

Mr. Speaker: The question is:

"That the debate on the motion re: the present economic situation in the country be adjourned."

The motion was negatived.

Shrimati Renu Chakravartty: We are unable to participate and listen to the gentleman. We are going to leave the House.

(Shrimati Renu Chakravartty and some other hon. Members left the House).

Shri Nambiar (Tiruchirapalli): We are also unable to participate in this discussion. We are unable to hear his speech and participate in the discussion. So, we are also leaving the House.

(Shri Nambiar and some other hon. Members left the House).

Shri U. M. Trivedi: As a token of our disapproval of the decision not to adjourn the debate, we are also going out but we shall participate in the debate.

(Shri U. M. Trivedi and some other hon. Members left the House).

13.02 hrs.

MOTION RE: PRESENT ECONOMIC
SITUATION IN THE
COUNTRY—*contd.*

The Minister of Finance (Shri Sachindra Chaudhuri): I beg to move:

"That the present economic situation in the country be taken into consideration."

A number of important developments have taken place after the close of the budget session of this Parliament. Seven weeks have passed since the Government took the difficult and even painful decision to devalue the Indian rupee.

Shri Hari Vishnu Kamath (Hoshangabad): Is he re-reading his speech?

Mr. Speaker: He had read part of it, and then it was to be continued but certain Members had complained that they had not heard him. Therefore, it would be better if he reads it out from the beginning.

Shri Sachindra Chaudhuri: That is what I am doing and since I had to ask for your leave to do that, I was asking for that leave, and I hope the House will give me that indulgence.

Mr. Speaker: He might read it out from the beginning.

Shri Sachindra Chaudhuri: If you so please.

I am keenly aware that there are some misgivings in the minds of some hon. members about this decision and about the economic policies of the Government in general. That is why I am now taking this opportunity to share my thoughts with you, Sir, and to benefit by the counsel and criticism of Hon'ble Members on both sides of the House. I shall listen carefully to what Hon'ble Members may have to say and I hope I shall have an opportunity towards the end of the discussion to respond to the suggestions made and sentiments expressed in this august House. A Supplement to the Economic Survey has been prepared and is being circulated to Hon'ble Members. Recent trends in the economy have been outlined in the Supplement and I do not intend to take much time of the House in going over the same ground. But I would like to recapitulate at the outset some of the salient developments in the Indian economy in recent years.

Sir, when I presented the Budget early this year, I had occasion to say that, in many ways, the year that was then drawing to a close had been a very difficult one. On the latest reckoning, agricultural production declined by nearly 15 per cent in 1965-66, industrial production increased by only 3.8 per cent and total national income in real terms declined by

about 4 per cent. It is not surprising that in the face of such a sharp reduction in real resources, prices increased by as much as 15 per cent in one year and exports declined marginally in spite of growing assistance to them. We had to tighten import restrictions further even in respect of essential raw materials and components. In the meanwhile, our repayments obligations were rising steadily so that we had to borrow \$187.5 million from the International Monetary Fund in April last.

In a sense, the difficulties that we have been experiencing of late began to gather momentum towards the middle of the Third Plan period. The rate of growth of the economy in the first two years of the Third Plan was a very modest one. But, on the whole, the general price situation in the country remained satisfactory then. During 1963-64, and again in 1964-65, there was a spurt in both industrial and agricultural production and national income in real terms increased by nearly 13 per cent in these two years. There were also signs towards the middle of the Third Plan period of a distinct improvement in our balance of payments both as a result of the increase in exports and as a result of greater utilisation of external aid. An unprecedented effort was made in the 1963-64 Budget to raise additional resources to meet the challenge of defence and development; and efforts to mobilise additional resources were continued both during 1964-65 and 1965-66. In the event, however, these efforts did not prove adequate to meet the additional demands arising from the expenditure on defence and development. Prices began to rise towards the middle of 1963; and the trend which started then has continued more or less uninterrupted till now. The increase in exports which was witnessed during the first three years of the Plan could not be sustained; and both during 1964-65 and 1965-66, our balance of payments remained under heavy pressure.

Government responded to these mounting difficulties both by corrective measures in the short run as well as by long-term measures designed to improve the basic health of the economy. At a time when production had actually fallen, the pressure of demand on the economy could not be reduced to any significant extent by additional mobilisation of resources. Our immediate response to the difficult economic situation, therefore, was that both agriculture and industry should be as a matter of the highest priority accelerated. It was only on the basis of an early increase in production that we could seek to solve our manifold problems in a constructive and forward-looking manner. At the same time, every effort was made in the last Budget to contain both plan and non-plan expenditure so as to reduce the pressure on the economy. In the short run, we had to take steps to import foodgrains as well as to import more fertilisers and other raw materials essential for agriculture so as to give a decisive push to agricultural production in the current season. In regard to industrial production, as I explained in my Budget speech it was the view of the Government that despite the difficult foreign exchange situation, it would be self-defeating to intensify or even to maintain the severity of our import restrictions. It was only on the basis of a more liberal import policy that we could hope to give a fresh momentum to industrial production and greater regard for efficiency all round in the immediate future.

Looking ahead, it has also been the view of the Government that our recent experience has certain lessons for us which must be borne in mind in our long-term plans. First and foremost, while we cannot abandon our aspirations for progress, rapid economic progress in our circumstances depends not only on new investment and on the creation of new capacity but, even more important, on getting the maximum returns from investment already completed. That is

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why, priority has to be given to quick-yielding investments as well as to full and better utilisation of existing capacity before taking up investments with a longer gestation period. What is equally important, despite the urgency of increasing the rate of investment in the economy this can only be done on the basis of genuine savings if the health of the economy is not to be undermined in the pursuit of progress.

While the economic policies of the present Government were being geared increasingly in the light of the considerations that I have just mentioned, there was one area in respect of which action was becoming particularly urgent. I am referring to our balance of payments position which was becoming more and more unlenable as a result of the rise in internal prices.

It is not generally realised that before devaluation, even exports of cotton textiles had to be given assistance to the extent of 30 to 50 per cent and even more of the actual value realised. The effective rate of subsidy on the exports of new manufactures was even higher. Even our traditional exports of jute and tea and iron ore had to be subsidised marginally and there were pressures for increasing these subsidies. On the other hand, the pause in aid had served as a timely reminder that, however welcome and necessary such aid might be in the near future, we cannot count upon it with certainty or for long. We had, therefore, to consider urgently how best we could promote a new dynamism in our exports so that our balance of payments could be in a better shape and our progress towards self-reliance expedited. The choice before us was to extend the measures of subsidisation that we had already adopted even further or to make a formal change in the exchange rate as a recognition of what

was actually developing in practice in any way.

It was felt that subsidies by way of greater use of import entitlements would not be feasible. These entitlements could subsidise exports only so long as they could be sold at a heavy premium internally by maintaining the scarcity of even essential imports of raw materials and components. Continuance of scarcity in this regard, as I have already mentioned, would have been self-defeating. Direct subsidies to exports on a growing scale would have imposed a heavy burden on the Budget and would not have been regarded by anyone as anything different from *de facto* devaluation. Quite apart from this, subsidies do not provide the same stimulus to exports on a stable and continuing basis as a formal change in the exchange rate. In short, as long as our exports needed subsidies only marginally, it was justifiable to resort to *ad hoc* measures. But when the range and scale of subsidies began to get enlarged, it was clearly more desirable to recognise realities and change the exchange rate formally.

Devaluation would also benefit those exports which were not hitherto getting subsidies on any significant scales. Over time, the change in the exchange rate and the consequent increase in the profitability of export industries in general would facilitate a greater flow of resources to this vital sector and thus serve as an essential pre-condition for vigorous export promotion. For the same reason, devaluation acts as a spur to import substitution and larger net earnings on the invisible account. The decision to devalue the rupee was thus both a recognition of the situation that was developing as well as a forward-looking measure intended to hasten our march towards self-reliance.

Sir, it is sometimes suggested that if our exports were becoming increasingly uncompetitive as a result of

the rise in prices, we would have endeavoured to bring prices down substantially instead of devaluing the rupee. But I for one believe that it was not only unrealistic in the extreme but also unwise to hope for a sharp decline in the general price level. To a certain extent, the recent increase in agricultural prices has prepared the way for a greater utilisation of fertilisers, pesticides, tubewells and the like which have a bearing on our efforts to increase agricultural productivity. It is not at all fanciful to think that a sharp decline in agricultural prices, even if it could be brought about, would retard our efforts on the agricultural front if we have a bumper crop again, I hope we would set aside a part of it to meet future contingencies rather than let it depress prices unduly.

I am also aware, Sir, that there is a feeling in some quarters that, in our circumstances, there is hardly any scope for increasing exports. I am afraid, I cannot accept such a defeatist proposition. If we were to take the view that, as a country, we cannot increase our exports, either because we cannot produce on a sufficient scale or because there is no demand abroad for our products, then the only conclusion one can draw is that this country is doomed either to perpetual reliance on foreign aid or to a very low rate of growth indeed. In the nature of things, all developing countries need more imports; and in the ultimate analysis more imports can only be financed by more exports. This is not to say that exports can be increased merely by a financial or monetary device like devaluation. But it is one thing to say that devaluation should be followed up by other measures to increase the production of exportable items and an altogether different thing to say that that exports cannot be increased no matter how much and in what way we try.

It has been said, Sir, that in our circumstances we need selective measures whereas devaluation is a general 983(Ai) LSD—8.

measures which increases costs and profits generally or across-the-board. I myself find this antithesis between general measures and selective measures somewhat unconvincing because I feel that, even in our circumstances, we should need from time to time both general as well as selective measures. Even in devaluing the rupee, we have taken steps to ensure that its impact is selective. Thus, export duties have been levied on a number of products. In regard to imports also, we have tried to shield the prices of a few essential commodities such as foodgrains, fertilisers and petroleum products by appropriate subsidies or adjustment in duties. It is not, therefore, a question of whether selectivity in our circumstances is necessary. Rather, it is a question whether selectivity should not be kept to a minimum and whether it does not have to be supplemented at times by a general measure of incentive or disincentive.

I am well aware that I cannot touch here on all the genuine misgivings that exist in the minds of Hon'ble Members regarding the decision to devalue. Some of these were dealt with in my speech announcing the decision to devalue and others have been dealt with in the supplement to the Economic Survey which has already been circulated. If there are any other points that have not so far been covered, I shall try to deal with them, in my reply to the present discussions. But there is one other point which I would like to refer to here.

Even those who agree that devaluation was a painful but unavoidable necessity, are sometimes inclined to think that it is recognition in some sense of failure on our part, I am afraid, I cannot accept this suggestion either. I, for one, would not suggest that our past record could not have been improved upon. But, taken as a whole, our record in the economic field is creditable by any standards. There has been sizeable economic advance over the past fifteen

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years; and it is, I am sure, a matter of satisfaction and pride for all of us that this advance has been made within the framework of Parliamentary democracy and with a degree of political stability which is all too rare in the modern world. The difficulties that we have experienced in the recent past have resulted in part at least from factors beyond our control. I readily agree that devaluation is a matter which cannot be taken lightly and that it must serve as a signal to greater discipline and determination on the part of all of us. But to suggest that the necessity to adjust the price of foreign exchange after nearly seventeen years of effort and endeavour is an indication of failure is to take, to say the least a rather tragic view of human affairs. I, for one, would be inclined to think that it would have been a greater sign of failure if we had failed to recognise existing realities and sacrificed in the process our chances of rapid progress towards self-reliance.

We, in this Government, are fully convinced that our first task is to bring under control the inflationary pressures which have already been at work for some time and which have not yet fully worked themselves out. The budgets of the Centre and the States for the current year have provided for a small deficit and a number of developments have taken place since the presentation of the budgets which would tend to increase the deficit if no further action is taken. We intend, however, to take all possible further action, essentially in the direction of economy, so as to produce an overall balance in the budgets of the Centre and the States for the current year. Some measures of economy in the expenditure at the Centre have already been agreed upon. Others are under consideration. We have had discussions with the Chief Ministers and I have myself discussed the budgetary position of the States with individual Chief Ministers to ensure that the Centre and the States work to-

gether in this regard. I would like to make it clear that we shall not hesitate even to postpone and stagger developmental expenditure if it becomes necessary in the interest of a balanced budget. Necessary procedures are being devised to ensure that unauthorised overdrafts of State Governments from the Reserve Bank are avoided.

I must make it clear that the Reserve Bank also will have to exercise the utmost restraint on credit creation by the banking system. The period immediately after devaluation is certainly not an appropriate time for liberalisation of credit in general. While selective liberation for assisting production helps in combating inflation, it has to be recognised that even the requirements of production must be met by genuine savings and not by credit creation by the Reserve Bank. For this reason, the banking system has been advised to conserve the resources it gets by way of deposit accrual during the current slack season so that it can meet the requirements of the next busy seasons without undue recourse to the Reserve Bank.

Fiscal and monetary policy apart, there has to be an increase in agricultural and industrial production in the immediate future if the problem of combating inflation is to be at all manageable. Hon'ble Members are already aware of the steps that are being taken to increase agricultural production; and I have every confidence that, despite unfavourable monsoon conditions in some parts of the country so far, agricultural production in the aggregate in the current year will show a marked improvement. The more liberal policy for the import of raw materials and components for the priority industries that we have already announced for the first half of the current year will help in increasing industrial production. I am happy to say that I have every reason to expect that non-project assistance on the scale necessary

will be forthcoming to enable us to continue the policy of import liberalisation that has already been announced.

Given the inflationary pressures already operating in the economy, it is not surprising that prices have risen somewhat after devaluation. But there is no evidence that the upward trend in prices which was already in existing can be linked to or has been accentuated by devaluation. Wholesale prices have increased by 1.5 per cent during the four weeks after devaluation as compared to the increase of 2.4 per cent during the four weeks preceding devaluation. This is not to say that we can afford to let prices rise by 1 or 2 per cent every four weeks. Government, in cooperation with the State Governments and industry, have endeavoured to prevent increases in the prices of essential commodities. Apart from making provision for larger imports, as in the case of foodgrains, kerosene and vegetable oils, the cooperation of business and industry has been sought in making sure that artificial scarcities are not created to take advantage of the psychology of inflation. The establishment of retail shops and the cooperation of consumers in resisting the payment of higher prices for essential commodities would also help in tiding over the situation till such time as higher production begins to have a more enduring impact on the general price level.

In the export import field, certain consequential measures were announced along with the decision to devalue. Appropriate changes in export duties have been made since then in the light of experience and the transitional problems regarding existing trade contracts with rupee payment countries have been sorted out. We also propose to license more freely capacity expansion in export industries and in industries which compete with imports. A scheme of import liberalisation has already been announced. This in itself would meet most of the import requirements

of export industries. But special licensing arrangements are being made to ensure that exporters can replenish their import requirements with certainty and speed. Altogether, the inevitable uncertainty created by devaluation in regard to some export and imports has now been removed and it should be possible for both exports and domestic producers of import substitutes to make their plans on the basis of a stable framework of policy.

Sir, I cannot emphasise too strongly that, in the longer run, the solution of all our problems, be they related to the balance of payments or price stability, can only be found in a positive environment in which economic progress continues to take place on the basis of strict adherence to priority, increasingly productivity and genuine savings. Devaluation is only one of the important measures for establishing the right priorities in the use of resources. While it will make it comparatively profitable to sell abroad rather than at home and to buy at home rather than abroad, and while it will promote the flow of resources to export industries and import substituting industries, it will have to be supplemented by appropriate investment decisions both in the public and the private sector. Thus, unless export industries and import substituting activities are given the highest priority in the expansion of new capacity and in the allocation of scarce foreign exchange, it will not be possible for the economy to take advantage of the opportunities created by devaluation. Similarly, the opportunities so created will be progressively eroded unless inflation is avoided by keeping total investments within the limits set by genuine savings. Equally, if it is imperative to live within our means, it is also imperative to ensure that our means grow progressively so that the living conditions of our people can also improve progressively. This in turn means a continuous drive towards higher productivity not only of capital but also of labour.

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I venture to submit, Sir, that at this critical juncture of our history, the attention of this Hon'ble House should be turned to this basic task of improving our general economic performance by exploring every available opportunity for achieving greater productivity and savings and for ensuring adherence to national priorities. Of one thing I am sure that we here are all agreed that we have to give the highest priority to the national objective of achieving self-reliance as soon as possible. I have every confidence that Hon'ble Members would have valuable suggestions to make in regard to this fundamental task so that the Government, and indeed the nation at large, could benefit by our deliberations in this august House.

Mr. Speaker: Motion moved:

"That the present economic situation in the country be taken into consideration."

There are some substitute motions. Shri Yashpal Singh is not here. Next is that of Shri S. M. Banerjee.

Shri K. D. Malaviya (Basti): I have also moved a substitute motion.

Mr. Speaker: The next one is by Shri Dwivedy.

Shri Surendranath Dwivedy (Kendrapara): Sir, I beg to move:

That for the original motion the following be substituted, namely:

"This House having considered the present economic situation in the country, is of opinion that the Government has miserably failed:—

- (a) to safeguard the interest of the country by surrendering to the pressure of foreign interests in agreeing to devalue Indian rupee;

- (b) to take steps against monopolists, big moneypowers, traders, profiteers and hoarders;
- (c) to check inflationary tendencies in the country and take adequate measures to arrest the continuous rise of prices of essential commodities;
- (d) to attain selfsufficiency in food production due to defective planning neglect of agriculture and rural development and dependence on import of foodgrains from foreign countries; and
- (e) to take measures to remove economic disparities as a result of which the miseries of the majority of the population have increased during the period of last 15 years of planning and condition of the weaker and poorer section of the community has deteriorated." (4).

Mr. Speaker: The next one is by Shri M. L. Dwivedi; he is not in the House now. There is a second motion in the name of Shri Surendranath Dwivedy. Is he moving that also?

Shri Surendranath Dwivedy: Yes, Sir. I beg to move:

That for the original motion, the following be substituted, namely:

"This House, having considered the present economic situation in the country, is of opinion that the Government's pursuance of wrong policies and priorities and more dependence on foreign import and aid have brought about economic disaster for the country and the miseries of the people have increased." (6).

Mr. Speaker: The next motion stands in the names of Shri Madhu Limaye and Dr. Ram Manohar Lohia. They are not in the House. Is Shri Bade moving his motion No. 8.

Shri Bade (Khargone): Yes, Sir. I beg to move:

That for the original motion, the following be substituted, namely:

"This House, having considered the present economic situation in the country, is of opinion that the Government of India have failed miserably in resolving the present acute economic crisis and regrets the—

- (a) decision regarding devaluation;
- (b) failure to check the rising prices; and
- (c) growing discontent among the Central Government employees;

and recommends the—

- (a) drastic curtailment of Government expenditure;
- (b) scrupulous avoidance of deficit financing;
- (c) radical overhaul of our plans to obviate dependence on foreign aid;
- (d) removal of all curbs on indigenous industrial effort;
- (e) supply of essential commodities to all people at reasonable rates, and to employees in Government and in organised sectors at subsidised rates; and
- (f) top priority to agriculture and consumer goods industries."

(8)

Mr. Speaker: Is Mr. Masani moving his motion?

Shri M. R. Masani (Rajkot): Yes, Sir. I beg to move:

That for the original motion, the following be substituted, namely:

"This House, having considered the present economic situation in the country is of opinion that the

economic collapse, of which the recent devaluation of the national currency is an admission, is the cumulative result of ill-conceived economic policies pursued by the Union Government over the last decade.

In order that the sacrifice imposed by the process of devaluation may not be wasted the following measures have become necessary:

- (a) A clear commitment by Government to eschew inflationary policies of every kind.
- (b) A drastic reduction in civil non-developmental expenditure of the Union and State Governments.
- (c) The restriction of foreign loans on government-to-government basis only to such legitimate purposes as fall within the proper duties of the State like building the infrastructure and, as an emergency measure for the current needs of agriculture and industry.
- (d) Consolidation of what has already been taken on hand before embarking on any new Plan.
- (e) A substantial reduction in both direct and indirect taxes.
- (f) The complete dismantling of the structure of permits, quotas, licences and controls including Gold Control." (9).

Shri Surendranath Dwivedy: Members who are not present now should not be given an opportunity again to move their motions.

Mr. Speaker: No.

Shri K. D. Malaviya: I had tabled an amendment. What about me?

Mr. Speaker: I will admit Shri Malaviya's amendment.

Shri Ranga (Chittoor): If the Government is able to have its own

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opposition within itself, it is very good!

Shri K. D. Malaviya: It is none of the business of the hon. Member in the Opposition to suggest anything like that. He might say whatever he likes. (*Interruption*).

Mr. Speaker: Order order. Shri Malaviya's amendment was received today I will admit it.

Shri Surendranath Dwivedy: Please get copies of it circulated.

Mr. Speaker: I will get copies circulated.

Shri Narendra Singh Mahida (Anand): What is the time allotted for this motion?

Mr. Speaker: The time recommended by Government was 10 hours.

Shri Hari Vishnu Kamath: The Advisory Committee has not met.

Mr. Speaker: Today they are meeting, but we will start now.

Shri Ranga: 15 hours may be given.

Mr. Speaker: We will see.

Shri Surendranath Dwivedy: Let it be 15 hours. The House can as well decide it now.

Mr. Speaker: I have no objection if the House decides.

Shri Hari Vishnu Kamath: 15 hours excluding the Minister's reply.

Mr. Speaker: So, 15 hours are asked.

The Leader of the House (Shri Satya Narayan Sinha): Firstly many Members have already abstained; they are not participating. Secondly, as I said yesterday, in the discussion of the no-confidence motion the same things are going to be raised. So, I think 15 hours are too much. Will they be satisfied with 12 hours?

Shri Surendranath Dwivedy: 15 hours are necessary (*Interruption*)

Shri Satya Narayan Sinha: Let it be 15 hours. We have no objection.

Shri Hari Vishnu Kamath: In view of its importance, the time allocation may be 50-50 and not 40-60.

Shri K. D. Malaviya: I beg to move:

That for the original motion, the following be substituted, namely:

"This House having considered the present economic situation in the country, is of opinion that—

(i) the present crisis is generally inherent in the developing economy of a country wedded to socialism and democracy at early stages, but the unhappy devaluation of national currency is mainly the result of faulty, half-hearted and inefficient administrative management of Government's economic policies which were approved by the people and the Parliament; and

(ii) in order that the sacrifices imposed by the devaluation be turned to national advantage, the follow up measures as suggested below be adopted:

- (a) A clear commitment by the Government to undertake radical structural transformation of the existing administrative system and to take immediate steps for the achievement of this object;
- (b) Large-scale state procurement of foodgrains at remunerative prices and controlled distribution of essential commodities with the twin purpose of relieving popular distress by regulating consumption and prices and checking inflation and anti-social activities;
- (c) Not to base Government policy of capital formation on massive import of capital and foreign management except in

the cases where Government to Government loans are necessary and are consistent with our national policies. Instead the Government should now move forward rapidly to build indigenous techniques on the basis of self-reliance both in industry and agriculture;

- (d) A review of civil and non-development Government expenditure with the object of introducing the necessary economy." (11).

Shri M. R. Masani: Mr. Speaker, Sir, I am very sorry that some Benches on this side are empty at this moment. I deplore that because we had hoped that when the Government came forward to invite a discussion on the very crucial economic developments that have taken place in the last few months, there should be something of a national inquest in which Members of all parties could have joined to analyse what had happened. But one thing has come out from the proceedings of yesterday and this morning, and that is that when some sections of our press refer to some such things as the Opposition, they are not being very accurate. The unfortunate thing in this country at this stage is that there is no 'the' Opposition. There are several oppositions, which is undoubtedly a weakness in our democracy, and some of us are trying to put it right. But the fact still remains that today there are several oppositions of very different kinds.

We, Sir, belong to a democratic opposition, an opposition that tries to create an alternative government which can take over power through the peaceful, constitutional means of the ballot box. We have nothing in common with those who showed their devotion to democracy in a very peculiar manner yesterday and this morning. We want to draw this line between a democratic opposition and those others who do not subscribe to the parliamentary institutions which we hold dear.

13.33 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

Now, on the midnight of 5th June, there was a moment of truth for this country. This country, which had been living in dreamland, cloud cuckoo-land, under the leadership it had thrown up, was brought down to firm earth with a thump. The moment of truth was the moment when reality could not be ignored any more and, as in a flash, that reality dawned on our people: that our money had depreciated, that our credit was impaired, and that we as a nation were bankrupt. These things had been true for several years, but the people had not sensed them because those in authority had made it their job to hide these things from the people and throw dust in their eyes.

There were a few discerning people who had sensed what was happening. Among economists, there was Prof. Shenoy, the finest economist this country enjoys, with the highest international reputation. For years he had warned us that our currency was going down and down and something should be done about it. My esteemed chief, Rajaji, had written week after week in *Swarajya*, showing how the country was drifting to bankruptcy. And there were smaller people like myself who had been warning the authorities in this very House, if only those in authority had cared to listen.

Since we are sometimes misrepresented by saying that we welcome devaluation, let me read my own words in this House in my budget speech last year, when Shri T. T. Krishnamachari was the Finance Minister. On the 22nd March, 1965, I said:

"...When foreign aid starts drying up—

and this has already happened—

"there will be only two alternatives left to this country. It can shamelessly go bankrupt,

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as it has done—

"or it can put its house in order. If it is going to put its house in order, there are two ways of doing it again. One is to stop these inflationary policies and to scrap the Fourth Plan as it is at present devised, and create a stable measure of value in this country, an honest rupee. If you do not do it, I shall tell you what you will have to do, and what hon. Members would not like, and that is to see the Finance Minister of their party doing in the next two years;

and only 15 months have passed

"and that is to devalue the rupee. It is a very painful expedient to cut down officially the value of our currency. If you do not listen to our warning today and stop this inflationary and reckless way in which you are doing things, you yourself will have to come to the country and to this House and say,

as the Finance Minister has done—

"Let us face facts. Our rupee is worth only half of what it is today; let us now pretend that it is three-fourths of what it was before."

It is amusing that the hon. Finance Minister, in this devaluation, has gone exactly to the extent that I forecast 15 months ago. Our rupee which was 10 U.S. cents as against 20 cents, has now been officially pegged at 14 to 15 cents, justifying my forecast as to what Shri T. T. Krishnamachari and his successor would do.

Then I had gone on to say:

"I am not advocating that; it is a very painful remedy. It will hurt the rich and the poor, the honest and the dishonest alike, and I would like to avoid it. But as things are developing today, with this budget and the proposed Plan, I can say that devaluation

is round the corner, and even my hon. friend will one day have the courage and the honesty to come forward and admit it."

It has happened. The then Finance Minister was kicked out of office, quite rightly, and his successor was asked to hold the baby. He is not here now to recall the stupid reply, that dishonest reply that he gave in this House. Shri T. T. Krishnamachari, when faced with my statement, said that Mr. Masani was imagining things. Our rupee was still exactly what it always was. There was only one price for the rupee; 4.75 rupees made a dollar. There was no other price. In any other country, such a man would have been thrown out of office on the spot. But he survived for a few months and in ignominy had to go out, having done incalculable harm to this country. Luckily for himself, he is out but his successor is having to face the music.

The point is that economic laws do not follow the diktats of Planning Commissions or even fleeting parliamentary majorities. They have their supervening force, and so, at last, on the 5th of June this year, even this Government had to accept reality. The Finance Minister told the bitter truth to the nation in his broadcast. What he said then and some of what he said this morning, was very sensible. But then, why was all this denied earlier? When some of us said it on the floor of the House, why were we told that we were talking in ignorance? The Finance Minister's broadcast was nothing but a rehash of what some of us had been saying for the last two years. Why did not Government then put its house in order and avert this declaration of bankruptcy. Because that is what devaluation is—a confession of failure; a confession of bankruptcy.

The real issue is not whether devaluation is good or bad—as some people in thier ignorance try to make out. It is like asking—is a surgeon's

knife good or bad? These are things that are neither good nor bad. They are neutral. They are instruments. Devaluation is like a surgeon's knife or like a strong drug. They are good if the disease requires an operation or a strong drug, and if they are used by qualified surgeons or doctors. They are bad if they are meant to tide over a temporary crisis and then the patient persists in his bad old ways. They are bad if they are put in the hands of quacks.

The real issues are two: What has brought about the debacle and what are the causes of the devaluation? Secondly, how do we see that the sacrifices imposed on the people by this act are not wasted? How do we see that there is not another devaluation within two or three years? These are the real issues and I suggest that the House, in the 15 hours it has given to itself, apply its mind constructively to these problems.

I shall start with the causes which have brought about this bankruptcy and devaluation. I will list the fundamental causes; I have no time to go into every detail. They are five in number. The first and most basic cause was that we did not live within our means, that those in office led this nation to live beyond its means. We imported more than we exported. We spent more than we produced. When an individual does it, he goes bankrupt. The evil was to be found in the second and third Plans. The source of all economic evil in this country is to be found in these Five Year Plans—the Second and Third Plans. They are the source of the evil which has brought the country to this pass. First of all, what was wrong with them was that they were based on deficit financing. Deficit finance is just created money to spend when you do not have it. You can do it through printing currency notes or through bank credits or in a variety of ways. Money thus created is something that is poison to the economy. Very consciously the old Governments here went in for deficit

financing and the result was inflation. The Third Plan even set a target for deficit financing—how much poison could the body absorb. It laid down what it called a safe margin of deficit financing. Only two weeks ago, it was announced officially that that margin had been exceeded by 100 per cent. The amount of deficit financing that took place during the Third Plan was actually more than double what had been allowed or estimated. That is the basic reason why the Second and Third Plans have brought the country to this pass.

The second thing wrong with the Plans was the obsession with heavy industry and steel and the neglect of agriculture and consumer goods. This again has an effect on inflation, because when you pump money into the economy in low-return and slow-return projects like steel, you create inflation, because goods in the market do not come in quickly to compensate for the extra money you have raised. As we know, inflation and rising prices are the cruellest tax on all, cruellest on the poor who cannot afford it.

The third thing wrong with the Plans was excessive dependence on foreign aid and foreign loans. This made foreign loans crutches on which the nation was asked to depend. Then, we had PL-480, getting food from abroad for which we did not pay at all, a thing which has now at last come to an end. The result is that we are unable to pay these loans unless we borrow more money again. We are insolvent unless somebody will lend us money to pay for our present obligations. This is the stage at which we have arrived. We have mortgaged the future of our people in the pursuit of our foolish and ideotic Plans.

The fourth thing wrong with our Plans and policies was over-taxation. The phrase used was "let us mobilise resources". Mobilising resources meant taking away money from the pockets of the people and from the

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banks where it could be productively invested into the unproductive coffers of the Government. This has diverted such amounts from the pockets of the people to the pockets of Government that our production has fallen, both in agriculture and industry, and we have come to our present plight.

Finally, there were excessive controls, controls killing enterprise, fostering corruption, creating profiteering and import licences, which Prof. Shenoy has rightly described as the biggest portfolio of political patronage.

These are the causes which brought bankruptcy to the nation. It is nothing but the legacy of the past decade, the legacy of the two previous Governments and the few months of this Government. I am amused to see that those responsible for these follies are now trying to deny their share of the responsibility. One of these guilty men was Mr. T. T. Krishnamachari, who now makes out that it is those who brought about devaluation who are responsible, but not he—the man who made devaluation inevitable! Then here are the members of the Planning Commission—notorious communists like Prof. Mahalanobis who are still sitting there, guiding our Government, old-time fellow-travellers like Prof. V.K.R.V. Rao and a whole bunch of half-baked Marxists of various denominations who are still allowed to decide the policies of this Government. These are the charlatans in the Planning Commission who have brought this country to this pass. Yet they have the cheek to sit and devise a Fourth Plan.

Shri Bhagwat Jha Azad (Bhagalpur): On a point of order, Sir. There is an established convention in this House that we cannot attack such personalities who are not in this House to defend themselves. If this is not observed, tomorrow when Mr. Rajagopalachari, the singleton mem-

ber of the Swatantra Party is attacked, they will start a hue and cry and take shelter behind this convention. I am quoting the general rule. Dr. V.K.R.V. Rao, a learned economist of this country, is being described as a fellow-traveller in this House by a fellow-traveller of America. That should not be allowed to be said here.

Shri Joachim Alva (Kanara): They have been counter-balanced by Washington-wallas.

Shri Bhagwat Jha Azad: Washington patriots should be asked to behave properly. Otherwise, they will get it back in their own coin.

Mr. Deputy-Speaker: There is the Planning Minister to reply.

Shri K. D. Malaviya: Will it be parliamentary if I call him a sycophant of America?

Shri M. R. Masani: It would not be unparliamentary, but it would be false.

Shri Bhagwat Jha Azad: He is a fellow-traveller of America talking like this at the command of White House in this House. If he talks in good and proper language, he will get back in good language. Otherwise, if he talks in bad language, he will get it back in the same bad language. We will pay back in the same coin.

Shri G. N. Dixit (Etawah): On a point of order, Sir. What Mr. Masani has said is in violation of rule 352(5) which reads thus:

“A member while speaking shall not—

(v) reflect upon the conduct of persons in high authority unless the discussion is based on a substantive motion drawn in proper terms.”

Mr. Deputy-Speaker: There is no point of order. (Interruptions.)

Shri Bhagwat Jha Azad: Do you mean to say, Sir, that anybody can be attacked and abused?

Mr. Deputy-Speaker: The Planning Commission is represented by the Planning Minister and he can reply. (Interruptions).

Shri M. R. Masani: I would like to answer a question which my old friend, Mr. Malaviya, has put: If he calls me a sycophant, would it be unparliamentary? No, Sir; it would not be at all unparliamentary. It will be untrue, I have no objection to his saying it.

We read Press reports that in party meetings, Mr. Malaviya and Mr. Krishna Menon are trying to pin the guilt on the present Government. Goodness knows, I am no defender of the present Government. I want to see it out of office but if the idea is that everything was beautiful till last year, that everything in the Stalin-Nehru era was perfect, and now in the post Stalin-Nehru era everything has gone wrong, let me put it very clearly. As in Russia, the people have suffered from the economic follies and the economic planning of the Stalinist era, so in this country today the people are suffering from the follies and bad planning and Stalinist policies of the Nehru era. These are the most reactionary elements in our country. They want to take the country back to an era through which these two countries have passed. It is very interesting that two Ministers of the old Governments, who left those Governments in discredit, the old Stalinists of our own country, are now trying to exonerate themselves. These are the guilty men who have brought this country to this pass.

What is happening today? I was giving the causes which had brought the country to this pass. What are the ways to mend them. In Amendment No. 9 which was circulated this morning, we have tried to give our constructive proposals about how this

crisis can be utilised to pull us out of the mess. The hon. Finance Minister's speech has made certain verbal concessions to that point of view.

I believe most hon. Members would agree with the five or six concrete proposals I am going to make. But the question is—is this Government implementing them, is it showing any signs of implementing them?

The first of these proposals is a clear commitment by this Government that it will eschew all inflationary policies of every kind, that there should be no deficit financing or overdrafts from now on. Unfortunately, Sir, even after devaluation, this has not been practised. The Finance Minister announced at the Chief Ministers' Conference on 18th July that the States have overdrawn during the last three weeks—before July 18th—no less than Rs. 20 crores from the Reserve Bank. Now, if this is an indication of the economic discipline that this Government is going to be able to enforce on the State Governments, then the answer is that our very first proposal, that from now on deficit financing and inflation should be avoided, is not going to happen.

The second thing is a drastic reduction in civil non-developmental expenditure of both the Union and State Governments, that there should be a complete stoppage of this wasteful expenditure at the secretariat level. Sir, the amazing thing is that instead of stopping all recruitment to the civil services the Government has done exactly the reverse. I was amazed, I could not believe my eyes, when in the newspapers on 1st July I saw a fantastic announcement—I hope it is wrong and I would be glad if the Finance Minister corrects it—I am quoting from the Press:

"Government has removed the ban on the creation of new posts which was in operation for the last five years as a measure of economy."

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It is fantastic. Just when all recruitment should be stopped and those who are in government services be spread over the jobs of people who retire or die, this very small restriction of creating new jobs which was in operation there for the last five years has been removed. This is the sense of responsibility of this Government faced with this crisis!

Shri Tyagi (Dehra Dun): This restriction remains intact. It is only in exceptional cases that some recruitment is allowed.

Shri M. R. Masani: At a time of crisis there should be no exceptional cases. I am very glad Shri Tyagi has pointed out that this was probably done for specific cases of nepotism and jobbery.

The Finance Minister, I believe, has agreed that there should be a cut of 3 per cent on revenue expenditure and 5 per cent on capital expenditure which, the newspaper reports tell us, would yield a total saving of Rs. 50 crores. Is this really the best that the Finance Minister can do? Two or three years ago, Shri Krishnamachari said he could have saved Rs. 70 crores. He did not do so but he talked exactly like this. Is it only a saving of Rs. 50 crores from wasteful unproductive expenditure that you can bring about? Is that all? This big 'mountain' of Government can bring forth only this little mouse!

Thirdly, we think that foreign loans in which we have indulged too much, like crutches should be restricted to essential purposes. Those essential purposes are two-fold. One is the emergency purpose of bringing in imports that can keep our agriculture and industry going to make up for the mess into which the Government has landed us. The other long-term and permanent purpose of foreign aid, Government to Government loans, should be the building of the infra-structure—water, power, transport, communications, technical education, if you like, but nothing more.

Shri N. Dandekar (Gonda): Family planning.

Shri M. R. Masani: I will accept that also. For the rest, we should rely on the savings of our own people and what foreign capital can come in on its own risk as equity capital.

Fourthly, I think we should consolidate the projects we have taken in hand before embarking on any new projects. Meanwhile, we should stop any new Five Year Plan. Let us postpone any Fourth Five Year Plan until we have put our house in order and created something out of what we have invested. The Finance Minister said something like that but he said that at the same time we must carry out both objectives. This morning, he said, while not stopping new projects let us concentrate on the old ones. You cannot do both. It is a question of priorities. You talk a lot about planning, but you do not practise it. If you want to plans make up your mind not to have any new capital projects until those on which you have spent crores and crores, thousands of crores, give some more return to this country.

Shri K. D. Malaviya: For you planning is sin.

Shri M. R. Masani: No; planning is very good. But there is a complete absence of planning in this country. This is chaos. This is planned chaos. This is not planning. Go to France and see what planning means. Go to Britain and see what planning means. Your only planning is of the Soviet Union, from which my hon. friend derives much comfort.

The fifth thing is a substantial reduction in both direct and indirect taxation to make a larger supply of rupee finance available so that people can invest in productive enterprises which alone can bring down prices. There is no other way to hold the price line than to increase production. There is no other way to

increase production in this country unless you leave with the people more money so that they can invest in productive enterprises. I will come a little later to what the Government proposes to do, but I do say that what the Government should have done this Session was to bring in a supplementary budget cutting down excise duties, direct taxation and corporate taxation. If the Finance Minister had come up with a supplementary budget of that nature we would have supported him. It would have lessened the burden on the people and left a little more money with the people to invest productively. That would have been a good thing, but he has not done it.

Finally, the entire structure of controls will have to be dismantled if this country is to emerge from the mess. There should be complete dismantling of the structure of permits and licences, quotas and controls including Gold Control which has been such a burden on certain sections of our community. Import licensing must go. It is the biggest source of political corruption in our country today—the sale of import licences and their re-sale at wide margins of profit.

I do believe, if these measures were followed, then whatever hardship devaluation may cast on our people, at least we will be justified in casting them, and we could ask them to take these hardships, and shoulder them in the interest of the country. I believe most of the hon. Members here and the country will agree that these five things that we have suggested are not only sensible but practicable.

The question that arises is this. Is this Government capable of carrying out these policies? Is it capable of making the radical changes that are required or is it too hidebound and too conservative to make these radical changes? Sir, I fear all the evidence is against the hope that this Government can ever save the country from the mess into which it has brou-

ght us. First of all, the very motive for devaluation is questionable. If it had expressed regret for their past misbehaviour, if it had said, we shall now change and carry out these measures, one could have forgiven them. But I cannot help suspecting that this sudden concern for fiscal rectitude which came into evidence on 6th June was not the result of change of heart or a genuine act of repentance for past follies.

Then what was the real motive that led this Government which kept on saying, "no devaluation", "no devaluation", suddenly to devalue? Sir, the cat was out of the bag on 8th June. In a note that the Finance Ministry is supposed to have prepared for Members of Parliament—I never got a copy of it, probably it was meant for Members belonging to the Congress Party only; I got only a summary of it from the Press—a note called "Devaluation—Some Questions Answered"—this is the crucial sentence:

"The action could not be postponed as all further aid negotiations hinged on it."

This, Sir, is the grim truth. Devaluation was accepted in order to get foreign aid, foreign loans. That was the price. Devaluation is the price that this country has paid for getting loans from the World Bank and certain foreign governments. It was a bargain. Now there is nothing wrong in a bargain. If it had been a good bargain from the national point of view, I think this House would sustain the Government in making that bargain. After all, economic policy consists of give and take in the international plane. But is this a good bargain?

Before I come to that, there is another plea that there was no alternative, and I would like to deal with it. Was there no alternative? I venture to say that even on the 4th of June, even on the 5th of June there was an alternative open to this Government. That alternative was: no devaluation,

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no aid and no Fourth Plan; or, if you like, no devaluation, a little aid and a slower and smaller Plan. That was a self-respecting and honourable alternative. Why was it not accepted? Why did we not go and say: "we do not want so much foreign aid, we will do without it if necessary but we will put our house in order, become solvent again and, maybe, in a year or two, the rest of the countries will respect us, the respect which we have lost now and they may come along and say you have put your house in order, now we will give you aid". What came in the way of our acceptance of this policy which, I am sure, many people on the other side would have liked to consider? What came in the way was that this wretched Fourth Plan would not have been possible. And to save this wretched Fourth Plan—I shall discuss presently why it is wretched—we had to humiliate ourselves, we had to devalue our currency, we had to go down on our knees.

14 hrs.

What is the Fourth Plan going to do? Where is the money that we are now going to get, if we get it, which I doubt, where is the money to go? The project aid is to go into the State sector, that most wasteful sector of our economy which eats up capital and gives nothing in return. I do not ask this House to accept my word. I will quote an eminent authority, my friend, Shri Asoka Mehta. Our Planning Minister said to this House on the 17th of May that 70 per cent of the foreign aid will go to the public sector. He calls it "public sector", I call it "state sector". That is the only change I have made in his statement. The Finance Minister reiterated this on the 8th June. I am quoting his statement.

"To the extent larger aid is available the prospects of a bigger public sector plan will improve."

In other words, 70 per cent of the money that we are again borrowing is

going into the State enterprises, not to raise production for the benefit of the people.

Our present Prime Minister said on the 11th of June something which is not correct. She said the Soviet Union is aiding our State sector while the Western countries are aiding our private sector. That is not true, and the Prime Minister should know this at least by now, if not when she said it, especially when some of us have drawn her attention to the fact that it is not true. The fact is that 70 per cent of the money from the United States and the West is also going into the State sector, along with the whole of Soviet aid.

Hon. Members will say: what is wrong with it, why should it not go into the State sector? I shall answer them: Because the State sector is wasteful, because it is unproductive, because it is not giving the country the kind of return which it is entitled to expect.

Here let me quote the hon. Prime Minister herself. I am quoting from the *Hindustan Times* of June 15. She made a very frank statement about what was wrong with the State sector. She regretted that, by and large, it has failed, and she answered the question why. Let me quote her words. What is wrong with the State sector is according to the Prime Minister:

"Faulty planning."

Somebody asked me 'Don't you like planning?'. I do not like faulty planning any more than the Prime Minister. That is the key point. We have had faulty, defective, stupid planning.

Shri K. D. Malaviya: You understand "fault" but you do not understand "planning".

Shri M. R. Masani: She said:

"Faulty planning with regard to concept, size, location, raw materials, design, choice of processes, equipment...."

Shri Sham Lal Saraf (Jammu and Kashmir): What more do you want?

Shri M. R. Masani: You may well ask what is left? That is exactly the point. Let me continue the catalogue of what is wrong. Then you will know what is left. She continues:

"equipment, personnel, contractual arrangements, supervision, co-ordination, time schedules etc."

She says "etc." at the end. These, the Prime Minister says: "has resulted in cost escalation and delay".

Shri Tyagi: Do you not admire her confession?

Shri M. R. Masani: I admire her frankness. I have paid my tribute to her in the last session when no member of your party stood to defend her.

Shri Joachim Alva: You want perpetuation of Tata Birla plan.

Shri M. R. Masani: This was what was wrong with State planning according to the Prime Minister. Then she said, "But this is not all". She went on to say: this is not all, there is another set of problems. Then she gave another list of what is wrong. These are her words again:

"Over-capitalisation, over-staffing, incidentally adding to town-ship-costs, inadequate work-study, lack of delegation, the application of Secretariat codes and procedures to commercial undertakings, the system of financial control and audit and the lack of a well-thought-out personnel policy, constitute another set of problems."

This is the *Hindustan Times* quoting the Prime Minister. Then she said even this was not complete.

Shri U. M. Trivedi (Mandsaur): Are you quoting exactly the words she used?

Shri M. R. Masani: Yes. Then she went to the third category of problems. She said that there are, again, other

factors. Those "other factors" are as follows:

"Other factors which had to be gone into were the proper programming of orders, price policies, quality and cost control, research and design development and the structure of management."

If anything is left that is right when all this is wrong, I hope the Finance Minister or the Prime Minister will tell us when they reply to the debate.

That is why I said that these foreign loans taken for this purpose are a dead loss to this country. It is a rotten bargain that our Government has made with the World Bank and the rest of the countries.

Now, what will happen when this Fourth Plan is put into operation? This morning it was announced that at last the Planning Commission, in its wisdom, with the Prime Minister in the chair—she, evidently, does not draw the right conclusions from her own remarks—decided on the size of the new Plan, the Fourth Plan. Now what is going to be its size? There is a proposed outlay of Rs. 16,000 crores for the State sector, Rs. 16,000 crores for what we have just said. That involves an increase of Rs. 1,500 crores over the investment envisaged for the public sector in the Plan memorandum. In other words, one year ago we were told that a certain amount of money would be poured into the gutter. Now we are told that Rs. 1,500 crores more are to be poured into the gutter.

Is this the position that a responsible government can take? Can they say with one breath the State enterprises are not giving the country a proper return, that we must put our house in order and then, before doing anything in that direction, say that we propose to give the State sector Rs. 1,500 crores more than what we mentioned in the Plan memorandum last year?

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Then, how is the money to be found for this?

Shri Bhagwat Jha Azad: I would like to know from Shri Masani....

Shri M. R. Masani: I am sorry, I am not yielding....(interruptions)

Shri Bhagwat Jha Azad: I know that.

Shri M. R. Masani: It is true that foreign loans or foreign capital will give some part of this money. But the Planning Commission realise that foreign loans are not going to come to that extent. So, what do they suggest? They state that the public sector investment envisaged by the Commission will entail mobilisation of additional resources to the tune of Rs. 1,800 crores, and this will be raised by taxation and other measures. So, in place of the cut in direct and indirect taxation that I have suggested as a correct solution, the Planning Commission is going to incite or bully the Finance Minister to come with budget proposals for Rs. 1,800 crores of additional taxation.

Now I forecast, if this Government remains in office next year, and if....

An hon. Member: It will.

Shri M. R. Masani: We will see about it.

I forecast that if this Government remains in office next year and if they cling to this kind of Fourth Plan, a plan of this nature, I forecast that the price of the Indian rupee, which is now 10 cents of the American dollar in the free market, will drop to 5 cents within two or three years. I gave a warning fifteen months ago, and I give it again. If you do not mend your ways, and the present indications are to the contrary, you are going to take this country lower and lower until you come again to this House and say "we are now doubly bankrupt, what do we do?"

What will they do at that stage? The Finance Minister has very accurately described devaluation as the ultimate remedy. He has called it the ultimate remedy. He is quite right. When all other remedies fail the doctor resorts to the ultimate remedy or a surgical operation. The Finance Minister has brought in this dose of medicine as the last remedy for our economy. If they persist in their ways and the rupee goes further down, as it is doing already and will do under their dispensation to what are we going to turn next time? When the ultimate remedy has been used up, what will the doctor do next.

In this context, the Shah of Iran has given some very good advice. According to an interview in a recent issue of the *London Economist*, the Shah of Iran's advice to developing countries is:

"Listen to what the economists say and then do the opposite."

If the Prime Minister had been here just now, I would have said to her, in good faith, "Listen to what the Planning Commission says and do exactly the opposite; you cannot go wrong.....(Interruption)". Unfortunately, after her performance yesterday when she presided over the doom of this country, when she sat in the chair and sanctioned this new Fourth Five Year Plan I have no hope left. Till now I had hopes.

When my chief, Professor Ranga, and I saw her last month we gave her a note containing the very proposals that we have put in our amendment. We pleaded with her to take the country in the right direction and save it. We pleaded with her before Parliament meets, please make a declaration that we will not go in for inflation any more, that we have learnt our lessons, that we will live within our means and that we shall do the following things. The decision yesterday to go ahead with this wretched Fourth

Year Plan has destroyed the last hope that anyone of us might have had.

The fact is that the Prime Minister evidently knows the facts. She is very frank and has expressed them, but it would seem that she is not in a position to carry through to the logical results what those facts lead to. I can understand her difficulty. She has got the old Stalinists breathing down her neck and threatening vengeance just as Khrushchev and Kosygin had their old Stalinists threatening vengeance. The new Prime Minister has people watching her for the least act of deviation.

On the 27th June, our newspapers reported that the Prime Minister in an interview with *Look* magazine a very reported that the Prime Minister in an interview with *Look* magazine, a very reputable magazine not given to misquoting and very friendly to the present Prime Minister for many years, was supposed to have told the correspondent of *Look*:

"If I feel that a departure from Nehru's policies is necessary, because India's future calls for it, I will not hesitate to suggest such changes."

I was delighted when I read it. I said to myself: "This woman has guts; she is going to stand up to the Stalinists and is going to pull our country out of the mess as Kosygin and Khrushchev are trying to do from the mess that Stalin left behind." But my hopes were dashed the very next day because, on 28th June an official spokesman announced that she denied that she ever uttered those words.

What does this mean? What was there in the statement to deny? What had she said? She had said what any Prime Minister of any country should be proud to say and should say every day, namely, that if the interests of the country demand something, he or she will not hesitate to propose it. A denial can mean only one thing. It can only mean that, even if the interests of this country demand, even

if the future of this country cannot be saved toherwise she will cling to her father's policies. If this is what she wants us to believe, then indeed she is unfit to be the Prime Minister of this great country.

That is why I am sadly driven to the conclusion that there is no hope for this country unless this Government is thrown out of office. There is no hope for this country unless the monopoly of power that this disintegrating party has now enjoyed for fifteen years is ended. Unfortunately, that cannot be done for another six or seven months, and one has to endure it.

My revered chief, Rajaji, gave some good advice as an elder statesman to the Prime Minister. He suggested to her the formation of "a government of all the talents" from all parties and no parties getting the best men in the country together, whether they were in Parliament or not, creating a kind of government where all the best brains of India could be put together. That advice was turned down. I was not surprised; I never expected it to be accepted.

I have always held the view, even before she turned it down, that there can be no "government of all the talents" in this country while this bogus parliamentary majority is still intact, which is based on 44 per cent of the popular vote which is a minority of the votes polled. Therefore, I say, the only solution to this economic problem is unfortunately a political one. There is no economic solution while these men sit in office. They must go. It can be done, and it must be done. It can be done because the majority of the people of this country have never supported this Government. The Congress Party never got 50 per cent of the votes polled in any parliamentary election since Independence. In the coming elections I do not give them 40 per cent of the popular vote (*Interruption*). Unpalatable facts will have to be faced. This is not the Communist Party they are fighting;

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they are fighting the voice of Indian democracy . . . (Interruption).

I was saying, Sir, that I do not think—I shall stand corrected next March—this party is going to get 40 per cent of the popular vote. What I fear is that owing to the primitive electoral system that we have taken over from the British and the multiplicity of the Opposition parties to which I drew attention in the very beginning of my speech, if sufficient wisdom, sanity and patriotism do not come to the democratic Opposition parties in time—I am not referring to my totalitarian friends—even that 38 or 39 per cent of the rump may come to occupy a majority of the seats here. I shudder to think what would happen to Indian democracy, a tender new plant which needs nurturing carefully! What will happen to our parliamentary democracy if a Government that 60 per cent or more of our people have rejected comes to occupy an accidental, bogus majority in this House?

Are we not seeing enough symptoms in this country of what happens when the Government has lost its mandate, its moral authority, when people no longer believe in the integrity and the honesty of those in power? Let me not be misunderstood. There are friends of mine sitting opposite for whom I have great regard. I see several of them here. I am not for a moment suggesting that the whole party is a party of crooks. But I do suggest that, by and large, that party has lost the moral authority that a democratic Government enjoying the confidence of the people should have.

An hon. Member: Question.

Shri M. R. Masani: The scenes which happened yesterday and which I deplore, as you know, as much as you, would never have happened if this Government had really enjoyed that moral prestige and authority.

These men would not have dared to behave the way they did. See how people are behaving in the streets today. They are having bandhs. They are sabotaging the railway lines. They are doing it because, in some devious way they are appealing to the people who are out of time with the Government. If they do not listen to those who are sitting here today, who are a loyal, democratic Opposition, who want a peaceful change in this country to new policies and new people, then they will get what happened in Ghana and Indonesia, where they had bloodshed, massacre and civil war.

Therefore, I say, I shudder to think of what will happen if next time the electorate does not deliver the country . . . (Interruption.)

Sir, I do not normally agree with Mr. Kosygin, but there is one thing he said recently with which I am hundred per cent in agreement.

An hon. Member: Thank God.

Shri M. R. Masani: I do occasionally agree with him. I have quoted him in this House and I propose to do so again, because in many ways Tito and Kosygin are more progressive than our friends in the Planning Commission today. They are the Stalinist junk, the intellectual junk, that should be thrown out if this country is to be liberated from the old Stalinists of the Menon-Malaviya type.

Sir, I was going to say that I agree with one remark that Mr. Kosygin made recently. That was a remark he made to our Prime Minister at the end of her visit. As she was leaving, our newspapers report that he said to her: "Madam, you need a holiday". This is exactly what the Indian people think today. Shrimati Gandhi misunderstood the advice and took three day off! Neither three days nor three months are going to serve. What the whole lot of them need is a five-year holiday.

Shri Khadilkar (Khed): Mr. Deputy-Speaker, Sir, when the motion was moved by the Finance Minister, I expected that the issue of devaluation and the problem of the rupee would be debated more as a non-party Problem because the situation with which we are faced is a certain accumulation of events which have brought about conditions and certain measures are forced upon us which we in our wisdom think are best in the interest of the country and the people.

I am very sorry, rather distressed, today to find the Opposition benches almost empty, particularly the representatives of the Opposition who have different points of view than the one placed before the House by my friend Mr. Masani. They would have certainly helped in this debate by projecting a point of view, more helpful, in evolution of our policies in the future.

As I said elsewhere, the debate today is a sort of clinical examination in the sense that a certain major operation is performed. As to whether the operation was justified or not, to that aspect I will come to little later. But when we are debating the question of devaluation, particularly in the context of the present economic situation, I feel all sections of the House should apply their mind to the question from this angle. After operation, when several physicians and surgeons worked together, they consider the problems regarding post-operation treatment as to what should be done, whether certain blood transfusion is called for, whether certain particular remedy is indicated or, to restore vigour and strength after operation, certain other measures are called for. From that angle, I expected Mr. Masani to apply his mind to the present situation. But, unfortunately, as once I said in the past—I do not want to repeat it again—he had advised publicly our creditors in America that American creditors should not advance a cent to India unless Indian Government toes a

particular economic line. I have quoted it on the floor of the House....

Shri M. R. Masani: You must have misquoted.

Shri Khadilkar: I quoted it. Whether it was open for the Member of this Parliament to appeal to a foreign power to withhold credit unless

Shri M. R. Masani: From where is it? Is it from Blitz or some such journal?

Shri Khadilkar: I will produce it. I have quoted it on the floor of the House. I ask whether it is open to the Member of this Parliament to advise the foreign Government which happens to be the creditor....

Shri M. R. Masani: I have not done it.

Shri Khadilkar: I will produce it.

Shri U. M. Trivedi: This is very important. When a Member like Mr. Masani says that the statement is not correct, Mr. Khadilkar should prove it.

Shri M. R. Masani: It is distorted.

Shri Khadilkar: I will produce it after my speech is over.

Shri M. R. Masani: I have not advised the American Government to do anything. It is a false statement.

Shri Khadilkar: I will produce it. Otherwise, I will withdraw my statement. I only ask whether a Member of this Parliament is free to advise the creditor nation known to follow a particular policy to bring to their knees the nation which goes for aid in particular circumstances....

Dr. M. S. Aney (Nagpur): It is a hypothetical question.

Shri Khadilkar: It was stated on the floor of the House. I have preserved it.

Shri Alvares (Panjim): When Mr. Masani is denying the statement, Mr. Khadilkar must prove it immediately.

Shri Khadilkar: I will prove it.

Mr. Deputy-Speaker: He says that he would produce it.

Shri Alvares: If he cannot substantiate it, will he withdraw it?

Shri Khadilkar: Yes. I will take the penalty.

A person who was more concerned with a certain policy went to the extent of saying that the creditor country should dictate to this country.

Shri M. R. Masani: I have not said anything of the kind.

Shri Khadilkar: What do we expect? We expect healthy criticism. Certainly, there are many lapses. I do agree with that. Otherwise, things would not have come to such a pass. As I said in the beginning, the operation has been performed. As to why it was necessary, we must go into the past record, the clinical reports. But while probing the past record, when he comes to the conclusion that the rupee has lost its sovereignty or prestige or that internationally India has become almost a bankrupt as a result of a policy pursued during Nehru's regime, I take very strong exception to this diagnosis. I feel that everyone, whether he is on this side or that side, even Mr. Surendranath Dwivedy who is sitting here, has subscribed to the view regarding a certain policy that was evolved during the last 17 years in a peculiar condition of our country, a condition, after freedom, of a developing economy, that our economy during the imperialist regime had almost become stagnant, that it was exploited by foreign imperialists and that we had to make supreme effort to remove poverty, backwardness and to take some steps in the direction of progress.

What other course was open for such a country than the one that was

followed with the concurrence of this House? Every Plan was accepted finally with the concurrence of this House. Was any other course open to this country than the one that was followed by Nehru? Today, after devaluation, his arguments have some substance from the point of view of those who are looking at devaluation from an objective angle. Let me just quote something from the *London Economist*, an independent economic journal of world repute. They have recently published a small pamphlet, the *Economist Intelligence Unit*, in which they have also suspected certain things. I would just quote a few lines from there. They have observed:

"The USA is unlikely to benefit in any obvious way from the rupee devaluation, but from a long-term viewpoint, the US sees it as a step towards a non-doctrinaire approach to economic development that will set India free from the chains holding her back and hopes that with the help of free enterprise, India will set an example of progress under democracy in Asia."

As you say, that is the suspicion in the country. You consider it as a fact that we were compelled to devalue the rupee. We say that only there was an advice and that there was no pressure. That is the general statement. You are pleading this approach because they want this country...

Shri M. R. Masani: I am deploring it.

Shri Khadilkar: You are deploring the act. But why did they do it? This is the reason behind it. They want this country to go back to the free enterprise economy. An independent economy was attempted to be built in this country with a certain plan, with certain social and other priorities. According to Mr. Masani, all planning is anathema, though he pays lip service to the plan. I am

surprised why he did not accuse his old friend and colleague, Mr. Asoka Mehta, when he is accusing his other colleagues in the Planning Commission. When the Prime Minister presided over the Planning Commission meeting, they were also with him. He accuses them because they were inspired by Stalinist methods.

In this connection, the economist has made very shrewd observations regarding planning. I will read out that part:

"The drift away from this policy that the World Bank would like to see would, in the EIU's view, make planning in the sense that India knows it impossible."

Please bear in mind that this is an observation of the London economist.

Shri M. R. Masani: Eastern Economist, or London Economist?

Shri Khadilkar: I am reading from the Eastern Economist. But it is an observation made by the London economist—published by the Economist Intelligence Unit.

"The EIU suggests that the World Bank could have emphasized to the Indian Government, as an alternative to liberalisation and decontrol, better implementation of the Plan by more efficiently run public sector enterprises, stricter licensing policies and a more dynamic Government attitude to industrialisation, on the Mexican pattern. Politically at least, the consequences of abandoning what the former US ambassador to India, Mr. J. K. Galbraith called "post-office Socialism", and moving towards a better planned economy, would be far less severe in the long run than a conversion to market economy doctrines."

The main issue before this House after devaluation is this and particularly after listening to Mr. Masani. Would our people at this juncture like to go back to free enterprise economy in the sense accepted by Americans because their doctrine is

that without free enterprise economy, there is no democracy. That is a sort of equation.

Shri M. R. Masani: Japan has gone forward and not backward.

Shri Khadilkar: I would not have raised it but for my hon. Mr. Masani, because he has taken this opportunity to debunk all the thought regarding plan, regarding socialism, regarding the most crying conditions in this country. We demand certain priorities in the interest of growth and development.

Shri M. R. Masani: They are wrong priorities.

Shri Khadilkar: Here I am prepared to take a challenge with him. He says, "let those people go on a holiday". These people are not going to be sent on a holiday by the electorate; I am confident about it; I am prepared to take a bet on this. The people realise what benefits they have drawn from these 18 years of national effort of building the economy in a particular direction. There might be some faults here and there. My attempt is a self-critical analysis of the position and not a partisan propaganda or an election speech like that of Mr. Masani. He wants to draw the maximum advantage at this juncture. I say that no Congressman on this side would go on a holiday. It is not a question of any allegiance to Nehru. Nehru represented a certain method of developing independently of the West and independently of the monolithic pattern of the East.

Shri M. R. Masani: A historical phase.

Shri Khadilkar: In this historical phase he has proved his worth; he has shown dynamism by which we can make progress. Therefore, all allegiance to his policies emulate from that dynamism. It is not a personal worship I do not want to say that we should worship Nehru as a person. No. What did he stand for? We do owe our allegiance to him for those

[Shri Khadilkar]

principles and policies. Nehru's policies will help us to get out of the present situation. I was rather annoyed because, as I said, in the beginning, we are meeting at a time when we should apply our mind in a more self-critical and self-analytical manner. How have we come to this pause? Who is responsible for this? I am not saying anything. Panditji was presiding over the destinies of this country. People are not infallible. Some mistakes were, no doubt, committed. For instance, in regard to foreign exchange, proper budgeting was not made at one stage. When I was sitting in the Opposition, I had pointed this out. If proper budgeting had been made, perhaps we would have saved foreign exchange. But in a situation like this, one who never commits mistakes never progresses; he will be fossilized.

Shri M. R. Masani: You are getting fossilized.

Shri Khadilkar: We have a right to commit mistakes also. We have a right to take right steps also. Therefore, these things have happened.

I would like to place another thing before this House. Though we are accepting aid, the International Monetary Fund and the World Bank have a philosophy. Do we accept that philosophy completely. That problem must be answered very squarely by the Planning and the Finance Ministers. It is no use applying our mind in a superficial manner. There is a philosophy behind giving aid. They have a price parity theory which they apply to India or to the countries to which they lend and that theory was not applied when they gave money to the Western democracies—after the War, they were given money under Marshall Aid to revive their economy. There it was a sort of compensatory theory. Therefore, we shall have to apply our mind to this: do we subscribe to this philosophy and, therefore, the Indian rupee must be pegged with some currency outside. Unless we hold tight, the stability of the

rupee will be affected. Are we to go down for the second time? You know the German financial wizard, Dr. Schacht; you have read something about him. Do we adopt and take some intelligent line as we were taking in our dealings with the other countries? To my mind, the terms of trade and not aid are adverse to the developing countries at this stage. After devaluation, in terms of quantity, our people will have to pay a little more and not in terms of rupee—this arithmetic is false and illusive. In terms of quantity we will have to pay more, part with more. To that extent we will be further exploited. Do we really believe in that? I am not saying that we are following China. China has closed all its doors, but now America has started knocking at their doors because they want an entrance for the trade. They are 70 crores of people. In India we are about 50 crores. Are these people not interested in Indian market? The potentialities are very high here. Because we are aid-oriented in our planning, quite often, there is a sense of psychological dependence in this country, and we have somehow allowed this feeling to grow. Though we take pride in the fact that we are free, yet there is a psychology of dependence which is growing continuously in regard to aid, in regard to food and everything else. We consider whatever is foreign as something good; we do not go into the merits of it or the quality of it; we never even examine those things. Unless we are prepared to shed this approach, once and for all, as a nation, as a Government, and as a party, I do not think that we can face the present situation and the present crisis which demands certain unpalatable and bold decisions.

We have taken one bold decision. I agree that it was taken under compelling circumstances. Some people say that it is a leap in the dark. Some others say that it is a gamble. Some others say that it was a shock; and there was anger and a little self-pity

in this country, I have realised that all these things are there. The external value of the rupee was going down, no doubt. There, I agree with my hon. friend. Because the internal prices rose, the rupee was quoted in the external market at a very low rate. But as I have said, we must analyse the mistakes. Otherwise what will happen is this. One operation has been there, and after some time, the patient will be restored to health but one does not know what might happen. It is a slippery path. Again, for a second time, another team of surgeons may come forward and say that a second operation is called for. Therefore, we must take steps to see that we avoid the necessity for a second operation of this nature, which is a most humiliating thing, according to me, because my pride is hurt, and the pride of every Indian is hurt by this operation. I am voicing the sentiments of the people, when I say this, not those of the sophisticated persons like Shri M. R. Masani and Shri N. Dandekar who take delight in the sophistication of economic doctrines to which they adhere. I do not believe in that sophistication, but I believe in the common man's reaction to my thoughts . . .

Shri M. R. Masani: A man of the masses!

Shri Khadilkar: Therefore, I feel that we must look back and analyse so that we can ensure that the second operation may be avoided and confidence is once again restored in our currency internally as well as well as externally. For this, we must be prepared to take certain measures.

As one of the measures, my hon. friend Shri M. R. Masani naturally suggested 'Scrap planning', and 'Scrap the Planning Commission once and for all'.

Shri M. R. Masani: I did not say that. I only said 'Postpone the Fourth Five Year Plan till you are able to get over this situation'.

Shri Khadilkar: That is true, but what he suggested in effect was that there should be no plan for five years.

Shri M. R. Masani: I did not say 'Scrap the Plan'. I only said 'Postpone the Fourth Five Year Plan'. Surely, there is planning beyond Five Year Plans also.

Shri Khadilkar: His point is that there should be no plan for five years. That was what he said in effect.

Shri Surendranath Dwivedy: In fact, we are in a planless plan now, because there is no plan before us.

Shri Khadilkar: I shall come to his criticism which is from a different angle a little later. Now, let me go on with Shri M. R. Masani's criticisms.

The remedy which Shri M. R. Masani, therefore, suggests is that: 'If you want to save yourself, do not follow the path that you have followed for eighteen years'. That is his persuasion. That means that there should be a planning holiday for five years, if I may so call it for his sake; what he suggests is a planning holiday and a holiday for Shri Asoka Mehta for five years when there will be no work for him.

Another remedy which he has suggested is that there should be no deficit financing, no projects and no investment in the public sector. I may tell him that whatever be the character of the Government that may be sitting on the Treasury Benches, in this country, after eighteen years of development, no Government can afford to give up the public sector expansion; of course, certain remedies may be suggested, certain quack remedies may be suggested for the present situation. But they cannot afford to give up the public sector expansion. Similarly, they cannot give up also the outlay on social service expenses. These are essential for education, health etc. My hon. friend referred also to family planning. I would submit that all these things are essential.

Mr. Deputy-Speaker: The hon. Member should try to conclude.

Shri Khadilkar: I would take a little more time, because this is an economic issue. Anyhow, the party will decide. There were no speakers, and, therefore, I got up to speak. Otherwise, I would have spoken tomorrow.

Mr. Deputy-Speaker: There are also other Members who want to speak.

Shri Khadilkar: Then, I would sit down. But I would beg of you to give me a little more time.

Mr. Deputy-Speaker: He may conclude in another five minutes.

Shri U. M. Trivedi: There are Members on this side who want to speak. So, let not my hon. friend say what there are no speakers.

Shri Khadilkar: The remedy which my hon. friend Shri M. R. Masani suggested was that there should be no investment in the public sector. I might tell him that whatever was said by the Prime Minister while addressing the executives of the public sector was a sort of self-analysis with a view to seeing that whatever mistakes or drawbacks were there should be removed.

Shri U. M. Trivedi: Was it not the truth?

Shri Khadilkar: What she said was not intended to give up the public sector and its growth altogether. I think he had misread her statement.

Shri U. M. Trivedi: Is the Prime Minister accused of hypocrisy then?

Shri Khadilkar: What I would submit is that in this country, planning has to go on; that is the basic thing, but there have to be certain priorities, with the expansion of the public sector so that the public sector ultimately assumes a certain commanding height, if I might borrow the phrase used by Pandit Nehru in his days. While enabling the public sector to reach those commanding heights,

the present Government may be faced with several difficulties, but I would submit that they can never give up the public sector; I am sure they will never give it up for the purpose of winning over a few people like Shri M. R. Masani and his followers.

Then, again, there is no question of a government of all talents. My hon. friends are creating an illusion by suggesting this. What does this phrase 'government of all talents' mean? It means a government divorced from the people. It will be most undemocratic and autocratic. It means people sitting in their own intellectual ivory tower and ruling this country. This type of democracy was never visualised by the founding fathers of this new Republic of India. The type of democracy visualised by the founding fathers of this new Republic is a government of the people. So, the Government represents the people. Of course, the Government may commit mistakes, because the people are also at that level. I do not mind if they make mistakes, and I shall criticise them if they commit mistakes, but they have a right to commit mistakes as well as the right to admit them and to suggest what remedies should be effected.

Some people have asked why the Planning Minister or the Finance Minister or Government had not announced beforehand that they were going to devalue the Indian rupee. I submit that Government have certain privileges not to say certain things. That must be accepted in democracy. I do not say that Shri M. R. Masani has made such a criticism, but some people in the Opposition have made such criticisms. I would tell them that Government have certain privileges, and they have a right to withhold certain things or certain information. Therefore, such a criticism should not have been advanced.

While I am on this point, I would suggest to Shri M. R. Masani and his friends that he should give up this partisan attitude, and suggest measures within the socio-economic framework that has been prepared

and followed for the last eighteen years in this country.

Shri M. R. Masani: That has to be scrapped.

Shri Khadilkar: As I said, we might have some set-backs. And this is one such set-back, but with good results.

Shri M. R. Masani: Question.

Shri Khadilkar: What we have followed all these years should not be given up, and within that framework, we shall have to evolve policies so as to take the country and the people step by step to the ultimate goal of social reconstruction on a certain equitable basis. The old order will have to be changed by democratic processes. That is our objective.

After having said this, I would like now to point out one or two things which are essential. As I have said already, in a developing country like ours, it is not possible to have a hundred per cent assurance that there will be no inflation. That is not possible. Let us be very realistic in this regard. In fact, it is not desirable. As my hon. friend himself knows, a certain type of blood transfusion at the proper time stimulates the body. So, on occasions, in a developing economy, some measure of inflation is inevitable, but if it could be kept in check, certainly it is not bad.

Shri M. R. Masani: We have shown how we have kept it in check!

Shri Khadilkar: But care should be taken to see that inflation and price-spiralling do not go out of hand. That is absolutely essential.

Shri Surendranath Dwivedy: This care has been taken most carelessly.

श्री गुलशन (भट्टिडा) : देश का दिवाला निकल गया ।

Shri Khadilkar: As he pointed out rightly, the Central Government

should not permit States to have overdrafts. There I agree with him.

Shri Sham Lal Saraf: There should be no deficit financing by the States.

Shri Khadilkar: Deficit financing by the States without a proper plan should not be allowed.

Shri M. R. Masani: Only the Centre should do it!

Shri Khadilkar: Another equally important thing that we have to remember is that we have unfortunately followed so far a path of ostentation. During the last 10—15 years, we have spent more than Rs. 3,000 crores on gigantic buildings. Can we afford it? When we say that our structures, our offices, everything, must have some relevance to our situation?

Shri Tyagi: How much is the figures?

Shri Khadilkar: Rs. 3,000 crores. That is the calculation given by some economist.

So far as non-developmental expenditure is concerned, spending has gone on much more than was desirable, about 12 or 13 per cent including defence. I cannot understand why it should be so. I want to make an appeal to the Finance Minister—he is not here, but the Planning Minister is here. There was a standing finance committee to scrutinise expenditure in every Ministry before it was sanctioned finally. Why not revive it? I would plead with the Government. At this juncture, they must revive the old standing finance committees. Otherwise, with all these lapses every time, they will come before Parliament only later on or it may be examined by the Public Accounts Committee *post-mortem*, but no scrutiny is exercised when the money is sanctioned. So if this is done, that would be a very good thing.

The third thing is that so far as imports and exports are concerned,

[Shri Khadilkar]

we will have to be very critical. We were in difficulties; yet last year, rummy playing cards worth Rs. 53 lakhs were imported. Was it worthwhile? We say that we exercise a check, and enforce austerity.

Shri Tyagi: Is he sure of his figure?

Shri Khadilkar: I am sure. I have tried to verify. Is this justified when we say that we exercise austerity.

Shri Tyagi: Playing cards are manufactured in India.

Shri Khadilkar: The sophisticated, higher society people need the imported ones. He does not need it. They were brought in against entitlements. I am very happy that the entitlement and other schemes have been given up, because that was a *de facto* devaluation beneficial to a certain section, iniquitous in every sense. That has been given up. When it has to be given in some special cases, I would appeal to the Planning and Finance Ministers to see that there should be a committee set up and there should be proper accounting. Shri Dandekar once made a suggestion. I have not yet been satisfied as regards these export promotion and other things because about Rs. 80—100 crores of foreign exchange remain unaccounted for. Where it has gone, I do not know. But it needs to be looked into at this juncture. Some sections of society have committed a fraud. It was a big racket. I know it. As a member of the Santhanam Committee, I know it. We came to the conclusion there. The present measure will clean up everything.

Shri M. R. Masani: Some people in the Government also have done it.

Shri Khadilkar: I do not know.

Therefore, that should be done. While admitting in a certain compelling circumstances that we have to devalue or reduce the external value of the Indian rupee as something which is inevitable, should we at the

same time—this is more important—allow imports? Because certain categories, 59, are given. But there is the tendency still for more people to get in under some kind of priority and get foreign exchange. Three principles were laid down—devaluation, free imports and no control. Let this House and the Government make it very clear—it is no use giving a sort of explanation—that 'we do not want to form an adjunct to the free economy, this free enterprise economy of the west, we do not want to accept the free import policy completely.' I am saying that in some respects controls are unnecessary; they are also creating some problems; but the controls must be discriminating and in the interest of the consumers. Such controls will have to remain.

As my friend said, in regard to the main thing, the basis of our economy, agriculture, we have completely failed. This morning we have seen the figures, 72 million tonnes. Unless the agricultural base is strengthened, I do not think we can think of going ahead. Therefore, the time has come to do something about it. Now there is no fixation of political responsibility. I would plead with Government. Let them entrust the responsibility. For failure of a policy, even Khrushchev could be dismissed. He had to go because in the 'virgin soil' experiment, he failed. In this country, no political responsibility is fixed. I would say that this must be done right now. We must recapture the spirit of the Gandhian era. It is no use merely talking about being self-reliant. We have got to generate the spirit and capture the past when Gandhiji roused the masses. That was the moral strength behind the national movement. Unless we rouse the masses to a sort of glowing heat and tell that this is the problem which we must tackle and solve, we cannot do it.

Shri Surendranath Dwivedy: Who is his Khrushchev?

Shri Khadilkar: Let me not be interrupted.

Shri Surendranath Dwivedy: I am helping him.

Shri Khadilkar: No.

I do not think one showpiece of a store, the Super Market here, is going to solve the problem of distribution. The problems of distribution and income distribution will have to be tackled in a more rigorous manner through a countrywide network. The Planning Minister had said in the Foodgrains Committee about socialisation of trade. But the preliminary steps are not taken so far. There is utter failure. If we do not recapitulate that spirit of self-reliance, the spirit of freedom and give up the sense of psychological dependence on the west, the creditor countries and other countries, I do not think we can get out of the present mess in which we have found ourselves.

Shri U. M. Trivedi: Mr. Deputy-Speaker, when this devaluation decision was announced, I received a message from the Prime Minister saying that she would like to consult all the Opposition Members and that we should take the opportunity of having a meeting for the purpose. On that very day, I made a statement to the press that there was no use now of going over and discussing things because the devaluation decision was in the hands of the Government but evaluation was not. It was no use going and discussing things and suggesting measures which ought to be taken and which cannot prove fruitful. Perhaps because I was a layman and did not know the science of economics, my reaction was not very good. I also felt at the same time that so far as devaluation of our currency was concerned, virtually it did exist. What the Government did was to accept the fact.

15 hrs.

This morning, I was reading a passage in a journal by name *Statist* where its editor-in-chief, Mr. Paul Bureau, says:

"Never was a devaluation more justified by the evidence of the

true value of the currency and yet more unjustified by common-sense than was this week's 36½ per cent devaluation of the Indian rupee".

I should say that common sense had disappeared when this devaluation was brought in. It is also stated in some quarters that devaluation was the result of pressure from the United States but it is denied vehemently by the other side saying that there was no such pressure. I find in a letter from New York published in the *Financial Express* giving the reaction as a general welcome for devaluation in America. It says: devaluation of the rupee has been more than well received here; the leading bankers and businessmen said that it was a bold and courageous step taken after months of debate and discussion. Why was there debate and discussion? What type of discussion was it? This country knows nothing about that. Because everytime a question was put in the House, most vehemently they denied that there was any pressure and that any devaluation was contemplated. So, these were behind the scenes. What particular forces acted and prompted the government to come to this decision can only be known if it comes before the House with clean hands and places all the material before the House. My friend Mr. Masani has disappeared; Mr. Khadilkar has also gone away. Mr. Khadilkar made an accusation against Mr. Masani that he, an Indian, should not suggest to the American government to bring some sort of pressure on India or aid should not be given to this country. Mr. Masani denied it. We thought that Mr. Khadilkar who was so viciforous was going to say some thing more about that statement. But he slowly went away and disappeared. I think Mr. Masani must have forgotten about these accusations. What surprises me is this. We have brought about this devaluation by the circumstances for which we are responsible, which we have brought into the country. Prior to 1950-51,

[Shri U. M. Trivedi]

there were no debts; in 1950-51 the total debts of the Central Government were hardly Rs. 32 crores. By about 1960 it went up to about Rs. 761 crores and by the end of 1965 it had gone up to Rs 2,629 crores. Who is responsible for this? Are these debts not responsible or bringing about the devaluation of the rupee? We are responsible for it. What we have sown we have got to reap. I used the word 'we' in a particular sense. This House is there; the whole country is there. Mr. Khadilkar said that we adopted the First Plan, the Second Plan and the Third Plan and we will adopt the Fourth. We means this House; we know there is the House beneath our voices. For our part, we have never voted for these but we had to accept the Plan. When I used the word 'we' it does not mean all of us; it means the Government of India; it has done this mischief and we are now suffering for that mischief. How can we get out of this rut? Devaluation has taken place. What is the purchasing power of the rupee? It is nothing. They are talking of scarcity. Where is that scarcity? Money can buy anything. When we became independent, we had a maund of wheat for Rs 3 or 4 or Rs 5; slowly but surely we went up from Rs. 5 to Rs. 30 for a maund of wheat.

श्री हुकम चन्द कछवाय (देवास) :
उपाध्यक्ष महोदय, मेरा व्यवस्था का सवाल है। यहां प्रधान मंत्री बैठी हुई हैं। इतनी महत्वपूर्ण बहस हो रही है और सदन में गण-पूति नहीं है।

Mr. Deputy-Speaker: Let the Bell be rung—now there is quorum.

Shri U. M. Trivedi: In this House we have developed a tendency some on this side and some on that side do not look to the interest of the country but they look to what lobbying they have either from Russia or from China or America. If we talk

against America some people get annoyed; if we talk against Russia some people get annoyed; if we talk against China some people get annoyed. They do not realise that it is our country which has to come first and last. Mr. Khadilkar was very solicitous for Russia. What makes him so, I can not understand. A Russian is a good nationalist; so far as its own country is concerned, Russia is a good an imperialist as anybody else; China, similarly is as good an imperialist as anybody else ever was. So far as we are concerned, we have to look things in perspective. What wrong is there in giving aid to us? The western countries have given us more and the so-called socialist countries have given us very little. The western countries have given us more; ninety per cent of the total aid that we have received is from America or from western countries and only 9.5 per cent is from the so-called socialist countries. Yet we talk as if the socialist countries have carried a great burden by doing this favour. We do not know from what friends pressure was put on our government, whether it was from the Russian source, whether it was from the American source or whether we had brainwaves because we must have enough brain waves. People who have never indulged in trade, who have never carried on any business, people who have never run a pan-betel shop, who do not know how to manage their own affairs, who are not running a good household even, they have tried to run the whole business of Government and to enter into a competition with the bania, the trader and the merchant whom we have rubbed to be dishonest. Over 10,000 years in this country the ordinary trade has been handled in the ordinary manner by the ordinary bania and the merchant in the street. He was not dishonest for 10,000 years. Suddenly, in 1947, it dawned upon this Government that every trader in the street is dishonest and only the new

ICS and the IAS officers, these coat and pathloon walas should be considered as honest people on the surface of the earth. What was the result? The total income out of the investment of 1,700 crores of rupees in the 30 industrial corporations run and managed by the Government for the past three years has been only Rs. 1.9 crores. Anybody else would have been declared an insolvent in such a case. But here we are going on increasing our debts. Shri Masani appeared to me to be right. Come what may, borrow as much as you like; bring aid as much as you like whether it is Rs. 2,600 crores or according to your Plan it is Rs. 16,000 crores; it will go down the gutter and go down the drain, and you will not find anything there. It would just go away. The net result to the country is not visible and will not be visible, unless and until the management is of a different type.

What are we seeing? What happens? was Shrimati Indira Gandhi wrong when she said this? These are her words which I also tried to recapitulate and recount. She said that many of the difficulties of the public sector belong to the gestation period itself; faulty planning, with regard to concept, size, location, raw materials, design, choice of process, equipment personnel, contractual arrangements, supervision and co-ordination have resulted in a total escalation and delay. Many other things have been enumerated. But I find day in and day out while reading the Public Accounts Committee's reports and the facts submitted to the Public Accounts Committee, that lakhs and lakhs of rupees are wasted. Whose money is wasted? The tax-payers' money is wasted, and because the tax-payer's money is wasted, therefore, the tax-payer is made to pay more and more tax. Unless and until the tax structure is mended, we have no escape from the present situation in which the country finds itself. It is all bosh and nonsense to say that our exports will increase, if there is devaluation. Nobody believes in it.

Not for a moment anybody is prepared to believe it; neither the export will be affected nor the import; How are they going to be affected? Not in the least. Exports will certainly not be there. And what are the things that you export? You are talking big. We think that we are producing more and more steel and that we will be exporting more and more steel and enter into competition with other countries. Please, for God's sake, read the report of the World Bank. It says that steel is already overproduced in Scandinavia and Germany and your production is not going to secure a sale, in Japan because Japan is also producing steel.

An hon. Member: Ours is expensive.

Shri U. M. Trivedi: Yes; ours is expensive no doubt because our labour is paid less and the people above him are paid more, and there is dishonesty throughout. Unless and until this evil is rooted out, it is not possible for us to get any benefit whatsoever from this devaluation.

In my opinion, Shri Masani was right when he suggested that they were devoid of common-sense when this devaluation took place. In what way can we improve our position? Things will not improve unless and until we apply our mind to the things that we consider urgent and we put our precepts into practice. We take a small scheme; we enter into it; there is no forethought. After some time we give it up. How much money has gone away in that process? Rs. 43 lakhs, in one scheme. Then we take another scheme; say, an irrigation dam is to be built. The location is fixed for it; after that, some objection is received; we have to give it up. We will have it at another place. What happens? Rs. 40 lakhs have gone away. Whose money is it, that is going down the drain? It may be Rs. 43 lakhs here, Rs. 67 lakhs elsewhere; it may be Rs. 1 crore and so on. Add up the figures that are being published in the report of the Public Accounts Committee I sat down one day, not having much to do while travelling

[Shri U. M. Trivedi]

in the train, and added up these figures, and I found that the total came up to Rs. 780 crores! What a loss! Is it not serious loss to the country? Did the Government apply their mind to these losses? These are examples of tremendous losses to the country, and unless and until this is stopped, your putting down Rs. 16,000 crores in the public sector and Rs. 7,000 crores in the private sector for the fourth Plan is useless.

And then, why call it public sector? Call this the Government sector—the raja. When the raja is the trader, there is no need for the bania. The bania is satisfied with six per cent profit; the raja is not satisfied even with a profit of 200 per cent.

An hon. Member: They combine.

Shri U. M. Trivedi: Yes; both combine to exploit the masses who are being crushed between these two. The time has come and the time must come when both of them will have to back out if they are continuing like this. (*Interruption*). Why do they want this 200 per cent profit? I cannot understand this mentality. Go to a hotel and if it is run by the Government, the charges are Rs.260 per day; if you go to a hotel run by the State, a smaller hotel, and if you want to have your meal, it costs Rs. 12; in fact, it is only for making you starve, for allowing you to see the thing and not eat it: Just four chap-patties and rice, and for that you will have to pay Rs.12. On the other hand, go to a Marwarj dhaba; there you get a much better stuff and pay just Rs. 1.75. The Government hotel charges Rs. 12. Why is there such a difference between the two? Why do you want to exploit the people like this? Of course, they may say that they pay for the supervisory charges.

An hon. Member: You are a State guest there.

Shri U. M. Trivedi: Yes; we starve in a bigger room. I am just giving

you the general picture. I am giving you the picture, not a picture given by Shri Khadilkar nor that of an economist as Shri Masani's, but I am giving you the picture of the man-in-the-street. This is how we are suffering.

Now we have got big Ministries, and we have good, bad and all sorts of ministers. We have also good, bad and all sorts of men in the services. (*Interruption*). So far as this is concerned, one picture has been presented to this country. Over and over again, you have set up commissions; you have set up a corruption tribunal you have set up a Central Bureau of Intelligence; you have set up vigilance branches in every State. You have set up everything, but has this corruption stopped? Or, has this vigilance brought about greater vigilance only in those who are corrupt? Corruption is increasing and it is leading to greater expenditure for what you have to do; leading to greater expenditure means you have to provide means for it; to provide means for it, you have to go on taxing the people more and more. And by taxing the people more and more, you get more and more money, and you spend more and more money and incur wasteful expenditure. This vicious circle is not going to end unless and until we bring about a situation where we must apply our mind to set our house in order. How to set our house in order?

It was suggested: do not have the fourth Plan. Shri Khadilkar says that we have the fourth Plan. I do not know whether we have the fourth Plan or not. It has not come before the House. It must be in the pocket of some Minister; he may have a fourth Plan. So far as we are concerned, this is a planless period; through which we are passing. We are happy that this is a planless period! But they are thinking in terms of Rs. 16,000 crores. Only the day before yesterday, I read in the papers that they want to invest

Rs. 16,000 crores in the public sector. Why do you want to invest in the public sector? It is a sector which has not brought any benefit whatsoever. Why do you want to invest in it? Why enter into competition with the ordinary man in the street? He is as good a public sector as any you can think of. (*Interruption*).

Then we had this wonderful sector—Jayanti Shipping. That man with a capital of Rs. 20,000 could get Rs. 20 crores. We have the example of a man who started business with Rs. 20,000. He entered into a business worth Rs. 414 lakhs and made an annual profit of Rs. 6.32 lakhs on only Rs. 20,000. Fortunately that man happened to be a Chief Minister of a State and so there was no action against him. It is a wonderful thing that in our country, with Rs. 20,000 as capital, you can get Rs. 20 crores and with Rs. 20,000 as capital you can earn a profit of Rs. 6.32 lakhs. What a heavenly country we have got except for poor persons who have to approach the Income-tax Officer and get squeezed like anything! This investment in the public sector must be very carefully watched. A commission must be appointed to find out whether or not an investment is going to pay. Investment must be in such hands who know how to run the business. It is not necessary that he must be a minister or an M.A., Ph.D., B.Com and that sort of non-sense. The only question is whether he can run the business in a proper manner.

Is this devaluation going to contribute to the checking of imports? How will the imports be checked? I do not know what the ministers will say, but I have not yet come across any tangible proposition which appeals to me to find out that devaluation will contribute to the checking of imports, because all imports are already subject to licensing. As soon as you make them free what happens? Shri Khadilkar gave an example—Rs. 36 lakhs worth of playing cards being brought into this coun-

try. There would be another Rs. 500 crores worth of lipsticks being brought!

Shri Bhagwat Jha Azad: Because they are surplus in the American market.

Shri U. M. Trivedi: Even if they are brought from Russia, it is immaterial to me.

Shri Bhagwat Jha Azad: I wish it be so.

Shri U. M. Trivedi: It will cost this country both ways. My friend's suggestion probably is that Russia is very very soft towards us. I say this subject to correction, but in his recent tour of the Soviet Union, Mr. Manubhai Shah said—he can correct me if I am wrong . . .

Shri Kamalnayan Bajaj (Wardha): If there is one wrong thing, he can correct. But since there are several wrong things, he keeps quiet!

Shri U. M. Trivedi: Several things being wrong are left to the Congress Party. On my side, it will be only one thing wrong.

During his recent tour, it was agreed that India will pay 57.7 per cent more for India's imports from Russia. But for exports, he agreed to charge only 47.5 per cent more with regard to all contracts entered into before 6th June 1966. Why different rates for imports and exports?

An hon. Member: Hard bargaining.

Shri U. M. Trivedi: The whole difficulty is नजरशा आपको बखशने वाला है और न ही अमरीका आप को बखशने वाला है।

They are all merchants and they want to exploit us as best as they can. There cannot be any choice for us between Russia and America. They are as good or as bad for us as they can be.

[Shri U. M. Trivedi]

Exports also will not increase in any manner as a result of devaluation, because we have nothing to export. They are talking of tea, jute, etc. Study the figures and see whether you will be able to export tea. See what is the marginal export that you will get. Those of us who had the good fortune of visiting the Tea Board and studying the figures came to the conclusion that nothing much is going to come out of it. The same thing holds good about imports also. Nothing is going to come out of it. Everybody will exploit you.

Devaluation is not going to benefit this country in the least. You have got no power to revalue the rupee, unless and until you cut your coat according to the length of cloth you have got. This is a very simple thing. This did not go down the throats of those who considered themselves economists. Economists are people who have no value for the pound, who have no value for Rs. 10,000. They have value only for one paisa. It is with such people that today we are involved and this has brought about the downfall of this country.

One of the Akali Dal members was

मारा दीवाना निकल गया है ।

Diwala is all right, but where to present this diwala? As a lawyer, you know whenever a man becomes bankrupt, he can go to the proper court and say "I am an insolvent and so I am not able to pay". But where will this Government file the insolvency. Neither America nor anybody else will accept this insolvency. They all want their pound of flesh. Under these circumstances, it is better that before things have gone very bad, we must put a stop to the foolish, silly, wasteful expenditure going on in the country.

The rupee cannot be revalued under the circumstances. The Government has committed the greatest blunder

of the day. Lack of common sense has brought about this devaluation. The Government of the day must apply its mind in a proper direction to see that our country does not follow the course of the South American countries and devaluation followed by devaluation will not be the order of the day so far as our country is concerned.

Shri V. B. Gandhi (Bombay Central South): Sir, judging from the substitute motions before us, one can see that in considering the present economic situation in the country, what the members have uppermost in their mind is the Government's action of devaluation. I shall begin my remarks by saying that I am one of those who support devaluation and do so with the conviction that there was no other alternative if a permanent injury to the economy is to be avoided.

I have listened to Mr. Masani's long but not very relevant speech. He dealt with devaluation as if it was a matter of politics. We all know that a political approach will not help in an understanding of the subject. We know also that essentially devaluation is a question of economics of international finance. Devaluation becomes necessary when a certain economic situation obtains in the country. It is also not reasonable to say or to expect that there should have been consultations on this question with other parties.

श्री हुकम चन्द कछवाय : उपाध्यक्ष महोदय, यह विषय जिस मंत्रालय से सम्बन्ध रखता है उस मंत्रालय से सम्बंधित कोई भी मंत्री यहां नहीं है ।

संसद-काय विभाग तथा संचार विभाग में राज्य मंत्री (श्री जगन्नाथ राव) : श्री मनु भाई शाह यहां हैं ।

श्री हुकम चन्द कछवाय : वह आपसे में चर्चा कर रहे हैं ।

वाणिज्य मंत्री (श्री मनु भाई शाह) : मैं आगे आ जाता हूँ ।

Shri V. B. Gandhi: It was the duty of the Government to take a decision on devaluation and that duty has been well discharged. We would not therefore blame the Government either for taking the decision or for not sharing it with others. But some blame does go to the Government on other grounds.

For instance, the Government should have taken steps to educate public opinion on questions of currency, foreign exchange and such other allied subjects. While speaking on annual budgets in this House, for a number of years I have been pleading for the appointment of a Currency Commission which could review the whole subject of currency and thus lead to educating public opinion in this country on this subject. We have really done nothing of the kind. In the last 40 years we have had no review or no enquiry made in our currency and foreign exchange question, whereas during the same 40 years in a country like the United Kingdom there were three very high-powered committees which went into the subject of currency and banking—Committee like Cunliffe Committee, McMillan Committee and Radcliffe Committee. They were all very high-powered committees and some of their reports are classic in this subject. I would suggest or, I should say, it would be interesting to consider if there would be some advantage in having some kind of an enquiry into our currency problem even now. That would of course be a *post mortem* but, perhaps, it would still be of some value.

I have said that devaluation becomes necessary when certain economic situations obtain in the country. Let us see what those situations are. For instance, when the balance of payment deficits continue to recur over a period of years devaluation may be considered. When the price level in the country is out of tune with the price levels generally of major countries with which we have trade then also devaluation may be

considered. Thirdly, when the cost structure in our country becomes a high cost structure and we are unable to compete in the international markets, then that is a point where devaluation will have to be considered. When our commitments on account of external debt increase beyond our capacity to pay, we have to start thinking about some remedy. Fifthly, when we find ourselves short of foreign exchange to meet our commitments, even after taking account of such external aid from friendly countries which we have been receiving—we have actually received, as you know, since our planning began, something over 10 billion dollars or over Rs. 5,170 crores—and also after taking into account such assistance that we can claim—I say 'claim' deliberately—from institutions like the International Monetary Fund and the World Bank, when we are confronted with a situation of this kind, then a decision to devalue becomes important and almost urgent. Having devalued, we can start reviving our trade at the new and lower rate of exchange which is more realistic and more equitable.

Let us see what exactly is involved when we talk of devaluation. What really happens when a currency is devalued? There is, in the first place, a reduction in the external value of the rupee. But this reduction in the external value of the rupee need not affect the domestic prices at home. So far as the domestic prices are concerned, both by hypothesis and in theory and also in the experience of other countries, they could remain unaffected for quite some period. We want to see, therefore, what really happens when we devalue. We shall take a simple illustration.

15.38 hrs.

[SHRI SHAM LAL SARAF in the Chair]

In 1949, when the pound was devalued and we also followed suit, we decreed that 18.66 grammes of gold would buy a hundred Indian rupees. That is an important fact to remember. Let us see, if in New York,

[Shri V. B. Gandhi

18.66 grammes of gold or 100 Indian rupees could buy, say, a hundred pounds of potatoes in 1949, they could do that in 1966—that is, after 17 years. We find that in New York the same amount of gold—18.66 grammes—would buy hundred pounds of potatoes today.

Mr. Chairman: Even after 17 years?

Shri V. B. Gandhi: I am saying generally, approximately.

Now the situation in London, in Ottawa, in Berlin and other countries where the economy is well-managed would be about the same. In those countries, the equivalent value of Rs. 100 or 18.66 grams of gold will buy 100 lbs. of potatoes. In New Delhi in 1949 one hundred Indian rupees would have purchased 100 lbs. of potatoes. But in 1966 one hundred Indian rupees in New Delhi would buy something like 60 lbs. of potatoes, and yet we insist that the other countries with which we have trade relations should pay us 18.66 grams of gold for one hundred Indian rupees which we know now buy only 60 lbs. of potatoes in India. That is the basic situation which we have to try to understand. Understandably enough, that creates a sense of unfairness when we use our sovereign power to fix our rate of exchange and ask other countries to accept this old rate of exchange which is over-valued. The parity, the purchased power parity between the Indian rupee and 18.66 grams of gold has long ago ceased to exist. So, we are left with an untenable position and other countries are left with a sense of unfairness. In a world where we have to ask for international co-operation between countries, this is a situation which the sooner it is remedied the better.

Even though the purchasing power parity between one hundred Indian rupees and 18.66 grams of gold has ceased to exist, we still continue to deal with other countries on the old

basis. We could do that only because we were lucky to have in the world today institutions like the International Monetary Fund and the World Bank. It is because we have these institutions which have been doing excellent work in regulating the orderly conduct among the countries of the world in respect of currency and which have been able to stabilise the currencies of the countries of the world. But for these two institutions I am sure we would have had to devalue long ago, and perhaps devalue more than once.

Many countries have had to devalue. We need not be particularly sensitive on this point. Important countries like even the United States of America had to devalue for certain other reasons in 1933. Socialist countries had to devalue, capitalist countries had to devalue and countries like the United Kingdom, France, Italy and Russia had to devalue.

The question that we have to ask ourselves is: can we expect that there will be revival of trade and recovery of economic progress after devaluation. The answer to that question is "yes". These revival and recovery have been achieved time and again by other countries and, so far as we are concerned, we are fairly well placed on the road to recovery and progress because of the massive investments of the last three Plan periods that we have behind us.

Lowering the exchange rate between the dollar and the rupee or the pound and the rupee does not involve any question of any country's prestige. Our prestige can be preserved if we are able to achieve a higher rate of economic growth. Our prestige can be preserved if we are able to meet our repayment obligations without difficulty.

I will mention just one instance here, of what happened in Germany

in 1923. The German currency depreciated to an extent unheard of. It is unbelievable. In 1923 I happened to be in New York. I was a student in the university. The German currency then so depreciated that in the city of New York some people were peddling German Government currency notes of the value of 100 million marks for 5 and 10 cents, that is, just 4 annas or 8 annas. That is a fact of history and not fiction. From a situation of that kind Germany was able to recover. It did not take Germany very long. Industrially, Germany advanced; militarily, Germany became very powerful under Hitler; economically also Germany became a prosperous nation. That was possible because we do not live by currency notes which Governments print; we live by other qualities that the people have, their skill, their industry, the resources with which the country is endowed. These are the basic factors of economic recovery and prosperity. Now, Russia, Austria and other countries have had to take their turn also. In this case we have to thank the World Bank and the International Monetary Fund for the excellent work that they are doing in regulating the value of the currencies of the world.

One last word. It is suggested that we devalued under the influence of the World Bank and the International Monetary Fund. Just to make that point clear, I would say categorically that we would have had to devalue even if the World Bank and the International Monetary Fund were not in existence; we would have been compelled to devalue by the circumstances, by the situation of our economic position *vis-a-vis* other countries.

Mr. Chairman: He will close now.

Shri V. B. Gandhi: I will close in two minutes.

Mr. Chairman: One minute more.

Shri V. B. Gandhi: Thank you, one minute will do.

Mr. Chairman: I know, you are making good points and you will require more time.

Shri V. B. Gandhi: Before I close, I will only invite the House to remember that we have our relations with these institutions, the International Monetary Fund and the World Bank; in fact, we were among the founder-members of the two institutions. We were the signatories to the Bretton Woods conference which made the beginning of these two institutions. We rank fifth among the countries of the world by reason of our contribution and subscription. To the World Bank we have subscribed 800 million dollars and to the International Monetary Fund, we have subscribed 600 million dollars. We have a seat on the Board of Governors of the World Bank and we also hold an executive directorship in the Fund.

श्री यशपाल सिंह (कैराना): सभापति महोदय, मेरा एक प्रस्ताव था जिम को मन्डि-ट्रयूट मोशन कहते हैं। अगर आप इजाजत दें तो मैं पेश कर दूँ।

सभापति महोदय: क्या आपने मूव नहीं किया।

श्री यशपाल सिंह: मैं पहले नहीं कर सका था।

सभापति महोदय: इस को पीछे देखेंगे।

Shri Surendranath Dwivedy: Mr. Chairman, my hon. friend, Shri Khadilkar, is not here. He was eloquent enough to repeat the basic concepts of our policy for the socio-economic reconstruction of this country. He spoke for all. He is a confused thinker who probably speaks for all.

Sir, Shri Khadilkar and his friends would agree that devaluation, if it is anything, is a retreat from the very basic concepts of socio-economic thinking, which we have all accepted so to say, and a definite shift, I would

[Shri Surendranath Dwivedy]

say, of our economy in the reverse gear. What is required and what really would have prevented this devaluation, this mess in this country, if there is honesty fidelity to the objective of socialism and its values, is to mould your policy and keep intact the values and base your programmes accordingly to implement them.

I accuse this Government . . .

Shri Hanumanthaiya (Bangalore City): Do not accuse.

Shri Surendranath Dwivedy: I accuse them of committing a fraud on the people of India.

Mr. Chairman: But not Shri Hanumanthaiya.

Shri Surendranath Dwivedy: Shri Hanumanthaiya is far far away from the Government, whatever I know.

Shri Kamalnayan Bajaj: Not so far away as you are.

Shri Manubhai Shah: The distance is not much.

Shri Surendranath Dwivedy: They have committed a fraud on the people of India. In the manner in which they have taken recourse to devaluation, I think in any other country there would have been public impeachment. They have deceived the people. They have deceived the Parliament. The policy that they are following even today has not been accepted by the very party to which they belong. If they had any regard for democratic traditions, they would have resigned. They would have laid down their office saying, "We have not been able to implement the policies which the Parliament had voted and for which we were in the Government." Even the Congress Working Committee, at whose behest they are here, has not yet been able to accept it.

Shri Atulya Ghosh (Asansol): The Congress Working Committee never said, "No"; they supported it.

Shri Surendranath Dwivedy: They never said, "Yes". My hon. friend, Shri Atulya Ghosh, a treasurer of the Congress Party, cannot say that as yet the Congress Working Committee has said "Yes".

Shri Atulya Ghosh: They have said "Yes".

Shri Surendranath Dwivedy: But whatever has appeared in the press has not been contradicted by the Congress President or anybody in the Congress Party. Whoever has spoken in the Congress Working Committee has spoken against devaluation and it cannot be contradicted because this is a fact. Therefore this Government has no moral right. I would say virtually there is a vote of censure. Even the Congress Parliamentary Party has not endorsed it. Have they passed a resolution? No.

An hon. Member: Yes.

Shri Surendranath Dwivedy: Therefore what we are discussing today is not the policy of any political party here, is not the policy which was accepted by Parliament on the basis of which it has been done, but a policy or a decision dictated by interests which are not of the country. The least that can be said about this is this. Why do I say that the Parliament has been deceived?

Shri Kamalnayan Bajaj: Is it not also being opposed by a party which takes dictation from outside?

Shri Surendranath Dwivedy: I do not know which party he refers to. So far as I am concerned, he knows better and the country knows better. We take it from the people of India from no other person. It may be some members of the Congress Party who may be looking to other countries, west or east.

What I want to say is this. Repeatedly in this House questions after question have been put whether there is any consideration for devaluation and here is the reply. On the 17th February the Planning Minister, who intervened because the reply of the Minister of Finance was not sufficient, stated:—

"There is no question, as far as the Government is concerned of considering the question of devaluation."

When he went to America, there also he said, "I have not travelled 10,000 miles in order to discuss the exchange value of our currency". These are all very truthful statements. My hon. friend, Shri Asoka Mehta, whom I know so intimately, I know, is a truthful person; but as money is devalued his values have also been devalued after joining the Congress. This Party professes something, tells something, and does something else. Then, how can Shri Asoka Mehta remain in that party if he does not follow those values?

I want to know this, because till the last moment it was said, "No, we are not doing it". It has been argued that this is such a secret affair that it should not be divulged to anybody, not even to the Cabinet, that the Finance Minister and the Planning Minister or some other Minister are concerned with it and nobody else.

16 hrs.

Shri C. K. Bhattacharyya (Rai-ganj): And, of course my friend Mr. Dwivedy.

Shri Surendranath Dwivedy: I know what sort of a friend of yours I am.

Shri M. L. Dwivedi (Hamirpur): But there are other Dwivedys also.

Mr. Chairman: Order, order.

Shri Surendranath Dwivedy: This other Dwivedy creates confusion sometimes in the public mind.

Shri M. L. Dwivedi: Why do you think you are the only friend?

Mr. Chairman: Order, order.

Shri Surendranath Dwivedy: What was known to every other person was kept secret to the Parliament. Is it a fact that this factor was not considered? It is wrong, it is false, to say that this was not considered by this Government. A dialogue would have been started in this country if these people had published the BELL Commission's Report which was available to them in 1965. The BELL Commission visited this country much earlier. Is it not a fact that this matter was considered by the Government then?

Here is a broadcast, the statement, made by Mr. T. T. Krishnamachari as the Finance Minister, not as a private person, before the devaluation, not after the devaluation. He said in a broadcast on July 17, 1965 as follows:

"Government have considered this question most carefully and are firmly of the view that devaluation is no answer to the problem."

This was Government's decision announced in July, 1965. What happened afterwards? He announced what measures were being taken to strengthen the currency. I will come to that later. But the fact remains that regarding the devaluation, as I stated, nobody was supporting it.

Now, take this report of the Commerce Ministry. My friend Mr. Manubhai Shah is here. Here is the report which was submitted to this Parliament during the last Budget session. Here also, he refers—that was in July, 1965 and this is in March, 1966—to this:

"Recently, there has been some talk regarding making changes in the value of our currency."

And here the Minister says, 'No', there was no such discussion. Sir, the

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Commerce Ministry is the most concerned Ministry with it. All that has been argued in favour of devaluation is that our export trade would increase. Here, they have rebutted this argument. They say, 83 per cent of our export trade is inelastic—there is no question of it. So, it is only a question of 17 per cent for which we are giving all sorts of incentives. Here, after taking into account every aspect of the question of export trade and import trade, this Ministry categorically says:

“Any change in the value of currency will put up the internal cost of all the products made out of those imports in such a manner that both the living standards and the wage structure of the working classes will be highly distorted and upset.”

In spite of all this, has happened. This is also a part of the Government—of course, today's Government is no Government at all; everybody speaks as he likes.

So, this was the advice of the Commerce Ministry which was directly concerned with the export trade and this was a decision of the Government of India announced by the ex-Finance Minister. Then what has led to the devaluation? I would not have disbelieved and would not have questioned the honesty if the Finance Minister or any spokesman of the Government would have told us that the measures contemplated by the then Government of which Mr. T. T. Krishnamachari was the Finance Minister had been taken but that they failed. The then Finance Minister announced that they were going to take some steps to strengthen the currency. What are those steps? They were to take recourse to heavy import duties, export subsidies, export incentives and the deficit financing. All these factors were suggested. But was anything done? Within this course of a few months was anything done in that regard? Nothing at all. I will quote Mr.

Iengar, the ex-Chairman of the Reserve Bank. His statement may be taken as authoritative as anyone else's. He has said that none of these measures was taken by this Government to strengthen the currency because, he says:

“this involved bold political decisions which unfortunately were not forthcoming.”

Mr. Khadilkar should know this. Mr. Iengar has said further:

“It was necessary that the administration concerned with the operation of the whole battery of controls and incentive schemes should be prompt and efficient.”

This also was not the case.

Thirdly—this is the most important thing—he says:

“It was necessary that the trading community who are the beneficiaries of incentive schemes should have a reasonable decorum of honesty . . .”

The trading community did not extend their help and this Government failed to discipline the States which took overdrafts from the Reserve Bank. There was no cut in the non-developmental expenditure. Only promises were made and never were they kept up. Gradually they drifted; it was a deliberate drift. I say it is a conspiracy. The Indian capitalists, the monopolists, in league with foreign interests and with the support of this Government have committed this fraud on the people of India.

Shri Tyagi: How does he come to this conclusion?

Shri Surendranath Dwivedy: This is very simple logic, Mr. Tyagi. There is no other argument.

They talk of self-generation and taking off and as it happens, taking

off with defective economy means accidents, like our Caravelle. There was no attempt to make the economy self-generating. There were more and more attempts to depend on foreign capital, foreign trade and foreign money, but there was no attempt in any sector, either industry or agriculture, to make the country self-sufficient.

We started a process. My friend, Mr. Asoka Mehta, has again to be congratulated on that. Because in 1956 in his report—the report of the Foodgrains Inquiry Committee report—he suggested that for decades to come this country has no alternative but to go on importing, importing and importing foodgrains and the import has amounted to—I do not want to waste the time in quoting figures—crores of rupees for foodgrains. We have to depend on the American PL 480. This process has started. It is no use now saying that it is not on account of past mistakes. I would say that this started from the very beginning from the Second Five Year Plan. The deficit financing has further increased since then. Pandit Nehru, because he was professing socialism, was at least able to prevent this influence, although he was not able to break it. But here it will go on record that his successor, his daughter, when she became the Prime Minister, was bold enough to surrender to the interests of capitalists and to bid good bye to the professions of socialism.

Mr. Chairman: Would the hon. Member like to take all the time allotted for his Party?

Shri Surendranath Dwivedy: Three days are there. There is no question of dividing the time. I will take some more time.

Mr. Chairman: All right.

Shri Surendranath Dwivedy: It is not inspired by the interest of our nation. I would again point out what the state of our economy today is. Take the question of price stabilisation

Often they go on repeating that they are going to stabilise prices. But how have they stabilised the prices? They have themselves admitted that there was an 80 per cent increase in prices. But yesterday when they came out with the supplement to the Economic Survey, they only said that there had not been any marked increase in prices after devaluation. I do not know where from they have got these figures. But here is a review made and published which says that:

“Retail prices of a host of essential consumer goods, even those without an import content....”

—mark the phrase ‘even those without an import content’—

“...have risen by anything between 5 and 30 per cent during the first fifty days of the devaluation. Family budgets have gone up by 10 to 15 per cent during this period.”

Again, the report goes on to point out that prices at Calcutta, Bombay and all other places, even vegetable prices, had increased.

I would like to ask whether even now Government are really taking any steps to check the rise in prices. Again, the Planning Commission itself has come out with a report about shortfalls in our economy. That is the state of our economy today in all respects. Will Shri Manubhai Shah, for instance, tell us that after this devaluation, our exports have increased?

Shri Hari Vishnu Kamath: He would not tell us today, but later on.

Shri Surendranath Dwivedy: There are physical shortfalls in all respects.

Shri Manubhai Shah: He may wait.

Shri Surendranath Dwivedy: Again, what is our rate of growth? The rate of growth is only 16 per cent as against 30 per cent which was the target.

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Again, look at the unemployment problem. You may say that the *per capita* growth has increased. But what about unemployment? From 8 million before the Third Plan, the figure has now come to 13 million. So, the state of our economy is such that the miseries of the common man, have increased, and it has also been admitted by the reports of the Planning Commission that the economic condition of the poorer and weaker sections of the community has become worse. If that be so, then who are the beneficiaries? It is only a few persons at the top who have reaped the benefit, and the economic disparity has grown. So, it is neither socialism nor economic progress. That is very clear from all aspects. I would even have understood if there had been no progress but it is stagnation also. We are going back actually. My hon. friend Shri M. R. Masani was accusing that Government were going the Stalinist way. I would tell you that I would prefer the American way or the Stalinist way or any other way, if it is a way actually.

Shri Mohammed Koya (Kozhikode): Except the Indian way.

Shri Surendranath Dwivedy: But my grouse is that these people are not following any way at all. Actually they have started gradually following Shri M. R. Masani's way, which they do not admit; but Shri M. R. Masani's complaint is that they cannot do even this efficiently, which probably he thinks he will be able to do better if he comes to power, and they are paving the way for him.

Shri C. K. Bhattacharyya: We follow the Gandhian way.

Shri Surendranath Dwivedy: Oh! Oh!

They are helplessly and completely at the mercy of the capitalists. That is what I would like to say. Again, there are regular attempts to pressurise the Government from the side of the capitalists in this regard. The

Federation of Indian Chambers of Commerce and Industry has come out with statements after statements suggesting how to get over this difficulty.

Let us take food production. We are thinking of socialist planning for self-sufficiency in food production. We are advocating ceiling on lands and we are talking of land reforms. But no longer will they talk about this. Do you think that either the Planning Minister or the Finance Minister will ever talk of such a thing now? Do you think they will talk of rationing now? They would not talk of any such thing, because they are now thinking of introducing joint-stock companies in agriculture.

That is, our capitalist friends will now operate in the rural sector also. They depend on Birlas and Tatas and their friends completely. The public sector, however much they may say, is not going to expand. They are depending on American support.

Shri M. L. Dwivedi: We are depending on American as well as Russian assistance.

Shri Surendranath Dwivedy: An unnecessary interruption.

Is it not a fact that the Americans withdrew their support to Bokaro because they said they would not invest money in any industry which is a public sector industry. Their point was 'Whatever help and aid you get from us, you must give to the private sector'. And they depend on America. So the pattern is very clear, where they are going. That is why they have had to compromise on the fertiliser deal. I do not wish to go into details.

In such an economic situation, what was necessary was regulated control. But here the process of decontrol has started, one by one, cement, fertiliser and so on. And what do the capitalists shout today? They say, 'the only way you can succeed is by giving full freedom of operation to free enterprise'. That is what they want, and that is:

what Government are doing. That is why in the name of socialism, they are proceeding to a free economy, which this country has rejected and which this country would never accept. This matter will be decided at the polls.

Even today, I will ask the Government: can they make a forthright declaration that they will discard deficit financing? Can they say that we are going to abolish the managing agency system, which is another inter-locking device and a capitalist manoeuvre to have their influence in the economy? And what about the Monopolies Inquiry Commission's Report? Even that has been put in cold storage. Are they prepared to say, so far as the credit institutions are concerned, that we shall nationalise banks and socialise export trade? Are they prepared to do that? If they do that, I would say that devaluation was resorted to with a view to help our economy, to further the socialist economy. But that is not so. This is the beginning of the process of our losing our economic freedom also. It is not socialism, nor economic progress. We have lost territorial integrity; under this Government we have lost chunks of our territory which are still in enemy hands. Now even the economic freedom is in jeopardy, complete jeopardy.

So much has been said that it has not been done under foreign pressure. They say 'no pressure'. They are very allergic to the word 'pressure'. I would quote from a document. Of course, this was made available to the members of the Congress Working Committee, but not to Members of Parliament. I have got whatever of it was published in the press. I have particularly chosen the report appearing in *The Patriot* because it will truthfully and faithfully report the Prime Minister. The document was circulated among the members of the Congress Working Committee. This is regarding devaluation. There the Prime Minister says that there was no pressure.

Dr. M. S. Aney: When was it?

Shri Surendranath Dwivedy: This has appeared on the 6th July. The meeting must have taken place on the 5th; I do not know the exact date.

But here the Prime Minister says:

"The IMF had been advising us for sometime to devalue formally".

No pressure, but advice. "When there was a pause in aid, the IMF argued still more strongly in favour of *de jure* devaluation" that is what she said. This was advice, strong advice but no pressure. Then, "the world bank economists"—this is the Prime Minister speaking. I am not saying this—were also in favour of a realistic exchange rate." In the end she says: "In the light of such concreted advice we had to reckon with the possibility that aid for the Fourth Plan may not gather momentum unless we are prepared to formalise a situation in regard to the exchange rate which was already developed in practice. This was concerted advice strong advice, no pressure. They can never yield to pressure. Even in this country they do not do a thing without pressure. This pressure is now yielding to foreign pressure and this is a matter of great concern to this country. As I said in the beginning, I will repeat again, I would not mind if for the sake of progress, because we want economic progress as fast as anything, the Government admits that it is not possible for them to develop this economic by executing policies adopted so long in favour of a socialist economy, that it has failed and they can do it only in another way and the only way to progress and prosperity in this country is the way the Americans have gone or the Russian have gone; if they say so, I can understand that. But this policy of hotch potch and drift is a policy which leads this country not to anything but to chaos, to revolution. There is a monolithic party which utilises the governmental power to suppress the people from giving a verdict against them. If they were honest, when there was this problem they could wait for a few months, till the general elections to put it before the people. They

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dare not do that. With governmental machinery at their command they want to influence the elections, get the votes and come to power. If they are honest let them resign; let there be free elections in this country; let them resign six months before the general elections and let the people give a clear verdict whether they approve this policy, whether these policies are for the good of the country. I have no doubt in my mind that if a free choice is given this Government will be overthrown in no time. People themselves will assert for the good of the country for which the lives of millions were sacrificed. Millions are still suffering. You call for sacrifices. People will come forward to sacrifice everything for the country; they came forward when there was a call at the time of the Chinese aggression and again during the Indo-Pakistan war. It is such a situation today. This policy is wrong; it is based on wrong priorities and wrong calculations and is entrusted to wrong men and guilty men; they have failed. We want to correct them. A new leadership is required to correct them a leadership which has faith, which is honest and which has integrity, courage and boldness to face the situation which is going to bring ruin to this country. While discussing the economic situation, I tell you that this Government is today a prisoner in the hands of a few people inside the party and inside the country and they want to remain in power somehow by hook or crook, by clique and by manoeuvres. Therefore, they are amendable to the pressures and influences of the capitalists, the monopolists and foreign interests.

श्री यशपाल सिंह: मैं अपना प्रस्ताव
पेश करना चाहता हूँ।

सभापति महोदय: इसको देखेंगे, एग्जामिन करेंगे।

Shri K. C. Pant (Naini Tal): Mr. Chairman, Sir, I heard with great respect and attention the speech of Shri Surendranath Dwivedy in which he in-

cidentally referred also to devaluation. He made the point that the Government had deceived Parliament because the Minister concerned had denied the rumour about devaluation. The same point was made earlier by Shri U. M. Trivedi.

Now, I can do no better than to quote from an article in an economic journal which has dealt with this particular point. I quote:

"It is surely a matter of common sense that every Government must firmly deny its intention to devalue until the moment when it is ready to announce it officially. If a Government refuses to deny a devaluation rumour everybody takes it for granted that a devaluation is imminent. The result would be a sweeping flight from the currency concerned which would force the Government to act before it is ready for acting."

It goes on to say:

"This means that it is the duty of Ministers to tell a deliberate lie when pressed for making a premature statement on their intention about devaluation. The late Sir Stafford Cripps was subject to much criticism because he repeatedly denied his intention to devalue in 1949. Yet what else could he do? To contend that it would have been Sir Stafford's duty to tell the truth as soon as the Government decided that devaluation was inevitable would mean laying down the principle that any politician or journalist has the right to force the Government's hand to devalue immediately by simply asking a question about devaluation. Such a rule would be the height of absurdity."

But this does not mean that a detailed examination was not carried on within the Government. It is axiomatic that no country likes to devalue unless circumstances force it to. Apart from other factors, the knowledge that each devaluation makes it more difficult to resist the next one is enough to make any Government hold

out against taking such an unwelcome decision to the very bitter end.

This being so, it is perhaps natural that people in this country and abroad expected the Indian Government to fight against devaluation. At any rate, knowledgeable circles both at home and abroad have remarked upon the long battle which the Indian Government put up against the decision to devalue. It has been mentioned here and it has been mentioned outside this House that for years there has been a debate on whether or not the Indian currency should be devalued. Shri Dwivedy himself mentioned that the Bell Mission's report suggested that devaluation should be actively considered by the Government. In 1964, the IMF also tendered the same advice, as Shri Dwivedy mentioned. But he objected to the fact that the IMF should have tendered this advice. He said this was a pressure. Under its constitution, the IMF is obliged to advise the member States regarding the exchange rate of their currencies. If it does not advise them, then, it is not being true to its own charter. Therefore, I do not think that any serious objection can be taken to the fact that the International Monetary Fund, one of whose main functions is to regulate and see to the orderly conduct of international currencies, should take it upon itself to advise the Indian Government on its currency. At the time the Indian Government chose not to accept this advice—this very fact shows that while advice can be tendered by the IMF, it was for the Indian Government whether to accept or reject this advice. It did not accept it, and till very recently, it refused to accept it in spite of the advice it tendered. But, Sir, I think no one could refuse to recognise, least of all a responsible Government that though it was possible to refuse devaluation, it was hardly possible to refuse the grave distortions that were being created in the economy due to the disparity in the official and the real value of the rupee. While the national product was rising, it required more and more of imports. But the exports were not rising

correspondingly and it came to a situation where each new addition to production, instead of narrowing down the gap between the demand and availability of foreign exchange only served to widen that gap further. It came to a position where it was more profitable to sell in the protected internal market than to export. It came to a position where it was more profitable to import than to use indigenous substitutes. These facts cannot be denied, even though devaluation could be denied for some time.

16.30 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

Mr. Dwivedy was asking what steps did the Government take to strengthen its currency? The Finance Minister, in his statement this morning, gave a long list of the steps that were taken and I do not want to repeat them. He referred to the raising of the tariff walls and import duties; he referred to incentives for export. I think he referred to the National Defence Remittance Scheme, which in effect purchased foreign exchange at a high premium. In short, selective devaluation was imposed over a wide field. In spite of this, the foreign exchange gap did not narrow down. I think at least Rs. 400 crores had to be found to make both ends meet. Whatever else one might say about devaluation, this fact of the situation cannot be denied and this situation was fast coming to a head. With the shortage of foreign exchange continuing, industrial production was grinding to a halt and the danger of unemployment was rising. Meanwhile, the IMF had not changed its original opinion and was continuing to press for devaluation. This is the whole situation as it developed.

I think even friends opposite who criticise the Government must recognise that a very serious situation did exist, which called for immediate and urgent remedial action.

An hon. Member: And bold also.

Shri K. C. Pant: Nobody said that this action was not bold; on that score, there has been no criticism.

When they suggest that devaluation should not have been resorted to, I think it is their duty to tell the country exactly what should have been done, because it is not an isolated decision. It is a decision which would have been followed by certain consequences on the economy, on its rate of growth and ultimately on the welfare of the people.

Mr. Masani this morning referred to the fact that a bargain had been made. If a bargain had been made, I think the proof of this would have been that by now the 900 million dollars about which there is so much talk would have been available to us. The very fact that this foreign aid which we so badly need has not come to us at the same time as devaluation and the very fact that we are still looking for it—frankly we are sorry we have not got it—these go to establish that there was no bargain. We might have accepted certain advice which we thought was good for us, but there was no bargain. Otherwise, that money would have been received by now.

As I was saying, our friends opposite owe it to the country and to the people to suggest their alternative to devaluation, so that there can be a serious discussion on various alternatives. What are the alternatives suggested? One of them is that even though we can get aid, we should do without it. Anybody who knows our repayment liabilities—leaving aside other things, we have to provide for about Rs. 300 crores a year during the fourth plan period towards our repayment liabilities—anybody who knows this will ask, where are they going to come from? What are we going to do about the expectations of our people? How are we going to meet them? All these questions are there.

Mr. Masani said, reduce the plan or do without it. There are so many

schemes which are under way, which have got to be completed. There is the question of planning for resources. There is the whole structure which we have built up over the years which requires to be carried forward, which has its own momentum. Can Mr. Masani seriously suggest that suddenly the entire economic process should be dislocated by giving up planning? I hardly think these are serious alternative suggestions. I do not expect friends opposite to agree among themselves—perhaps it is impossible. Even so, the various alternatives that they can suggest, let them suggest those alternatives and let the country decide.

It has been said that the disadvantages of devaluation will begin to operate immediately while the advantages of devaluation, like increase of exports and production will follow after a certain time lag. This is quite true, and looking at it from this point of view may I say, Sir, if anybody has reason to complain against this decision, then it is the Congress Party, coming as it did in a pre-election year. After all, by pointing out this fact that the advantages of devaluation will not follow within the next year or so what the Opposition groups are in effect doing is to pay an unconscious tribute to the Government for having put national interests above party interests. Had the Government thought only in terms of party interests what would have been easier for the Government than to follow the time honoured course of drift at least till the election time. Nothing could have stopped it from doing so. Yet it undertook to take a very difficult decision at a very difficult moment.

Unfortunately, the courage of the Government was not adequately matched by its foresight. One would have expected that the Government would have come out with a detailed and integrated blueprint of follow-up

steps at the same time as it came out with the announcement regarding devaluation. These steps cover a very wide ground. Devaluation itself is not going to solve any problem. The success of devaluation depends on the success of follow-up steps. Therefore, it was absolutely vital that these should have been put into motion at the same time as devaluation. Though there can be no parallel between the United Kingdom and ourselves, there is a lesson in the drastic steps taken by the British Government to save the pound. As far as we are concerned, the follow-up steps have been coming in dribblets, and I hope very soon, a blueprint will emerge on which we can comment.

So far as the basic ideas are concerned, the first and foremost among the follow-up steps is the need to boost production, to check prices, to create surpluses for export. So the foremost priority should be accorded to the production of essential commodities for the common man, so that prices can be kept under control, and of items for export and items that lead to import substitution. The need for stepping up agricultural production is so obvious that it does not need to be repeated. But I would only say that water and fertiliser are the two key inputs in this sphere. In industry priority should be given to utilising existing capacity and then to completion of projects in hand. Among the new projects preference should be given to those which will yield quick returns though—and I would emphasise this—exceptions may have to be made in the case of selected heavy industries in order to strike a happy balance between consolidation and the need to maintain the momentum and thrust of planned economic growth.

There was quite a lot of sarcastic reference by Shri Masani to the fact that the Prime Minister had made certain critical references about the public sector. He chose not to in-

form this House that these references were made in a particular context. The Prime Minister was addressing the General Managers of public undertakings whom she had called together for the specific purpose of energising them to produce better results for the country. On the one hand Shri Masani is disappointed by the results of the public sector, on the other hand he takes objection to the fact that the Prime Minister as the chief executive of the Government, who is responsible ultimately for the functioning of these public undertakings, makes a serious effort to see that these public undertakings function better and though, self-introspection or self-criticism, if you like, points out the difficulties in the public sector. What other way could the public sector improve? And what is Shri Masani's objection to this, I fail to understand. I think he could have well objected to the fact that this had not been done earlier, because then the public sector would have functioned better even before this.

Then I have to point out one of the basic defects that has crept into our economy over the years. Our economy has become a kind of protected market and the private sector functioning in this protected market over all these years has lost its dynamism to compete in the international markets. It is protected from foreign competition through tariff walls and it is protected inside the country from competition by the cost plus formula of the Tariff Commission. This is one of the basic defects that has crept in and it is slakening the muscles of our industrial enterprises. It is high time that the world prices should become the guiding point of our cost and price structure. We are at the beginning of industrialisation and it is now that we must attend to this particular aspect. We must utilize the economy of scale in planning new units. We have the excellent example of Japan in cutting

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costs to the very bone. Government must reconsider taxes which go to raising agricultural and industrial prices at the base and, if necessary, apply them at other points so that it is not necessary to tax them at the base and then give subsidy for exports and so on, which produces distortions. Our scientists and technicians should be given a free hand. I am afraid that they are, by and large, not trusted as much as they should be in this country. Their initiative is curbed, their creativity is curbed. They are capable of producing the kind of creativity that we need if they are given a free hand. Why should we permit a system in which we have to pay several times over for the import the same know-how? Every incentive, I feel, should be given to the development and application of indigenous know-how.

16.42 hrs.

[MR. SPEAKER in the Chair.]

The main criticism regarding devaluation, so far as it affects the common man, is that it may lead to increase in prices. Now, it is perfectly true that there should be no more increase in prices than is warranted by the composition of the imported elements in our products. But whether the prices are increasing on account of devaluation or otherwise makes no difference really to the man who buys the goods. So, the Government should seize the opportunity provided by devaluation to hold the price line. At least the prices of essential commodities should be kept under control, because it may be a little difficult under the circumstances to extend this control over the whole range of goods.

One root cause of rising prices is deficit financing and non-productive expenditure. The Government have announced certain anti-inflationary measures. They should carry them through with a firm hand, not as in

the past in regard to States. The States must exercise greater monetary and fiscal discipline. The budgets must be balanced at the Centre and the States. There should be ruthless curtailment in non-productive expenditure. In this we should draw a lesson from the recent statement of Mr. Wilson. The Government should set an example of austerity to drive home the point. Big buildings can be postponed. No Indian, certainly no official, should travel first class while flying abroad or live in five star hotels which cost us foreign exchange. Missions abroad should reduce expenses to the extent they can.

Money is one aspect of prices. The other aspect is availability of goods. When there is paucity of goods and services, even if you check inflation you do not completely check the tendency of prices to rise. The perfect solution to the problem of prices is to produce enough goods to meet the demand. But this takes time. So, we have to accept that in our economy shortages are going to remain for a long time to come for various items. We cannot possibly tackle this problem in a hurry. So, while we should encourage public and private productive efforts to overcome these shortages, or to cut them down, we must see to it that no quarter is given to speculative activity which fattens on shortages. Otherwise, even if inflation is curbed, the danger will remain that speculators will use every likely or marginal shortage to push up the prices.

The Government must take stern action against these speculative elements. Shri Trivedi earlier referred to this but, I think, even he cannot really deny the existence of speculative tendencies and the harm that flows from them. So, it is necessary to curb these elements. If speculators are allowed to get away with windfall profits, not only will the price line jump but honest effort will

be at a discount. This is one of its other disadvantages. If necessary, the Union Government should take powers under the Essential Commodities Act to launch action against hoarders and black-marketers in all the States along the lines of the Punjab administration.

In this context, while welcoming the liberalisation of imports as a necessary step to energising production and for utilising idle capacity, particularly in priority industries, I hope the Government is guarding against the possibility of speculative stock-piling of imported goods. A conscious effort has to be made to suppress the hunger of imported goods in this country. The swadeshi spirit has to be recaptured and this is not a slogan; it has to be given a certain meaning. There is no excuse to allow the sale of cotton goods made from imported cotton inside the country.

Self-reliance too is talked about every day. One of the most painful lessons of devaluation was that we had become soft and flabby through dependence on foreign assistance. On this, I think, there is no disagreement in this House. So long as foreign aid is in the form of a helping hand which lightens the load on a nation and speeds it forward on its way, to that extent it is welcome; but when foreign aid becomes a crutch, the muscles become slack and the nation's independent motive power is reduced. The time has, therefore, come for the focus to be on efforts to do away with foreign aid as early as possible.

It cannot be done today or tomorrow; it will be utterly unrealistic and dishonest to suggest that we can straightaway do without it. But the honest thing would be to make a beginning today, to steel our hearts against raising foreign loans or assistance beyond the absolutely essential minimum. If you really want to convince our people that we mean

business in this, a small beginning, but a significant beginning should be made even today by setting aside a part of the imported foodgrains to form the nucleus of a buffer stock by adopting measures of discipline and austerity.

But this can only be done if we get full-co-operation from the Opposition parties. If Opposition parties go about the country and tell the people to have food riots or other things, it is impossible for this country to resort to the kind of austerity measures which will be necessary. If we are to do this and if we are to progressively decrease our dependence on foreign food—this is a matter on which there is agreement on all sides there should be co-operation from all sides if we are going to take this country forward.

I should like to add that self-reliance is not the same thing as self-sufficiency. We live in an interdependent world and we must not allow temporary difficulties to come in the way of continuous inflow of modern science and technology which alone can transform our society and tackle our deep-seated economic problems.

There has been criticism of planning of the last 15 years. But may I remind the critics that this planning has given us modern plants, modern industry, our power and irrigation, modern transport and communications system, first-class scientific institutions, like the Atomic Energy Commission, our technological institutions and what-not. I can go over the whole field. Whether the currency is devalued or not, these achievements are not devalued. This is the real strength of a nation. Even if we resorted to deficit financing for building up this essential strength of the nation, for widening and deepening the industrial base of the country, for bringing it to a stage where it can become a self-generating economy and advance into the future with greater confidence, I do not think that it is proper for anybody in this country today to sap the con-

[Shri K. C. Pant]

fidence of the people by denying them the satisfaction of having made these achievements.

It was a national plan. Even granted that we could not produce as much as we ought to have, considering the resources that we put into the plans, the achievements were considerable. To forget entirely the achievements and to criticize the plans is really to sap the morale of the people at the very foundation. I would submit to friends like Shri Dwivedy that at least he, who believes in planning and in this approach to our economic problems, must take a balanced view of the achievements of the plans. Criticize it by all means. We all criticize those aspects of it which have not produced results. But has he the political sagacity, because it is something in which he believes as much as we do, not to condemn planning outright and to make it possible for the Government to carry the plans forward with greater confidence.

The point has been made that we are over-ambitious in our planning and that we lived beyond our means. Well, I think, one will have to accept that. But we accept it without any apology. The basic problems of this country, the economic problems, the social problems the centuries of poverty, illiteracy, backwardness and all the rest of it—do we not have to fight all that? Do we not have to take measures to remove these within a reasonable period of time? Is it possible in a democracy to tell the people to expect a better life after 50 years or 100 years or 150 years? We had to plan over ambitiously and I am proud that we did it. We made mistakes and those mistakes should be removed. If the mistake is to be made even tomorrow, we should err on the side of over-ambitious plans because we cannot deny the aspirations of the people for very long and we must tell them quite clearly that the burden has to be borne to day so that the better

tomorrow can come a little quicker and not too far off in the future. That is absolutely essential if democracy is to be saved in this country.

Finally, I would submit with all respect to the critics of devaluation that now that devaluation has come about, it is a fact we have all to learn to live with regardless of whether we agree with it or not, and it is not only a fact that we have to live with, but it is a fact that we have to make the most of, that we have to turn to the advantage of this country, and the need of the hour is for all of us cooperate to this end. To the extent the friends opposite will be willing and able to resist the temptation to make political capital out of devaluation, to the extent that they will rise to the occasion by helping to create a mood of single-minded national purpose to consolidate the gains of devaluation, to that very extent will they render a signal service to the nation in an hour of difficulty and that is what we expect of all of them who agree with us on the basic approach to economic matters.

श्री यशपाल सिंह : आपका हुकम हो तो मैं अपना प्रस्ताव रख दूँ ? चेयरमैन ने जो उस समय आसीन थे मेरे साथ वादा किया था कि मैं पेश कर सकता हूँ ।

अध्यक्ष महोदय : उस वक्त आप गैर हाज़िर थे । एक श्री एम० एन० द्विवेदी का भी आया है । श्री एम० एन० द्विवेदी ने आज कहा था कि जो गैर-हाज़िर है उनके प्रस्तावों को न लिया जाय । अब आप चाहने हैं कि आप को ले लिया जाए ।

श्री यशपाल सिंह : मेरी प्रार्थना यही है कि इसका ले लिया जाए ।

श्री त्यागी : गलती से वाक आउट कर गये थे ।

Shri Surendranath Dwivedy: There should be no change in the decision.

श्री यशपाल सिंह : प्रस्ताव को पेश करने दें या बोलने के लिए समय दें ।

Shri Surendranath Dwivedy: He may be permitted to speak.

अध्यक्ष महोदय : उस वक्त मैंने कहा था जो गैर हाजिर हैं और जिनको मैंने बुलाया है और जिन के प्रस्ताव थे उनको मैं नहीं लूंगा । उनके प्रस्तावों को मैं अब मंजूर नहीं करूंगा ।

श्री कपूर सिंह (लुधियाना) : प्रस्ताव को भले ही नामंजूर कर दें लेकिन दो मिनट बोलने के लिए दे दें ।

अध्यक्ष महोदय : एक और भी श्री एम० एल० द्विवेदी का आया है । ठाकुर साहब उस वक्त वह इतिफाक से गैर हाजिर थे और उन्होंने कहा है कि उनको इस बात का अफसोस है और उनको अब इजाजत दी जाए एक आपका आया है और आप कह रहे हैं मैंने उस वक्त कहा था कि जो गैर हाजिर हैं उनके प्रस्तावों को मैं नहीं लूंगा !

Shri Surendranath Dwivedy: He may be permitted to speak.

Shri Kapur Singh: Let that decision stand.

Mr. Speaker: But there is another new one that I have received.

Shri Surendranath Dwivedy: I may tell you frankly that this is for the first time that the notice of a motion approving the economic policy was given and other amendments were there and the question of this request now comes because the person concerned was absent and that motion was not moved. I think it will be proper at this moment to revise your decision, whether it is the new one or the old ones.

Mr. Speaker: This should be distinguished. I had not said that I would not admit any other or in any case I would not condone any de-

lay because that has always been done. The amendments are received late, and particularly about the approval of the policy, they have been admitted in all cases. What I said was that I would not take up the motions of those who were absent and I stick to that even now. But about the new one, there is no bar that I should not condone because it has come late.

Shri Surendranath Dwivedy: Can you take a motion at the fag end of the day? Already you have admitted a new motion which copy has not yet been given to us, although we have spoken.

Mr. Speaker: Motions for approval have always come after the debate has started and gone on some time, and they have been admitted always.

Shri Surendranath Dwivedy: Motions of disapproval cannot be entertained. How can motions of approval be admitted? Do they come in a special category? You say that motions of approval have always been accepted.

Mr. Speaker: Approval or disapproval, whatever it might be.

Shri Surendranath Dwivedy: This is a special case. You will be doing a great injustice to the Opposition if you accept this.

Mr. Speaker: Mr. Dwivedy also cautioned me that the motions of those who were absent are not to be admitted.

Shri Kapur Singh: We are not contending that there is a bar to your allowing this. Our submission is that considerations of propriety and expediency might prevail and it may not be allowed.

Shri Surendranath Dwivedy: No motion for approval should be accepted.

Mr. Speaker: I cannot agree. No motion for approval or disapproval should be accepted simply because it comes late?

Shri S. N. Chaturvedi (Firozabad): If the amendments are in order, how can they be disallowed?

Mr. Speaker: When once the debate has started, then it does not remain with the member that he has got the right to say that because he has given, it must be admitted. That is not there.

श्री हुकम चन्द कछवाय : आपने पहले भी कभी ऐसा प्रस्ताव आने के बाद और उस पर चर्चा प्रारम्भ हो जाने के बाद किया है ?

अध्यक्ष महोदय : हां बहुत दफा किया है। चर्चा होने के बाद बहुत दफा किया है। इसके बारे में आपको प्रेसीडेंट्स मिल जायेंगे।

Shri Surendranath Dwivedy: You will agree that this will be an exception because we are required to give our amendments 24 hours before. That is the rule which we follow. Here people did not follow that. Even then you accepted a motion given by a member of the Congress Party.

Mr. Speaker: This morning I admitted that.

Shri Surendranath Dwivedy: You accepted a motion tabled by a member of the Congress Party.

Mr. Speaker: Have I rejected any one coming from the Opposition? He says that I have admitted one coming from a member of the Congress Party. Have I rejected any from the Opposition?

So far as delay is concerned, I can condone that and I have always done that. There are so many precedents. I have no objection to condoning the delay. But so far as the motions of those members who remained absent are concerned, I would not allow them.

Shri Surendranath Dwivedy: Whose amendment are you accepting now?

Mr. Speaker: Mr. Vishwanath Pandey's.

"This House, having considered the present economic situation in the country, approves the steps taken by the Government of India thereon...."

Shri Surendranath Dwivedy: It will be wrong to accept it. I will walk out as a protest. It will be wrong to accept it; it will be doing injustice to us, it will be unfair to us, to accept it.

(*Shri Surendranath Dwivedy then left the House.*)

Shri Bade: My amendment was not allowed simply because I was not present in the House. This time an exception is made; a positive motion is accepted simply because it supports the Government. We also protest against this. हमारे साथ इनजस्टिस हो गया है। हमारी एमेंडमेंट्स नामंजूर होती है।

श्री हुकम चन्द कछवाय : विरोधी दल वालों के साथ आप बिल्कुल पक्षपात कर रहे हैं। उनकी तो आप ले लेते हैं और जब हमारा चांस आता है तो

अध्यक्ष महोदय : यों ही नहीं कह देना चाहिये कि पक्षपात किया जाता है। आपसे मैंने कहा है कि पहले से प्रेसीडेंट्स ऐसे हैं कि जब कोई इस किस्म के मोशन आते रहे हैं तो हम डिले को कंडोन करते रहे हैं। कई दफा आए हैं, इधर से भी और उधर से भी।

श्री हुकम चन्द कछवाय : वे उपस्ति नहीं थे।

अध्यक्ष महोदय : आप गैर हाजिरी की बात कर रहे हैं।

श्री बड़े : जब लेट आए हैं तो भी आपने मंजूर किये हैं। मैं निकाल कर आपको बता दूंगा। प्रेसीडेंट्स इसके बारे में हैं।

अध्यक्ष महोदय : आप गैर हाजिरी की बात कर रहे हैं।

Shri Vishwa Nath Pandey (Salem-pur): I move:

That for the original motion, the following be substituted, namely:—

"This House, having considered the present economic situation in the country, approves the steps taken by the Government of India thereon and urges the Government of India to take effective steps to control the price line and to effect economy at all levels of administration and public expenditure."

श्री यशपाल सिंह : अध्यक्ष महोदय हम नहीं चाहते कि आप की आज्ञा का उल्लंघन किया जाये। हम तो आप की आज्ञा को अमर बनाने के लिए यहां बैठे हुए हैं। हम बीच में कोई ऐसी बात पैदा नहीं करना चाहते हैं, जिस से पार्लियामेंट का डेकोरम खराब हो।

Shri C. K. Bhattacharyya: The decision that the Finance Minister has taken in devaluing the rupee at the present juncture is one of the boldest and the most honest steps that he could have taken. The criticisms that my hon. friends opposite have made against this measure....

Mr. Speaker: He might continue his speech tomorrow.

17 hrs.

BUSINESS ADVISORY COMMITTEE

FORTY-EIGHTH REPORT

The Minister of State in the Departments of Parliamentary Affairs and Communications (Shri Jaganatha Rao): I beg to present the Forty-eight Report of the Business Advisory Committee.

17.01 hrs.

*PROCUREMENT LEVY SCHEMES OF STATES

श्री मधु लिमय : (मुंगेर) : अध्यक्ष महोदय, अनाज वसूली की योजनाओं के बारे में जो बहस मैं उठाना चाहता हूं, उसको उठाने का कई बार प्रयास हुआ था, लेकिन कोरम और समय के अभाव में वह स्थगित होती रही। इस विषय के सम्बन्ध में सब से पहले मैं यह अर्ज करना चाहता हूं : मैं ने इस साल के बजट सत्र के प्रारम्भ में सरकार से सवाल किया था कि क्या उस ने विभिन्न राज्यों की अनाज वसूली की योजनाओं का तालनिक अध्ययन कर के कुछ निष्कर्ष निकाले हैं। मुझे खेद के साथ कहना पड़ता है कि खाद्य नीति जैसे महत्वपूर्ण विषय के बारे में जो आवश्यक जानकारी इकट्ठी करनी चाहिए और उस के सम्बन्ध में एक तालनिक दृष्टि रख कर जो अध्ययन करना चाहिए, सरकार अब तक वह नहीं कर पाई है।

मैं ने आंकड़ों को इकट्ठा करने की कोशिश की कि विभिन्न राज्यों में अनाज वसूली के क्या लक्ष्य बनाए गए थे और उन लक्ष्यों को कहां तक पूरा किया गया है। उसी तरह मैंने इस बात की जानकारी हासिल करने की कोशिश की कि किस दाम से अनाज वसूला गया और किस दाम से सरकार के द्वारा वह बेचा जा रहा है। लेकिन इन सब बातों के बारे में मुझे कोई जानकारी नहीं मिली