

[Shri P. K. Deo]

been given to scale down the property. It is a regular feature in the annual Finance Bill to further restrict property by fiscal measures. So, when there is adequate provision, I beg to submit as to why the Government ask for a blanket power for expropriation, and that too is not justiciable. When there is a wild talk of committed Judges in the Supreme Court, why not do away with the institution of private property? Then at least we will know where we stand. The Party in power is treating us to a sort of strip tease.....
(*Interruptions*) They are trying to strip us of everything. When I am mentioning strip-tease, I don't say about the Parisian clubs.

SHRI VIKRAM CHAND MAHAJAN (Kangra) : On a point of order, Sir. Rule 356 says :

"The Speaker, after having called the attention of the House to the conduct of a member who persists in irrelevance or in tedious repetition either of his own argument or of the arguments used by other members in debate, may direct him to discontinue his speech."

MR. SPEAKER : Thank you very much. I am thinking of it.

SHRI P. K. DEO : When I said 'strip-tease', I never meant the night clubs in Paris. I said it in connection with the stripping us of the property.

MR. SPEAKER : It only shows that in strip-tease you are quite modern, but don't bring it in here.

SHRI P. K. DEO : In the Indian context I bring to your notice the episode about Draupadi ! When her clothes were forcibly taken away in Duryodhana's Sabha, Bhishma, Drona and other elders were witnesses to it. I only humbly request that Mother India be not stripped of her values and fundamental rights.

The Prime Minister has expressed her concern regarding the poor people, and Mr. Gokhale has introduced the Bill. Our *per capita* monthly income is hardly Rs. 49. But my friend, Mr. Gokhale, resigned his job of Rs. 3500 per month because he cannot maintain a life worth living with that amount and

he talks of doing away with the property right now. He wants to delete Article 14, that is equality before law, Article 19 and Article 31. I most respectfully submit that the matter be referred under Art 143 to the Supreme Court by the President. Otherwise, there may be confrontation. So, I say that unless that is done, it is beyond the competence of this House and I oppose this Bill.

MR. SPEAKER : Now, the question is :

"That leave be granted to introduce a Bill further to amend the Constitution of India—that is, the Constitution (Twenty-fifth Amendment) Bill".

The motion was adopted.

SHRI H.R. GOKHALE : I introduce the Bill.

14.09 hrs.

FINANCE (NO. 2) BILL, 1971—*Contd.*

MR. SPEAKER : Now we take up the discussion on the Finance (No. 2) Bill. The time allotted is 9 hours. Already about an hour has been taken.

Mr. Salve was on his legs.

Mr. Salve.

14.9½ hrs.

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

SHRI N. K. P. SALVE (Betul) : The other day I tried to deal with some of the salient features connected with Direct Taxation contained in the Finance Bill, especially those which had come in for very severe criticism and which attracted a scathing indictment of the Finance Minister. I had been able to put forward before the august House certain facts and data in support of the points I was canvassing that the hue and cry raised by the corporate sector that the proposals affecting them in the Finance Bill had made a *detente* in the growth of the corporate sector was utterly untrue and the criticism on those grounds of the proposals of the Finance Minister was utterly one-sided. I had pointed this out with facts and figures that after taking into account the various exemptions, concessions and incentives, and statutory deductions,

in respect of calculation of real, commercial profits, the tax would be much less than the rates which were prescribed in the schedule.

Now I come to the second aspect of the proposal in the Finance Bill which has come in for much criticism—withdrawal and abridgment of some of the incentives. A matter of very serious criticism is the withdrawal of the development rebate. The second one is relating to the abridgment of the list of priority industries, the rate of deduction of total income of priority industries from 8 per cent to 5 per cent.

The third aspect relates to the structural change in substantial law and in respect of computation of capital on which tax-holiday is allowed. Development rebate is proposed to be withdrawn from May, 1974. By then it would have been on the statute-book for about 20 years, two decades. Unfortunately precise data is not available as to what is the exact loss in revenue in these 20 years on account of the Development Rebate nor is exact data available as to how much has this incentive raised acceleration, of our economic growth.

I would like this question of withdrawal of development rebate to be considered calmly from many basic angles. Some people have said that withdrawal of development rebate is going to bring about a heavy impact on the corporate sector and that it will affect the entire economy. The question to be considered is : Is not 20 years a fair period for tax incentives or not ? The second aspect is, whether development rebate constitutes the *sine quo non*, the indispensable condition, for industrial growth of the country. Thirdly, because of the provision being what it is, has it helped concentration of wealth ? Have business houses, as a result of development rebate, been able to amass more and more assets to their existing assets, cornering shares and accumulating power in the hands of a few.

The first point for consideration is whether 20 years period is a sufficient duration for incentive or not. What is a tax incentive ? It is a device by which the Exchequer makes short-term sacrifice for long-term gain. If for 20 years this tax incentive has been good then it is high time we got rid of it. I think we could have got rid of it earlier. This can never come about to be a permanent feature of any tax structure, nor can it ever become a lasting, integral part of any tax system. It

will have to have a sense of impermanence about it. I suppose 20 years' duration is for too long already for any incentive.

The second important point is in regard to development rebate. Is development rebate utterly indispensable for industrial growth ? If the argument is that as a result of development rebate the tax rates which act on the corporate sector are such that at such concessional rates, industrial growth is possible, and bereft of this incentive, industrial growth would be impeded and it would be adversely affected, then, in fact, it is not a case for continuation of the incentive, but it is a case for provision of the rates. That is a different aspect of the matter. If our industrial growth cannot at all come about with the normal rates prescribed in the schedule, then why ask for relief through the back-door ? Why not come through the front door and argue the case in a forthright manner and say that the rational rate ought to be such and such and the taxation has to be at such and such a rate ? If these people say that as a result of development rebate the industries get the necessary incentive because there is a concessional rate of taxation which alone conduces to growth, then I think that it is not a case at all for keeping the incentive. They are arguing a case for revision of rates, and since for revision of rates there is no case, they want continuation of the incentive. If the case is that any concession or any relief given in taxation conduces to growth, then it is a different story. That is the philosophy on which the Swatantra Party lives. That is not the philosophy to which we are ever going to subscribe. Growth by itself does not mean anything. Unless the growth is coextensive with social justice, it is not going to mean anything to us ever.

The third very important aspect is this. One who has known the working of the development rebate knows very well that after plant and machinery are acquired, 75 per cent of the development rebate which is sought to be claimed has to be created into reserve account statutorily and it cannot be used for purposes of declaration of dividend, but it would otherwise be freely available for any purpose ; funds corresponding to this would be available for any purpose. I have known of schemes and I have known of devices as a result of which so systematically plant and machinery have been acquired and growth brought about and at the cost of the exchequer

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there has been concentration of wealth. A small man may have benefited or may not have benefited. But utmost advantage has been taken of this. It would be an interesting study if someone were to analyse the balance-sheets of the monopoly houses of the preceding few decades. It would be a very revealing thing to find out how much development rebate has helped them to accumulate wealth. Then, it would be known that certainly this is something which is completely opposed to our philosophy and the pledge which we have given to the people, and one would also know why the end of the development rebate is the end of the whole corporate sector.

The Finance Minister has very rightly referred to the fact that after all, there are incentives and incentives. If this type of incentive is discontinued, then there are other types of incentives more dynamic and more modern. Sweden has several incentives where when they are spread over the years, neither the exchequer suffers nor the industry suffers. Certainly, we can think of framing other incentives, and it is utterly erroneous to think that development rebate is the only form in which can give an incentive for accelerated growth.

Coming to the priority industries, six industries have been stripped of their priority status, and they are petro-chemicals, aluminium, soda ash, cement, refractories, commercial vehicles and automobiles. Further, these industries which have been stripped of their priority status will hereafter get a deduction of 5 per cent of their total income as against 8 per cent, as a result of which they would hereafter pay tax at the rate of 52.25 per cent instead of 50.6 per cent. No one will object to it if instead of 8 per cent, 5 per cent is deducted on the same principle. If it is an incentive, then at some stage, it must come to nought. But I am unable to understand why these six industries have been chosen and stripped of their priority status. I must point out to the Finance Minister that for manufacture of every truck, 13 persons are employed, and 42 per cent of the cost of the transporter is taken by way of revenue and taxes by the State and Central Governments. Likewise, in the case of aluminium, we have tremendous deposits of bauxite, and we can harness the deposits of bauxite, and we have great export potential.

I would request the Finance Minister to consider the rationale of stripping these six industries of the priority status, specially when there are very many other industries still enjoying priority status. If the status should continue, I would request him to consider whether it is necessary to abridge the list in this manner.

Finally, there is the criticism why debentures and long-term loans are hereafter to be excluded in the computation the capital base on which 6 per cent deduction is given for purposes of holiday. It is a very simple proposition. On all debentures and long-term loans, interest is already deducted when total income is computed. After that, there was an absolutely unjustifiable and irrational provision that over and above the deduction of the interest which might be 9, 10 or 12½ per cent, there would be a further reduction of 6 per cent on the debenture and the long-term. All that this provision has done is to rationalise and remove an anomaly which was so far existing so far as computation of capital was concerned.

I come next to income-tax on the non-corporate sector, the income tax rates of personal taxation has not been disturbed as such. The surcharge, however, on income-tax on individuals and HUFs was raised from 10 to 15 per cent on incomes which exceed Rs. 15,000. About this increase also, there has been some misgiving. At the outset, I must make it clear that in matters of personal taxation, there does not exist a very great hiatus or disparity between effective rates and paper rates in the schedule in respect of those assesseees who receive their income by way of salaries or those taxpayers who choose to pay their tax honestly. This is unlike the corporate sector taxation where even honest companies pay in reality taxes at rates which are far less than those mentioned in the schedule on their real commercial profit. As regards the 5 per cent increase, I must make this clear. Wherever I go, people say in government offices 'My increase is over Rs. 100'. Others say, 'My increase is Rs. 150'. I must make it clear that on increases upto Rs. 1,250 there is to be no surcharge increase. On Rs. 2,000, it is 15.42P, less than one per cent; on Rs. 3,000 it comes to Rs. 37.50P, which is 1.2 per cent; on Rs. 4,000, it is Rs. 65.83P which is 1.51 per cent. I cannot understand how a Government servant is ever made to pay Rs. 100 more. If that is happen-

ing, I would request them to get the matter properly checked up.

Then there is a criticism levelled against the Finance Minister by some people that the rates have been so devised that they are more onerous for the poor than for the rich. I am unable to understand this criticism of the Jan Sangh members. I can imagine nothing more idiotic than this type of criticism. Only if the income tax and wealth tax rates were properly and effectively ever implemented, I think the disparities will disappear in five minutes.

A very interesting study has been made by one of the eminent writers on this point. He has worked out that a person who has Rs. 1 lakh net wealth and has 20 per cent return on this capital employed in business, after payment of income-tax and wealth tax is left with Rs. 17,125. If the net wealth is Rs. 5 lakhs and the return 20 per cent, that is about Rs. 1 lakh, after payment of income tax and wealth tax, what is left is Rs. 35,200. If he has a net wealth of Rs. 10 lakhs and the return is 20 per cent, that is Rs. 2 lakhs, after payment of income-tax and wealth tax, he is left with a paltry sum of Rs. 38,200. On Rs. 15 lakhs net wealth with 20 per cent return, he is left after payment of income tax and wealth tax with Rs. 20,450. On Rs. 20 lakhs, if he has 20 per cent return, or Rs. 4 lakhs, after the same process, there is a deficit of Rs. 7,300. If he has Rs. 1 crore by way of capital and 20 per cent return, the deficit is in the vicinity of Rs. 6,21,300. That is the total impact—that a man with a capital of a crore of rupees must be a refugee in two minutes time.

SHRI G. VISWANATHAN (Wandiwash) : He will not show the accounts.

SHRI N.K.P. SALVE : It only shows the magnitude of evasion and avoidance under this. It has to be properly appreciated that it is not as though our rates are more favourable to the rich people. Certainly this is not real picture we see in society. This is not what is happening in reality. It is only a few honest people who have to face this. I was talking to Dr. Karni Singh, he is not my client ; I can mention it here. He said that so long as this situation remains, one can do nothing else. I have my sympathies with him, as a friend ; this is likely to happen for a person who is not able to do some sort of

racketeering with his money. That is likely to happen with a person who is having things which are not remunerative. But what happens in reality ? I have never known of a man with a crore of rupees becoming a refugee like this, because there is a deficit of Rs. 7,21,000, and with Rs. 1 crore, he is thinking of becoming a monopoly house, and that is because there is infinite scope for evasion and more infinite scope for avoidance. Therefore, the question of disparities remaining is absolutely unabashed and unsolved. The question of disparities, therefore, has today assumed an extremely alarming proportion. There is less-privileged and the under-privileged, and the exploited and the down-trodden in the socialist society, and it will be extremely hazardous to remain complacent as we have been all these years. On that score, the disparities in taxation must be abridged by any means even if it involves ruthless and drastic measures and difficulties.

I am willing to suggest a more rational base for taxation. But I am not sure that on a more rational base for taxation, we will become more honest. I am unwilling to rush where angels fear to tread. Our dishonesty would continue to be what it is. We will be where we are.

Then, I come to the wealth-tax. I extremely welcome the provision of raising the wealth-tax levy to eight per cent. Only, I complain to the Finance Minister that he has not increased the wealth-tax on urban assets which I feel are very liberal. On five lakh urban assets, there is no extra wealth-tax. On the next five to 10 lakhs, it is only five per cent. On the next 10 lakhs, it is only seven per cent. In fact, you should use this device to bring about an effective scheme of ceiling on urban property. If we leave it to the States, it will never come about. There is no doubt about it. But we can evolve a rationalised wealth-tax without obstructing or impeding the progress or the activity of house-building, and yet that we can certainly think of bringing about a ceiling on urban properties.

However, I have a grievance against the Finance Minister about the revised rates. The revised rates do not take into account the exemption of a lakh of rupees. Let me make it clear. I have no objection if you want to tax a man. But how many people have a lakh of rupees in this country ? If he wants to tax a man with a lakh of rupees, tax him by all means. But my grievance is,

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you are taxing a man with Rs. 1 lakh at a figure higher than what you are taxing a man with Rs. 15 lakhs. A study reveals something which is not fair. Let it be a progressive rate. If you take Rs. 15,000 out of Rs. 1 lakh, it does not matter. But then you deprive a man with Rs. 15 lakhs at less than the rate at which you are taxing a man with Rs. 10 lakhs. Let it be a progressive measure of taxation. Here, it is found that on Rs. 5 lakhs in 1969-70 the wealth-tax was Rs. 2,000. In 1970-71, it came to Rs. 4,000 and in 1971-72, it is now Rs. 5,000. It is an increase of only 25 per cent. But for a man with Rs. 1,50,000, if in 1969-70, he was taxed Rs. 250, it has now become in 1970-71, Rs. 500, and then in 1971-72, it is Rs. 1,500. It is 300 per cent. So, I would request the hon. Finance Minister to consider this aspect of the matter a little more carefully and see whether this was the measure of taxation he really contemplated. It is opposed to socialist approaches in the country. I request him to look through the chart. I would not read it, because I have a few more things to say. I request him to look into the chart given in the *Economic Times* of 30th May, 1971...

MR. DEPUTY-SPEAKER : I request him to be brief, because the list of his party has now lengthened. I thought it was a short list and I could give you all enough time, but in the list that has come now, many more are seeking an opportunity.

SHRI N. K. P. SALVE : I shall finish within five minutes.

THE MINISTER OF FINANCE (SHRI YESHWANTRAO CHAVAN) : May I know when the consideration stage will be over? When will I be called upon to reply?

MR. DEPUTY-SPEAKER : We have eight hours more. It may not be today. There has to be some calculation. We will inform you

SHRI N. K. P. SALVE : May I request the Finance Minister to refer to the chart given in the *Economic Times* of the 30th May, 1971, where it is given that the rise at the level of Rs. 1,15,000 is more than that at Rs. 15 lakhs. If this is correct—I am sure this is not what was contemplated—I request him to have

my amendment No. 123 properly examined by his officers and see whether that is more rational and bring about a levy of taxation which would be commensurate with the concept of progressive taxation.

I refer to the amendment of section 5(1) (viii) of the Wealth Tax Act which seeks to tax jewellery hereafter. It is a very welcome measure, for nothing is as offensive as a vulgar demonstration of expensive and gaudy jewellery worn by women who lack the background of both education and culture, and not unoften good looks also. However I cannot understand jewellery having been exempted. But the law was faultily drafted. My submission is that he should consider the reasonableness of making it retrospective from 1963. The Supreme Court held in the Commissioner of Wealth Tax versus Mrs. Arundhati Balakrishna that the legislature had made express provision to exempt taxation of jewellery. I have no doubt in my mind that it was not completely the fault of the draftsman. How is any one responsible for it? If the responsibility rests on any one, it rests on the House and the Government for faulty drafting. Retrospective legislation of this nature where you are withdrawing a tax concession is, I submit, opposed to sound and accepted basis of legislation. Secondly, it should be carefully examined because there is a strong opinion that this type of retrospective legislation would be ultra vires the Constitution.

I wish to refer to the attitude of the department in preferring frivolous appeals. A whole lot of wasteful and unprofitable litigation is carried on from the Appellate Commissioner to the Tribunal. The Law Minister was saying yesterday that there is a large pendency, 80,000 appeals happen to be there as a result of the department's coming in to prefer appeals. The Law Minister says that eighty per cent of them are rejected outright by the Tribunal.

At long last they have as a Chairman of the Board of Taxes a very able man, a man of ideas and I think with his imagination and drive he would be able to rid his department of this kind of unprofitable activity. I am sure the Finance Minister would take this grievance seriously. Not only are you increasing appeals and wasteful litigation; you are also unnecessarily diverting your energies to something which is not going to be profitable.

I have to protest against the tax on foreign travel. The Finance Minister has given some relief but it is inadequate. It is still going to adversely affect the Air India. I submit that Air India is one institution for which all of us feel immensely and I speak here to prevail upon the Finance Minister not to touch this Maharajah of 17-18 years, who is the symbol of India's magnificent service and hospitality; he should be spared. For a talented and versatile Finance Minister, it should not be impossible to raise Rs. 3 or 4 crores from anywhere else; he can impose a levy on the corporate sector or on individuals but he should not levy this tax. It is going to hurt Air India so much.

In the end I wish to refer to the most unfortunate developments in Bangla Desh and the utterances of Gen. Yahya Khan about India. The General has started speaking the language of war with India. It is an indication of the crack-up of his regime. Despotic rule always comes to an end by avoidable wars. Yahya is speaking the language of war and says: I am not going to be alone. Very soon the General will be disillusioned when he realises the customary treachery of the Chinese wolves. So far as we are concerned, we never want war with any one; we are not made that way. If he talks like this, what does it indicate? He must not mistake the decent norms of behaviour of the Indian people as a sign of weakness. This type of despotic generals never understand any decency. They only understand the jack boot. The General will do well to remember that whether anyone else fights with us or not, his own people will fight with us against his despotic rule. This man, after the Indian armies have marched through the fields and factories of East and West Pakistan, will be consigned to the dust bin of history and will remain under the garbage of eternal ignominy, disgrace and dishonour. He will be hated not only by future historians and the rest of the world, but by his own people the most. He will be hated by his own people the most for having ruined their lives, trampled upon their rights and for having taken the lives of hundreds and thousands of his innocent countrymen only to aggrandise his totalitarian design, only to have more and more authority and personal power.

*SHRI M. S. SIVASAMY (Tiruchendur):
Mr Deputy Speaker, Sir, I would like to say

a few words during the second stage of the discussion on this year's Budget, namely, during the debate on the Finance Bill.

Sir, if you examine the Budget Estimates and analyse dispassionately the policy behind these estimates, you get the nagging feeling that the country is slowly and steadily being dragged to the precipice of total disintegration. A close study of the last two, three years' Budget will substantiate my point. For the year 1968-69 the revenue receipts were originally estimated at Rs. 3027.30 crores. But the actuals of revenue receipts came to be Rs. 3084.07 crores. You will find, Sir, the excess of actuals over the estimates was to the tune of Rs. 57 crores. In the year 1969-70 a sum of Rs. 3322.21 crores was estimated to be the revenue receipts, but the actuals were Rs. 3388.54 crores resulting in an excess of about Rs. 66 crores. Now, let us see how the expenditure on capital account stood during these two years. In 1968-69 the estimated capital expenditure was Rs. 761.48 crores. In fact, only a sum of Rs. 427.91 crores was expended during this year, leaving an unutilised balance of Rs. 334 crores. The percentage of unutilised amount to the estimated expenditure capital account was as high as 43%. Similarly, there is this kind of tragic repetition in the year 1969-70 also. Out of the estimated capital expenditure of Rs. 769.58 crores, only a sum of Rs. 648.44 crores was spent in 1969-70. Thus, the expenditure on capital account fell short of budget estimates by Rs. 121 crores. If you go through the Report of the Comptroller and Auditor General of India for the year 1969-70, you will come across the indisputable fact that a sum of Rs. 53.68 crores out of the appropriations sanctioned by this House under various heads of Demands of Central Ministries was surrendered unutilised. As the maxim that the proof of the pudding is in eating goes, the fact of non-utilisation of such huge sums, after obtaining the sanction of this House, proves beyond doubt the callous attitude of the Central Government in the implementation of approved schemes and the rank inefficiency that prevails in the Central Administration. You are aware that in our country auditing is done on random sampling basis. If such a random audit itself reveals an excess of Rs. 631 crores over the estimates, I shudder to think the magnitude of faulty budgeting if we evolve a system of 100% auditing of the accounts of the

*The original speech was delivered in Tamil.

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Government of India. One may legitimately entertain grave doubts that every year many hundreds of crores of rupees might have gone unutilised.

The actual revenue receipts are Rs. 123 crores in excess of the estimated revenue receipts; on the other hand, the capital expenditure is less by Rs. 455 crores than the budgeted expenditure in two successive years. The total variation in both the Revenue Receipts and Capital Expenditure Accounts had been Rs. 631 crores. Under such a situation, what is the attitude and approach of the Government? Every year they come before the House with a deficit budget and invariably the House is asked to approve new taxation proposals. I am at a loss to understand why the Government should resort to deficit budgeting and also to new levies, when the revenue receipts are in excess of the estimates and also the capital expenditure is much less than the estimated. With all the paraphernalia of high-paid officials and a plethora of institutions at their command, if this is the performance of the Central Government, I am sorry to state that we have only a bleak future.

I would like here to refer to the treatment meted out to the States whenever they approach the Centre for financial assistance. As the former Chief Justice of Madras High Court, Shri Rajamannar, pointed out, the Central Government act like the proverbial mother-in-law and the State Governments are given a step-motherly treatment. Whenever the State Governments seek the financial succour of the Centre for their capital expenditure, the Centre shows them empty hand. The Centre has in its hands almost all the major revenue raising powers. The Central Government alone are in the happy position of receiving foreign loans. They float frequently internal loans. They mop up the internal savings effectively. But, whenever a State Government has been left with no option except to approach the Centre for financial assistance, the Centre does not hesitate to say no. The Centre's negative approach to the needs and requirements of the States must change. I would request through you, Sir, that the Central Government must come forward to sharing with the State Governments the powers to raise financial resources.

SHRI G. VISWANATHAN : The hon. Member is making some very important points and the Minister must listen to his arguments. It is the duty of the Minister. The interpretation is there.

SHRI M. S. SIVASAMY : Recently, I came across a news item that the Governor of Reserve Bank has issued a directive to an elected State Government that its overdraft was overdue and it must be cleared within a month. The hon. Finance Minister, though he is aware of the financial position of the State Government, is keeping mum. But, a sum of Rs. 19.38 crores due to the Central Government as interest on the loans given to the public sector undertakings is in arrears for the past eight years. No steps have so far been taken to collect this overdue interest from them. In the case of failure of a State Government to repay the loan, immediately it is served with one month's notice. This kind of attitude smacks of malicious discrimination.

The Central Government act like a usurious money-lender so far as the State Governments are concerned. They get interest free loan under the PL 480 Agreements, but when they condescend to grant loans to the State Governments, high interest is charged on such loans. It is time that the Central Government realises that the States are the inseparable constituents of the country and India is an entity in itself. It is of imperative necessity that the Centre should shed its complexes and take a more helpful attitude towards the States.

The foreign exchange requirement for the Fourth Five Year Plan is about Rs 1750 crores net. In order to realise this quantum of requirement, we need to raise Rs. 4050 crores in foreign exchange. What happens to the difference of Rs. 2280 crores, which we are to raise in order to obtain a nett amount of Rs. 1750 crores? This huge amount is necessary for repayment of old loans with interest during the five years of the Plan. Every year a sum of Rs. 400 crores is to be paid towards repayment of loan and interest. To give an example, an uneducated labourer, when he is faced with financial difficulties in meeting his day to day essential needs, goes to a greedy money-lender for getting a sum of Rs. 25 as loan and signs a note for Rs. 100. When we find that the Central Government have to get Rs.

4030 crores with a view to realising a nett amount of Rs. 1750 crores, you would admit, Sir, that the Centre is no wiser than the uneducated and needy labourer. After implementing three Five Year Plans and after 23 years of our independent existence as a nation, the country has been placed in this pathetic plight. New loans are obtained for paying back the old loans. The Centre does not feel shy in asking for moratorium on repayment of foreign loans. But, when the States ask for postponement of the recovery of loans or for re-scheduling of loans, the Centre does not hesitate to display their displeasure. With grin and grimace, such requests for moratorium from the States are contemptuously rejected. One month's notice is given for the clearance of overdraft. The Central Government are imbued with a sense of superiority over the States, as if they are the masters and the States are their servants. If this kind of Centre-State financial relations are perpetuated, I would like to issue a note of warning that the Centre is taking the country to the top of a smouldering volcano, which may erupt any time spelling doom and disaster for the country as a whole.

Sir, let us pause and ponder over the circumstances that led to the freedom struggle in Bangla Desh. The Members belonging to various political parties clamour day in and day out both inside and outside this House that the Government should accord recognition to Bangla Desh. The Pakistan Government at Islamabad had arrogated to themselves all the powers leaving little autonomy to East Bengal. The people of East Bengal were treated as serfs and the Pakistan Government had no compunction in condemning the people of East Bengal to eternal slavery. They were chained to the apron strings of Central Government there. This sort of oppression and suppression of the legitimate rights of the people of East Bengal threw up Mujibur Rahman the raise to banner of the freedom struggle. The situation in our country is not much different. The States are treated as servants and the Central Government, in spite of being endowed with enormous powers, do not, flinch from encroaching upon the rightful sphere of activities of the State Governments. I would warn that, if the present attitude of the Centre persists, not a solitary Mujibur Rahman but a multitude of Mujibur Rahmans would rise in our country.

Our history is replete with instances where the autocratic attitude of the Central Government not only led to their ignominious downfall but also to the creation of several small independent units in the country. If you see the rise and fall of the Mughal Empire in our country, you will be convinced of what I am saying. When Aurangzeb was the Emperor, his territory extended from Himalayas in the North to Tiruchiroppalli down South. But, later many small States like Trivandrum, Mysore, Sivaji's Maharatta and such other small States came into being. In fact, there were more than 300 splinter groups in the country. What was the reason for that? Aurangzeb in Delhi was omnipotent and omniscient and he had in him all the powers. Four hundred years ago, this situation led to the disintegration of an Empire. You are aware, Sir, that history repeats itself and if the Central Government do not change their attitude, they will be the originators of such a calamity. The Central Government can resort to any amount of taxation. They are also empowered to receive any amount of foreign loans. Besides, the States are fleeced to their skin by the Centre asking them to repay loans and interest on such loans even under duress. I would sound a note of warning that your majority may sustain you in power for a year or two. But, if the present invidious distinction between the Centre and the States continues, as the Mughal Empire ended in disaster, as the Pakistan is now facing the imminent disintegration with Bangla Desh becoming an independent country, our country also will follow that ruinous path. I would like to request the Government to take all necessary steps at the earliest for avoiding such a catastrophic consequence.

After two decades of Independence, the Central Government have got a new-found love for Socialism. The slogan of socialism is resounding inside this Chamber and reverberating outside. Can this ideal of establishing an egalitarian society ever be achieved by this Government? More than 1000 industrial concerns are in the iron grip of 20 capitalist families. So long as this situation prevails in our country, socialism will never come to our country. Where is the nationalisation programme of the ruling party? Has the standard of living of the people gone up? No. What has happened to the target of achieving production to the installed capacity in our public sector under-

[Shri M. S. Sivasamy]

takings? It is far from realisation. The middle-class people in our country is facing the signs of extinction. In the capital city, a middle-class man getting Rs. 1000 or so as his monthly income is forced to take loans at the end of the month at an interest rate of annas four per rupee. That is the economic situation in our country today. As a sop to the aspirations of the people, 14 major banks were nationalised by the Government. How are they now running them? When the banks were in the private sector, the retail dealers and traders were able to get loans from the banks without much difficulty. Now, recently the nationalised banks have been instructed to contract so far as their credit-extending functions are concerned. We were told that the banks had been nationalised with the noble object of serving the common people.

During these two decades, the Central Government have invested Rs. 1633 crores as capital in the public sector undertakings and have also given to them a loan of Rs. 1700 crores. The total comes to Rs. 3333 crores. What is the return on this huge investment? The trading organisations have earned a profit of Rs. 48.43 crores, but the public undertakings producing capital goods have incurred a loss of Rs. 83.14 crores. On the massive investment of Rs. 3333 crores in our public undertakings, we are incurring a loss of Rs. 35 crores per year. If the private sector had his enormous resource with them for investment, they would be making at the rate of 12% per annum a profit of Rs. 400 crores. You know, Sir, that if we want to achieve real socialism in the country, the instruments of production should be in public ownership. Our instruments of production are in public ownership, but with what result? You can imagine the direction in which the country is moving. Our economic efforts are at the lowest level and the goal of socialism is fast receding. I have no hesitation in saying that the root cause for this is the Ministers sign wherever they are asked to by the bureaurats. Unless this situation is changed, you may invest 30,000 crores in the public sector and yet you may not be able to get any tangible return. It is not possible for this Government to achieve any appreciable success in their public undertakings, so long as they do not take effective steps to curb the monopoly growth of 20

capitalist families running nearly 1000 industrial units in our country. They are the stumbling block in the progress of public undertakings.

I would like to know from the hon. Minister what effective steps have been taken to energise the public sector units. In the year 1967-68 we imported consumer goods to the tune of Rs. 518.2 crores; in 1968-69 Rs. 336.6 crores, in 1969-70 Rs. 261 crores. In the six months of 1970-71, April to October, we have imported consumer goods to the tune of Rs. 124.9 crores. Let us see what we have done in the matter of importing capital goods. In the year 1967-68 we spent of Rs. 517.3 crores in importing capital goods, in 1968-69 Rs. 527.4 crores, in 1969-70 Rs. 400 crores and in the six months of 1970-71, April to October, a sum of Rs. 222.6 crores has been spent in importing capital goods. If the Government import more of capital goods, it can be appreciated and it can also be pardoned. But in one year we have imported consumer goods more than capital goods by Rs. 1 crore. The barometre to measure the economic progress of a country is achieving self-sufficiency in the production of consumer goods and to some extent its ability to export such consumer goods. I would like to ask why industrial units for producing consumer goods have not been set up in the public sector. How long we are going to import consumer goods worth Rs. 500 crores per annum, causing thus irreparable drain on our slender foreign exchange resources? It is not enough to gloat over the fact that some major banks have been nationalised. I feel that the use of magic wand of nationalisation of banks is a sort of deception on the people hankering after socialism in the country. You can never usher in the era of socialism so long as you import consumer goods to the tune of hundreds of crores of rupees. If the existing private units producing consumer goods are not utilising the installed capacity to meet the needs of our people, they should be nationalised forthwith. More units for producing consumer goods should be set up in the public sector.

Recently, in the newspapers, I happened to read a report about the Bureau of Public Enterprises under the aegis of the Ministry of Finance. This Bureau is supposedly to go into the working of the public sector units and help them in augmenting their production

But with this huge set-up and with an investment of Rs. 3333 crores the public sector units continue to incur a loss of Rs. 35 crores a year. I do not appreciate the necessity for such a useless super-organisation.

I request that the Central Government should ponder over these problems and see what steps can be taken to improve the Centre State financial relations if they are intent upon maintaining and sustaining the unity of the country, and if they want to raise the standard of living of the people.

In conclusion, I would like to place before the House a few suggestions for improving the present economic situation in the country. The Central Government should put an end to the setting up of useless organisations. The State Governments should be taken into confidence in the matter of setting up public sector industrial undertakings. In whichever State a public sector unit is set up, the State Government should be associated with the management of such an undertaking as a full-fledged partner. The Central Government should encourage joint ventures with the active participation of State Governments. Parkinson's law should not be allowed to operate in the Central administration. The attitude of widening the stranglehold on the State should be changed. As recently pointed out by the former Chief Justice of Supreme Court, Shri Gajendragadkar, the Centre-State financial relations should be reviewed and if necessary the Constitution should be so amended as to grant greater financial autonomy for the States. Instead of examining the Rajamannar Committee's Report on Centre-State relations by a Committee of Secretaries of the Central Ministries, I would like to suggest that as suggested by our beloved Chief Minister Kalaignar Karunanidhi a committee of the Chief Ministers of States should be constituted for this purpose with a view to strengthening the hands of Central Government and to instilling a greater sense of unity in the country by giving the States their legitimate share in the administration of the country.

If the Central Government show unpardonable hesitation in doing these worthwhile things, I would like to warn that the blame for sowing the seeds of discord and disunity in the minds of the people of this country will squarely rest on the shoulders of Central Government and the people will have no qualms in condemning this Government for lack of farsightedness.

With these few words, I conclude.

SHRI CHINTAMANI PANIGRAHI (Bhubaneswar) : Mr. Deputy-Speaker, Sir, today is a red letter day in the history of India and of our Parliament that two most important Bills have been introduced for amending the Constitution of India so that our Constitution becomes a living Constitution and tries to help the revolutionary urge of the people to march forward on the path of socialist reconstruction of our economy.

In response to the reasonable demands of many Members of our party and of the House, the hon. Finance Minister has considered the various tax proposals and has given many concessions so far as some of the important tax measures are concerned. We welcome such steps by the hon. Finance Minister.

The fast developing situation in Bangla Desh is adding far larger burdens to our economy than was expected when this Budget was introduced. Knowing fully well what is coming in future months, speaking on the budget I had pointed out that the provision of Rs. 60 crores was really a guesswork and that perhaps we would have to bear the burden of these refugees for more than six months and when I said, perhaps for 1½ years, some people thought that it was too much.

I must say that we should be prepared to bear the burden of more than Rs. 1,500 crores in the coming 18 months over the Bangla Desh refugees who are coming. This must be a huge burden on our resources and do not know how the Finance Minister is thinking about it. I am sure that he is coming forward with a Supplementary Budget. I do not know how he is trying to arrange the resources.

15 hrs.

Another most important factor that we see after the Budget is that the prices of all essential commodities are rising. That is what we apprehended when the Budget was introduced. It is surprising that price rise now is quite unexpected. The hon. Finance Minister also has agreed and seen that, really, the price rise is quite unexpected. Some measures should be taken to see that the price rise does not go further up and that it comes down. So far as middle-class families are concerned,

[Shri Chintamani Panigrahi]

the price rise in consumer items is most conspicuous.

Today, I think, I will be correct in saying that the money supply with the public has gone up to Rs. 7000 crores. I think, this was not expected. If this process goes on, perhaps, the deficit financing will reach a point of about Rs. 350 crores as against 210 crores a year. Therefore, the only course that is left open to the hon. Finance Minister and to the Government is to try all possible ways to see that the rate of savings is increased and all unproductive expenditure is discouraged and all conspicuous consumption is discouraged by the new class of rich which constitute 10 per cent of the population in this country.

One more disquieting feature is that the non-Plan expenditure which was thought to be kept under check is rising by about 8 per cent. In 1969-70, it was a little less; in 1970-71, it was going up further and the way things are moving, in 1971-72, I am sure, it is going to touch about 12 per cent.

Now, a Committee was appointed to see how tax is being evaded. I hope, the hon. Finance Minister must have got the report by now.

SHRI YESHWANTRAO CHAVAN : Not yet.

SHRI CHINTAMANI PANIGRAHI : It should have come by now. The hon. Finance Minister would have know where are the resources. If it has not come yet, I hope, the hon. Minister will try to see that it comes very soon so that he tries to plug the loopholes of tax evasion. So far as my knowledge goes, only the other day it was mentioned that tax arrears are to the tune of Rs. 170 crores a year. What I am submitting to the hon. Finance Minister is that efforts should be made here and now that the tax-collecting structure, the administrative machinery, should be so streamlined that there cannot be a huge tax arrear to the extent of Rs. 170 crores a year. This cannot be allowed. It may be Rs. 50 crores or Rs. 60 crores due to some litigation and disputes. But in an ordinary course of collection of revenue, it cannot be of the order of Rs. 170 crores. I hope, some measures will be taken in this regard. The hon. Finance Minister must be seized

of the matter and he should see that it does not remain like this.

I must bring one thing to the notice of hon. Finance Minister that there is a little lack of coordination in the thinking process of the various Ministries. I am not going to give all the instances. I may bring to your notice one or two instances. In the Budget, it was quite nice for hon. Finance Minister to say that consumption of petrol should be reduced because we are going to pay more and more to the foreign oil companies and the prices are rising still more. It is good that he did it. But if you see the demands and the outlook of the Industrial Minister, in this very House, he said recently that the production of car is to be increased and that two units with an output of 50,000 cars each are to be set up very soon. What does it mean? You are going to have two more units of 50,000 cars each, that is, 1 lakh cars. The cars do not run on water. They run on petrol. When we see that the foreign oil companies are trying to increase the price taking advantage of the present situation and the fuel shortage in this country and, when the Finance Minister wants to see that the consumption of petrol is curbed so that we save our foreign exchange resources, the Industry Minister thinks that this is perhaps a priority item so that there must be a production of one lakh cars. It means more consumption of petrol. It means satisfying the needs of the new class of rich. If it is so, how are you going to check conspicuous consumption so far as this new class is concerned? I think this needs consideration.

To-day, we are going to introduce the most important Bill to amend the Constitution of India.

MR. DEPUTY SPEAKER : We have introduced.

SHRI CHINTAMANI PANIGRAHI : Yes, Sir. We have introduced. Perhaps, we may have it passed before the session ends. Let us hope that with your blessings we can do it.

How is it that only three days ago the Birlas took away as much as Rs. 56 lakhs from the Finance Ministry towards the sale of Birla House? Would it not have been proper

on our part to wait for this? I think, Sir, somewhere there is some lack of co-ordination. The Finance Ministry may say, 'You have agreed. What can I do? I cannot go back on things agreed to.' Sir, if things go on like this, where will we go?

To-day the most important point before us is how to see that we find the resources for financing our Plan and at the same time see that we take up the extra burden which is falling on us because of the exodus of refugees from the Bangla Desh. I am not going to describe any other thing. Only I am going to suggest three or four measures. If you look at these measures, you will find them more practical and no extra expenditure is involved and if they are implemented, the Finance Minister will become so strong that by 1973 he can declare to the whole world that India has overcome all its difficulties and emerged as a nation with much more confidence.

Here, I will just mention that the preventive maintenance of industrial machineries, stock and equipment will give us more than Rs. 4000 crores. In India it has been estimated that a public bus costing Rs. 40,000 to Rs. 50,000 becomes a complete wreck within two to three years. In the London Passenger Transport, the average age of a vehicles is 18 to 20 years. In USA the vehicles are depreciated on a life-cycle of 10 to 12 years. If we recognise this and adopt this preventive maintenance it contains within itself the seeds of new capital formation. Without any new investment our industry can to-day produce at least 20% more if it is properly maintained and if only the wheels of machinery run smoothly.

When I think of preventive maintenance of industrial machinery, I am reminded of the recent mishap in the Rourkela steel plant. A complete roof portion of the steel melting shop has collapsed. It was a major mishap. Nowhere in the world in any steel plant roof has collapsed like this. The collapse has resulted in the closure of all the 5 LD converters, closure of two more blast furnaces in addition to the one already unserviceable, slow down or suspension of work of permanent units/departments such as raw materials, coke ovens, electric sheet mill and all units of the rolling mills and closures/slow down of the ancillary industries.

The loss in terms of money is going to be Rs. 150 crores for the coming six months and if I could just mention a few points, the Rourkela melting plant accident has generated a fresh wave of speculative buying in steel in the markets of India. The prices have firmed up and they are expected to go up further. Prominent consumers as well as dealers are reported to have made sizeable purchase of steel sheets and plates in the market during the last one week apprehending that the prices are going to increase still further. Rourkela production was expected to be 1.10 million tonnes by 1971-72, but, as a result of this collapse it is going to be only 5 lakh tonnes of steel. You can easily understand what a catastrophe it is for this country at this critical hour and then, Sir, you can understand with what a casual manner the whole thing is being treated as if a peg of wine just spilled over the dining table. Rs. 150 crores is the loss which we are going to suffer for the coming 6 months.

We find that preventive maintenance has not been taking place and this has been neglected. Enquiries are conducted, but under whom? Under the very presence of the General Manager who is responsible for these things. You know what will be the result.

Whatever industrial capacity we have in this country is not being utilised fully. If it is utilised properly perhaps we could match the Chinese in strength and in economic power. I met some Chinese Engineers some years ago who came to Bhakra. They were saying, your Bhakra-Nangal project is a very good project, even if half of such a Project would have been in China, we would have been proud of it; we would have sent posters to millions of houses proclaiming this. Today we find, Nangal fertiliser is being criticised for anything and everything. We have developed a habit of criticising our public sector plants. I hope we shall develop confidence. There is one thing which I wish to point out and it is that only 80 per cent of our industrial capacity, on an average, is being utilised. May be it is 50 or 60 per cent somewhere else. But on an average only 30 per cent is being utilised. I request the hon. Minister to see that at least next year we utilise 80 per cent of the installed capacity and by 1973 we utilise 100 per cent. The Finance Minister need not go and borrow any more.

[Shri Chintamani Panigrahi]

No further taxation is necessary. We can increase resources by another Rs. 4,000 crores.

If you go to any public or private sector godowns you will see in the deep dark corridors there lying frozen large chunks of capital in the form of massive quantities of slow moving materials, semi-processed and even finished goods.

Some time back the Reserve Bank of India conducted certain surveys in respect of the inventories of 1001 odd joint stock companies. It showed a total amount of Rs. 800 crores. It was done 6 years back. If it is done today the inventory position in the Joint Stock Companies would amount to Rs. 1,500 crores. If you include the inventories both in public and private sectors, it will amount to Rs. 5,000 to 6,000 crores. I hope this will be looked into. The entire capital is in bondage. We are trying for capital formation. Today, if the Chinese are confident, it is because they are the one country in the world which never borrow from any other country. It is better to stand on one's own leg than to go and borrow from all over the world. Because we borrow, we have to pay Rs. 600 crores by way of amatisation and interest payment to debtor countries annually. Even the foreign oil companies have taken Rs. 210 crores by way of remittances of profits during the last three years. With this type of drag on our resources, how can we build up our economy and how can the people bear this burden? Therefore, the time has come when we must give some serious thought to the finances of the country and to the economy of the country.

I had the occasions to look into the details of some of the public sector undertakings, and you will be surprised to know that in one such project 260 ledgers were maintained weighing 4.65 tonnes, and nothing moves. The more the ledgers, the more the weight grows, and the more you require space for accommodation of the files. The Finance Minister, Shri Y. B. Chavan, is a very strong man, and I would request him to reduce the file-work by at least 50 per cent so that we can release the capital from bondage and put it to the productive use of the country. These ledgers cause delay, and the more the ledgers, the more the corruption. You will find that the ledgers

are neater and cleaner than the machinery itself.

The time has come now in this country when we shall have to stand on our own legs. I am not enamoured of the suggestion made in some quarters. In 1962, when the Chinese attacked us, some people said that we might go over to America. Similarly today when President Nixon and Mao-Tse Tung are going to meet, some people say that let us go over to the Soviet Union. I am so proud as an Asian that the mighty capitalist country of Nixon is now coming to the heels of Mao Tse Tung. I think that this is a great achievement. Of course, the timing was not so good, and I agree there. But may I ask one simple question? When there is a constant meeting between Mr. Gromyko and Mr. Rogers in New York, nobody takes note of it and it is love-making or peace-making. But when Mao and Nixon meet, it is said that it is not peace-making. One cannot understand this logic. One should be very careful about this thing. Today, China, the Soviet Union and America are the three biggest powers in the world and they are trying to adjust between themselves. So, let us not just go into their traps.

India has been endowed with the greatest and biggest possibilities, and in the coming years India should build up its own economy on its own strength and on its own power because India is going to be the last hope of democracy in this region and in this continent. The nearest centre of power that is going to develop in S. E. Asia is North Viet Nam. It would be in the interests of India and in the interests of all the peace-loving people of Asia if we try in all possible ways to see the nearest centre of power that is developing in South East Asia, namely North Viet Nam is befriended and we have better relations with them. One of the greatest revolutionaries of our time had said very rightly that in all critical moments, the masses intervene spontaneously. We have seen that the Indian masses had intervened spontaneously in 1967 and they intervened spontaneously again in 1971, and today the masses of Bangla Desh have intervened spontaneously in Bangla Desh and the next time when the people of India are going to intervene spontaneously may be in 1973, that will be a different kind of intervention, and let us prepare ourselves for that.

Therefore, the only logical alternative to social disaster is here and how to give full employment and enforce a fare wage policy, because the twin enemies of our country today are the class of new rich who constitute 10 per cent, who are avoiding all taxes.

SHRI HAMENDRA SINGH BANERA (Bhilwara) : All Congressmen.

SHRI CHINTAMANI PANIGRAHI : No. I do not know how long he has been in this House. It is because of Congressmen that perhaps he is surviving.

The second thing is the need to tackle the vast unemployment problem, the huge numbers of the unemployed young men who are angry. I hope some solution will be found for this problem and they must be provided with employment.

Lastly, I submit this to the Finance Minister. He wants to see how the prices can be brought down, how taxes are not evaded. As he has the power of negotiation, he can have a little dialogue with the action squad of the CPI(ML). There were some people who were trying to squeeze the poor adivasis and Harijans in certain localities. The action squad came on the scene and wrote only two lines, in red ink. 'By tomorrow morning return all the documents. For 20 years the law courts have not been able to give justice, the Government has not been able to give justice. If by tomorrow, these things are not returned, you will see the result'. By 9.30 in the morning, everything was returned. The Hon. Finance Minister may not do it overtly, but secretly he may use this action squad for this kind of work in another sphere. Let him ask the profiteers and tax evaders 'If you do not bring the prices down by tomorrow morning, you will know the result'. In the mixed economy we have in the country, let there be parliamentary activity and extra-parliamentary activity. Together with the two, we can control this menace of the mixed economy.

SHRI D. N. TIWARY (Gopalganj) : Is it a menace ?

SHRI CHINTAMANI PANIGRAHI : Complete mess.

The only substantial factor that could make a socialistic programme realistic is by

putting a ceiling on incomes. The Hon. Minister has tried to do it in all possible indirect ways short of doing it in the straight way because there are constitutional restraints operating. But I think a way should be devised to see that that should be the only programme for the coming two or three years. If that is done there will be plenty of resources forthcoming so that we can go ahead with our plans and achieve our desired objectives.

SHRI BALATHANDAYUTHAM (Coimbatore) : Let me begin by saying that about the responsiveness of the Finance Minister, he expects us to give him a pat on the back. But the question is : to whom has he been responsive in the concessions he has given. He has been responsive to the Tatas and the director employees so whom this concession will be of help to defeat the very objective of ceiling proposed. We are not able to understand to whose appeal he has responded when he has given a concession by completely exempting the tax on cigars and cheroots. Our Finance Minister has discovered a gold mine of foreign exchange because of the tremendous export potentialities of these two items. It is not even consistent with the objective he has set himself while presenting his Budget as well as the Finance Bill. I mean the objective of development and social justice. Nobody has claimed, and nobody will claim, that cigars and cheroots are a necessary or any essential commodity. With regard to the other concessions he has given in order to protect the small scale industries, there is a loophole in that the big sharks in some fields who are making nuts and bolts will fragment their existing plants into such size as may avoid these taxes by bringing them within the five lakh limit in clearance. Sir, in short, the responsiveness of the Finance Minister has been the responsiveness of the camel-driver to the camel which has been loaded with unbearable volume of goods to which he has added the last stone and he has cast away that stone in a more demonstrative way. But unfortunately the Indian people are not camels or camel-like.

There has been a theory put forth by the Finance Minister—the theory of the inescapability of indirect taxes. Even when other sources were pointed out from the Opposition, the Finance Minister has found only indirect taxes as the main source for the resources for development and defence. If it is compared to other capitalist countries—I am not

[Shri Balathandayutham]

comparing with the socialist countries—when compared with several other capitalist countries, developing and developed, the ratio between indirect taxes and direct taxes is 50 : 50, but here, in this Finance Bill, the ratio is 18 : 19. That is the proportion in India.

15.27 hrs.

[SHRIMATI SHEILA KAUL in the Chair]

Intervening in the budget debate, when the debate was going on, Mr. K. R. Ganesh came out with the plea that what they were facing was the abysmal poverty of this country, imputing thereby that we in the Opposition were bothered about the middle-classes or the lower middle-classes or the working classes, whereas the Government was dealing with the abysmal poverty. I would humbly submit that it does not lie in their mouths to speak about the abysmal poverty, when they are tolerating and abetting this Himalayan monstrosity of Rasthrapati Bhavan and the Raj Bhavans. Even today, in feudal Moghul splendour the Governors are living, and the Government is turning a blind eye. When a proposal came from one of the State Governments to remove the Governor to a smaller place, because they thought 250 acres of space were not necessary for one family in a country of abysmal poverty, this Central Government, the Home Ministry, stood in the way. One crore of rupees for one family spent by this Government is something which is not only monstrosity compared to the abysmal poverty of our country but it is monstrosity compared to any other country in any part of the world. There are 19 grand Moghuls in our States about which we are not even allowed to put a question in Parliament; it is even beyond Parliament. Then I say, while they are not directly concerned with these Moghuls, the Ministers have themselves now become Moghuls.

Their telephone bill for local calls averages 3000 a month, at the rate of Rs. 100 per day. These telephone calls are made to deal with the abysmal poverty in the country? We understand abysmal poverty. There are two crores of people who are living on an income of 12 paise per day, 4 crores with 25 paise per day, 6 crores with 32 paise per day, 27 crores with 67 paise per day, whereas the *per capita* consumer expenditure per day is 78 paise. Has this budget any

meaning for this ocean of poverty? So far as those people are concerned, this budget has been a burden, and in no way a relief.

I want the Finance Minister to face the question squarely. Does he not consider that his objective of price stability has been defeated at the outset? I am not giving my figures or our experience. Government have themselves prepared the wholesale index. According to that, immediately after the budget the wholesale index has gone up, by two points; this index does not include all items of consumption. The bulk of consumption reckoned with in the preparation of this is food; of the items that are taken up about 43 per cent are food. After all the budget was directly responsible for the rise in prices. What is the point in talking about other measures to control prices? Indirect taxation was directly responsible for increase in prices. The prices of tobacco, fuel, power, lubricants, sugar, manufactures, intermediate products, etc. have gone up. In the last five years the average rise in price has been 7.4 per cent and this year it is going to be more, if not equal. The purpose or the objective has been defeated; prices have risen.

You talk of poverty. If this Finance Bill has to give any relief to anybody, it must be to the downtrodden handloom weavers. There are 75 lakhs of handloom weavers engaged in thirty lakh looms and their dependents number two crores; they constitute a big junk of the Indian population who are ground down by poverty. What is the relief or help that this Finance Bill or their socialist measures are going to give them? Unless the Government comes forward to remove the excise levy on cotton yarn which is consumed by the handloom weavers, you will not be able to save that community of producers who have been clinging to it staunchly for centuries; they will go down in utter famine and the whole industry will collapse.

The tax on readymade garments has not been considered at all. The Finance Minister has not been responsive to suggestions on this question. Actually the tax on readymade garments amounts to taxing labour because the raw materials such as cloth, buttons, etc. are there and the readymade garments people have to get tailors to do the work. They pay them something and make a profit. Government goes on to tax them. It is strange that the Finance Minister who wanted the

the poor and backward students to study in modern schools and also extended them scholarship, should tax the poor people and did not like them to wear even cheap fine cloths. They are destined to wear coarse cloth only. A person may be poor, but that does not mean that he has no taste or that he does not want to wear fine cloth. It is not a luxury. Today in our country fine cloth has become a necessity and coarse cloth is no longer to be the lot of the poor.

With regard to the wealth tax, it is strange that while the Finance Minister came forward to give a concession to landlords of houses, people who live on the rent they receive from the houses built by their fathers or grand-fathers, the enterprising small scale industrialist who has invested a lakh of rupees or more has to pay tax. That may even make the industry prohibitive. So, if the Finance Minister who is making fun of us for having made it a fashion to talk about the common man, wants to protect the small industries according to his own admission, then I think the small scale industrialists who invest a lakh of rupees should be exempted from this tax. The old exemption of rupees one lakh should be restored.

The structure of taxation is such that it is weighted against the low. If you take a person whose wealth is considered to be Rs. 1.5 lakhs, the increase in his tax is 300 per cent, whereas the increase in tax of a person with Rs.5 lakhs worth of property is only 25 per cent. In the case of a person owning property worth Rs. 1.5 lakhs the tax comes to 125 per cent of the income-tax whereas in the case of a man who owns property worth Rs.5 lakhs, the tax comes to only 33 per cent of income-tax.

We are not able to imagine how the Finance Minister came to attack pressure cookers. The housewife needs it and finds it convenient. It is cleaner and gives sterilised food. What is more, other utility things have not been taxed so much. For example, the cycle is not taxed at all. The components of the cycle are taxed 3 per cent. Electric fans, necessary for the middle class, are taxed 6 per cent. Electric domestic appliances are taxed 10 per cent. Moto-cars are taxed only 15 per cent. But I do not know why he is so angry with the pressure cookers that they are taxed 20 per cent. Even while speaking on the

Finance Bill, he was not prepared to respond to the housewife with regard to pressure cookers.

SHRI ATAL BIHARI VAJPAYEE (Gwalior) : Enough pressure was not applied.

AN HON. MEMBER : Not enough pressure from the Home Ministry.

SHRI BALATHANDAYUTHAM : Aluminium which is the raw material for the pressure cooker is already taxed 30 per cent and the sales tax and octroi on that is 11 per cent. Now he adds 20 per cent of excise levy.

The Finance Minister says that he has taxed the rich. I wonder whether it is a deliberate game that you go on declaring that you are having 97.7 per cent of income tax, that you are having wealth tax, sur-tax, etc. Are they not intended to be evaded? The very nature of the tax appears to be an encouragement for evasion, an encouragement for collusion on the part of officials and even higher-ups.

I know a case of an individual who was helpful in detecting 65 cases of tax evasion, ranging from Rs.16 lakhs to Rs. 3 crores. Instead of being rewarded for his patriotism, he has been blacklisted and all his efforts to remove him from the blacklist have not brought forth any result. Unless there is some higher-up also in collusion, this poor fellow, who is like a sheep among bulls, who deserves to be given a pat on his back, would not have been blacklisted by his superior, in a country where we talk against the rich and in favour of removing the abysmal poverty of the masses. Eleven excise officials who admitted their offence and surrendered gold and currency have been left out. There is no case against them, even though the CBI was asked to investigate.

AN HON. MEMBER : CPI ?

SHRI BALATHANDAYUTHAM : If we are allowed, will do better investigation. Even now the Finance Minister may ask, where is the collusion? On 3rd April, 1971, in this House, Mr Shukla declared that tax arrears to the tune of Rs. 7½ crores have been written off. In the history of taxation of this country, I have never heard of taxes on the poor

[Shri Balathandayutham]

being written off. I know cases where they have gone to the houses, removed the doors and confiscated the utensils of poor people. It is only the rich who get this privilege of getting tax arrears written off.

I understand Mr. Mundhra is still very much alive and kicking, indulging in tax-dodging, etc. He has even now much influence with the higher-ups of this country.

Every time we raised this question of the need of defence and development, Government is pleading that the base of resources is very narrow. When this was brought to his notice during the budget debate also, he said he was considering the rural sector. Rs. 756 crores of income-tax accrue from the urban income of Rs. 17,000 crores, whereas on a rural income of Rs. 15,000 crores, the income-tax is only Rs. 11 crores. Even the conference of Chief Ministers and their appeal is not going to fructify. Why can't the Government amend the Constitution and raise resources from the rural rich also, so that development and defence, the prime need of the hour, may be attended to and enough resources may be found for them? In the first plan, the proportion of agricultural revenue in the total revenue was 28 per cent. In the third plan, it had gone down to 18 per cent.

With regard to allocation to States, there is not only injustice, but in certain cases it is very cruel. Take West Bengal, which is densely populated. The investment on outlay on development there is Rs. 79 crores, of which the assistance given by the Central Government is only Rs. 54 crores, West Bengal is a problem State, situated in a very sensitive area, where there is internal commotion because of unemployment. The defence needs are greater. But it comes last among the States with regard to central allocation and central assistance.

In Bhubaneswar the Congress at least in theory gave the impression that they have found out that after all the taxation policy to bring about equity and do away with disparity has failed and that monopoly has developed in spite of the taxation policy. At least when the Ruling Congress parted ways with the Syndicate I thought they wanted to traverse a new path where they will abolish monopoly and have an era of nationalisation.

But this Finance Bill does not show any change. This Finance Bill is absolutely irrelevant so far as the abysmal poverty is concerned, because it is not going to give them any relief and it is absolutely incapable of doing any harm to the monopoly which is a hindrance to the economic development of this country. All that this budget is going to do is to develop the monopoly further.

Ultimately I want to conclude by saying that by all your efforts the national development is going to be only 5 per cent, inflation is going to be 12 per cent, the prices are going to shoot up by 8 per cent and the common man, who is getting his income only in paise per day, he will take half a century to cross one rupee per day barrier. This Finance Bill, while meddling with and muddling the national economy, does not touch even a fringe of the problem. As such, I would like a total revision of the entire Finance Bill, wherein indirect taxes are not resorted to, direct taxes are increased and other ways like moratorium, demonetisation and other sources are found for more outlay on development on a planned basis. So, I oppose this Bill in toto, lock, stock and barrel.

श्री राम शेखर प्रसाद सिंह (छपरा) :
सभापति महोदय, अगर मैं इस फाइनेन्स बिल का समर्थन करता हूँ तो इस लिए नहीं कि इस के माध्यम से गरीबों को राहत मिली है, बल्कि इस लिए कि जिस परिस्थिति में यह प्रस्तुत किया गया है उसमें इसका बहुत प्रयास किया गया है कि गरीबी और अमीरी की दूरी ज्यादा से ज्यादा दूर की जाये।

जब दो महीने पूर्व माननीय वित्त मंत्री ने बजट को रक्खा था तो उस की बहुत आलोचना की गई थी। उस आलोचना को ध्यान में रख कर मंत्री महोदय ने मैदा, गेहूँ और कपड़ों पर जो रियायत दी उस का देश में बहुत स्वागत हुआ। साथ ही साथ बिल को उपस्थित करते हुए उन्होंने जो बहुत सी रियायतें दीं उन से भी देश में सन्तोष बढ़ा है। आज जब आप टैक्स बढ़ाते हैं तो यह होता है कि एक तरफ तो टैक्स बढ़ता है और दूसरी तरफ लोगों के सामने बेकारी और मंहगाई की समस्या और भी जटिल होती जा रही है। उस को कम करने का प्रयास

किया गया है, लेकिन जिस परिस्थिति में यह विधेयक उपस्थित हुआ है उसमें उतना नहीं हो सका जितना होना चाहिए था।

आज सरकार टैक्स लगाती है तो टैक्सों की वसूली नहीं हो पाती। बहुत से टैक्सों के वसूल करने में दिक्कत होती है। इस विषय पर हम को विचार करना चाहिए। आखिर लोग टैक्स देना नहीं चाहते या जो लोग टैक्स वसूल करते हैं वह वसूल नहीं करना चाहते, या और कौन सी परेशानी है, अगर इस पर ध्यानपूर्वक विचार किया जाये तो पता चलेगा कि साधारणतया ज्यादा से ज्यादा लोग टैक्स देना चाहते हैं। लेकिन यह भी जानना चाहते हैं कि जो टैक्स उन पर लगता है, उसके बदले में उनका लाभ कितना होता है।

आज देश के सामने ऐसी परिस्थिति पैदा हो गई है कि सबकी जान और माल खतरे में है। आप चाहे जब का अखबार उठा लें, हर रोज देश के किसी-न-किसी कोने में लूटमार और कत्ल की खबरें निकलती रहती हैं। इसके अलावा दिनों दिन उनकी दिक्कतें और भी बढ़ती जाती हैं। इन सब बातों से जो आम जनता टैक्स देना भी चाहती है उसको परेशानी होती है। दूसरी ओर, जैसा माननीय सदस्य ने बतलाया कि 10 परसेंट या कुछ और ज्यादा ऐसे लोग हैं, चाहे वह किसी पार्टी में हों और जो भी हों, जिन लोगों के बीच में करोड़ों रुपये रखने वाले लोग हैं। माननीय सदस्य कम्युनिस्ट पार्टी के अभी बोल रहे थे। वह बता रहे थे कि इसी सदन में बताया गया था कि करोड़ों रुपया टैक्स का माफ कर दिया गया है। जब इस तरह की बातें होती हैं तो जो लोग टैक्स देना भी चाहते हैं, जिनमें टैक्स अदा करने की प्रवृत्ति होती भी है उनमें भी टैक्स अदा न करने की प्रवृत्ति पैदा होने लग जाती है। इस-वास्ते इस ओर सरकार का ध्यान जाना चाहिए। ऐसे लोग जो टैक्स देना चाहते हैं उनमें इस प्रकार की प्रवृत्ति जिन कारणों से पैदा होती है, वे कारण दूर किए जाने चाहिए। लोगों को टैक्स अदा करने के लिए प्रोत्साहित किया जाना

चाहिए। एक तरफ तो वे लोग हैं जो गरीब हैं, जो छोटी-छोटी आमदनी वाले हैं और उनसे आप टैक्सों की शकल में कितना ही रुपया वसूल करते हैं और दूसरी तरफ वे बड़े-बड़े लोग हैं जिनको आप टैक्सों से वंचित करते हैं, उन पर से टैक्स आप माफ करते हैं। इस तरह की बातों से देश में बहुत असन्तोष पैदा होता है। जो टैक्स देना भी चाहते हैं वे भी टैक्स नहीं देते हैं। इस वास्ते इस ओर आपका ध्यान जाना चाहिए और आपको देखना चाहिए कि जिनको टैक्स अदा करने हैं वे टैक्स अदा करें।

देश के अन्दर आज बहुत से पब्लिक अंडरटेकिंग आपने कायम किये हैं। इनको स्थापित करने का हमारा मुख्य उद्देश्य यह है कि ज्यादा-से-ज्यादा लोगों को इनसे लाभ मिले, समाज को भी फायदा हो। लेकिन देखा गया है कि योजना बनाने के बाद उमको कार्यान्वित करने के लिए जो अधिकारी नियुक्त किए जाते हैं, उन लोगों का उसमें उतना कमिटेमेंट नहीं होता है जितना होना चाहिए और वे उनको उस तरीके से नहीं चला पाते हैं जिस तरीके से उनको चलाना चाहिए। योजना को कार्यान्वित करने वाले जो अधिकारी होते हैं उनका उसमें विश्वास नहीं होता है और इसका परिणाम यह होता है कि करोड़ों रुपया जो हम इन पब्लिक अंडरटेकिंग में लगाते हैं उसका उतना लाभ देश को नहीं मिलता है जितना मिलना चाहिए। आज यह भी देखने में आ रहा है कि जो टेक्नीकल अधिकारी हैं और जो आई० सी० एस० या आई० ए० एस० अफसर हैं, इन दोनों में एक प्रकार की वार छिड़ गई है और यह वार पावर को लेकर छिड़ी है। जो टेक्नीकल लोग हैं इन पब्लिक अंडरटेकिंग में उन लोगों का यह कहना है कि उन लोगों की बात को सही माना जाना चाहिए, और जो आई० सी० एस० या आई० ए० एस० के अफसर हैं वे इन लोगों पर अधिकार जमाना चाहते हैं और वे यह समझते हैं कि उनकी बात को सही माना जाए। इस रस्साकशी का नतीजा यह होता है कि जो काम है वह नहीं

[श्री रामशेखर प्रसाद सिंह]

हो पाता है। कुछ दिन पहले इसी सदन में एक प्रश्न उठा था कि आई० ए० एस० के जो लोग हैं, उनके बारे में एडमिनिस्ट्रेटिव रिफार्म कमीशन ने जो रिपोर्ट दी है उनके बास्ते जो मैथिल आफ ट्रेनिंग और सिलेबस बनाया गया है, उसे क्या देश के लिए सुयोग्य शासक बनाने में कठिनाई पैदा नहीं होती है? जो सिलेबस पढ़ाया जाता है क्या उसको आम जनता की जरूरतों के अनुरूप समझा जा सकता है या नहीं समझा जा सकता है? जिस तरह की ट्रेनिंग उन को दी जाती है उससे वे आम जनता के सेवक न बनकर प्रशासकों के रूप में ही उसके सामने उपस्थित होते हैं और तब यह मांग की गई थी कि इसमें सुधार होना चाहिए। इस रिपोर्ट की छानबीन करने के लिए जो कमेटी बनाई गई थी वह भी आई० सी० एस० और आई० ए० एस० अफसरों की कमेटी थी और उसको ही कार्य प्रणाली से सुधार करने के सुझाव देने का काम सौंपा गया था। मैं समझता हूँ कि वित्त मंत्री महोदय का ध्यान इस ओर जाना चाहिए और उनको देखना चाहिए कि जो नौकरशाही है, जोकि सरकार के काम को करती है, क्या उनमें सेवा की भावना उतनी है जितनी होनी चाहिए? मैं समझता हूँ कि उन लोगों में सेवा की भावना उतनी अधिक नहीं है जितनी कि उनमें शासन करने की भावना है। देश की परिस्थितियाँ बहुत बदल गई हैं। हम देश से गरीबी को दूर करना चाहते हैं। गरीबों के प्रति उनका वैसा रुख नहीं है जैसा होना चाहिए। जो गरीबी की स्थिति में रहते हैं, उनसे मिल जुलकर, उनकी कठिनाईयों को समझ कर उनको ऊपर उठाने की प्रवृत्ति उनमें नहीं है। ज्यादातर अफसर ऐसे हैं जो शासक के रूप में गरीब लोगों के सामने उपस्थित होते हैं और उनको दबाने की कोशिश करते हैं। जो भी अधिकार यहाँ के उन लोगों को मिलते हैं उनको कम करने की प्रवृत्ति उनमें ज्यादा होती है। मैं चाहता हूँ कि जो रिपोर्ट आई है उसके ऊपर जल्दी-से जल्दी कार्रवाई होनी चाहिए।

आज देश में जो फस्ट्रेटिड पार्लिटिशियन हैं, राजनीतिज्ञ हैं और जो शासक बनना चाहते थे लेकिन बन नहीं पाए, उनमें यह भावना पैदा हो गई है और वे कहने लग गए हैं कि मिनिस्ट्री या मिनिस्टर का काम केवल नीति निर्धारित कर देना है और उस नीति को कार्यान्वित करने का जो काम है, उसको सर्विसिस के ऊपर नौकरशाही के ऊपर छोड़ दिया जाना चाहिए। यह जो चीज है यह बहुत गलत है। मिनिस्टर को नीति भी बनानी चाहिए और नीति के अनुपालन, उसके इम्प्लेमेंटेशन को भी देखना चाहिए। उसके बारे में भी उसकी जवाबदेही होनी चाहिए जिस नीति को मिनिस्टर या मिनिस्ट्री बनाये उसका पालन ठीक से होता है या नहीं, इसके प्रति भी मिनिस्टर को उत्तरदायी होना चाहिए। मिनिस्टर तभी इस सदन के प्रति और देश के प्रति उत्तरदायी बन सकते हैं जबकि वे नीति भी बनाये और इसको भी देखें कि उमका ठीक तरह से इम्प्लेमेंटेशन हो रहा है या नहीं हो रहा है।

अब मैं बिहार प्रदेश की ओर आपका ध्यान दिलाना चाहता हूँ। आप जानते ही हैं कि बिहार प्रदेश आबादी के लिहाज से हिन्दुस्तान में दूसरे स्थान पर आता है। वह दो भागों में बंटा हुआ है, उत्तर बिहार और छोटा नागपुर का प्लेटू। उत्तर बिहार का वह भाग जोकि उत्तर प्रदेश से सटा हुआ है, वहाँ के लोगों का मुख्य धंधा कृषि ही है। वहाँ कृषि के क्षेत्र में कोई प्रगति अभी तक नहीं हो पाई है। वह बैकवर्ड एरिया है। वहाँ प्रगति बहुत धीमी हो रही है। मैं चाहता हूँ कि जिस तरह से सरकार ने उत्तर प्रदेश के लिए एक कमेटी बनाई थी और वहाँ की स्थिति की जांच कराई थी, उसी तरह से उत्तर बिहार में जो स्थिति है, और उससे कैसे सुधार लाया जा सकता है, उसकी जांच सरकार करायें और पता लगवायें कि कृषि के उत्थान के काम में कैसे शीघ्रता लाई जा सकती है। पहले वहाँ असामयिक वर्षा हुई थी और अब

लगततार वर्षा हो रही है। इसके कारण सारे राज्य में अकाल की सी स्थिति पैदा हो गई है और अकाल सना पड़ गया है। जब वहाँ पर कुछ दिन पहले श्री कर्पुरी ठाकुर की सरकार थी तब उसने आंकड़ा बनाकर बताया था कि रबी की पैदावार में से 70 प्रतिशत से अधिक फसल बरबाद हो गई है और वर्षा के कारण खेत और खलिहानों में बरबाद हो गई है। आज बाढ़ का प्रकोप चारों तरफ प्रदेश में है और उस कारण हाहाकार मचा हुआ है। इसके कारण फसल बरबाद हो गई है और आगे जो फसल होनी है वह भी नहीं हो पाएगी। बिहार में जो अकाल की स्थिति वर्षा और बाढ़ों की वजह से पैदा हुई है, फसलों के बरबाद होने की वजह से पैदा हुई है, उसके ऊपर शीघ्रता से कार्रवाई होनी चाहिए और बिहार को यथाशीघ्र पर्याप्त सहायता पहुंचाई जानी चाहिए ताकि जो मुसीबत उस राज्य पर आई है, उसका सामना किया जा सके, उसको दूर किया जा सके।

MR. CHAIRMAN : Shri Madhu Dandavate has made a special request that he may be allowed to speak because he has to fly to Bombay. As a special case he is requested to say what he wants to. The time allotted to him is only two minutes.

DR. KARNI SINGH (Bikaner) : We are sitting here without our food. Our heads are swimming around. What happens about us ?

SHRI VIRENDRA AGARWAL (Moradabad) : We have been sitting here without lunch.

MR. CHAIRMAN : Let him speak for two minutes.

PROF. MADHU DANDAVATE (Rajapur) : Rather than flout your authority, I would request you to be a bit more flexible in extending time.

MR. CHAIRMAN : Time allotted is only two minutes for you, I am sorry.

PROF. MADHU DANDAVATE : Mr. Chairman, the pivotal question is one regard-

ing the methodology we have adopted for the development and modernisation of our country. The nucleus of this methodology has as its fundamental constituents a number of economic concepts which underpin our mixed economy and help constitute the growth model which now seems completely bankrupt and outmoded. A new model of development motivated by policies designed to foster a radically different future in which mass of the people are the central theme has to be evolved.

The other day while the Finance Minister moved for the consideration of the Finance Bill he had said :—

“The main objectives of the Finance Bill are to simplify and rationalise the taxation laws and to reduce opportunity for evasion of taxes”.

Whatever be the nature of the tax structure, it is meaningless to have heavy taxation even on the upper echelons of society unless the taxation machinery is foolproof and there is no loophole in it through which even large elephants can pass.

For example, the continued recognition given by the tax authorities to the institution of the Hindu Undivided Family, the numerous exemptions provided for in respect of taxation of income and wealth and freedom given to the tax-payers in these brackets not even to declare their agricultural income and wealth in these statements, give enough room for tax evasion. This, of course, reveals the class character of the Government.

16 hrs.

I do not want to repeat all the arguments that I made during the general discussion of the Budget but I would only say that today a large number of rich men in the urban areas transfer a large portion of their non-agricultural income as agricultural income, as a result of which there is a lot of tax evasion. The Finance Minister has come forward to say that it is ultimately a State subject. But only this morning, they have introduced radical Constitution Amendment Bills and it should be possible for us to introduce amendments in this very House by which we can reconstruct the Centre-State relationship for

[Prof. Madhu Dandavate]

the sake of income-tax and non-agricultural income can be combined and then a definite portion of the total income-tax can be allocated to States for developmental activity.

I must make a little reference to the failures of planning. The main failures of Indian planning are not only in the area of growth rates. No development can proceed unless (a) it is based on the identification of problems at the gross root level; (b) there are changes in the social and economic structure which are significant enough to release millions of poor people from lethargy and inhibitions created over centuries and give them opportunities for a better life; and (c) the potentialities for finding partial and complete solutions to the problems of these people for mobilising local resources are fully exploited.

None of these can be achieved by the highly centralised macro-planning of the kind India has had so far.

Dr. Gadgil has said a lot about it. It is, therefore, not surprising that one of Prof. Gadgil's major preoccupations during his tenure in the Planning Commission was to introduce some kind of system and order into the methods of transfer of financial resources from the Centre to the States and remove the elements of arbitrariness and uncertainty not to mention of patronage which have characterised such transfer in the last two decades.

The position in this vital area of Centre-State relations is thoroughly unsatisfactory. Under these circumstances, the States feel no serious stake in planning from below. It is, therefore, necessary to examine fully and in depth the whole set of questions relating to the financial arrangements between the Centre, the States and various local authorities and the possible ways of re-ordering their respective functions and responsibility in regard to developmental activities.

The wasteful expenditure in Rashtrapati Bhavan and Raj Bhavans has to be avoided. If the epitaph of the princes has to be written, it should be written on the walls of the Raj Bhavans: "Princes are dead, Long live the Princes." I hope, this will not be the situation.

Again, there are a number of heavy prerequisites for Companies, advertising firms, Minister, etc., and these will have to be curbed. In this connection, I may only quote that in the famous book "Gandhiji—The last Phase", Shri Pyarelal has written a very touching introduction. In that introduction, he says, foreigners come to this country, they see the Ashoka Hotel; they see huge plants; they see the Raj Bhavans and, when they leave this country, they only comment, "We have seen India but where is Gandhi's India." Of course, not Mrs. Indira Gandhi's India. They mean Mahatma Gandhi's India.

Then, there is lavish display of pomp and wealth at functions where Ministers and others are present. This will have to be avoided.

There are failures in the Cloth Control Scheme. The quantum of production of cloth brought under control is quite meagre and not available to consumers at fixed prices. The quantum of cloth has to be made available to consumers to the extent of 25 per cent at least for controlled variety. That is not available at fixed prices. The black-marketing is going on.

MR. CHAIRMAN: The hon. Member should conclude now.

PROF. MADHU DANDAVATE: I am concluding.

In conclusion, I say, that all the loopholes in the Cloth Control Scheme will have to be completely eliminated.

As regards the development rebate also, if development rebate is made available specially for backward areas and region, that will help the developmental activities in backward areas and regions. That should be considered.

With these words, I conclude and I thank you for extending the time. Let the time be flexible so that those who want to make their suggestions can make them.

SHRI VIRENDRA AGARWAL: Mr. Chairman, Sir, no economist of any prudence or eminence in this country can command these financial proposals as contained in the Finance Bill because these proposals do not

benefit the poor nor they cause savings and investments to go up and it plans for a price-rise with indiscriminate taxes on the necessities of life. The honest and the poor are the two major casualties of the present economic policies pursued by the Government of India. The dishonest should be afraid of the Government's power to bring him to the book and the honest should have the confidence in the Government's capacity to protect. This is known as the essential virtue of any government in the world. But, unfortunately, it is exactly the reverse in the case of India. The poor may have the vicarious pleasure that the rich has been soaked but these proposals do not benefit him in any way, do not help him in raising his standard of living.

The Finance Minister deserves to be congratulated for withdrawing the excise levy on maida and coarse cloth. He has also granted smaller mercies amounting to Rs. 15 crores which have certainly made him a shrewd politician. But it is undoubtedly a major victory for the common man who is totally opposed to the confiscatory, oppressive and expropriatory policy which is being pursued in the country for the last 23 years.

We have had a galaxy of eminent men to preside over this Ministry of Finance. I would particularly mention the names of Dr. John Mathai and Dr. C. D. Deshmukh in this context. But it is unfortunate that there was not a single Finance Minister during the history of the last 23 years who has tried to put India's economy on a sound, long-sustaining, mass-consumption and investment oriented growth path.

India to-day is known to be the highest taxed country in the world because the maximum marginal rate of taxation on personal incomes is 97.75%. On corporate institutions it is as high as 90%. Prof. Kaldor has pleaded that for a developing economy it is necessary that the level of taxation in no case should exceed 45%. But I would say that if this country is to grow, then we have to try what is being experimented in several other countries of the world. They have tried lower tax rates and they were able to mobilise larger revenues. The higher the tax rates, the lower the revenues, is the known principle all over the world. Therefore, I would suggest that if we place a ceiling on tax rates at 80%, then we can certainly think in terms

of rapid growth. Otherwise, we should say good bye to the whole process of economic growth.

We have placed heavy burdens on the common man in the form of soaring prices and punitive tax structure while it is unfortunate that the common man had derived no benefit during this period of the last 23 years.

I would just say a few words as to what we did during the last 23 years. The Government have made an investment of Rs. 27055 crores in the first three Five Year Plans, the three years of the Plan Holiday and the first two years of the Fourth Plan. The resources mobilised through taxation were about Rs. 40203 crores. Deficit financing—Rs. 3581 crores and we have received more than Rs. 12000 crores in the form of foreign aid. Besides this, India has accumulated foreign debts to a staggering figure of Rs. 10000 crores while we had a sterling balance of Rs. 1600 crores in June 1948.

Now, this is one side of the balance sheet. Now you should see that while we have mobilised more than Rs. 67384 crores during the last 20 years, it has resulted in the price index going upto 230. It has raised unemployment from 3 million in 1951 to 20 million in 1970. The *per capita* income has gone up only from Rs. 262.4 in 1950-51 to Rs. 339.4 in 1969-70. The *per capita* consumption of all essential items has surprisingly gone down during this period. According to the Economic Survey 1970-71, the *per capita* availability of cereals is shown as 394.3 gms per day and that of pulses at 50.9 gms. per day. This is much lower than that in 1965. Edible oil consumption in 1969-70 was lower than in 1950-51. Cloth consumption has gone down to 13.5 metres compared to 14.6 metres. in 1965. Coffee consumption has declined from 83 gms. in 1960-61 to 39 gms. in 1969-70. It is widely known that for all sections of the population, the *per capita* consumption in 1967-68 was lower than in 1960-61. Then you will see that the index of real earnings of factory workers which was 107.4 in 1948 came to 127.5 in 1961 and at 1961 prices, it was 98 in 1969. It is widely known that for all sections of the population the *per capita* consumption in 1967-68 was lower than in 1960-61. It is interesting to point out as to what happened to the 10 per cent poorest in

[Shri Virendra Agarwal]

rural and urban areas. The 10% rural poor have stayed practically where they were at the beginning of the decade. The 10% urban poor have definitely suffered. We say, we spend so much, but we have got this result. Why is it so? It is due to the fact that poor choices of investments, wrong plan priorities, inefficient functioning of the public sector units and large scale corruption at all levels have brought the economy to the point of virtual stagnation.

The latest budgetary proposals of the Finance Minister have provided no incentives for growth, except the one for widespread tax-evasion and black-marketing. Even the Budget presented by the P.M. last year had provided several incentives which did accelerate growth rate and expedited the process of social justice. The present financial proposals cannot ensure the economy to grow even at the rate of 5 per cent a year. Prices are sure to rise by 15 to 20 per cent while unemployment would increase from the present 20 million to 28 million by the end of the Fourth Plan. Indian rupee is shaky in foreign markets and the fiscal policy would lead it to another devaluation. Not even one or two budgets, but even 100 budgets of this nature cannot eradicate poverty nor can they create employment opportunities. It is no use saying, we will eradicate poverty, we will eradicate unemployment. By such proposals, neither the Gross National Product nor the *per capita* income would increase. At times it gives an impression as if the ruling Congress has developed vested interest in poverty and unemployment. The Finance Minister should feel happy that the policies pursued by the present Government have placed us in the list of the small countries like Burma, Congo, Haiti, Mali and Somali.

Describing his budgetary proposals as growth-oriented, the Finance Minister laid considerable emphasis on an investment of Rs. 300 crores on plan-projects and Rs. 75 crores for creating employment potential. But this sum of Rs. 375 crores would, I feel, be sandwiched between Bangla Desh refugees and the interim relief to be granted to the Government employees.

The price rise of 15 per cent in 1971-72 will dampen the possibility of aiming at a substantial rise in Plan outlay either at the

Centre or in the States. I would not be surprised if the Government of India may not find any other choice except to declare a Plan holiday. This is what I expect from the present budgetary proposals.

If we go a step ahead, we shall see that during this period of twenty years, we have been raising resources for Plan development, but actually they have been squandered on non-Plan and non-developmental items. If we see the figure of non-Plan expenditure, from Rs. 656 crores in 1960-61 it has risen to Rs. 2060 crores in 1970-71, while non-development expenditure which was only Rs. 836 crores in 1960-61 has risen to Rs. 3249 crores in 1970-71. This is the situation.

While it is the primary responsibility of the Finance Minister to raise and mobilise resources and also to utilise them, he has also got another definite function to perform in the country, namely that he has to see how to bring about economy in the Government's expenditure. I feel that during this period, the Finance Minister has somehow forgotten to bring this element into his budget proposals. There is complete neglect of any measure of economy or any attempt to cut down the massive waste of the taxpayers' money. There was no mention in the whole budget whether Government were interested in bringing about economy anywhere or in introducing savings. If you see the figures you will find that the civil expenditure which was hardly Rs. 50 crores in 1950-51 rose to Rs. 1500 crores in 1970-71, and last year it rose further to Rs. 1725 crores. I would suggest that the Finance Minister should bring out a white paper which should be placed on the Table of the House so that we may know that Government are really interested in making certain sacrifices so far as the Government administration is concerned.

At the present moment, the country has got the impression that while Ministers are drawing fat salaries, and travelling in big cars and enjoying in every possible manner, they are expecting the country to make sacrifices. But for what? At this moment, the whole country knows that each Minister draws a salary and perquisites amounting to Rs. 3,07,080 every year, all free of tax, which means that every Minister draws Rs. 31,423 every month, all free of tax. The Finance Minister has laid a ceiling of Rs. 5000 plus

Rs. 1000 on company executives. I really do not know why the Ministers should not be placed at par with the business executives.....

SHRI N. K. SANGHI (Jalore) : On a point of order. It is a preposterous statement which has been made by the hon. Member that a Minister is drawing as much as about Rs. 4 lakhs. This has absolutely no semblance of any arithmetic or taxation proposals. This should be rectified, or else this should not go on record.

SHRI VIRENDRA AGARWAL : I would suggest to the House that each Minister should be given a straight salary of Rs. 2000 a month, subject to all tax laws but no perquisites either by way of residence, staff car or any other allowance should be granted to him. Similarly, a Member of Parliament should be granted a straight salary of Rs. 2000 per mensem subject to all laws to which the common man is subjected so that a Member of Parliament or a Minister also behaves like a common man in this country, and the common man may have confidence in the rulers of the country.

Then, I would like to point out that the Auditor-General's report for 1969-70 had indicated tax arrears amounting to Rs. 960 crores as on March 31, 1971. This is the most staggering figure that the Finance Minister has to locate and collect. If our tax collections could be a little more judicious, I am sure that the Finance Minister would not have had to come to the House with a budget of this dimension and charging Rs. 177 to 180 crores by way of additional taxation. There are 44 cases whose arrears demand exceeded Rs. 25 lakhs, and the gross tax demand due from those assesseees exceeded Rs. 151 crores, which is 18 per cent of the total. I would suggest that the whole tax machinery in the country, that is, the tax collection machinery in the country needs to be tightened and all loopholes should be removed so that the tax arrears are immediately collected.

Now I am interested to make a few suggestions for the consideration of the House. The effects of taxation, whether direct or indirect, are often complex and great care has to be taken while framing tax measures to ensure that the economic fabric is not stretched too far and at too many wrong points. Therefore, I suggest that

Government should immediately constitute a Tax Research Institute which should be charged with the responsibility of analysing scientifically the impact of every tax measure on the total economy. In that case, the Finance Minister would find a rather lighter job for himself to select the items to be taxed. I know a list of 400 items was placed before him and it was really a very difficult job for a Finance Minister to select the items to be taxed. If an Institute of the kind suggested is set up, I am sure the Finance Minister would find his task a little easier.

Taxation has to be restrained and market for borrowing for financing capital expenditure has to be more adequately explored. Deficit financing needs to be replaced by loans from the nationalised banks so that capital expenditure could be financed by the banks.

The rate of savings, which is so miserably low at 8.5 per cent today should be raised to a higher level if the economy is to grow at a rapid pace. I would suggest tax exemption on all fixed deposits in the nationalised banks and post offices, on all dividend incomes not exceeding Rs. 5,000 and also on personal incomes not exceeding Rs. 7,500, which, to me, seem to be absolutely essential if the rate of saving is to be raised further.

There is nothing wrong if private savings are transferred for public consumption but every rupee invested in the public sector must draw another rupee. At the moment, every rupee is losing 10 P every year. Productivity and cost consciousness are the primary considerations on which the future of the public sector should largely depend.

A large programme of rural works with the object of placing a minimum consumer expenditure of Rs. 324 *per capita* per annum at 1968-69 prices is required, which means that at least Rs. 1,000 crores must be placed in the hands of 10 per cent poorest rural population. The Budget simply provides Rs. 75 crores which cannot cut much ice.

Government should immediately announce a scheme of austerity. As to how to bring it about, I have four points to suggest ; All staff cars of the Government of India must go, because according to me, each car costs Rs. 1000 per month ; all parliamentary delegations must stop. I would like to have a breakup of the expenditure of the Prime

[Shri Virendra Agrawal]

Minister's personal Secretariat and the Cabinet Secretariat. I want a 30 per cent cut in the staff expenditure, particularly in the Ministries of Finance and Defence, because I feel it can be done without reducing their strength or impairing efficiency.

Lastly, Gandhiji had taught us to worship Daridranarayan. During these 23 years in spite of our plans we have seen more than 50 per cent of the rural people and 40 per cent of the urban people still living below the subsistence level. The fiscal policy has so far simply perpetuated poverty, and therefore, I would suggest that the fiscal policy needs to be reoriented in such a way that the people of this country have a little higher purchasing capacity. This can be the only strategy for raising the living standards of the common man.

श्री कुशोक बाकुला (लद्दाख) : सभापति महोदय, फाइनेन्स मिनिस्टर साहब ने वर्तमान स्थिति को पूरी तरह से अध्ययन करने के बाद यहां पर जो विधेयक पेश किया है मैं उसका पूरा-पूरा समर्थन करता हूँ। मैं उनको इस बात के लिए धन्यवाद देता हूँ कि उन्होंने लद्दाख में छोटे व्यापार को तीन साल के लिए इनकम टैक्स से छूट दे दी है। अब मैं कुछ और कहने से पहले लद्दाख की तरफ फाइनेन्स मिनिस्टर का ध्यान दिलाना चाहता हूँ। पाकिस्तान और चीन के साथ हमारे सम्बन्धों को देखते हुए मेरे खयाल से लद्दाख की सड़कों और वहां की उन्नति का काम बहुत तेजी से होना आवश्यक है। लेह-मनाली रोड बनाई जा चुकी है लेकिन अभी तक उसको पक्का नहीं किया गया है। अभी तक उसपर कोई ट्रक और बस नहीं चलाई गई है। मैं रक्षा मंत्री और प्रधान मंत्री को धन्यवाद देता हूँ कि अभी-अभी कुछ दिन पहले उस सड़क पर थोड़ा सा मिलिट्री कॅन्वाय चलाया गया है लेकिन मैं जोर देकर इस बात को कहना चाहता हूँ कि देश की रक्षा के लिए और लोगों को सुविधायें देने के लिए इस सड़क को पक्का बनाना बहुत ही आवश्यक है। मेरी समझ में नहीं आता कि दो तीन साल हो गए फिर भी

वह सड़क अभी तक पक्की क्यों नहीं बन रही है। इसके साथ-साथ जहां-जहां पक्के पुल बनाने की आवश्यकता है उनको भी फौरन बनाया जाना चाहिए। इससे इस देश की सुरक्षा की और वहां की जनता को बहुत ही लाभ पहुँचेगा। सन् 1949 से लेकर लगातार मैं इस सड़क के बारे में सवाल उठाता चला आ रहा हूँ और चौथी लोक सभा में मेरे सवाल पूछने पर यह कहा गया था कि सड़क बन रही है लेकिन अभी तक भी उस सड़क को पक्का नहीं बनाया गया है। सरकार को इसकी तरफ तुरन्त ध्यान देना चाहिए।

इसी प्रकार से लेह-कारगिल-गुरगुर-दोह रोड जोकि श्रीनगर तक है उसको भी पक्का बनाया जाना चाहिए तथा इस सड़क को सीमा सड़क संगठन को सौंप दिया जाना चाहिए। वर्तमान स्थिति को देखते हुए हम कह सकते हैं कि पाकिस्तान की तरफ से हमारे देश को खतरा पैदा हो सकता है। अब चीन और अमरीका के राष्ट्रपति निक्सन के बीच जो बातचीत होने वाली है उसको देखते हुए यह सम्भव हो सकता है कि सर्दियों में किसी समय वहां पर हमला हो जाए। इस खतरे को ध्यान में रखते हुए यह बहुत आवश्यक है कि देश की सुरक्षा को मजबूत करने के लिए इस सड़क को फौरन पक्का बनाया जाए।

सभापति महोदय, मुझे खुशी है कि जम्मू-कश्मीर के मुख्य मंत्री, सादिक साहब लद्दाख के सम्बन्ध में काफी दिलचस्पी लेने लगे हैं। लेकिन इसके साथ-साथ मुझे यह कहना है कि लद्दाख के शैड्यूल ट्राइब और शैड्यूल एरिया घोषित न करने से लोगों को वहां हर सुभीता नहीं मिल रहा है। लद्दाख के लड़के आजकल पढ़ने के बहुत इच्छुक हैं और राज्य के बाहर भी पढ़ने के लिए जा जाना चाहते हैं लेकिन उनको पूरी तरह से सुविधा नहीं मिल पाती है। इस साल लद्दाख के तीन लड़के आई० ए० एस० का इम्तहान देना चाहते हैं लेकिन उनका सफल होना बहुत मुश्किल मालूम होता है। इसका कारण यह

है कि लद्दाख की बुनियादी तालीम बहुत कमजोर है। वहाँ के अध्यापक अच्छे नहीं हैं। वहाँ पर साइन्स के टीचर और साइन्स का सामान नहीं है। ऐसी हालत में वहाँ के लड़के वहाँ के लड़कों से मुकाबला नहीं कर सकते हैं। लेकिन शैड्यूल्ड एरिया घोषित होने से उनको कुछ लाभ मिल सकता है। हिमाचल प्रदेश, लाहौला, स्पीति और कन्नौर शैड्यूल्ड एरिया में शामिल होने से वहाँ के लोगों को लाभ पहुँचता है और स्कालरशिप भी ज्यादा मिलती है। इस बात को मैं पहले भी कह चुका हूँ और फिर इस तरफ आपका ध्यान दिलाना चाहता हूँ।

दूसरी तरह से लद्दाख की जो भाषा है वह केवल लद्दाख में ही नहीं बोली जाती है। बल्कि नेफा से लेकर लद्दाख तक जितना सीमावर्ती इलाका है, उस क्षेत्र में रहने वाली सभी लोग बौद्ध भाषा ही बोलते हैं। इस भाषा को बोलने वाले लोगों की तादाद करीब 5 लाख है। यह केवल भाषा ही नहीं है, बल्कि इसमें बहुत से मैनुस्क्रिप्ट हैं। भारत में जितने संस्कृत के मूल मैनेस्क्रिप्ट थे वे तिब्बत में ही थे लेकिन उनको चीन वालों ने नष्ट कर दिया है। उसका जो अनुवाद है वह बौद्ध भाषा में लद्दाख में है। इसलिए मेरा निवेदन है कि जिस भाषा के बोलने वाले नेफा से लद्दाख तक फैले हुए हैं और जिनकी तादाद करीब 5 लाख है, उस भाषा को 19वीं भाषा के रूप में संविधान में स्वीकार किया जाना चाहिए।

इसी तरह से लद्दाख में जितने तिब्बती शरणार्थी आए हैं उनको बसाने के लिए राज्य सरकार ने 1200 एकड़ भूमि दी है। लेकिन उनको बसाने का काम जल्दी नहीं हो रहा है। मैं चाहता हूँ कि उस काम को जल्दी से किया जाना चाहिए। उसमें देर लगने का कारण मेरी समझ में यह है कि लद्दाख में जो डिप्टी कमिश्नर है वही डेवलपमेंट कमिश्नर भी है जिसके कारण वह इस काम को ठीक से नहीं कर पा रहा है। मेरा सुझाव है कि तिब्बती

शरणार्थियों के लिए एक अलग से असिस्टेंट डेवलपमेंट कमिश्नर होना चाहिए तभी शरणार्थियों को बसाने का काम जल्दी किया जा सकता है।

जितने लद्दाख के लड़के राज्य के बाहर वाराणसी या दिल्ली यूनिवर्सिटी में पढ़ते हैं उनको स्कालरशिप मिलना चाहिए। लद्दाख में एक कालेज बन रहा है, लेकिन अभी दो, तीन साल का समय लगेगा। जब तक वह कालेज नहीं चलता तब तक जो लड़के बाहर पढ़ते हैं उनको स्कालरशिप मिलना चाहिए। अभी भी दो, तीन लड़के जो बाहर पढ़ते हैं उनको एक साल से स्कालरशिप नहीं मिल रहा है। इस देरी का कारण मेरी समझ में नहीं आता।

हम सब मानते हैं कि लद्दाख का एक महत्वपूर्ण स्थान है। इसलिए आवश्यक है कि वहाँ के लोगों को ज्यादा शिक्षा दिलायी जाय। तभी लद्दाख का भला हो सकता है। लद्दाख के लोग पढ़ने में बहुत शौकीन हैं और वहाँ कालेज भी बनाया जा रहा है। लेकिन उसमें एक दो साल का समय लग जायगा। तब तक वहाँ के लड़के जहाँ भी पढ़ना चाहें उनको तमाम सुविधायें मिलनी चाहियें और स्कालरशिप भी मिलनी चाहिए। तभी आप कह सकते हैं कि लद्दाख के लिए आप कुछ कर रहे हैं।

इसी तरह से लद्दाख में बिजली का मामला है। अभी लेह-स्तकना एक बिजली का प्रोजेक्ट चल रहा है और दूसरा कारगिल से सुरूहनाला प्रोजेक्ट चल रहा है। लेकिन जिस गति से इन प्रोजेक्ट पर काम हो रहा है उससे ऐसा लगता है कि बहुत समय लग जाएगा। इन प्रोजेक्ट को पूरा करने के लिए जल्दी की जानी चाहिए तभी लद्दाख में बिजली की समस्या हल हो सकती है।

इन शब्दों के साथ मैं आप को धन्यवाद देता हूँ कि आप ने मुझे अपने विचार प्रकट करने का अवसर दिया।

DR. KARNI SINGH (Bikaner) : Ever since the clarion call was given by the Prime Minister to remove poverty throughout the country, known as "Garibi Hatao", people from every corner of our vast land have sat up and taken stock of the situation, hoping, sometimes hoping against hope, that she would succeed in eradicating poverty. All of us here, whether from this side of the House or from the Treasury benches, have been concerned over this poverty problem but nobody really was in a position to find a real answer to the problem.

The Budget presented by the Finance Minister in my opinion will not be able to solve the poverty problem in the country although perhaps it was aimed to do so. The increase in taxation today is only going to create more corruption, more evasion and more black money and ultimately end in a vicious circle. The taxation structure has reached the stage of expropriation and confiscation. I am not opposed to taxation. I want to see poverty removed from this land altogether. But if we keep on increasing taxes to such an extent only because of a few dishonest people, who evade, is that going to be the answer? There are professional evadors in this country. We are all concerned about it, this hon. House is concerned about it. But is taxing people more and more, more than their total income and confiscating their total income, the answer to the problem? This is the question that I would like to ask the Finance Minister.

I admire the Finance Minister in many ways, I know he is a go-getter. He is a man who definitely wants to see that this Finance Bill eradicates poverty, but I have grave doubts about it. If the structure of taxation as it stands today is going to result in the honest man virtually disappearing, I would like to know how it helps the country. You know perfectly well that it is not only inhuman but unnatural for any Government to tax a man more than his total income. It is equally unnatural for the Government to expect that that man will be able to pay those taxes, that he would not resort to dishonest means, that he would remain an honest and straightforward citizen. It is for the Government to see that the tax structure is such that it is within the paying capacity of the citizen, that the citizen pays gladly and is able to retain a certain amount for himself,

that he has a certain incentive and can lead a normal and happy life. I have not said at any time that the present system of inequalities of wealth should remain. I have said on the floor of the House for the last 8 or 10 years, ever since the wealth tax was brought in, that what we need today is a once for all capital levy in place of wealth tax. I have said it over and over again and I say it again. You fix the amount at 50, 60 or 70 per cent of the total wealth on a sliding scale, but take it away at one go. I stand for that. I make this suggestion it is not correct for Government to grill a group of citizens who happen to have a certain amount of wealth, and place them in a situation where they are constantly running after lawyers, advisers and tax experts, when they can very well utilise their useful time to build a better country. Therefore, if you bring about a capital levy, you will have equitable distribution of wealth overnight in one sweep. The disparity between the very rich and the poor will be reduced at one stroke. You will be able to give the man far more incentive to build his country, and I think that if we have got a group of men who are better educated, they will be able to do some useful duty for the country, but they are now only singled out because they happen to have some wealth. I think the capital levy is one way in the hands of a socialist Government that will help us to achieve our aim. But when I was in Bombay I was told that if I were to make the suggestion to the Finance Minister that we should have a capital levy in place of wealth tax, it would perhaps be introduced, but the wealth tax would also continue, and that even if there was a guarantee given by the Finance Minister that no such thing would be done, probably some Twenty-sixth amendment of the Constitution would be brought in or some other way found out. So, I would like to make an appeal to the Finance Minister, because he is a practical man, to have a capital levy once and for all for a period of 20 years and no wealth tax for a period of 20 years. The amount that you collect by wealth tax can be got from the capital levy from the interest alone. Therefore, the country will not be losing any income, and you will be achieving your objective much quicker. You will be taxing your citizens much less and at the same time you will get all the money that you want and you will help those citizens to live a life of honesty. It is because of this that I make this appeal.

I would also make an appeal at the same time that the Money that you receive from the capital levy, assuming that you bring it about, should be utilised for housing the poor. The Government which takes this money from the rich will be able to make the poor people feel at once the impact of what they have done. The money should not go to your exchequer, it should go for housing, so that the poor men on the streets who sleep on your pavements, the men who do not have a roof over their heads, who are living in slums, can be provided with houses. I think that way the Government will be able to prove to the poor people that they are serious about what they are saying, that their socialism is no longer a hoax, but it is something tangible because they have benefited in a short space of time.

I had the chance of speaking to many hon. friends from the Congress and Ministers also and they have told me that *garibi hatao* will take 20 years. May I in all humility say that this country does not have 20 years to play around with? Today man is going to land on the moon. The aspirations of the youth of the country are sky-high. Can you wait for 20 years? I am not saying it as a member from the opposition trying to embarrass the treasury benches, but as an Indian concerned about the problem. We will have to take measures whereby this poverty problem can be eradicated very much quicker.

There are one or two things to which I would like to draw your attention. One is the wealth tax imposed on silver utensils and EPNS. I am quite sure when you brought this new measure you did not realise the unnecessary harassment and hardships that would be caused to the citizens who come under that tax bracket. I want to show you a few things which will attract the tax. Firstly, razor blade. The original one I have sent to the Prime Minister—Gillette blade, which says "platinum-hardened edge". It costs nothing but it will attract tax. Here is an EPNS spoon costing a rupee or two. How does the tax-payer determine the quantum of silver on it? I realise the Finance Minister does not wish to heap harassment on the people, but these facts are there. Here is a golf ball. You buy this in the market. It is gold-coloured-plated, so to say. But nobody knows whether it is gold or just spray-painted. But the burden of proving what this ball is

and whether it is subject to tax is on the tax-payer. This ball costs Rs. 5. It looks gold-plated, but what does one do about it? You hit the ball and it is lost. You have to declare it in your tax returns as lost. But how does one convince the ITO that it was actually lost in play? I am just trying to bring to his notice these hardships.

You have raised the wealth tax from 5 to 8 per cent. I am certain you are going to raise it to 10 or 12 per cent next year. In that situation, a few thousand or a few lakhs of rupees that you are going to collect over the entire country by counting razor blades, spoons and golf balls—will it be worth it? Do not you think in your estimation, that the harassment caused as a result of the additional levy is more than the money you are going to collect? Therefore, I would appeal to you, as a serious-minded minister, a go-getter as I said, who understands the situation, to kindly remove this unfortunate thing and give the citizen a chance to live a more useful life, inasmuch as not being tied up with your tax collectors and tax experts...

SHRI AMRIT NAHATA (Barmer) ;
Why play golf?

DR. KARNI SINGH : Why not ?
Your Vice-President plays golf. Fakhruddin plays golf. The day you stop it, we will also do so.

SHRI AMRIT NAHATA : I play *gully-danda*.

DR. KARNI SINGH : If you like, I will take you on in *gully-danda* too one day.

The other point is, you have made wealth-tax applicable on jewellery from 1963. I wish to appeal to you that retrospective taxation is not good. Even Mr. Salve said it from the treasury benches. Make it prospective. If you keep on bringing laws making them retrospective, another government will come and bring one going back three generations. It is because of such unfair measures that you are going to have the courts declare these things null and void. When they do that, you are going to get very angry and you will probably have a committed judiciary. When you have a committed judiciary, you will have a situation in this country like the one

[Dr. Karni Singh]

there was in Henry VIII's time. Go and see this film on the life of Ann Bolyn called "Ann's thousand days" see how a committed judiciary functions...

SHRI YESHWANTRAO CHAVAN : Certainly you can make this comment about retrospective operation. But it is not retrospective in the real sense, because that provision was made applicable from 1963. Only on a technical ground, the Supreme Court's decision went against it. We have corrected the whole thing and made it applicable from the very beginning as it was.

DR. KARANI SINGH : You cannot do that. When Parliament passes a law, the interpretation of the law is what is written down in the law, not what might have been the intention of the minister. Therefore, the minister may kindly take that into consideration.

These inhuman laws, unnatural laws, that are brought in also result in certain unnatural things coming into our society. I was in Bombay for two months and I had occasion to discuss these matters with tax experts. They told me that some tax experts even suggested that husbands and wives should go through the process of divorce so that they would not be clubbed together for wealth-tax purposes. It is not a matter that can be taken as a joke ; it is a serious matter. I agree that when a husband and wife get divorce they will continue to live together in a life of sin but this is the situation that government creates for honest citizens by compelling them to take such a step. Is it correct ? Is it worth it ? Would not a capital levy obviate all this ? If a citizen has a certain amount of income left in his hands he would not resort to unnatural measures.

You talk of a ceiling on houses. You want a ceiling on urban property. Here I want to suggest only one thing. Please do not take the house or home of a person who uses it for living purposes the same way as if he owns, for example, half of Connaught Place. You say you exempt houses up to Rs. 1 lakh. May I ask in your own great city of Bombay whether you can get a house or flat for Rs. 1 lakh even if you pay 50 per cent in black, as is usually done ? So, please take these things into account.

Now I would like to say something about black money. This House is concerned about the quantum of black money in the country. What I want to say, and I say it in all earnestness, is this. If you want to stop black money it is imperative for all of us sitting in this House, Ministers and ruling party Members of Parliament and others to stop dabbling in this. In some shape or form black money is being used everywhere. People living in glass houses should not throw stones at others. You may turn round and say that Mr. X has blackmoney. If you take Mr. X's total amount of income and confiscate everything that he produces in the rest of the year, and if that man produces X amount of black money, he will be skipping so many other taxes. You are compelling him to have black money.

I tell you that any wrong law, even if it is passed by Parliament, if it is a wrong law, if it is an inhuman law, it will be broken by people. You may catch them and put them into jail ; then you need more jails. Take the Representation of the People Act, something that hits us very closely. That Representation of the People Act says that nobody will spend more than Rs. 35,000 on his parliamentary election. I do not want to point a finger at anybody in this House, but all of us, the 520 of us, out of them how many have fought the elections with Rs. 35,000 ?

AN. HON. MEMBER : Nobody.

DR. KARNI SINGH : So, I ask that question. If we the law-makers, the sovereign legislators of Parliament, if we are prepared to file returns and affidavits about tax returns and election returns that are not accurate, what right have we to point a finger at the citizen outside Parliament House ? This is happening because a wrong law was made. Everybody knows that a parliamentary election costs Rs. 5 lakhs and still you have provided such a small sum. In another six months you will be fighting the State elections which will cost contestants quite a big amount. Everybody knows that the State election will cost Rs. 1 lakh and not Rs. 12,000 as laid down in the law. So, black money will be used in the State elections and those 4,000 legislators will sit in the Assembly and make new laws and point a finger at other people and say "you are indulging in blackmoney"—what about them.

When the Nagarwala case was going on I was in Bombay and I was not here in Delhi. The reaction of the people there was something fantastic. They were saying here are people who are indulging in black money, what right have they to take others to task. Therefore, I would like the hon. Minister—I do not want to embarrass him—I would like him to tell us when he replies what steps he propose to take so that black money does not come into politics and also to see that when it comes to toppling State Governments run by opposition parties this black money is not utilized. Therefore, if this is the kind of situation, if we are dabbling in black money at the highest level, then no matter what steps you may take you will never be able to stop it.

As far as *Garibi Hatao* is concerned, even though we may try hard to remove it, I am afraid it is going to take twenty years to remove poverty from this country no matter what steps you take and what taxes you impose. The more confiscatory the taxes you impose, the more corruption you create and the more corruption you create the more black money you produce and ultimately you will have a nation without character, and a nation without character is a nation without a future. I only hope that you realise it.

16.48 hrs.

[SHRI K. N. TIWARY *in the Chair*]

SHRI AMRIT NAHATA : Mr. Chairman, this is the first real budget after the mid-term elections. I regret to say that this Finance Bill does not reflect the changed conditions, changed modes and changed temper of our people. Sir, it is a very traditional sort of budget in a situation which is absolutely untraditional. Again the same old theories are surreptitiously being introduced, namely, growth. The budget is supposed to be growth-oriented and there are all sorts of pleas for concessions, for holidays, for exemptions, for growth, for capital formation, for rapid development and all that.

Sir, there are two theories of growth. One which says that only those who have can produce and, therefore, let there be more concessions to them; let there be more tax exemptions; let there be more incentives for development and that will give us growth.

Sir, our past experience tells us this theory has already floundered. Such type of growth leads to recession; such type of growth leads to crisis; such type of growth leads to wider and wider gap between the rich and the poor with the result that market goes on narrowing down. There may be growth but no market with the result growth shrinks.

The other theory is: social justice leading to growth; equality leading to growth. Sir, the mandate in these mid-term elections was not so much for 'gharibi hatao'. I beg to disagree here. It would be an insult to our people—wise and matured—to say that they voted for few more crumbs of bread or for slightly higher income. No. Our people are impassioned. Yes. Our people want rapid progress. But they want at the same time justice and equality. The argument that let us not distribute poverty, let us first produce more and then we shall distribute this argument does no more satisfy our people. Our people are prepared to starve; our people are prepared to be deprived of one meal a day but before they starve they must be convinced there is justice in this country; that their labour is not being exploited by others. If Birlas are prepared to starve; if Tatas are prepared to starve let us distribute poverty but let it be distributed if the common man, labourer, farmer are convinced that they shall get the fruits of their labour and they shall not be exploited. Then and then only shall we have more production in our country. Then and then only shall we have growth in our country—uninterrupted growth in our country.

Sir, nobody expected that overnight this budget will usher socialism in our country. But certainly we had expected that this budget would introduce, would take steps towards austere economy. The other day our Finance Minister gave a call for discipline in the economy, for austerity in the economy. But I do not find much of austerity in this Finance Bill or in the Budget.

Sir, what is happening in our country. Even today huge palaces are coming up; huge buildings are coming up; sky-scrapers are coming up; air-conditioners are being manufactured; refrigerators are being manufactured and all luxury articles are being manufactured.

SHRI YESHWANTRAO CHAVAN :
We have taxed them.

SHRI AMRIT NAHATA : Sir, we talk of growth. Growth of what and growth for what? Eighty per cent of our population almost does not constitute a market at all. They buy cloth once a year or even once in three years and they hardly have food to eat in the morning and evening which they themselves produce. They do not constitute a market. On the other hand twenty per cent of the population consisting of the rich and the neo rich veto the entire economy. That is the vicious circle—the production and consumption cycle confined to this twenty per cent population. Fortunately or unfortunately India's 20 per cent population constitutes a vast humanity and that is enough to guarantee huge profits for the manufacturers. But there is a limit. This confined, limited cycle of production-consumption has to be broken.

Production of what? It has to be production of houses for the slum-dwellers and for the homeless, and production of more goods, coarse cloth for example. The production of fine, superfine and synthetic yarn has increased but the production of coarse cloth has not increased.

So, when we talk of growth, let us be very clear about growth of what, in what direction, and let there be a drastic curb on all luxury articles. A moratorium must be placed on the production of luxury articles. Let capital be diverted into desired channels. We do not want luxury items. When I talk of austerity, it is not merely austerity by Ministers and Members and Parliament that I am talking of. The entire economy has to be placed on an austerity basis, where luxury items are not imported and production of luxury items within the country is limited to the absolutely necessary minimum. We can have airconditioners for hospitals or laboratories but we do not need airconditioners for offices. We were not born in England that we need a cool place to live in. We should not import any more cars. The ministers should not use imported cars, I agree. But let this austerity percolate down to the entire fabric of our economy. That is why I say that conspicuous consumption on marriages, exhibitions, advertisements and all that must be curbed.

Let there be a ceiling on feasts, illumination, marriages, expense accounts of companies and salaries of managing directors. The hon. Member there was talking about the total expenditure incurred over a minister. What about the salaries and perquisites of managing directors of private corporate bodies? They spend Rs. 10,000, Rs. 20,000, Rs. 50,000 per month over managing directors. Can a ceiling not be imposed on that? In the public sector undertakings the managing directors and technicians can never go beyond a certain limit but in the private sector corporate bodies these managing directors are given thousands of rupees, expense accounts and all sorts of perquisites. This is intolerable.

We want austerity in our country, discipline in our economy and diversion of capital into desired channels of production and it is necessary to curb this conspicuous consumption, expenditure, luxury and splendour and the vulgar exhibition of wealth and ostentation.

Another very important aspect is the rising prices. The hon. Member, Dr. Karni Singh, was just now talking about black money. It is parallel money or parallel currency in our country. It is true that a large chunk of the black money gets converted into white money but, at the same time, there are further replenishments to this hoard of black money in our country. If it goes on increasing unabatedly in the manner in which it has been increasing, it will act as a grave threat and challenge to our legitimate economy and currency and the whole economy will collapse.

There are various sources from which this black money comes—smuggling, tax evasion and other ways. About the future, it is all right; I am not talking about the future. Of course, very rigid, strict and stern measures will have to be taken to check tax evasion, smuggling and all that. But what about the present black money which is already a threat and which is mainly responsible for the rising prices? All expenditure on luxuries is being financed by this black money.

The whole price structure in our country has become so sensitive and reckless that no laws can explain the spiralling or shooting up of prices in our country. Even if there is

large scale production, even if the production scale increases, prices instead of going down go up at the slightest stimulation or provocation. If a particular item is taxed, the price of another item which is not taxed also goes up. On a slight pretext, in sympathy or out of sheer lack of regulation or control anywhere, we see that prices are going up.

17 hrs.

One of the important reasons for doing this is that there is a vast reserve of black money in our country which is inflationary and which is responsible for price-rise. The only way to freeze or do away with this black money is demonetisation. I demand that the Government must gather courage and be bold enough to introduce a new currency, at least of denominations of 100-rupee and 1000-rupee notes and declare that, after such and such date, the old 100-rupee and 1000-rupee notes will not be a legal tender and that the people can come and get them converted or exchanged from banks by new 100-rupee and 1000-rupee notes. That will lead to freezing of black money.

At the same time, I want to put a very practical suggestion. Simultaneously, the Government can float some authority, may be, a Housing Corporation or a Backward Regions Development Authority, and float bonds, 100-year bonds or 90-year or 80-year bonds, and it can be said that those who will buy these bonds from them, the sources of their money will not be enquired into. But this must go on simultaneously with demonetisation. If you introduce demonetisation and not declare a tax-holiday or such attractive terms for bringing out black money, it will not come out. It will come out if, simultaneously, there is a positive measure to curb and to freeze black money through demonetisation.

Similarly, there is one other very important reason for rise in prices and that is that we have to many varieties in our items of production. Take, for example, textiles. In our country, we have 20,000 varieties of textiles. What is the result? About 87 textile mills have closed down and about 200 textile mills are on the verge of closure. It is commonsense that when you have so many varie-

ties of articles, each variety is to be produced on a small-scale and thousands and lakhs of rupees are spent on advertisement. There is also cross transportation of goods. Delhi, cloth goes to Bangalore and Bangalore cloth comes to Delhi. And the consumer is defrauded and cheated.

Even in Japan which is not a socialist country, there is complete standardisation of textile varieties. Only 1000 varieties are allowed. Not only textiles, Take soap, tooth-paste and specially life-saving drugs. They are not produced on generic basis. There is no standardisation. At least cotton textiles and drugs must be nationalised. A generic standardisation of drugs and medicines and of varieties of textiles must be introduced which will bring down the cost of production considerably and which alone will bring down the prices.

The Tariff Commission also must be re-constituted so that it does not serve the interests of manufactures and allow them arbitrary increase in prices but goes into the cost structure honestly and impartially and tries to curb the prices.

Similarly, all speculative activity and forward trading in all items must be banned. Otherwise, prices cannot be checked.

One more thing I have to say and that is about the crash programme which is supposed to give employment in our villages to thousands of people. I am afraid, this crash programme will not succeed. What is happening is that under the crash programme, huge amounts of money are being spent on wages only. What will happen? One thousand men will get employment in a District. They will get employment for 10 months a year. For 3 years, they will be employed. After 3 years, they will again be rendered unemployed. The present method of spending money under this crash programme is to provide employment. But the manner is to spend all this money over wages. A very small amount of money is being spent over tool and implements. It is a total waste. It is said that it will create permanent assets. No, it will not. Mostly earth work is being done. It is better to ask these unemployed people, each one to be given a dog, and ask him to straighten the tail of the dog for 10 months a year and the tail of the dog will not be straightened and the man

[Shri Amrit Nahata]

will near get a permanent job. If the Government is serious about giving employment, solving the problem of unemployment and having the crash programme for it, this money should be invested. Instead of 1000 people, you give employment to 700, or 500 people but this money should be usefully invested. Let each district's problems be studied and the cottage industries and the agro-industries and the processing industries can give employment. Let this money, the crores of rupees that has been provided under the crash programme, be invested in these industries which will give permanent employment to the people in those districts. Otherwise, we will have only temporary employment and the people will again become unemployed and the crash programme will crash.

SHRI D. D. DESAI (Kaira) : After twenty years of socialism, years of scarcity, four years of industrial recession, rising unemployment low per capita income, stagnating economic, mounting debts, hardly 4.9% GNP increase in eight years ending 1968-69 against Japan's 17% annual cumulative growth, our world export share declining from 2.1% in 1951 to 0.7% in 1970 despite rupee devaluation, annual doses of deficit financing, states adding unauthorised overdrafts, rampant inflation eroding savings, high illiteracy, untouchability and communalism, stresses and strains of poverty and privation all finding grim outlets in rising disturbances, crimes, riots, Naxalites and murders, all in the backdrop of rapidly rising prosperity the world over, the people of India demoralised and desperate believed chanting of '*Indira Gandhi Ai Hai Nai 'Roshni Lai Hai' 'Garibi Hatao,' 'Down with Communalism,' 'Banish unemployment,' 'March to Socialism' and El Dorado*—and the people went out and voted her beyond her widest expectations. That presented a grand opportunity. Expectancy was in the air. People awaited. And the Finance Bill was introduced. A feeling of let-down, demoralisation and frustration is enveloping India. It killed a second time Nehru, the maker of the mixed economy of growing public and private sectors both exerting their utmost for our rapid development. The Bill would dampen motivations, retard growth, will result in flight of capital, brain-drain, deter new industries, dismantle existing industries, reduce production, reduce savings reduce investments, increase inefficiency, inflation,

black-marketing, black currencies, official harassment and corruption, ultimately reduce the tax revenues, reduce our share of exports and further reduce the rupee value...

SHRI AMRIT NAHATA : It seems to be a rich man's telegram.

SHRI D. D. DESAI : Please don't waste my time. I have to run. The Finance Bill would spread poverty, distort the democratic socialism and bring radical communism.

Our Party is committed to rapid growth with social justice bracketed with democratic socialism. Pseudo radicalism would neither give growth nor social justice but would distribute poverty and debase quality of life. While we heartily agree with the criteria set by the Finance Minister, his proposals contradict and defeat his professed criteria and objects. Democratic socialist society where wealth is efficiently produced and justly distributed is an ideal worth striving for.

Communism and the Marxist form of Socialism after 100 years have yet to produce a single affluent egalitarian society.

We subscribe unreservedly for advanced Democratic Socialism equated with a prosperous welfare State. Like advanced technology, advanced socialism should be based on the results of experimental research before application. The staunch socialist Government of Singapore or many around the globe would have gladly supplied the 'know-how' for advanced democratic socialism.

Singapore has Rs. 6000 *per capita* income against ours of Rs. 600.

After twenty years of contributions by private sector and the people, of nearly Rs. 40,000 crores to developmental expenditure, our economy stagnates. The monopolistic and semi-monopolistic privileged and patronised highly inefficient public-sector's contribution to GNP is hardly 6% ; the other 94% sustaining India comes from the discredited underdog private sector. You cannot divide more than what you have and what you produce. Wealth must be created and distributed, but first, it has to be created.

The emphasis is solely on increasing State ownership and widening State control as if

that were a sure panacea for all economic ills.

Does our socialism primarily aim at filling empty stomachs with food, or at filling them with the satisfaction that their neighbours are no less hungry than they are?

Indian Socialism in the true sense, only aims at reducing the disparity between wealth and poverty.

Democratic Socialism requires efficient public sector, yielding social surpluses. Then alone can it be a public benefactor and not public enemy.

The objective of a prosperous welfare State and dignity of human beings should not be bartered away for illusions. 'Know-how' and the mechanics of fast generation of GNP are well-established and applied by countries the world over,

If growth of industrial production was stated in weights and measures, one would have been surprised to find that 4.5% growth in 1970 stated in value was more than offset by the overall increase of 5.5% in the wholesale prices index in 1970.

For, the deep-rooted malady in the economic sector is to face the problem boldly. If the good of the country lies in the industrial growth which is professed as the objective set up by the Finance Minister, this is not likely to be achieved, if the Bill proposals are accepted.

For fostering expansion of employment opportunities, new industries are required to be set up and old ones modernised and expanded for which money and motivation are principal pre-requisites.

Arithmetics show that an extremely small amount and sometimes no amount at all is left with the earner after he has paid the income-tax. Wealth-tax payable in addition to income-tax in some cases decapitalises. As for motivation, if a person earns Rs. 1 lakh on investments at 10% on 10 lakhs he is left with income of Rs. 25,000 after taxes. But if he earns Rs. 2 lakhs at 13% on investments of Rs. 2 lakhs, then, he is left with no income but has to pay from his own wealth Rs.

21,800. But if he earned at 10%, that amount as rent from urban property, he is left with no income but has to pay Rs. 1,16,800 out of his wealth. Provisions limiting salary and expense to Rs. 6000 gross on executives will eliminate hard-driving dynamos, promoters and executives, badly required to set up new industries and operate profitably the old ones.

Since 1960-61, the estimated cost index of Plants and Equipments have gone up to 180%. The depreciation being applicable on written-down value could never equal in ten years, i.e., in 1970-71, to the 1960-61 cost of 100. Development Rebate provided 25%. This means, development rebate and depreciation together provided less than 125% against today's replacement cost of 180%. As such, not for modernising, but even for just replacement, there is already a gap of over 55% representing an annual 5.5% rate of dismantling industries. Abolishing development rebate will increase the gap to over 80% and will now dismantle new industries annually at 8% rate. Government must be prepared to take over obsolete and broken-down plants and employee's liabilities.

Levy of income-tax at rates upto 97.75% and wealth tax upto 8% and further 7% for urban property amounts to annual confiscation of income and wealth. Then it is more profitable and less difficult for a person to evade tax on Rs. 23 than honestly earn Rs. 1,000.

Deleting Rs. 1.5 lakhs invested in new issues for wealth-tax calculations will harm the flotation of new issues

The Finance Minister has given no estimate or taken into account the figure of likely revenue for the proposed increase from 25% to 30% in the case of chargeable profits in excess of 15% of the capital. It is known that new industries or undertakings do not yield profit in the initial years and even after the manufacturing starts. The exemptions under sections 80J made some provision. The proposed amendment to rule 19A is a very important measure likely to prove a disincentive a new undertaking.

The Finance Bill has also taken away the exemption of income up to Rs. 3000 to companies, firms and associations of persons and it has increased the tax burden on capital gains and investments including shares and

[Shri D. D. Desai]

machinery and has reduced from 8 per cent to 5 per cent the deduction of profit of priority industries and increased the rate of company surtax from 25 to 30 per cent in respect of profits exceeding 15 per cent. It has increased the rates of tax on capital gains. It requires the companies to deduct 23 per cent instead of 22 per cent out of the dividends. As a further disincentive for new industrial expansion it provides 2.5 per cent extra customs duty on machinery. Although obviously the Bill seeks to reduce disparity by confiscating wealth above a certain limit, yet in the process it has provided powerful deterrents defeating the objective of growth of industries and expansion of employment, by attacking the corporate sector on twelve proposals out of 15 proposals in the Income-tax Bill.

Companies which passed through lean years and whose average return on capital over the years is less than that on loans would yet be liable to super-profit tax in the year when better profits are made.

After two decades of fiscal experiments which inhibited the British economy and exports, the British Labour and the present Government reached an inescapable conclusion that the reduction of tax burden up to a limit of motivation for personal earnings and savings was essential. Encouragement of private enterprise was essential. In fact, the corporation tax was reduced from 42.5 per cent to 40 per cent. Simplification of the taxation system was considered essential and the British replaced, unlike us, the income-tax and the surtax by a single graduated tax. Even Russia has introduced profit-motive incentives.

Taxes come from income and product. Where is motivation for income or products to extract taxes from? Facts establish us as the highest taxed nation and our rate of growth is the lowest, which is no accident but a consequence. Motivations for corporate developments are removed and hard work, efficiency and savings are penalised. Plan outlay of capital nature should come from borrowings and not from taxation.

The budget provides for further undemocratic concentration of economic power along with political and military and now judicial power in the hands of the rulers instead of distributing it to millions of citizens.

How can the budget expect the private sector to contribute when the means to generate wealth to contribute are taken away? The Bill would dry up the very sources from which the taxes are derived today.

The private corporate sector contributes 70 per cent of the total national income in developed countries. Manifold restrictions limit it to 8 per cent in India, but the private sector is made to contribute no less than 60 per cent of the direct and indirect taxes collected by the Central Government.

Non-plan expenditure each year is higher than budgeted. Last year's deficit financing is stated to be Rs. 330 crores instead of Rs. 270 crores indicated by the Finance Minister, if the States' overdrafts are accounted. The general price level has been increasing by annual rate of 7 per cent in past five years. After the budget, the prices of a wide range of goods have already moved up by nearly 6 per cent. The Bill has already harmed the people.

The lowering of tax rates up to certain levels makes the economy grow, boosts investments and production to a point, when with lower tax rates, the tax collection actually mounts. The cases of Germany, France, the USA, Japan, Singapore, the UK and many others give evidence of this.

Vigorous, determined and ruthless attempts should have been made to drastically cut non-plan, unproductive governmental expenditures which are contrarily increasing rapidly. Between inefficiency and losses of public enterprises and the rising governmental expenditures and the States' indiscipline, the people of India are deprived and squeezed. Governmental expenditures have risen to exceed disposable incomes, forcing people to misery. Prof. Clark, Prof. Erhard, and Prof. Kaldor and many others have frequently expressed that maximum rate of personal taxation should not exceed 50 per cent for optimising national benefits.

Out of 150 countries of the world, 144 do not exceed the tax rate of 50 per cent on corporate profits. The maximum marginal rate of personal income tax is 53 per cent in Germany, 60 per cent in Japan, 60 per cent in Norway and 65 in Sweden. India is the only socialist country where income tax and wealth tax can together

amount to more than 100 per cent of the total income. It is said the most expensive hobby of Indians is work.

Mistaking socialism as nationalisation of trade and industry, our nation has piled up losses, inflation and unemployment.

The Bill betrays the true ideals and aims of socialism and the interests of the masses, as often propounded by Mahatma Gandhi and Jawaharlal Nehru.

In Government and the public sector minimum work is the rule and avoidance of work is the habit. Words have become a substitute for action.

Since 1957, Japan has drastically cut direct taxes resulting in phenomenal economic growth of that country.

It takes years of initiative and enterprise, care and labour to build up a national economy, but its destruction can be compassed quickly and easily.

Three and a half million unemployed in 1970 will be up by 21 per cent to 4.2 million in 1971 on the employment exchanges, while the actual number of the unemployed must be at least twice that figure.

The radiating potencies of direct taxes go far beyond mere raising of revenue. They propel tendencies which can obstruct effort, deflect enterprise and constrict growth and can prevent the bringing forth of the maximum gifts of each for the fullest enjoyment of all. Bad economics may temporarily be good politics.

The Bill will retard individual savings and capital formation due to rise in qualifying limit from Rs. 15,000 to Rs. 20,000 under cl. 15 and raising surcharge from 10 to 15 per cent on incomes exceeding Rs 15,000, coupled with inflation.

Women's personal jewellery tax provision's retroactive application from 1963 after the Supreme Court ruling is unfair to women and the Supreme Court and will create administrative difficulties and cost.

After reading the Budget, Omar Khayam would have said : What I gave, I had ; What I spent, I had ; Wha I saved, I lost ; What I invested, I lost ; What I left, I lost.

The fruits of work and the results of saving are both taxed at rapidly rising rates.

While we welcome the Finance Minister correcting on 26th July certain hardships, particularly to small producers in a few fields, these changes are not likely to mitigate inflationary pressure on cost of living.

Presently, processing of agricultural produce barring a few commercial commodities is not classified among the priority industries list. It is requested that processing of all agricultural produce be in the priority sector as this would help rural employment, rural development, widened industrial base and has many direct and incidental advantages.

If one knew the anatomy of so-called big business or large houses and had a grasp of the mechanics of their operations, one would not out of fear complex retard by fiscal measures growth of the large industries, but would have broken up the large houses, as was done by the occupation forces under Mac Arthur in postwar Japan and by the Allies in Germany. Both countries have prospered beyond all expectations.

As for reducing disparity, our 99.8 per cent people have income below surtax level. They are nearly equally poor. The balance of 0.2 per cent. disparity differential for skill, hard work, education, taking risks and responsibilities provided a great incentive to the 99.8 per cent if the jealousy of a few is disregarded.

The principle of social justice demands that labour and enterprise should be fairly rewarded. The choice between working and not working or disincentive to work should be eliminated.

I would conclude my statement by quoting Lord George Brown, Deputy Prime Minister and Foreign Secretary of the Labour Government of Mr. Wilson has said in his memoirs *In My Way* recently published in London :

"...we have to rethink our attitude to some traditional positions. For example, the

[Shri D. D. Desai]

taxation system on which I was brought up in the era of Philip Snowden, and to which Labour still seems so irrationally attached, really encourages a man to decide between working or not-working."

"He is not so pleased by what he earns as he is annoyed by what he is paying away. We should not give a man a choice between working and not working. What we want to do is to give him a choice between spending his money on the things he likes, or saving..."

With these words, as I had only a limited time, I resume my seat.

MR. CHAIRMAN : Shri N. K. Sharma.

श्री नवल किशोर शर्मा (दौसा) : सभापति जी, मैं इस समय यहाँ पर वित्त विधेयक के समर्थन में बोलने के लिए खड़ा हुआ हूँ। वित्त विधेयक और वित्त मंत्री द्वारा पेश किया गया बजट हमारे देश में आम चुनावों के बाद में एक ऐसी प्रक्रिया की शुरुआत है...

सभापति महोदय : आप कल कंटिन्यू कीजिएगा।

17.27 hrs.

HALF-AN-HOUR DISCUSSION RE. PURCHASE OF HOVER-CRAFTS TO CHECK SMUGGLING

SHRI C. K. CHANDRAPAN (Tellicherry) : Sir, today in our country smuggling has become a very serious problem. I am sure nobody in the House will dispute the fact that the question of smuggling—smuggling of gold, smuggling of drugs, smuggling of synthetic fibres and smuggling of all sorts of things—has become a problem of national concern.

Just before this discussion, we were discussing the problem of how to find resources. According to non-official estimates made by various responsible quarters, it is learnt that nearly 200 metric tonnes of gold are being smuggled into our country, from a very small country lying 2,000 miles away from our western coast, Dubai. It is a country

with 60,000 people, and this year they have imported 200 million dollars worth of gold to their country with the specific purpose of smuggling it into India. They have not made it a secret also. They have brought very sophisticated vessels with radio and radar equipments, and these vessels are now being sent to our country. Every week, twice or thrice, they are sending these vessels with large quantities of gold, in them

Why is this happening ? One of the main reasons is that in our country we have a tradition of keeping gold ; our ordinary people love gold to such an extent that the blackmarket price is almost 100 per cent more than the international price of gold. So, it has become a lucrative trade for smugglers from abroad.

Another thing is, because of the overinvoicing and underinvoicing done by big business-houses, exporters and importers, they have to somehow cover up the money they are gaining through this black trade. They use this illegal, smuggled gold, as a very successful mask to cover up their illicit gains.

Another important factor is, as I have said earlier, the craze for anything imported into our country. If any body goes to the market and finds some synthetic fibre material is sold, and if he is told it is imported, it is readily bought at a very high cost. All this happens in such a way that we are losing a lot of our national wealth. We are losing silver ; we are losing foreign exchange. There is a big drug traffic. Antiques are being smuggled from our country to countries outside; rice also is being smuggled to Nepal *en route* to China.

All these are operating as a sort of a drainage on our income to the countries around us. Gold is being smuggled from Dubai, rice is going to Nepal, Pakistan and some Arab countries are sending gold and taking drugs, silver and rice ; the United States and other countries are taking smuggled antiques from our country.

When the nation suffers such a big loss, what is the attitude of the Government ? On 13th August, 1970 there was a discussion in this House when Mr. Chavan promised that all possible measures would be taken to prevent smuggling. On 10th December, 1970 there was a conference of Customs Collectors