corporation, what to speak of smaller people who cannot afford expensive legal advice? Therefore, my submission is: for God's sake simplify this provision regarding reserves. Provide that it should be debited to profit and loss account irrespective of loss or profit in the year of installation. Thereafter, if there is a genuine case where a person is not able to do it for genuine reasons condonation power be given to the Income-tax Officer statutorily. If you read that long labyrinthine explanation, by the time you finish reading it, you feel like neither having investment allowance nor do you feel like buying machinery. That is the difficulty.

Likewise, about deduction of head office expenses. It is sought to be in-



[Shri N. K. P. Salve]

serted in Section 44C. There is already Section 40A. I was cursorily going through this matter to see the drafting of the Finance Bill. I have always maintained that changes in the substantive law should not come annually like this through the Finance Bill which does not go to the Select Committee. Apart from drafting, sometimes questions of principle are involved and a proper scrutiny of such principles is not possible.

I suggest these are some of the things which struck me. When there is section 40A which deals with 'expenses or payments not deductible in certain circumstances', why a separate Section 44C? It is already a terrible law, complex and in the worst form of complication, this direct taxation law. It is the misfortune of anybody to be called upon to read and understand this law. You have fortunately escaped that sort of a calamity. Why add to the misfortune? Let us have a more systematic approach to the whole matter.

Before I end, I am sure the Finance Minister....

MR. CHAIRMAN: It is a paradise only for the taxation lawyers.

SHRI N. K. P. SALVE: I am entirely in agreement with you that this sort of terrible drafting, ill-conceived drafting benefits nobody excepting the profession of accountancy and the profession of law. Virtually both of them become pesterers at some stage. I hope the Finance Minister will take care of what I have suggested in this matter and do the needful.

In the end respectfully I only wish to submit that in the affairs of a nation as those of the men there comes a time when at the cross-roads a courageous thrust in the right direction changes the entire life and living—achieving success after success, lead-

ing to the dizzy heights of economic prosperity and glory. The only precondition is dedication, discipline and an unrelenting and arduous and hard work and the nation to-day stands at the cross-roads. The leader has created an atmosphere of optimism and opportunities. You, Mr. Finance Minister, have done your best to give the thrust needed to march forward, to the nation. It is now for the nation to take itself to its cherished goal, cherished goal of prosperity and an egalitarian society.

SHRI ERASMO DE SEQUEIRA (Marmagao): Mr. Chairman, the Budget presents us with a good opportunity to view what Government actually does against what Government preaches. This Budget particularly, will give this House and this country an opportunity to see that while Government preaches one thing, it usually ends up practising exactly the opposite.

Government says to the country that agricultural production has to be increased, that the irrigation base has to be widened and yet I find against the Budget Estimate of Rs. 17.06 crores for Irrigation and Flood Control, only Rs. 16.5 crores was spent. On Development of Ground Water Resources, which as you will realise is one of the most neglected areas in this country, against a provision of Rs. 7.99 crores in the current year's Budget, they spent only Rs. 3.42 crores. That is less than half. The provision for the next year is only Rs. 4 crores. The total of the two years will not make up for the provision that had been made in the current year.

On Integrated Dry Land and Development of Agricultural Production, another grossly neglected area, there was a budgetary provision of Rs. 1.70 crores against which they spent only Rs. 1 crore. The Budget for the next year is again Rs. 1.70 crores, and will not make up for the short fall in this year. On Cattle and Dairy Development which is one of the areas of development through which our vil-

lages can acquire prosperity, the Budget provision was Rs. 1.60 crores. They spent just half there—Rs. 75 lakhs. For next year the provision is less than the previous year—Rs. 1.4 crores. On Fisheries, again a grossly neglected area in a country which has a large coastline and many resources, the Budget provision for 1975-76 was Rs. 8.96 crores, but the expenditure was only Rs. 6.67 crores, a very very large shortfall. On schemes for small farmers and agricultural labourers, the provision was for Rs. 21 crores, the expenditure was Rs. 18 crores i.e. Rs. 3 crores less. On investigation of Irrigation Projects, again the provision was Rs. 1.98 crores. They spent only Rs. 84 lakhs. The provision this year again is Rs. 80 lakhs, and they will not make up for the shortfall that took place.

Look at their attitude to welfare of the weaker sections. In the International Women's Year there was a provision in the Budget for Rs. 3.73 crores, and only Rs. 3.59 crores was spent. For the coming year that provision has been reduced to Rs. 3.40 crores. In fact for the whole Department of Social Welfare, the provision for next year is Rs. 9.12 crores against an expenditure this year of Rs. 9.19 crores. For a poor country, this is speaking very much for the Government.

Look at the Government's attitude to people, to the various segments of our society. It does not hesitate at all, to come forward to this House and give a tax concession to the affluent who earn Rs. 75,000 a year, which is several hundred times of the national income average. But against that it says that the increase in the D.A. of the millions of workers in this country will continue to be impounded. It is the Government's theory that this impounding is anti-inflationary. I would have accepted that theory if the money was kept impounded and unutilised. But now Government intends to us it. Is it not inflationary in the hands of the Government?

How does it become less inflationary in the hands of the Government than

what it would be in the hands of the workers? This is the question which I would ask.

MR. CHAIRMAN: That is so when it is used for productive purposes.

SHRI ERASMO DE SEQUEIRA: Mr. Chairman, Sir, there is also a theory that consumption also leads to production. I am sure, if the workers today get some money, they will be using it for things which they need, which right now they have to do without. Look at the Government's attitude on the question of transport for instance. There is no hesitation on the part of the Government to come to this House and say, they are giving a reduction on the excise duty on motor cars. While in the supplementary Budget of last year an expenditure was made of the order of Rs. 10 crores, for the strengthening of the urban transport system, in this year, there is no provision at all for this purpose, for the purchase of buses and so on. What this Government virtually does is to subsidise the cars of the affluent and suburban masses like packed cans of sardines in the grossly inadequate mass urban transport system which we have in this country, which really needs a thorough overhaul right now.

Just look at the concessions to the Corporate Sector. Capital gains on companies are going to be reduced but the exemption of inter-corporate dividends, which today all of us know is being misused, in order to avoid taxation, that loophole is still there, and it is left untouched.

It is the case of the Government, Sir, that many industries require additional capitalisation. I would have expected, with the economy looking up, with the growth that has been there, the Government would seize the opportunity to encourage those industries which require capital to go in and get it from the market, to widen their equity base. But instead of this, what is it that this Government has done?

[Shri Erasmo De Sequeira]

Government increases the supply of money with the public sector lending corporations. Secondly it exempts loans for purchase of machinery from the Interest Tax. The net effect of these things, when the bulk of revenue comes from excise on mass consumption articles, is that the poor are really financing the rich, aided and abetted by this Government. This is really the situation now.

Sir, the Finance Minister has said that this Budget is oriented to accelerate growth. I fully agree with him. The Budget can only lead to the growth of the affluent, and to continued poverty for millions in our country.

Just look at the Wealth Tax concession. What is the justification for these wealth-tax concessions? We are talking here about a tax on citizens who have more than one lakh of rupees when the vast majority, the largest number of people of our country, do not have even a roof over their heads. And in this situation, how can this concession be justified? Have you ever thought that you would see a day when the Finance Minister in India, in this particular stage of our economy, would come forward before the House and say that he is giving a concession on the wealth of those who have over 15 lakhs? This certainly is beyond even my wildest dreams. I have not seen such a retrograde step in my life so far.

If it was the intention to stimulate investment in desired sectors, there was a manner in which this thing could have been done positively.

As Mr Salve well knows, there already exists in the Wealth Tax Act an exemption for wealth which is invested in any industry or in shares. This exemption could have been enlarged and, through this enlargement, you could have stimulated the investment that the Finance Minister says, he desires. But, this reduction is completely unwarranted, and it is no less than selling out the interests of the people, to a few.

I think whoever has framed the budget ought to read the Twenty-Point Programme because, it was under the Twenty-Point Programme that the urban ceiling would be enforced. And this was a ceiling on urban property. What we have legislated in this House has only been a ceiling on vacant urban land basically. I think it is no secret to anybody that this additional tax on urban assets was causing the sale of urban property because, whoever was fool enough to keep on holding to urban property would lose it anyway. He therefore would start selling, gifting, distributing or doing something. Now, to exempt that is to go against the very principle, against the very objective of urban ceiling.

Sir, I often wonder whether, we have or, whether, this Government has ever tried to define any of its objectives with any reasonable certainty. When I see the concessions in this budget, my doubt increases. Look at the concessions for investment—an investment allowance of 25 per cent for the purpose of purchase of machinery and plant. The exemption from interest being taxed is again for the purpose of purchase of plant and machinery. When will this Government realise that one of the reasons for a large amount of unemployment in this country, is the fact that their entire fiscal incentives have been tailored to the utilisation of capital for the purchase of machine? In our country what we require is massive employment. Section after section of Income tax and Wealth Tax Acts encourage industrialists to go in for capital intensive development. I think this is something which the Finance Minister must think about. And, to my mind, he should seriously think about withdrawing most of the exemptions that apply to the utilisation of capital, in favour of one single exemption—for the utilisation of manpower.

Look at the reduction in excise duty. It has been reduced, on T.V. sets, on refrigerators, on passenger car, on pick-up vans. Are these for the common man's use? Is not every single one

of these a luxury? In our country, look at the reduction in import duty on computers, polyester film for magnetic tape. In what world are we living? Look at the increase in printing and writing papers, patent and proprietary medicines. There has been a demand from all sections of the House that this additional tax should be removed from the Act. I hope the Finance Minister will concede to this demand.

There is, in the Finance Minister's speech, a statement which was long overdue in this House in which he says that the focus must be on maximum utilisation of the local available resources including local manpower. And then 28 years after independence, he has the audacity—I cannot think of a better word—to follow this statement by saying to this House that much spadework is necessary, before genuine operational programmes can be devised. What was Government doing all these years? Having said that first, he carries on to make a provision for an integrated intensive agricultural development of a spicy Rs. 15 crores. I, for one, am sick to the hilt. Expectations are being aroused and then dashed to the ground. I think the whole country also feels the same about it. Look at the attitude to industry. We say that we want a large number of small industries in this country and against a revised estimate of Rs. 4.01 crores for this year the provision for the next year is down to Rs. 3.25 crores. For cottage industry it is down from Rs. 21.85 crores to Rs. 20 crores and for khadi and village industry it is down from Rs. 5.50 crores to Rs. 5 crores. After reading the details it comes as no surprise that the budgetary allocation for steel is Rs. 402 crores and for the small scale industries only Rs. 52 crores. What kind of a country we are trying to build! I do not think anybody in this Government knows.

We all know we had a good monsoon this year and it is estimated by March or April we shall have 10 million tonnes in stock. There are 44 million tonnes of rabi grains coming and I am sorry to see in these budget papers that the pro-

vision that has been made for expansion of food storage is only enough for a storage capacity of 4.5 lakh tonnes. This to my mind is grossly inadequate. Prices are falling and they may crash and, as such, I would like to appeal to the Finance Minister that before the ink on his budget gets dry, he should increase the provision for storage. He should also go in for private licensed storage. He should ensure when the rabi comes on the market, that the prices are, on no account, allowed to crash below the procurement prices. At some places it has already happened. If he is planning to rely on the banking system to purchase the foodgrains, permit me also to caution him. It is not only a question of purchasing. This is the opportunity not only to purchase, but to hold the purchase, to increase the size of the buffer and, as such, he should make additional provision for storage in his budget.

The significant shift in the budget for this year, which to my mind is no miracle at all—entirely the contrary—is that the capital outlay on agriculture has been reduced from Rs. 323 crores to Rs. 11.80 crores, and the shift has been from agriculture to industry because there, it has increased from Rs. 722 crores to Rs. 900 crores. I am well aware that the reduction in agriculture is from the fact that fertiliser which had previously been purchased has now been sold, and a replenishment is not required on that account. But I would have thought that having been able to make a provision of this amount in previous budgets, he would utilise the same percentage of the budget—the amount of money which he today does not require for fertiliser—to go in for a massive agriculture development in this country. Instead he has chosen to sell agriculture down the river, and to go in for steel. This, Sir, to my mind is against the interests of this country and the people of this country, at this stage of our development.

I shall conclude in a minute. It is no news to us that elections are not being held in this country, because the people in this government know,

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that they will land themselves in the opposition. In fact, today is the last day of the elected term of this House, and from tomorrow we shall all be illegitimate children of whatever Article of the Constitution it was, that enabled the extension of our term.

Therefore, if it is the interest of this country that has to be served, I would say that this Government should go to the people as soon as possible, and enable them to choose a better crowd to run this country. "I think this should be said at this stage, that the policy that this country is likely to get from the alternative that is emerging, is a policy which will emphasise the village rather than the city, the field rather than the factory, and would certainly reverse this trend which gets the majority of taxes from the bulk of the people of this country through excise taxation of mass consumer items, and puts it in the hands of a few industrialists through state-lending institutions. This is the one policy that must be reversed, if this country is at all to have, a widespread economic prosperity.

AN HON. MEMBER: Will you not attend Parliament from tomorrow.

SHRI ERASMO DE SEQUEIRA: I am a democrat. I have to bow to the majority. But the trouble is, that you refuse, to listen to me.

SHRI CHINTAMANI PANIGRAHI (Bhubaneswar): Mr. Chairman, for an independent, sovereign and developing country like ours no struggle and no effort is more sacred than the present attempt to achieve self-reliance in the battle to win economic independence for our country. To win economic independence for India means ensuring better lives for millions of our underprivileged people in this country, and we must congratulate the Finance Minister for his efforts to implement and for trying to give a direction to all the new economic programmes that we have announced and the Government are committed to before the people.

Therefore, I must say that the current year's budget truly reflects that great endeavour of our people and the determined political will of our dynamic leadership to take our country forward in that direction.

I can say that this year's budget is really a watershed and marks the beginning of the success of the great, historic struggle of our people which we will have to wage for the coming five to ten years to achieve the objective of a socialist, democratic society to which we are committed.

As I said in the beginning, the Budget the Finance Minister has presented is a budget which is work-development and investment-oriented. Weightage and priority has been given though some friends have not tried to see it, to the core-sectors, to agriculture, irrigation and generation of power which will help in giving a new dynamism to the economy which has been stagnating for the last few years. Therefore, this is a budget of hope and confidence and again a budget of many challenges and also opportunities which we shall have to utilise in the coming months and years.

It again affirms and shows what a nation can achieve in the shortest possible time once it overcomes its cynicism, pessimism and lethargy and the all-round negative atmosphere pervading the country in 1974 and 1973, when a nation gets down to work with hope, determination, courage, discipline and patriotic fervour so as to change the depressive situation prevailing in the last few years.

All those nations who have become great in this century have achieved strength and greatness only through this process and this works like a magic. Therefore, today we must be happy that the budget presented to the House and to the country keeps in tune with the times. The time is of emergency and of the twenty-point economic programme which has been placed before the country to be implemented in all

earnestness and seriousness. Sir, one should not view this budget without taking into consideration the relative political background. If you read it out of the context, then it becomes irrelevant. On hearing some of the Hon. Members' speech, sitting in the Opposition, I was amazed. About a fortnight ago, I was in a meeting where a reception was accorded. And a friend from the Opposition who was there was in a quandary. We were discussing 20-Point Economic Programmes and the friend from the Opposition was saying "these are very good programmes; I have to welcome them. But then, Sir I am in Opposition party. What can I do?" I said "all right this is democracy and you can have a qualified welcome". Therefore, you will find that here too some friends of the opposition in their heart of hearts want to welcome the Budget but they also want to keep their separate identity so they qualify their welcome. We also welcome their qualified welcome.

17.00 hrs.

Sir, if we look at the background of the budgets that were presented in the recent past, in the last two years or so, to this House, you will find that there was a rapid rise in prices of essential commodities and also other commodities. There was an ever-increasing inflation fed by government deficits and the production was much below the capacity in all sectors. Speculative holding of goods was the normal feature of the economy. For the last few years, black money was creating a havoc. Now, Sir, are we in the same position today as was prevailing about two years ago in this country? Today after the Emergency and the announcement of 20-point economic programmes within a period of one year, the price level has become fully stabilised and in many cases, it has come down. If you go into the prices of edible oil, foodgrains and other essential commodities, you will find that the percentage of fall in their prices ranges between 5 and 20. Like this the prices have come down. Now, it has become a problem for the Government because more than the ex-

pected quantity of foodgrains has been procured from the farmers. You were pointing out today in a meeting that the prices of foodgrains in many places are falling and you wanted to give them a support price. Therefore, Sir, today's background is completely different from the background obtained two years ago. Today there is an increase in the production of all essential commodities. It is stated that the production of foodgrains is 114 million tonnes and the buffer stock is going to be 11 million tonnes and with the import of 2 million tonnes, the stock will go up to 13 million tonnes. For the year 1974-75, the growth rate was 0.2 per cent and today it is more than 5 per cent. The power situation in the country is really remarkable. Somebody was saying that the purchasing power of the rupee is going down. I am sorry to hear this because in the last one year the purchasing power of the rupee has increased because of the price stabilisation of all the essential commodities. So, Sir, with all this background, I do not think that we must speak with pessimism that prices of the essential commodities have gone up.

Therefore, what I wish to suggest is that under the changed condition, a new political climate has been created and this climate has created confidence in the minds of the people. The remarkable thing that has been achieved is that the self-confidence of our people has been restored and the morale of our people today stands high. We are proud to say that we belong to this country and we are Indians. It is easy to achieve a success here and there but it is a very difficult struggle to restore the self-confidence of a great and ancient people to its glorious destinies. It is very difficult to achieve total success in such a short time, in a period of one year. It is a remarkable achievement and we have turned the tide of the darkest period of history in our country, when many thought that we will not see the dawn; and we have

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not only seen the dawn, now we see the sun-rise with all its splendour. Therefore, today there is an atmosphere of optimism and confidence which the budget must take into consideration.

The main thing is, the budget has increased the plan outlay to Rs. 7852 crores. In the words of the Finance Minister himself, this is "the highest step-up in development outlay in any one year since the beginning of the era of planning in our country." Another redeeming feature of this year's budget is that while the plan outlay has been stepped up by 31.6 per cent, the tax mobilisation has been the lowest. Some people say, "Why not mobilise more taxes?" If the Finance Minister had mobilised more taxes, it would have been criticised like anything. Therefore, because the economy cannot stand further mobilisation of taxes at this period of time, a little margin has been given so that we can see how resources can be mobilised from other sources besides taxation. We have injected that kind of pragmatism and dynamism into this year's budget.

I must take this opportunity to congratulate the working class of the country on their having been able to contribute Rs. 480 crores, which had been impounded from their dearness allowance. Some come forward with the theory that this amount should have been given on the hands of the workers so that they could buy things from the market and create a demand. In a socialist economy demand is not created like that. If during the difficult times of 1974 this amount of Rs. 480 crores had been injected into the market, we can imagine what would have happened. A knife in the hands of the butcher is dangerous to the sheep but a knife in the hands of the Finance Minister is not dangerous. I must congratulate the working class that in this year's budget,

they have the highest share of resource mobilisation. Instead of going on a buying spree and adding to the inflation and bringing down the purchasing power of the rupee, they have helped the government and their patriotism must be appreciated. I am sure the Finance Minister also will congratulate them. It is a good thing that has been done. If we could take Rs. 480 crores from the impounded DA of the working people, I will go a little further and say that this year's plan outlay could be increased by another Rs. 600 crores. You may ask me, how? The answer is simple. The working population of the country is 180 million. Cannot this government appeal to them to contribute 24 days' work in a whole year for the irrigation and other works we are contemplating throughout the country? If you calculate it in terms of money, it will come to Rs. 600 crores. What is capital, after all? Mahatma Gandhi has answered it very nicely by saying "Capital is accumulated labour". Our labour accumulated today forms the capital of tomorrow. This is not impossible. This is what the other countries are doing.

This leads me to the most important question with which the Finance Minister is grappling today—capital formation. The first and foremost requirement for building a strong and stable economy is to have a large amount of capital formation in the country within the coming 5 to 10 years. The Finance Minister has tried in this year's budget to inject that kind of dynamism so that the capital formation which is needed for the coming 5 to 10 years will start from 1976-77. All the statistics we have show that the capital formation in recent years has been well below what it should have been compared to the growth in the labour force.

What is the labour force that has increased? Our capital formation should be commensurate with the increasing labour force. What is the plant capacity? Our plant capacity is

now too small to offer the number of job opportunities required. We have to make up for lost years and lost growth for the last many years.

Now, Sir, if the economy is to be set on a steadily growing path, it is necessary to achieve a high rate of capital formation through domestic savings—from private sector, public sector and house-hold savings. The public sector's contribution to total domestic capital formation rose above 50 per cent with an investment of about 6000 crores. May I know from the Minister as to what is the contribution of the corporate sector or the private sector to the capital formation of our nation? I hope it is not even 12 per cent with an investment of more than 7,000 crores. Therefore, if the public sector contributes 50 per cent, the private sector should also contribute 50 per cent or even 54 per cent according to the calculations of its investment, so that our economy will not starve because of capital. Domestic capital formation fell from 13.8 per cent of the national income in 1972-73 to 13 per cent in 1973-74 and further to 12.8 per cent in 1974-75. Therefore, it is a great challenge. We must generate our own wealth to go ahead with our Plans. For building a strong, prosperous and self-reliant economy, we must aim at achieving a minimum of annual domestic savings of at least 7000 crores which is only about 14 per cent of our national income, and that will give a big shot in our arms for all the big deficits that are there.

Now, the Finance Minister has left a gap of Rs. 328 crores uncovered. I do not think, so far as my little knowledge of economics goes, that this deficit of Rs 328 crores in a vast country like India where the production of foodgrains has gone to 114 million tonnes and the national growth is 5 per cent, is such a big thing that it will add to any inflationary pressure knowing fully well that all the stringent measures that have been taken

will be pursued rather more stringently.

One more good thing in this Budget that I find is that in many important fields of finance the budgetary burden has been passed on to the banking system. I hope, the Finance Minister will continue this thing.

The Government took over the credit institutions from the private hands for acquiring the required commanding height so that the credit could be regularised. That means, the national exchequer should not take more and more burdens for financing foodgrains, for financing fertilisers, etc. In almost every country, the banks are undertaking special responsibilities—they are looking after national shipping and all that—and it is a good thing that the Finance Minister has relieved the national exchequer from the burden of foodgrains purchase. This is a good thing which has been done and this must be continued. It is a good thing that in the Budget for 1976-77 in many important fields of finance the budgetary burden has been passed on to the banking system. Henceforth the banking system will finance the fertiliser poor instead of the Exchequer. May I know from the Minister why not the Railways, the P&T, and all public sector enterprises, shipping and transport should be asked to generate their own finance through their own resources? Also, why should they come to the national exchequer? Why should they not go to the banking system? I would say that in view of the latest number of job-seekers in the live registers of the employment exchanges—upto the end of September 1975, this was more than 92.54 lakhs, which is 7.1 per cent more than what was there a year ago—it is necessary that all these things generate more investment and more employment opportunities. I support this budget and I hope that this budget will help in the imple-



[Shri Chintamani Panigrahi]

mentation of the hold new Economic Programme.

MR. CHAIRMAN; I have received intimation that the Congress members may be given ten minutes each. Mrs. Ray; Mr. Nimbalkar; Mr. Das Munsi.

SHRI PRIYA RANJAN DAS MUNSI (Calcutta-South): I congratulate the Finance Minister for presenting such a realistic budget, in view of the present circumstances in the country. I sincerely congratulate him and the Government. I thought the Members from the Opposition should also have done so. The way this Government resisted the inflationary trends in our economy, is an example not only for our economy, but also, I can say with confidence, for the economies of any of the developing countries. It is one of the examples of how to control inflationary trends in a democratic political system, having a federal and parliamentary system of government, where people's participation is allowed. It is a miracle. I thought that Members of the Opposition, whether they belonged to the CPI, CPM or the BLD would say at least this much, apart from dealing with the provisions of the budget presented in this House. For the way in which the inflationary trend has been arrested, the credit must be given to the working class and to the peasantry. Many Members from our party have said this. I also voice this opinion. I do not want to say much more on it. This budget, in the opinion of some Members of the Opposition, is a budget of the rich people. Somebody had said that it was a budget to satisfy the middle class. Somebody had said that it was a budget just to save the situation. I feel that it is a budget which reflects the wishes of people to the extent possible, within the ambit of the resources available in the country, keeping in view the possible danger and threat from the political forces that we have. In case it had adopted a much more progressive and

radical posture, it would have required the creation of a situation in the country which does not prevail at the moment. So, I feel that simply saying that the Government should have been more radical would not have been opportunity. The Finance Minister and the Government have done the right thing at the right time. Just prior to my speech, the Member from the BLD Mr. Sequeira tried to emphasize that the Government did not take interest in the vulnerable and poorer sections in the country, but that it tried to do justice to the affluent society. He found some significant shift in the budget. I do not know. People can decide it. I found for the first time that the BLD has shifted its emphasis. For the first time during the last so many years, the BLD member has spoken for the poor people. Mr. Sequeira tried to lay emphasis on agriculture and said that the Finance Minister and the Government were mopping up the resources to promote steel production and for the industrial sector, at the cost of agricultural production. It is absolutely wrong, because Mr. Sequeira did not try to read the budget proposals and the papers. He should realise that agriculture is not an abstract thing; it is a composite and integrated programme, which requires a scientific approach and a scientific outlook. I think this is the first Finance Minister who has said in his budget speech that Indian villages now require a completely different approach, a scientific outlook, both in its agricultural development, production and other inputs. It is in that context that the amount sanctioned has been increased for the power plant, for fertiliser production, as well as for heavy industries, which will ultimately result in agricultural growth. If you systematically try to understand it, without modern tractors, without power engines and generators, without more fertilizers, without generation of more power in the villages, if you

think there can be growth in agriculture, it is absolutely an illusion. It simply cannot be done. In that view of the matter, agricultural production has not been neglected in the budget proposal.

At the same time, the Finance Minister has taken a very positive and realistic view with regard to industries. In view of the sluggishness in our industrial climate, he has allotted more resources for industrial production, specially for heavy industries and small-scale industries. To me it looked funny when I heard Shri Sequeira say that steel production would not help the small-scale industries and ask why more money is being spent on heavy industries and steel production. I do not understand how the small-scale industries of this country will grow if you do not supply steel, if it is not sufficiently available in the country. I do not like to have an argument with the members of the opposition. I will give my own comments on the budget.

The budget, in general, is not one which should be argued about very much, especially in view of the present circumstances. A member from our party, Dr V K R V. Rao, who is an economist, tried to submit that economic exercise requires no political motive. I do not like to use the word "motive", but I certainly would say that economic exercise in a budget of the Government should always reflect its political objectives.

For instance, why was the emergency declared in this country and who created that situation? It is not a simple political exercise. We must realise that there are some economic interests behind it.

In order to combat the reactionary forces, the Government have only three instruments. One is the administration by which we can promulgate the emergency. The second is the political aspect by which we can polarise the democratic and progressive forces of the country at the

national level. The third is the economic instrument by which you can keep a watch over the economic situation. We should not only hold the price line but also look after the economic growth of this country. If we fight on these three fronts, then all the reactionary forces can be halted and all their designing can be frustrated. Unless we adopt that approach, the budget cannot do anything.

It is in that light that we have to look at the budget proposals. When some people say that this budget is not for the poor, I beg to differ from them. This budget is a budget for the poor. This budget, in some way or the other, tries to give enormous amounts for the rural development programmes, common area development schemes and irrigation, including the 20-point programme.

If we look at the conditions in the villages today, they are no more villages. They have taken the shape of urban problems with urban desires and demands. Social we have to tackle them, keeping that change in the situation in mind.

Coming to the employment problem, according to the Economic Survey, the employment generated last year was 25 per cent in the eastern sector, 24 per cent in the southern sector, 16 per cent in the western sector, 24 per cent in the western sector and 12 per cent in the central sector. The entire employment which has been created is only in the organised sector, and that too by the public sector industries; it is not in the non-organised sector, not in the rural sector, where agricultural activities and activities relating to the problems of the rural people exist. Keeping that problem in mind, provisions have been made in this budget for irrigation, power generation and other connected matters to improve agricultural development. Therefore, I sincerely feel there would be ample scope and opportunity for rural employment next

[Shri Priya Ranjan Das Munshi]

year, which will result in increased employment opportunities as compared to last year.

I would only request the Finance Minister to bear in mind that over the last three years it is the public sector units in the organised sector which increased production and, at the same time, provided employment by curtailing heavily the expenditure on establishment. But if you take the private sector, specially the larger houses, they did not respond and, in fact, they did the reverse. In the private sector, employment generation last year was only two per cent as against 15 per cent in the public sector, but the capital investment by nationalised banks in the public and the private sectors has been more or less the same. So, the Finance Minister must ensure that the large houses in the private sector create more employment opportunities, curbing their profiteering tendencies and curtailing their heavy establishment expenses.

The multi-national corporations are now compelling good employees in the marginal income group while retaining the high-salaried people in the establishment hierarchy. The Finance Minister should take a note of this

For the first time the Finance Ministry came out boldly to unearth black money through the voluntary disclosure scheme. We must appreciate that Government was able to do it against heavy odds. Instead of saying that much more ought to be done, we must encourage those who did this job in the income-tax, excise and customs departments so that they feel that, like their compatriots, the politicians, they have a role to play in the country in eradicating corruption. If we discourage this trend, it will not help because it is not the

Finance Minister or the Parliamentarians who can conduct the raids. On the other hand, if we encourage them, they will help the country go forward in the interests of the future prospects of their own children and fellow brethren.

Sufficient investment has not been made in the modernisation of industries, particularly in the plantations, especially in tea. The tea industry is not able to earn more foreign exchange because of two reasons. One is lack of power in the tea-producing areas like North Bengal, Upper Assam etc. The second is that the managements there are corrupt and are compelling the Government to take over the tea gardens as sick units. If the industry is modernised, it will help in earning more foreign exchange and also in mobilising additional monetary resources within the country.

We have introduced the public distribution system and there is a good trend in agricultural production and in building up buffer stocks, but the Government of India is perhaps not giving sufficient attention to it in co-operation with the State Governments as a result of which we find that people are not getting their requirements of standard cloth in spite of the fact that stocks are piling up in the godowns. The Finance Minister may kindly look into it. I have got two points which I will submit within two minutes. One is the managerial efficiency. Since the plan provisions have been increased this year, which is another commendable feature of the Budget, it has been encouraged by a few political parties of the Opposition and others have not done it. This will entirely depend on the efficiency and performances of the entire public and private sectors including the core sector. I will submit to the Ministry and the Government that if they, within the ambit of one or two years, consider the reasons behind the progress of the public sector versus that of the private sector, they will find that the

managerial efficiency and cadre efficiency are the main reasons for efficiency. Now, there is no distinction between the private sector and the public sector, so far as financial policies are concerned. The public sector units are entirely managed by the Government and the private sector units entirely depend on the Government, especially the banks, the LIC and other financial institutions. The only variation is in the managerial efficiency. If the Government finds a way how we can build up a very strong cadre, a managerial efficiency team to develop industrial units both in the core sector as well as in the public sector, I think the threat, which rightly or wrongly, the monopolists may create against us will be removed provided we take over these units.

As far as IRI is concerned, it is one of the noblest institutions under the Ministry of Finance, which has helped—which the CPI(M) do not realise—millions of the working class in our State and in the entire country for developing and gearing sick units by giving finance. But, at the same time, if you say that IRI has become a sort of banking agency only to give money and they have no control over them it is not correct. As a result of this, in most of the cases, the managerial people of the private sector units are taking the money and exploiting it. It looks as if they are not accountable to the Government or the people. I submit if this entire institution is toned up, not as a banking agency but also as a managerial agency over the industrial units, it will help the sick units to become healthy units.

With these words, I conclude. I do not want to embarrass anybody else. I congratulate the Finance Minister once again and say with confidence that we will win, because we do not know how to face a defeat; we only know how to win.

**SHRI P. G. MAVALANKAR** (Ahmedabad): Mr Chairman, Sir, may I at the outset express my gratitude to you for calling me at this stage of the debate, and may I also at

the outset express my sense of happiness that the Finance Minister is back again to his desk after his hospitalisation, and that in the midst of his own ill-health, he has struggled hard to give health to the nation's economy?

This year's two budgets, the Railway Budget earlier and now the General Budget have had their special flavour. Not only they are budgets which do not dislocate or disturb many things, but they do not even attempt to disturb in terms of the expected fears and apprehensions of either the commuters who go by the railways or the general taxpayers who have each year to expect a large basket of all sorts of taxes, an assortment of taxes, shall I say; the Finance Minister has not been tempted to go into that kind of exercise this year. Surely, that in itself shows some sign of not only a positive attitude but a certain sense of robust health of the economy. He has rightly said in his opening remarks that the thrust in this budget is thus towards accelerated growth; having achieved stabilisation and consolidation, the next step is, of course, this: that after the take-off you want to have speed.

But the first point that I would like to mention is that although the optimism of the Finance Minister is something, which to some extent I share, I hope that it is really and truly well-founded, I hope and trust further and that is more important, that his and the country's and this Parliament's optimism will be favourably and honourably responded to by the concerned sections of the community. Well, obviously he has by outlining his taxation proposals and also by giving reliefs on a variety of grounds, in fact this year, gone to the other extreme; instead of having an assortment of taxes, he has an assortment of reliefs, both direct and indirect, and I hope and trust that this will be responded to honourably and favourably by the community at large.

Having said that, I must not forget some of the still pressing problems

[Shri P. G. Mavalankar]

of the country and of the economy, the problems of green revolution, the problems of unemployment, the problems of rate of economic growth and the problems of deficit financing, to what extent deficit financing would be considered helpful and even necessary and to what extent it would after a particular limit become a dangerous proposition. All these questions, including of course the inflationary whirlpool and disequilibrium in various aspects of financial matters, are tasks and challenges to which, I am sure, the Government under the able guidance of the Finance Minister and his colleagues will pay their attention.

I am tempted to quote here one extract of a speech given recently by the distinguished economist, Dr. K. N. Raj, when he addressed the students of Kerala University on the subject of National Emergency and students. This is what Dr. Raj said. I quote almost a verbatim record of what he said:

"The real reasons for the situation we now find ourselves in, can and should be traced back to some of the rather deep-seated maladies in our economy that have been gaining strength and intensity for some years. There has been no clear recognition of its character and gravity, not even perhaps at the highest levels of policy-making, because there has been a tendency to look for tranquilizers and, therefore, to be excessively elated by any evidence or symbol of success without evaluating critically what exactly such successes signify in the wider context and in the longer run"

Therefore, I hope, the tranquilizers do not lure the Finance Minister and the Government into a sense of complacency about various aspects of the economy.

My first point when I come to the Budget proposals themselves is this,

Although I appreciate the fact that the Budget proposals do give spur to an honest tax-payer and also it means an encouragement to people who will earn and who will also be prepared to part with a good part of earning, and give it to the State, there is one thing more also. As Justice Holmes once said, "I pay taxes and buy civilisation." You might say now, "I pay taxes and buy Welfare State" in the modern context. But surely, if the direct taxes level and the wealth tax level have been reduced partly in tune with the Wanchoo Commission's recommendation also, I wonder whether it is not right to criticise the Finance Minister's proposals by saying that he is putting the tax-evaders and the honest tax-payers almost on par because the Voluntary Disclosure Scheme in itself is also a premium to tax-evaders, whereas over a period of the last 5 to 10 or 15 years, the people who have been paying taxes honestly including some people who earn through business and trade, the honest tax-payers, are not given any relief in our Yearly Budget proposals. So, I would beg of the Finance Minister and his colleagues to look into this question as to whether we cannot have a pattern of taxation wherein although there is some pinch to pay a tax—there is bound to be a pinch—the people will feel happy that they are taxed upto a particular limit and whatever is taxed has gone for the nation's health and strength and that the tax-evaders are rightly and in time punished. If this does not happen, then, I am afraid, merely giving relief will not have the matters solved.

In other words, it is really significant to say that the ideology and dogma should be truly kept miles away by the Finance Minister and that the pragmatic and practical approach should be his main concern. This is not to say that proper goals should not be set. Of course, the goal of social justice and the effort to go in the direction of an egalitarian society must always be there. In

fact, the whole fiscal policy and the budgetary policy must be in tune with the goal of social justice, going towards an egalitarian society. But if one goes by merely an ideology and a dogma, then it becomes a Budget full of ideological overtures without practical and pragmatic considerations. It is from that angle that I feel that the Finance Minister has done a good job this time by minimising the dogma and political ideology and maximising the practical and pragmatic approaches which are very necessary for any fiscal and financial matters.

The Finance Minister has mentioned in his Budget speech the 20-point programme. I do not know whether it is a 20-point or a 21-point programme. I suppose, it is 20-point programme. Everywhere, one sees the advertisement. Now, obviously, all the 20-points are not of equal significance and importance. Some of them are of a very temporary character or of a passing character and some of them are of a basic character. I want to ask the Government, not only the Finance Minister but the Government in general, whether it is the absence of legislation or absence of fiscal measures that came in the way or the absence of political will, the absence of will on the part of all of us, not only of Government but all the legislators, not only of the Federal Parliament but even of the State Legislatures. I will give one example. Year after year, I find, no Finance Minister ventures to tax agricultural wealth and income. Way back, in 1972, under the Chairmanship of the very same Dr. K. N. Raj, the distinguished economist, whom I have referred to in the earlier part of my speech, there was a Committee on taxation of agricultural wealth and income, and the report was presented by the Committee within a record time of less than seven or eight months in the same year, because, it was said that the report must be ready for discussion by the National Development Council. But, to my knowledge, that report was never dis-

ussed by the National Development Council, and as it happens with many such important and good reports, it has been shelved in the archives of the Secretariat of the Government of India. I am not saying that you, must go all the way and implement what all Dr. Raj has suggested. But why not explore the field of agriculture! taxation?

With regard to the other proposals, I do not want to say much except that a general impression has been created that Mr. Subramaniam has given relief to very rich, rich and higher middle class people, but the poor and the lower middle class people are left out. I do not think that criticism will be valid until we wait for some months and see what happens. But, certainly, some of the aspects of his proposals do give an impression that he has more concern for the economically higher strata of the community than for the ordinary people. I do not know why he should have given reduction in excise duty in the case of television sets and refrigerators. It is true that they have become almost a requirement in the higher middle class homes, especially in urban areas, but surely they could have been kept out of his gamut.

Lastly, in the remaining few minutes at my disposal, I would like to come to two things, i.e., about the happenings and finances in Gujarat. After the Pondicherry, Nagaland and Tamil Nadu Budgets have been passed, the turn of Gujarat is coming next week. I regret I shall not be able to participate in that debate, because I shall be out of Delhi. I would like to tell the House and also you, Sir, that, although President's rule is not a novelty—it is there in many parts of our country—the way it has been brought about and the way a fluid situation has remained in Gujarat—I am not speaking in terms of this party or that party . . .

**MR. CHAIRMAN:** You may speak on that when it comes up for discussion.

**SHRI P. G. MAVALANKAR:** I would not be able to speak next week. That is why, I sought your permission. The Gujarat Budget will come up next week; before 31st March, we have to pass it here; but I would not be here to speak on that. My point is that the people of Gujarat, as indeed the people in all other parts of India, want a stable Ministry, whichever party may form it; they want elimination of defections—the disease of defections. There is a Select Committee on that subject; I suppose, you are a Member of that, Mr. Chairman; I am also a Member of that. The Committee goes on for ever! I want to know whether it is right, in 1976, to go about having the fall of a Government and having emergence of a new Government by encouraging and engineering defections this way or that way; and, this was done by persons who were expelled by the Congress Party themselves; not very late, only in 1974, after the Navnirman Movement, the Congress Party expelled somebody and they took his help to have the fall of the Front Ministry . . .

**SHRI NATWARLAL PATEL (Mehsana):** The Morcha Government was formed with the support and help of those about whom you are talking.

**SHRI P. G. MAVALANKAR:** I am not entering into politics. My hon. friend, Mr. Patel, may rebut all my arguments. But my point does not refer to Gujarat as such. I am talking of the legislation on defection. It is a most urgent one. Why do you go for defections all the time? Do you want everybody to join the Congress in order that he be a patriot? Is that the idea of democracy? Surely, not. The Prime Minister herself says that dissent must have a place in our society.

Now that Gujarat has got to have the budget passed by Parliament here, may I make one request to the Finance Minister. Let him actively and

urgently consider the question of royalty on oil which has been there for a long time. I hope, Gujarat will get some justice; it is already delayed. The amount of royalty that we get on oil is ridiculously low and the income that the Central Government gets on it is so enormously high that there is a disproportion between the two.

I would also like the Minister to have a look into the question of setting up an Atomic Power Station in Saurashtra, Gujarat and the establishment of Hajira Shipyard near Surat.

Having said that, I will end by saying that on our national scene today, the emergency, censorship of the press, the absence of dissent etc. are aspects of the situation, wherein the truth is not often gauged even by Government or by Parliament. If we do not know the other side, how are we to know, what the criticism is? But I do not want to end my speech today with that kind of a note. Today being March 18, it could have been the last day of our present Lok Sabha; it has been extended by one year, and that is why, we are here. Therefore, I will only end with a fervent hope and appeal that we shall all go sensibly and speedily in the direction of social justice and a democratic and an open society.

**SHRI K. SURYANARAYANA (Eluru):** Mr. Chairman, Sir, I am very happy to say that the presentation of the budget for 1976-77 might well become significant for the integrated rural development. As long as our rural economy is not strengthened, and as long as over a hundred million able-bodied persons in the villages are either under-employed or unemployed for the best part of the year, they will constitute a drag on the rural economy and a burden on the nation's production. Though everybody is sympathetic and they want the first preference to be given to rural development, in practice, it does not seem to be that. Sir, we are

planning for land reforms without any proper consideration for their needs, like banking facilities, proper distribution of things like fertilizers etc.

Shri Gopalan mentioned today that this Government has not taken any action effectively regarding land reforms. I would like to give certain figures in this respect. In Andhra Pradesh, area declared surplus was 79,000 acres; area distributed: 1100 acres and area taken possession of: 2,800 acres. The reason for this was that the judicial intervention, particularly in exercise of the writ jurisdiction of the High Courts has led to the grant of *ad-interim* injunction against implementation of the ceiling laws in many cases. This is the reason. Otherwise, much interest has been taken in this respect by the Government.

The other day I raised the question in the consultative Committee with regard to the recent abnormal fall in prices of agricultural products and what steps have been taken by the Government to stabilise prices in the interest of producers. They have not given any specific plan, how to stabilise the abnormal fall in prices, particularly in the rice-producing areas. So also is the case in respect of potatoes in U.P., wheat in Haryana and Punjab as also in Bihar.

The recent fall in prices thus represents, to an extent, the process of normalization of the price situation. It may be pointed out that despite the recent fall, prices of fair average quality of foodgrains are ruling generally above the level of procurement prices fixed by the Government. Mr. Chairman, Sir, my State is supplying foodgrains to your State Kerala; and you also develop your agriculture and you may need only 25 per cent. The Andhra Government as offered the farmer a procurement price of Rs. 72 per quintal for paddy. But nobody is purchasing. Even the Food Corporation is taking from the millers directly but they have not been able to pay to the millers and foodgrains

lie stored in the godowns and 20 per cent of our godowns are not foolproof. If you only plug these loopholes and utilise full capacity of our godowns, there will be no necessity to import foodgrains from abroad. In this Budget also they have provided for Agriculture and Allied Services. Last budget it was Rs. 427.30 crores—Rs. 363.45 crores (Revised) and in this budget it is Rs. 447.77 crores. This includes food subsidy also. In the last budget it was Rs. 295 crores, Rs. 250 crores revised budget and it is Rs. 300 crores in the budget of 1976-77. Now, the entire revenue disbursements go to food subsidy. So, instead of giving subsidy for foodgrains imported from other countries, I want to request that the government, in order to encourage our farmer, by giving other facilities, should also subsidise the inputs.

Now, coming to our expenses side so that realistic prices can be fixed for paddy as also for sugar cane, I want to give you some figures. There are also figures supplied by the Ministry of Agriculture the other day. I want to give our experience. Preparation of field—Rs. 150 per one crop. Cost of seeds—Rs. 50. Fertilisers—Rs. 250. Watering—Rs. 50. Weeding charges—Rs. 50. Cutting (harvesting) charges—Rs. 100. Transport charges—Rs. 50. Land tax—Rs. 50. That means our expenses per acre is Rs. 750 on an average. Now, what are we getting in return? The Government procurement price is Rs. 74 per quintal and the average production per acre is 12 quintals of paddy. So, the income is Rs. 928 but the expenses is Rs. 750 and so the net income is Rs. 178 per acre. Now, what is the cost of acre of land in Andhra? It is Rs. 3000—4000 in areas other than the delta area, in some delta areas it is Rs. 25000—30000 per acre. For industries they at least calculate a return of 12 per cent on the capital employed but in agriculture there is nothing. In our area one sugar factory started some-time ago but they have given bonus shares 5 times their capital. If you



[Shri K. Suryanarayana]

treat agriculture also in the same way and fix the price, we will be very happy and we will produce all the food that is required in the country. There will not be any rural unemployment. Instead of all these things, they are always giving, as our friend said, concessions for refrigerators, cars and things like that. In my opinion, the problem facing our country is the food problem. Cars and refrigerators and other luxuries are not a problem of our country. The problem is to increase food production and for that what steps are to be taken by the government. I am very happy at least this time our Minister is conscious of that and we have now a strategy for integrated rural development. We realise that agriculture will continue to provide the prime sustenance to our rural population for years to come. That is what he said. But what steps is he taking for development of agro-industries? Some years back, at Bhubaneswar Congress Session we passed resolution to nationalise rice mills in the country. We have not taken steps in that regard. What is the difficulty? All the rice mills are old except a few. There is no necessity to give any compensation to all. Compensation may be given only to new mills. The same thing may be done in the case of sugar factories. Our party and our Government are committed to nationalise sugar factories. Sugar cane price has been calculated, levy price has been calculated. The sugar factories have been manipulating and they have been misleading the Government. Panjab.

MR. CHAIRMAN: You will have to close before the house adjourns to-day.

SHRI K. SURYANARANANA: I have not completed even half of my speech.

MR. CHAIRMAN: You must finish it.

SHRI K. SURYANARAYANA: I want to lay emphasis on the development of the rural industries.

Sugar industry and rice industry are in the hands of the Government. Jute industry may also be nationalised and may be given to the rural sector.

You have provided Rs. 200 million to the handloom industries at the rate of one rupee per square metre. You are asking that orders for dhoties and saris may be given only to the handloom industry. We are very happy that you are giving subsidy to the handloom industry. Likewise, instead of giving all the trouble to the farmers of sugar cane and paddy. You may consider giving some subsidy to paddy growers and sugar cane growers also. You are earning a lot of foreign exchange on sugar exports. This year and last year because of sugar you earned foreign exchange worth lakhs and crores of rupees. But what is the return that you are giving to them? Sugar cane growers and factory owners are not happy. They are losing heavily. In U.P. and Bihar, we are told, the sugar factory owners have not paid levy price. Sugar cane growers requested the State Governments to help them to get the price of cane from the mill owners in time. The State Government say that they have no powers. They advised the cane growers to go to the court of law. Cane growers are poor people. They cannot afford it. The cost of cultivation of paddy per hectare in Andhra Pradesh in 1971-72 for A. 1 was Rs. 821.84. They are now getting net income of Rs. 270. The net income per hectare for A.1 in 1971-72 was Rs. 924.61 for A2, it was Rs. 849.37. I do not want to give all the figures. I want to request the Government to take a realistic step to safeguard the interest of the rural economy.

Government has got the policy to purchase land and give house sites to the rural people. The State Govern-

ment have purchased land in my District for house sites. They have spent Rs. 70 lakhs to purchase 1000 acres in my district, West Godavari. I want to bring my problem to the notice of the Finance Minister so that he could kindly bring it to the notice of the Defence Minister. There is a dis-banded aerodrome of Ministry of Defence at Tadepallegudem. For the last 20 years nearly 600 people have been living there. Shri Shastri has also got that information. Their party has also been agitating in this regard. Police had gone there to demolish the hutments of these 600 people. On 4th, Military officers, MEO have gone there. Knowing all this, I sent a telegram to the Collector not to assist them in demolition and removal of those 600 people. Please advise MEO not to remove the hutments. The aerodrome is a dis-banded one. It was constructed during the Second World War. On the one hand we are purchasing and giving house sites but on the other hand you are asking the man staying in government land to go away. They should not be removed. In this way when the Government lands are being occupied by them for the last 25 years they have been paying the municipal taxes and so on. Therefore Sir, it is a burning issue. Unless this sort of thing is stopped now, unless proper steps are taken, all these 600 families or 500 or six thousand people will be ruined. This situation must be remedied.

18 hrs

MR CHAIRMAN Shri Lakkappa wants me to place a request before the House. He will be out of Delhi tomorrow and he wants to make a submission. If the House accommodates him, I will give him five minutes. He must be brief.

AN HON MEMBER He may be permitted.

MR CHAIRMAN Shri Lakkappa

SHRI K LAKKAPPA (Tumkur)  
 Mr. Chairman, Sir, at the outset I want to thank you for having extend-

ed the time and for allowing me to say these few words.

Our country has recovered from the great shock of inflation, indiscipline and rising prices. This is due to the astute leadership of this country by the Prime Minister, Shrimati Indira Gandhi.

Now I must congratulate the Finance Minister because he has made an honest attempt to improve the situation and for implementing the 20-point economic programme. I would not say that all attempts have been made, but I would say, honest attempt has been made in these given circumstances. He has also made a definite strategy for rural economic growth. This is most important. I am speaking for the dumb mutilated, millions of our people. Of course, the other side has given certain statistics and indulged in certain jugglery of figures with which we are confronted. I am not concerned with those figures. It is a reality that the economy of this country has been built on the basis of the political philosophy that has been enunciated by the Prime Minister. That also has been reflected in the Budget. That is why I must congratulate the Finance Minister.

There are certain concessions which have been given and these are only to the upper middle-class people. Whatever concessions we give, one thing has to be remembered. The greatest asset of this country is the manpower we have. 80 per cent of our people live in the rural area. They are expressing the will of the people as a whole and they are bearing most of the burden. I would like to know as to what are the efforts which have been made in order to help those people who have no means of sustenance in this country. Because, even the concessions which have been announced to the upper middle classes, will not be helpful to the dumb millions of our people and the

[Shri K. Lakkappa]

poor farmers. The incentives that we have announced especially to the farmers are really shocking. Take the Rs. 100 concession on urea. We have to remember that the rural economy has to be built on sound lines. We know about certain coercive steps which are being taken in various States. This Budget is also reflected in the case of the taxation measures made by the various States because we are in a federal structure. That also is amply reflected. The heavily-taxed people are the poor farmers in the various States. If there is no incentive to the farmer, how can rural economy pick up, how can the condition of 80 per cent of the have-nots improve? I hope that the Finance Minister will reply on this aspect

After the 20-point programme was launched, we wanted to see that the banking system and its administration improved in this country.

We should see how far after nationalisation of the banks, they are helping the poor farmers in the rural areas. I do not think that even what is called 'Rural Banks' that we are thinking of opening or operating in various parts of the country have been opened as yet.

Even the officers of the nationalised banks are in a mood to help the poor farmers but when the farmers go to the banks for any loan, I do not think they are really helped at all. I would here like to make a reference about one of the nationalised banks in my own state namely the Mysore State Bank which is a lead bank. That lead bank has not even come to the help of these poor farmers. Nothing has been done to them; no loans have been sanctioned to them. In fact these poor farmers are put to all

sorts of hardships. Besides, even the infrastructure in regard to the supply of inputs and fertilisers to these farmers has not been developed as we have envisaged.

It has been made clear that there will be an integrated rural development. At the same time, our intentions also have got to be made clear that the same should be implemented. That has not been done.

MR. CHAIRMAN: You should now wind up.

SHRI K. LAKKAPPA: I would like to tell this House that when I speak here I am speaking here on behalf of 80 per cent of the people who belong to the agricultural community. Their lots and their economic conditions should be improved. Whatever strategy may be adopted by you in regard to the amelioration of these people such as supply of inputs of fertilisers, etc, should be implemented faithfully. These people should be got relieved of their difficulties. It is the opinion of the entire House which we are reflecting on behalf of the poor farmers and their economic conditions should be improved. And whatever you want to do for them should be done realistically. Thank you, Mr. Chairman, for having acceded to my request by extending the time and thereby giving me this opportunity to speak.

MR. CHAIRMAN: The House stands adjourned to meet again at 11 A.M. tomorrow.

18.08 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Friday, March 19, 1976/Phalguna 29 1897 (Saka).*