

[Shri Manubhai Shah]

to handle nor worthwhile for the country to go in for. From time to time friends from the Communist Party of India had been advocating it. . . (*Interruptions.*)

Shri Umanath (Pudukkottai): The present affairs confirm what we say.

Shri Manubhai Shah: The state of affairs is not at all bad. Do not confuse monetary reform with the state of affairs in the country and completely tar black the whole of India. Indian people do not deserve it. The Indian people have done well in the last 18 years and they are going to do well and in fact better in the next 10-15 years under the guidance of the ruling party and the great political movement which had won freedom for India. I want to caution against this. I have been listening to debates in the last few days with a little sense of disappointment and the monetary reform is being projected as if some earthquake has taken place. It is not like that. It is like the mountain climbing; you go on a long pilgrimage, a long march towards economic emancipation. You walk on and the mountain comes to be climbed; with courage, steadfastness and skill you can climb the mountain and come to have better health. That is what the process of devaluation means. Devaluation is not the result of despair. We have had remarkable achievements in the past and will continue to do so in future. (*An Hon. Member:* All speeches but no production). Speeches being made here make planning the economic growth of this country possible: the stimuli given to the society and the community had come from all the speeches of the hon. Members opposite as well as hon. Members on this side of the House. I would only beseech them for a little consideration of proportion and apportionment of blame only by identified methods rather than in a generalised way. I have nothing more to comment on this subject except to say that this resolution may be adopted.

Mr. Deputy-Speaker: The question is:

"In pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (32 of 1934), this House approves of the Notification of the Government of India in the Ministry of Commerce No. S.O. 1696 dated the 6th June, 1966, as amended *vide* Notification Nos. 43(3)-Tar/66 dated the 6th June, 1966, S.O. 1841 dated the 15th June 1966, S.O. 1940 dated the 27th June, 1966 and S.O. 2133 dated the 15th July, 1966, levying export duty on sacking (cloth, bags, twist, yarn, rope and twine) jute manufactures of certain description, cotton waste (all sorts), tea, all oil cakes other than copra and groundnut oil cakes, tobacco, unmanufactured mica, all sorts, hides, skins and leather, tanned and untanned, all sorts, but not including manufactures of leather, and coir and coir manufactures from the date of such Notifications."

The motion was adopted.

15.14 hrs.

MOTION RE: ECONOMIC SITUATION IN THE COUNTRY--*contd.*

Mr. Deputy-Speaker: The House will now take up further consideration of the following motion moved by Shri Sachindra Chaudhuri on the 26th July, 1966, namely:—

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

The time taken is 3 hours 55 minutes; we have 11 hours and 5 minutes left. Shri C. K. Bhattacharyya may continue his speech.

Shri C. K. Bhattacharyya (Raiganj): Sir, when I had to break my speech in the midst of an unfinished sentence that day, the Chair was pleased to remark that I may resume tomorrow. Since that day I have remained a dupe of 'tomorrow' because of the no-confidence motion. . . (*Interruptions.*) I wonder today whether there was at all a necessity of bringing in a motion of no-confidence before the Finance Minister's motion. You must have noticed, Sir, that the debate on the

no-confidence motion has virtually been a debate on devaluation with a slight mixture of Viet-Nam. Where was the necessity of the insistence that the debate on the motion of no-confidence should come before the Finance Minister's motion except to satisfy the vanity of some sections of the Opposition? In any case that is over now. My friends are agitated. I was going to make another remark. Where was the necessity of the uproarious scenes which preceded that demand? I was going to add that. Some members from the opposition had made a number of quotations from foreign authorities and I shall make some quotations for their benefit. They have quoted from foreign authorities and I shall quote from an Indian authority. It is Prof. B. N. Ganguli, Pro Vice Chancellor of Delhi University. Replying to critics on devaluation, he writes:

"If one argues that the devaluation of the rupee has been an unwise course the onus is on the critics to demonstrate that the alternative system we were working is better. If one argued that both are evils I would say it is a choice of evils and that devaluation is the lesser evil in the circumstances. I would go a step further and say that it can be a blessing in disguise if we know why we have adapted it whether it means a parting of ways and, if so, what is the new path we hope to tread."

Regarding the timeliness of devaluation, he says:—

"I believe that devaluation has come not a day too soon. The nettle had to be grasped courageously. Sooner or later. The sooner we did it the better. Time was indeed ripe for this inescapable decision."

Explaining and justifying why the intention to devalue was not announced beforehand he says:—

"It is my judgement that for quite sometime the rupee has been subjected to "concealed" devalua-

tion and what leaps to the eye now is 'open' devaluation. In thirties we had instances of countries trying to give up maintaining an artificial exchange rate and letting it depreciate in accordance with purchasing power parity... In most cases the rate was not depreciated openly all at once but step by step."

Refuting the charge that it has been done under pressure he says:—

"Let me deal with the argument currently bandied about that the rupee has been devalued under duress as the result of pressure exercised by aid givers... our creditors are interested as much we are in the productive use of the aid as reflected in the growing viability of our economy. If they have misgivings which they express in a spirit of enlightened self-interest that should not be interpreted as arms twisting."

This disposes of the four categories of adverse comments on Devaluation. Incidentally he supplies the answer to Shri Anthony who commented about "licking American boots" and this is the answer he gives.

"It is improper, if not churlish, to single out to vent our spleen on, a single country which happens to be the principal aid-giver."

That is the opinion of an Indian economist.

In any case as I have said before, the decision to devalue has now been discussed at such great length, and in such details on both sides in the no-confidence motion that my speech today would be different from what it might have been had I the opportunity to complete it on the same day or the day following. I shall only go into certain fundamentals, but before that, I shall stress again that the decision that the Government has taken is an honest and bold decision and that compliment has been paid to the Government from an unexpected quarter, that is, the "Spectator" of London. Writing in a lead-

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ing article under the heading "Indian Courage" it advised the British Premier "to show some of the Indian courage" and follow the Indian example. So, that is the compliment that the Government has received.

श्री हुकम चन्द कछवाय (देवास)

इतना मुन्दर भाषण हो रहा है लेकिन सदन में गणपूर्ति नहीं है ।

Mr. Deputy-Speaker: Quorum has been demanded.

Shri C. K. Bhattacharyya: What I now want to say does not relate to the present subject. It is something different. Could I say something off the record? (*Interruption*).

Dr. M. S. Aney (Nagpur): No.

Mr. Deputy-Speaker: Let him sit down now. There is quorum. He may continue the speech.

Shri C. K. Bhattacharyya: The leader of the Right Communist group has attributed the credit of this decision to three Ministers only. I do not know why he is in love with three particular Ministers and why he has not allowed this credit to be given to the whole Cabinet including the Prime Minister. That is of course his business. In any case, devaluation is now an established fact and all our approach to it should be constructive and not critical. The three main considerations before us now are, to increase exports, to increase the import substitutes and to check inflation. We should see to it that we succeed in these three main necessities at the present juncture. To export more, there should be exportable surplus, and to have an exportable surplus, we have got to produce more, and to export things at a competitive price in the international market, we have got to produce more without raising the cost of production. That is a very essential consideration to which our attention should go.

There should be a quick production scheme. The strength of a country's economy depends on the level and

growth of production. Even the holding of the price-line requires a very generous out flow of goods. That should be remembered at the present juncture. On top of that, it is necessary that there must be discipline: discipline all round, discipline in the Government as well as among the people. The Finance Minister has called for fiscal discipline at the Centre and in the States. I go further. I call for an all-round discipline, self-discipline of the nation in speech, in conduct and in activities. That is necessary for the essential considerations to which I have referred already.

To maintain discipline, it is necessary that we must shun excitement. But instead of that, what do we find? We find an organised attempt to provoke the people to excitement and disorder. These are the reports every day in the newspapers. The other day, the leader of the Right Communist Group was making a virtue of becoming angry. He is always in the habit of getting angry whenever he speaks. This has become so much of a habit with him that he flew into a rage when I gave him a very innocent information that I do not edit any paper at present. He got angry with me. What can I do? It is very necessary that this attitude must be shunned. At the same time, the name of Gandhiji was taken, completely forgetting that Gandhiji had repeatedly insisted that none should act in anger. That was one of the very creeds of action that he advised for the benefit of the people. Acharya Kripalani sits there and claims a monopoly of Gandhism, but with his canter, with his sarcasm, with the very synical humour that he speaks out, he adopts a mode of speaker entirely un-Gandhian. If there is anything foreign to Gandhism, it is the mode of speech that the Acharya adopts in the House. I have been hearing him all these days. (*Interruption*).

Shri Tyagi (Dehradun): He was not really angry.

Shri C. K. Bhattacharyya: May I draw the attention of my hon. friends here to another stress that Gandhiji laid? Even at the height of the movement he carried on, he repeatedly stressed that he did not want to produce in the country a state of "unsettled unrest." These are the words I am quoting from "young India" from memory. Everyone who takes the name of Gandhiji should remember that that was the advice he gave to the nation, when we were carrying on the fight with the foreign government, that there must not be any state of unsettled unrest. But my hon. friends in the Opposition aim only at that; that has been the be-all and end-all of their existence. At a time when the entire energy of the people should be mobilised for increasing production in industry and agriculture they are out to distract and dissuade people from doing what is very urgent now.

Almost every day we see there are strikes and marches and similar other movements reported in the papers. How shall I characterise it in the present situation except as attempts to sabotage? In the interests of national self-discipline of which I have spoken, it is necessary that there should be a moratorium on such movements. Strikes, go-slow, pen down, stay-in, 'bandhs'—all these should be taboos till we get ourselves out of the woods or at least till we regain our equilibrium.

15.28 hrs.

[SHRI SONAVANE in the Chair]

If Shri H. N. Mukerjee were here, I would have reminded him of the Indian tradition; he loves to refer to Indian tradition so many times in his speech. In the Indian sociological writings, the movements to which I have referred just now are described as "*Karmachaurya*" that is, theft in action or theft in the performance of duties to which you are appointed. That is the way the Indian mind looked at these things, and these are the things in which there is so much indulgence on the part of the Opposition groups now-a-days.

Shri U. M. Trivedi referred to the phenomenal progress that West Germany has made. Had he cared to probe into what is the reason for it, he would have found one thing. I had been there in 1954, about 10 years after the cessation of the war. I asked them, "What is the cause of your stupendous progress in a decade?" The answer was one short sentence: We have no strikes". That is the secret of Germany's progress. Here is an object lesson which India can take and should take now.

I should mention the need for another restraint—the restraint to be put on the slogan of raising the standard of living. In practice, the raising of the standard of living has come to mean living beyond one's means. This habit is responsible for many of the ills and evils we are suffering from. The habit of living within one's means has got to be inculcated, practised and cultivated for the good of ourselves and of the nation.

Dr. M. S. Aney: Who will set the example of living within one's means?

Shri C. K. Bhattacharyya: The opposition criticism of the Government's decision proceeds not from fiscal or economic considerations, but from political motives. They deny that when it is pointed out to them that what they are doing now is nothing but pre-election propaganda and preparation. The leader of the Right Communist Group let the cat out of the bag when at the conclusion of his speech on the no-confidence motion, he asked three Ministers to resign and seek re-election. Of course, why three, all of them will seek re-election and my opposition friends will have the choice to contest them. So far as devaluation is concerned, let them not be in a hurry. Let them wait and see the results materialise. In the meantime, may I request them to fall in line with the Government and strengthen the country's economy. Let us work for self-sufficiency, for increased production, larger exports, stabilisation of prices and removal of excessive dependence on foreign aid. These are the objectives to which all

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the energies of all the political parties and of the whole nation should be bent now.

I have already referred to national self-discipline. In the end, I want to quote an instance, to show how this self-discipline is being disturbed. This is from a statement of the Chief Minister of Tripura published in the *Amrita Bazar Patrika* of 26th July. He says:—

“The left communists are openly supporting the hostile Mizos responsible for trouble in the Mizo Hills.”

I ask again: “How shall I characterise this except as sabotage?”

Shri Vasudevan Nair (Ambalapuzha): Sir, I believe that the motion ought to have been worded differently. The Minister ought to have moved that the House should take into consideration the economic crisis in the country. It is not enough to say that the House should consider the economic situation. I hope he will not contest the fact that India is passing through the severest crisis after independence, which is all-pervading. I hope today the members belonging to the ruling party will speak out their minds without being obsessed by the complex they had when they were participating in the no-confidence motion.

At the outset, I should like to express my anxiety and concern at the news that has appeared in today's newspapers. During the Question Hour also it was mentioned. It seems the Planning Commission is going to recommend that during the Fourth Plan, there should be a wage freeze as far as Central Government employees are concerned. They want the State Government as well as the private sector to take up that slogan. Also there are signs of further naked and shameless surrender before the pressure of monopolists inside our country and outside. Recently news has appeared about certain further collaboration agreements that are in the offing in the fertiliser industry. It

seems that as a result of this, the private sector will have the predominant say in the field in the years to come. In spite of all-round protest and opposition to the line of surrender and doom that this Government is pursuing as far as the economic policies are concerned, maybe we are not in a position to stop the drift on the part of Government. I am not surprised that there are members in the ruling party like Mr. C. K. Bhattacharyya. If they are in a dominant position, much worse things will happen. I heard my hon. friend from Kerala, Mr. Cherian Kappen, also the other day. Such members seem to think that a dozen more devaluations are good. A friend was saying that devaluation was a blessing in disguise. You can refer to the record. If members of the ruling party look at this problem in such a superficial manner and are unable to understand the deep currents behind it, nobody can save this Government, not even God.

Shri Harish Chandra Mathur (Jalore): Do you believe in God?

Shri Vasudevan Nair: If there is one.

At the outset, I want to tell the Finance Minister and the Government that if there is going to be a proposal for wage freeze that will be stoutly opposed. The idea of wage freeze and salary freeze without fundamental and radical steps to control the economy and hold the price-line will be an attack on the working people and they are not going to take it lying down. Let there be no doubt about it.

As far as the economic crisis is concerned, I need not waste much of my time in citing facts and figures. They are already well-known. All the same, I should like to refresh the memory of the House by stating a few facts. In regard to whole-sale price index, we have perhaps defeated all the countries at least in Asia. We can be proud of that. Taking the whole-sale price index as 100 in 1953, it is 184 in 1966.

Out of this, the rise of 54 points was in the last 2½ years, and the cost of living index as far as the working class is concerned, in the Third Plan it rose at a rate 3½ times fast than in the first two Plans. What about unemployment? The backlog of unemployment at the beginning of the Third Plan was 8 million and at the end of the Third Plan it is 12 million. About stagnation in agriculture I need not dwell much upon it at this stage, although I am going to take up the question of agriculture in a little detail later.

Now, take the question of deficit financing. This Government had an estimate of Rs. 550 crores of deficit financing during the Third Five Year Plan. The actual amount went up to Rs. 1,400 crores. What a jump it was! This Government has absolutely no control over its policies.

Shri Harish Chandra Mathur: Chinese aggression.

Shri Vasudevan Nair: I will come to Chinese aggression a little later. The crisis in industrial production is well known. At least there was a stagnation during the Third Five Year Plan period. As far as exports and imports are concerned, our imports increased by Rs. 413 crores since 1951 while our exports have increased by Rs. 75 crores after 1951. Shri Manubhai Shah—he is not present now—was just now waxing eloquent about the performance of exporters in this country and he was giving credit to them. Our foreign exchange reserves in 1950-51 was Rs. 1029 crores and in 1965-66 it is Rs. 299 crores only.

These are facts and figures sufficient to prove what kind of a deep crisis we are in. Naturally, the impact of this in the life of the people should be very clear to every one with an eye to see and ears to hear, except to people like Shri Bhattacharyya who is completely blind to realities, who is only obsessed with the agitation of the Opposition and all that.

Shri C. K. Bhattacharyya: I only want national discipline and that is what you are sabotaging.

Shri Vasudevan Nair: Who will not sabotage if you are going to sabotage the whole country. I should like to say, if there are saboteurs in the country it is on the Treasury Benches, in the Ruling Party and not in the Opposition. Therefore, Shri Bhattacharyya should not talk too much of sabotage like that.

Shri S. M. Banerjee (Kanpur): He does not understand.

Shri Vasudevan Nair: I need not go into the living conditions of the people. Naturally, coming from Kerala, I should like to throw light, again to refresh your memory and give some information to people like Shri Tyagiji, on the living conditions of the people there. Very interesting figures have been brought out by the Census Report of 1961, which has only been published now. After 1961 the situation would have been much worse. In that particular State—I do not compare that State with other States but the situation should not be very different now—36.86 per cent of the families have a deficit budget—they have gone into the budgets of families there. This relates to 1961. After that, I do not think it would have become surplus. As far as meals taken by the people there are concerned a very interesting study has been made as to how many meals a family takes or a person takes. There are 14.35 per cent families in that State who get only two meals a day. After 19 years of freedom you cannot give them even three meals a day. There are some unfortunates who have only one meal a day—the percentage is very low, it is 0.06 per cent. Even then there are families with only one meal a day. 45.35 per cent of the families are in debts and the average debt of a family is 503.1 paise. It is shocking to see that in that State only 33.31 per cent of the people are employed whereas the All India average is 42 per cent.

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What about the cost of living, rise in prices and the problem of inflation. Shri Manubhai Shah, the other day, answering question in the House, was trying to prove that there was no appreciable increase in prices, there was no appreciable increase in cost of living following devaluation. I have here the figures given by the Government of Kerala as far as my State is concerned. They are here comparing the months of May and June. In every district, in every town, like Trivandrum, Quilon, Alleppey, Kottayam, Ernakulam, Trichur and Calicut, compared to May the figures for June show an increase in the cost of living by 12 points, 8 points, 11 points, 18 points, 10 points, 11 points and so on. There is absolutely no place where at least the cost of living is static or it has gone down. There is great significance in these figures because they relate to May and June, and this trend is in spite of the jugglery of statistics that this Government is trying to present before the House.

Shri C. K. Bhattacharyya: Jugglery of statistics, that is exactly what you are doing.

Shri Vasudevan Nair: These are figures given by your Government in Kerala, if you call that your Government.

Shri Tyagi: What publication is it?

Shri Vasudevan Nair: This is a publication of the Statistics Department of the Government of Kerala. It gives the figures of cost of living every month. I have taken these figures from that. These are not my figures.

Sir, in the morning, answering a question the Minister of Planning had to accept that the *per capita* income as well as national income during the last year of the Third Five Year Plan have gone down. That has caused a lot of concern and anxiety to the people. This is the picture of our country. This is where we stand.

What is the fundamental reason for this—I would also like to touch upon some fundamentals as Shri Bhattacharyya? I do not, naturally, want to speak about devaluation today because we have debated so much on it. Devaluation, according to us, is only a culmination of a series of wrong, dangerous, anti-national, anti-people policies pursued by this Government, and we feel that this is the result of a capitalist policy pursued by this Government. All the while talking about socialism, with that sign board hanging before the Ruling Party and the Government, what the Government had been following all these years has been a policy of capitalist development in our country, and it should have its inevitable consequences, its inevitable crisis (*Interruption*). With all my respect to senior Members, whom I respect. I should like to tell the Congress Members that the Congress Government is a Government of capitalists, for the capitalists, by the capitalists (*An Hon. Member: Question*).

Shrimati Savitri Nigam (Banda): Socialist—of course, not pro-Chinese.

Shri Vasudevan Nair: That is a naked fact. There is no other reason for this deep crisis in which we are in. Unless there is a basic departure from these policies, we will not recede from this situation, we will not get out of this situation. Let us be very clear about this. We feel that we have reached a turning point in the history of our country. This is a time when you should take a decision this way or that way. If you are going to pursue the same line of doom, I do not know who can save our country. Of course, the people are there. We have confidence in them. As the Prime Minister says, they are wonderful people. We have confidence in that 'wonderful people' of this country who will defeat these policies at one time or another. But the Government of the people, and the Ruling Party should give serious thought, at least the Members whose hands and legs are not chained by the Treasury Benches—there are people without

shackles—they should at least consider this point, that this is one point in the history of our country where we should make a right-about-turn from the policies we are pursuing today.

I do not have the time to deal with the various aspects of it, but I will only confine myself to the agricultural scene. What is the situation as far as agriculture is concerned? Our charge against this Government is that they have failed the peasants of India. They have miserably failed the cultivators who could have produced food for our people in sufficient quantities. They have been let down miserably by our Government.

Shri Tyagi: Not deliberately.

Shri Vasudevan Nair: That, of course, is left for others to decide. People say: Communists always speak about land reforms; they always talk about stale things. Unfortunately, we have to speak what we feel and what the truth is. We cannot change our slogans every day. It is true that we speak about the land reforms. But it is not the Communists alone that speak about land reforms. Dr. K. N. Raj, a noted economist of our country....

An hon. Member: He is a fellow-traveller.

Shri Vasudevan Nair: He says:

"There can be little difference of opinion on the importance of fertilizers and new varieties of rice and wheat and a wholly new agricultural strategy, but it comes as a surprise to many that tenancy reform is not an important part of this new strategy. Presumably, land reforms are no longer practical politics and we are asked to accept this under the name of realism and commonsense."

This does not come from a Communist. Of all the newspapers, a newspaper like the *Times of India*, I was surprised to find, has written an editorial on

2nd August, commenting on the report of the Planning Commission itself, where it says:

"The Land Reforms Division admits ruefully that if the work of preparing correct records of tenancy has not been attempted seriously it is mainly because of pressures exerted by interests who may be adversely affected by such reforms. It is clear now that there are loopholes in law, not because those who drafted them slipped, but because they were intended to be there. If in many States the definition of 'personal cultivation' is defective, it is not because the law-makers did not know better."

So, the Planning Commission itself was forced to come to the conclusion that the major question that should be tackled, at least at this time if sufficient production in the agricultural field should be assured, is the question of land reform.

It is not only a question of land reform, but the question of procurement and prices. I was really shocked to hear the replies given by the Food Minister on several occasions on questions of prices, saying that they have the Prices Commission. They have very often told us that the Prices Commission is working out only *ad hoc* figures, tentative figures due to want of time. I do not know what the Price Commissions are for if they cannot go into the details and work out the real figures. Here I would like to read out certain facts for the knowledge of the hon. Members.

It has always happened during the last few centuries that during the harvest season the money-lenders and the traders manipulate and depress the prices and, later in the year, they boost the prices and make money. During the last five years this process of depressing the prices during the harvest season, boosting them afterwards and making money out of that loot has intensified. It is really shocking to see

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that last year jowar and bajra purchased from the peasants at Rs. 40 to 50 a quintal were sold by the traders after the failure of the monsoon at prices ranging from Rs. 100 to 125 per quintal, wheat purchased at Rs. 60 to 65 was sold at Rs. 150 per quintal and rice purchased at a slightly higher price was sold at Rs. 200 to 250 per quintal. The zonal system undoubtedly helped the traders to increase their profits by smuggling rice and wheat from the surplus to the deficit areas.

Whenever we have placed an alternative programme of monopoly trading in foodgrains this Government have always claimed that we have our Food Trading Corporation. That was paraded as an alternative to monopoly trading in food.

Shrimati Renuka Ray (Malda): Do you not support the measures taken by West Bengal Government for procurement?

Shri Vasudevan Nair: We support every measure for procurement, but please listen to me. What about the facts? In 1962-63 the production of rice was 31.9 million. The procurement all over India, including West Bengal, was 4.79 lakhs. In 1963-64 the production was 36.9 million; the procurement was 7.44 lakhs. In 1964-65 because of the very good monsoon and bumper crop, the production was 38.7 million and the procurement was 12.83 lakhs. It is calculated by economic experts that 30 to 35 per cent of the production comes as marketable surplus. In 1964-65, the year of maximum production, the procurement was only 3.3 per cent of the marketable surplus. Then what is the use of having a Food Trading Corporation as an ornament?

The activities of the Food Trading Corporation have been consciously and deliberately sabotaged by people in power, especially by those in the State Governments, in States like Andhra Pradesh. We know very well how the activities of the Food Trading Corpo-

ration were deliberately sabotaged by vested interests in the ruling party because they have rice mills and they are in the rice trade. They have stoutly opposed the procurement of rice by the Food Trading Corporation. They are sabotaging the procurement so that all the available rice, wheat, bajra and jowar could be purchased and hoarded and artificial scarcity created so that they could be sold at much higher prices. Do you know that in Bombay a kilo of rice is sold Rs. 3.50 to 4? In my State of Kerala the price of rice has never gone up since independence so much as today. In the open market we are now paying Rs. 2.50 per kilo. Of course, we get a ration of 6 ounces of rice. Again, the people of Kerala used to get during the Onam an extra ration. The Onam falls due on the 29th August and this year we are going to be denied that increased ration for the Onam. This is the position in Kerala. I have already referred to the position in Bombay. Shrimati Renuka Ray will no doubt narrate the position in Bengal when she speaks. At the same time, our claim is that there is sufficient quantity of rice available in this country and there are food thieves who are aided and abetted by those in authority, who are hoarding it, creating an artificial scarcity and starving and killing our people. Our complaint is that this Government is a party to that kind of activities by anti-social elements in this country.

If we say that the situation could be tackled by proper procurement, leave alone monopoly procurement, we are told that it is a Communist slogan, it is a stereo-typed slogan. If the Food Trading Corporation could really enter the field and procure at least 50 per cent of the marketable surplus, you can save a lot of foreign exchange and you need not depend on dirty PL 480 wheat from America and, in the process, surrender to the dictates and ultimatums from Washington.

What is the reason for this helplessness, as far as this Government is con-

cerned? Recently, they were forced to surrender before the dictates of Washington. The Prime Minister will not agree to that charge. She has coined a new word for "pressure" and "ultimatum" and that is "advice". In her reply to the debate she said that it was only 'advice'. Of course, if she wants to coin new words, she is at liberty to do that. She calls it 'advice'. According to us, it is nothing but pressure, blackmail and ultimatum. Why are you forced to surrender to the dictates of Washington? Shri Subramaniam is forced to surrender, Shri Asoka Mehta has to swallow the pill because you do not know what could be done inside the country.

16 hrs.

You do not stand with the people. Unfortunately, this Government is hand in glove with the worst foreigners and anti-people elements in this country. If that problem is to be tackled, the agrarian question would have to be settled. Our peasants should have been given the proper price. Then they will give to the Government.

There is a lot of hear burning on the question of the levy. That also is a difficult problem in our State. I know that. You have got such exorbitant prices in the open market and the Government is not even prepared to pay even one-fourth of that price to the peasants. Naturally, the peasants are not prepared to part with their production. And all your procurement plans fail.

If there is a proper pricing policy, if economic price is paid to the peasants, you can procure sufficient quantities of foodgrains from the peasants themselves in this country. If you have a proper distribution system, on an equitable basis this food crisis, even in this drought year, could have been faced by this Government. All this talk about drought and defence is bogus and a hoax, according to us, because after all what is the deficit in food production in India? The deficit

even according to the Government is not more than 5 to 8 per cent. If you can be fed well by 100 bags of rice, you have got already 95 bags in the country. Can we not share it equitably if there is a proper distribution system?

So, our complaint and charge against this Government is that their biggest failure is on the agrarian front where they have failed to give a fillip to the real cultivators by giving the cultivator the ownership of land so that he can produce with a confidence that whatever he produces will come to him and to his children and that he will have a bright future. If that confidence is given to him, he will produce; he will take to new methods and to fertilisers. Then the people in the cities, the consumers, could have been provided with foodgrains as at least reasonable prices.

So, this is the crux of the problem. I shall not dwell very much on other problems. I had to deal with the aftermath of devaluation on the question of exports etc., but we have got another speaker, my hon. friend, Shri Homi Daji, and I will conclude in a few minutes.

The Prime Minister in here reply was blaming the Opposition saying that we are not co-operating. Even on the food question, she said, we are non-cooperative. How can we co-operate if there is a fundamental difference in policy as far as the agrarian and the food questions are concerned? We have always extended our co-operation, but you cannot expect the Opposition to co-operate on your terms. That is impossible.

Shrimati Savitri Nigam: But for the country's sake do not take to bandhs.

Shri Vasudevan Nair: If we honestly believe that for the country's sake the bankrupt policies of the Government have to be changed, then co-operation will be forthcoming: We have to stick to that position. As long as this Government pursues these rotten and bankrupt anti-people policies,

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we cannot co-operate with those policies. It is not a question of co-operating on anything and everything.

Coming to follow-up measures, I do not know whether our measures and our proposals will be considered as follow-up measures. We have declared even before through our newspapers and through the speeches of our leaders that we even have short-term proposals to meet the immediate situation. I will, on behalf of my party, suggest that we have, for example, a proposal that our Government should immediately try to have a short-term moratorium on all foreign debt repayments. Is it possible to do that? Will the aid-givers, who always pretend that their heart is flowing out for India, not be prepared at least for a short-term moratorium on repayments involving foreign exchange? If such a short-term moratorium is possible at least for ten years, we can at least save Rs. 300 crores of foreign exchange. It is a very concrete follow-up proposal. Is the Government prepared to take up that proposal?

The second proposal is: Can you think of banning remittances of profit, dividends, royalties and capital repatriation involving the expenditure of foreign exchange? Do you want follow-up measures? There are measures. Take them, try them, if you have got the backbone. Tell them that we are not in a position to make these repayment for ten years because we are passing through a crisis. Is it possible to scrutinise our imports with a view to cutting out all non-essential imports? Can Shri Manubhai Shah really tell the people with his hands on his heart that all the imports that take place today are very essential; or are there items which are not essential? I can again propose what we always say, namely, nationalise the import-export trade. Half an hour ago Shri Manubhai Shah was speaking against it. He says that on selected items they can consider this question. What can he say about this malady of underinvoicing and over-

invoicing? Can he tell the House and the country that for the last few years this country has been losing valuable foreign exchange due to this malpractice of underinvoicing and overinvoicing? Is there any other remedy for this under-invoicing and over-invoicing than the Government taking up at least the most important items of export and import trade? You cannot get away from it. Why should Shri Manubhai Shah try to teach us lessons? There are countries and countries in a much worse situation than India. Take UAR; take Burma; take Mali—small countries in Asia and Africa, who have taken over export and import trade and they have solved some of their problems. But it will be a problem because—when I see the faces of some senior Members, it is difficult for me to say—the problem is that this Government is hand in glove with those very same anti-social elements who are involved in this under-invoicing and over-invoicing and such other activities. Shri Atulva Ghosh might get Rs. 15 lakhs from JRD Tata even now for the coming elections. When the elections come, the Congress Party has to go to them, to such magnates and such elements. The Congress Party got Rs. 6 crores, I am told, for the last elections to run their election machinery. If that is the position, they have to depend on such sharks, anti-social elements for their existence, for their party. If the Government is hand in glove with these monopoly elements, they can never get out of this rut; they cannot get out of this path of doom. We should again like to impress upon the Government and at least the Members sitting on the Congress benches to think of fundamentally revising their rotten policies which are nothing but policies of capitalist development.

Shri Tyagi: The State Trading Corporation was set up by us.

Shri Yashpal Singh (Kairana): Those who could not move their substitute motions may be allowed to speak.

Shri S. M. Banerjee: I have a submission to make. You remember, Sir, that on the 25th this motion was coming before the House. Anyhow, Shri Sachindra Chaudhuri, the Finance Minister, moved this motion on the 26th. Unfortunately, on the 25th I was suspended and because I was suspended I could not move my substitute motion. That lapsed because I was under suspension. When I came to know that this discussion is going to take place today, I gave notice of substitute motion No. 14, saying:—

“This House, having considered the present economic situation in the country, holds this Government responsible for leading millions of people to impoverishment, unemployment and starvation.”

It is in order and I would request you to allow me to move it.

Mr. Chairman: I think, under the special circumstances mentioned by the hon. Member, Shri Banerjee, he may be allowed to move his substitute motion No. 14. I will treat it as moved.

Shri S. M. Banerjee: Sir, I move:

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

“This House, having considered the present economic situation in the country, holds this Government responsible for leading millions of people to impoverishment, unemployment and starvation.”
(14).

Shri Yashpal Singh: No. 1 also may be allowed to be moved.

Mr. Chairman: I think, hon. Member was absent on that day.

Shri Yashpal Singh: I was not suspended but my motion was suspended.

Mr. Chairman: The hon. Member will realise that he was not allowed to move it by the Speaker because he was absent when he was

called. Therefore, I am sorry, I cannot allow him to move it.

Shri Yashpal Singh: I may be given five minutes.

Mr. Chairman: Shri Asoka Mehta.

The Minister of Planning and Social Welfare (Shri Asoka Mehta): Mr. Chairman, Sir, it is necessary for us to examine the economic situation and to consider our economic policies with all the seriousness that we can command. While we have been discussing the recent devaluation of our rupee, various comments have been offered. It has been said that we were driven to this particular measure because of the poor management of our economy. We have also been criticised for what has been called the faulty strategy of development. There are other criticisms also and I shall take them one by one.

As far as the poor management of the economy is concerned, this Government has been adequately pilloried during the No-Confidence motion and otherwise. I would only like to point out that it is imperative that in the conditions in which we are, there is the most rigorous administrative and economic discipline. Undoubtedly, this would put heavy responsibilities upon the shoulders of the Government. But I suggest that it will not be possible to discharge those responsibilities, the economy will not be put on an even keel, unless there is the requisite amount of understanding and response from this House as well as from the country outside.

I would, particularly, like to invite your attention to the fact that there are certain basic intractable difficulties from which an economy like ours suffers. Whatever a Government may do or may not do, it is not within its powers to overcome these intractable difficulties overnight. For instance, we all know that a great part of the troubles that we are having today can be traced to the stagnation that we

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have experienced in our agriculture and in food production.

Now, I have with me a letter which I recently received from the Director General of the Food and Agriculture Organisation of the United Nations. He has attached a note with that letter. This is how the note begins:

"Over the 10 years, 1954-55 to 1964-65, the developing countries were able to raise food production only at the same rate as the increase in population so that consumption standards have not improved. They are now facing a food situation that is even more critical."

This is not said about India alone; this is said about developing countries as a whole. The question of opening up the productive capacity of agriculture in traditional economies, the changes needed to achieve this result, the many-pronged efforts that have to be made to realise this transformation, are not yet accomplished. This is a problem that has today haunted almost every developing country in the world. Various proposals have been made by the Directorate of the F.A.O. to the world community as to how this problem has to be tackled.

What I wanted to point out is that these intractable problems have to be recognised and if we do not recognise them, if we merely put the whole responsibility upon the Government—Governments may change but the basic problems remain—our ability to tackle those problems to that extent will be weakened. May I, therefore, suggest that there are certain basic structural questions of our economy that have to be tackled and to tackle them, administrative and economic discipline of a high order will be needed. By all means, scrutinise the actions of the Government as severely as you can. But, basically, it is necessary for each one of us to see that we create conditions wherein

these measures of discipline are understood and are acted upon.

The Third Plan has been severely criticised. It has been said that not only in the Third Plan but in the previous Plans also we have been following a strategy of development which has brought us to a parlous state of affairs. May I point out that ours was a stagnant economy? A stagnant economy has to be opened up. Dynamic impulses have to be generated; the economy has to be diversified. Even if we want to develop agricultural production, apart from the fact that land reforms have to be carried out—we have carried out a number of land reforms and others need to be carried out—a great deal of new inputs have to be provided, whether it is in terms of irrigation, power, new seeds, new implements and fertilisers. Take the countries which are having a very high rate of agricultural production today. 40 per cent of their investment is in fertilisers, pesticides, etc. or what is known as the chemicalisation of agriculture. We have to move forward. This requires further transformation, in the provision of power, transport, credit facilities and the basic responses of our agriculturists. Therefore, a development programme has to be many-sided.

It has been said that we have made all kinds of investments which have resulted in creating difficulties for our economy and that some of these investments have taken longer to achieve results than we had expected. We fully recognise this. But let us also realise the changes that we have achieved. If we look at the structure of our manufacturing industries, the consumer goods industries used to produce Rs. 260.7 crores worth of goods in 1950-51 and 1965-66 it is Rs. 487.6 crores worth of goods; in the case of intermediate goods, while it was Rs. 89.5 crores in 1950-51, it is Rs. 620.2 crores in 1965-66, and in machinery manufacture, from about

Rs. 34 crores in 1950-51, it is Rs. 327 crores in 1965-66. The total transformation is that from Rs. 384 crores in 1950-51 to Rs. 1,434 crores in 1965-66. If this had not been achieved, our balance of payments position would have been much more difficult.

It has often been asked: What is the import substitution that we have achieved as a result of this? In different sectors of our economy, our requirements of machines have gone up very largely, but we find that increasingly we are providing our own machinery from our own efforts. For instance, in the case of machine tools, we used to import 80 per cent of the total supply in 1950-51 and the figure went down to 46.4 per cent in 1964-65 while the total requirement of machine tools has gone up many times. In the case of sugar machinery, from 100 per cent it has come down to 4.3 per cent; in the case of textile machinery, from 100 per cent, it has come down to 56.5 per cent and in the case of commercial vehicles, from 35.7 per cent, it has come down to 0.5 per cent and so on and so forth. If it had not been our policy to move forward and develop, it would have been completely inhibited.

10.18 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

Hon. Members always come forward and ask for various development programmes to be taken up. They are very keen and insistent, that there should be more of cement and steel made available or more of agricultural implements made available and so on. But each one of this advance requires the creation of the requisite production potential in the country. If this production potential had not been created today, our balance of payments position would have been so difficult that we would have been pulled back into the mire of stagnation. Our effort to move out of the stagnation in which we were compelled to live for many generations requires that we simultaneously move forward in agriculture, in industry, in

transport—we had experienced an acute shortage of transport and power in the earlier years of the Third Plan. It is the massive investment that has made it possible today to have a somewhat less constructive position as far as power and transport are concerned.

So, it is easy for some of the friends Opposite to criticise the strategy of development. But any one who sits down and analyses the anatomy of the economy as a whole and tries to understand the needs and requirements, the lacks and lags and the movement forward that are needed, will find that any development programme has to be a comprehensive one and if you fail to make it a comprehensive one, either we allow our economy to be pulled back or immediately we create a far greater and more acute balance of payments problem. For instance, to import one million tonnes of steel every year, we require Rs. 80 crores of foreign exchange. To set up a plant which can produce a million tonnes of steel would require almost the same amount of foreign exchange or less today. To create in the country the capacity to build machinery for setting up a one-million-tonne steel plant also requires a certain amount of investment. We have been doing all these; we have been creating capacities whereby future steel production can be done on our own steam and we will not be depending on outside sources. We are also building steel plants by taking certain credits from outside and we have also to import a certain amount of steel because our steel requirements have gone up four or five or six times and they keep on growing.

Therefore, it is a dynamic view of the economy that has to be taken. It is suggested that we can have a strategy wherein the slow-growth inducing sectors like chemicals, machines and metals, can be ignored and neglected; we will find, if we follow the advice that is given to us by some hon. friends on the Opposite, the Indian economy virtually collapsing.

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It is possible to indicate, that there have been errors of omissions and commissions as far as implementation is concerned. In a tremendous programme of this kind, faced by a variety of difficulties which are known to us, particularly the difficulties, we have experienced in the recent past, there will always be setbacks. But because of that, to ignore the intractability of the Indian situation and secondly the need to have a multi-pronged strategy of development is to throw the baby out with the bath water.

It has been said that there has been an unwisdom about devaluation; it has been argued that devaluation was avoidable, it was carried out under duress, under pressure, of outside forces and it has been further suggested that this has made us more dependent on foreign countries, and on our creditors. Let me take up these criticisms one by one.

Was devaluation avoidable? What is the meaning of this? What happens when internal prices have risen very high and the internal prices get out of alignment with prices in the rest of the world? When that happens, the rupee becomes overvalued.

Shri D. C. Sharma (Gurdaspur): Why has it happened?

Shri Vasudevan Nair: Who is responsible for that?

Shri Asoka Mehta: When the rupee becomes overvalued, the consequences are that imports tend to have a subsidy. Imports become cheaper while exports become dearer. We were, therefore, constantly trying to raise the import duties because otherwise the tendency would be to make more and more use of imports. While it is less and less possible to use imports, the tendency would be to use more and more imports because compared to internal cost, the imported cost remains lower. As prices of everything else go up in the country, realistically

speaking, prices of foreign currency also go up, but you are deliberately pegging it up. It is like exercising severe control and when you exercise a severe control, you are making available foreign currency at an artificial price to those who are privileged to get it while the rest of the community, if they have to get foreign currency, must pay very high prices. Those who get it treat the foreign currency at a price which is lower than the real price.

But what happens on export is far more significant, because it is on the export side that the effect of overvaluation of rupee is really felt. Because your internal prices have become high, it becomes increasingly difficult to export your commodities. As you have seen, after devaluation, export duties have been levied on a number of exported commodities; the duties vary from 10 to 40 per cent of the f.o.b. value. Our devaluation is of the order of 57 per cent. Even with a 57 per cent devaluation, how much export duties are we in a position to collect? From 10 to 40 per cent. That means that even the traditional exports which we thought were moving without any kind of support would not have moved without that kind of support very long. Actually they were not moving without any kind of support. A certain amount of subsidy had to be given to them. Today the real position is that even so far as traditional exports are concerned, the export duties are only of the order of 10 to 40 per cent, even though the benefit that they have got as a result of devaluation is 57 per cent. There are other areas where even today it may not be possible for us to sell our goods abroad. Exports have to be stepped up; exports have to be pushed up. If internal prices are very high, then you will have to pay heavy subsidies. How much subsidy could we have paid? All along the line, our exports were Rs. 800 crores and these exports have to go up to Rs. 1200 crores by the end of the Fourth Five-Year

Plan, if we are to move forward, if we are to have the resources to import the essential requirements.

Some hon. members here asked, "will there be carefully scrutinised imports" and whether we are in a position to say that our imports consist only of essential things. I can assure them that we have very carefully scrutinised our imports and our imports consist only of those things which are essential for the growth of our economy. Therefore, these imports will have to be maintained. We know in what parlous condition, we got into because we were unable to have the maintenance imports needed for our economy. Industrial progress was halted, prices began to rise on account of that, unemployment began to emerge, and our future growth became more and more difficult. If exports have to go up by 50 per cent in the next five years and if they have to rise at a rate of about 8 to 10 per cent per year regularly thereafter it is obvious that we have to put our exports on a stable footing; or else, we would be compelled to provide heavy subsidies. I only want my hon. friends to calculate the amount of subsidies that have been needed in order to keep our exports moving, the amount of import duties that have been needed in order to see that people do not depend more on imports.

We have also to remember that a large number of people have to take decisions about investments. Where should they invest? We must make it possible to invest in commodities that can be exported because we want to increase their production; we also want them to invest in commodities which can substitute our imports. All these investment decisions in the economy get distorted if we permit a very marked change indefinitely between the internal price level and the external price level. Everywhere even when you exercise the most stringent control, if you find that in terms of realistic appraisal the prices have really changed, you try to bring about

the change in the control prices. For, unnatural restriction or control on prices ultimately will break down and it cannot operate. The same thing happens as far as the value of the rupee is concerned.

You will remember that we were taking one step or the other. In the supplementary budget, the import duties were greatly increased. Under the national defence remittance scheme, the foreign exchange that was brought into the country was given a special price. Import entitlements enabled people to recoup their losses on exports. We were also giving subsidies for our exports. All these devices would have had to be multiplied, and the result would have been that there would have been a great variety of distortions in the economy and a lot of leaks too inside the economy. The question that one had to consider was whether in the interests of the health of the economy we would permit this kind of growing distortions and permit those many leaks against which hon. Members were rightly objecting and protesting or whether we should try to formalise what in fact had been existing.

Shri Tyagi: Will he stop those leaks now?

Shri Asoka Mehta: Then, the next question asked is whether this was done under duress.

Shri Rajaram (Krishnagiri): Shri Tyagi has asked that question, not the Opposition Members.

Shri Asoka Mehta: I shall come to that.

The question was asked whether this was done under duress. The position is this that we obtain credits, or we seek credits from Western countries as well as from the Eastern countries, that is, the East European countries and the Soviet Union. As far as the credits that we take from the East European countries including the

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Soviet Union are concerned, the repayment of the debts as well as of the interest payment is taken care of in the trade plans. It is as it were the first charge upon all the exports that we make to those countries. Therefore, the repayment to these countries has been taken care of in the trade plans.

As far as the Western countries and the international financial organisations are concerned, we have got to pay them back in terms of free foreign exchange which we have earned in the world market.

The world market is divided into countries like the communist countries and some other countries which have bilateral trade agreements, while the rest of the world has multilateral arrangements and, therefore there are no bilateral agreements with those countries. Whether the one system is better or the other system is better is not a question into which I would like to go now. We have to operate in a world as we find it. In this world where multilateral trade arrangements exist, we have got to meet and we have got to discharge our debt obligations, the repayment of the debt as well as of the interest charges, by pushing up our exports and earning the foreign exchange there. When these people find that our economy has got into a state where we may not be able to sustain our exports, they are entitled to say that they will not be prepared to give us any new credits. Similarly, if we failed to repay our obligations to the East European countries including the Soviet Union, that is, if we failed to honour our trade plans, they too would be entitled to say that the State credit and the commercial credit that they have agreed to may not be available. Each country that makes credit available is entitled to say that before fresh credits are given it would like to see what the repayment position, is like. This was a question that naturally concerned them and they would have

dragged their feet, and what they would have done, and what even now they will do is a matter which we shall know later on. But suppose we had ignored whatever their feelings were; and we were completely justified in ignoring the feelings of anybody and particularly the IMF which has been set up for the purpose of seeing that exchange rates between different currencies is held within a certain balance, an organisation that from time to time would point out that things are going wrong. We are free to ignore their advice if we want. In the same way, the World Bank can say that 'Your repayment capacity seems to be becoming difficult. Therefore, we do not know what will happen to the new credits that you want.' We are again entitled to ignore their advice. But if we ignore their advice, we must realise what the consequence will be. The consequence would have been that we would have carried on as we had carried on, less and less of maintenance imports would have been available and our exports would have become more and more difficult. What would have been the impact upon prices inside the country? Suppose we were going as we were going, the result would have been that there would have been less of imports available for utilising our capacities in industries, hardly any fertiliser available for getting greater production in agriculture and we would have to increasingly subsidise our exports from a national income which would have been shrinking.

What would have been the consequence of all this on the prices prevailing in the country?

Now, it can be argued that we should follow a deflationary policy. Many friends here ask: 'What are you doing? Will you take care to see that this kind of thing is not repeated?' Yes. To do that, we have to choose between a number of alternatives. Shall we have a policy of deflation? Shall we cut down our development programmes? There should be economy, there

should be no wastage and implementation should be properly done. I concede straightway that whatever shortcomings, whatever mistakes, whatever limitations from which we suffer are such that cannot be excused or permitted. The greatest amount of vigilance should be exercised as far as the shortcomings are concerned. Let us realise that an inflationary situation exists. You can cure it by deflation. You can cure it by cutting down expenditure. Shall we cut down our defence expenditure? We cannot. Shall we cut down our development expenditure? What would be the consequence if we did? More unemployment, less of production, less of the economic base which is needed to sustain our defence in future. It would mean postponing the possibility of self-reliance and the possibility of assuring our independence in economic terms to an indefinite period.

So deflation has to be ruled out. We are trying to mobilise resources. Constantly, therefore, Government comes forward with proposals to mobilise more and more resources in order that development programmes can be got going. This mobilisation of additional resources also is not liked by many people. Deflation is not approved. External credits are not being given. But we are still asked that we should be in a position to transform our economy and meet the surging needs of our people.

Here I suggest that this House has got to weigh the pros and cons very carefully and ultimately indicate to Government the kind of balanced policy that they think this Government should pursue. Government in their wisdom, in their understanding, have been following a certain policy. They would be able to control the economy much more if there was a deeper understanding and a fuller response from the other sections of the people. But may I suggest that there is no escape from making a choice here? I suggest that we have to rule out deflation. We have to move forward as swiftly as we can, move

forward without creating inflationary pressures. If that is to be done, maximum support will have to be given to (a) exports and (b) mopping up of savings and mobilisation of resources for the purpose of development.

Which really means that constantly we have to give priority to the needs of the economy, exports which would enable us to import whatever we wanted, including defence materials, if we needed them, and mobilisation of resources so that from year to year our production increases from which we draw these savings and these exports.

Prof. Ganguly in his very interesting book *Devaluation of the Rupee*, which, I am sure, many Members have seen, draws attention to a very important fact in page 52. He says:

"We, therefore, reach the basic, though uncomfortable, conclusion that an increase in net exports of consumption goods and materials for the production of such goods has somehow to be brought about through restriction of domestic consumption".

"Otherwise, mere restriction on imports based on increasing production and substitutes for imports will generate persistent pressure on the balance of payments at any rate in the foreseeable future."

Mere restriction on imports, mere import substitution, does not solve the balance of payment problem unless we are constantly trying to push forward exports.

For instance, India used to export basmati rice and used to import cheaper varieties of rice in larger quantities so that it may be available to the mass of the people. Some distinguished Members of the Opposition. I do not think any one from that party is there just now, threatened satyagraha. You cannot export *basmati* rice. China, for instance, at one time exported 10 per cent of its rice production and said that the Chinese people

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could live on sweet potatoes, because if you want to import essential things, it may be for defence, it may be for development, it may be for preparing drugs, it may be for something else. Somewhere you have got to decide what you will export. Here we find everywhere that there are conflicting pressures, and it is our inability to resolve these conflicting pressures in a meaningful manner that imparts debility to the economy.

The last two, three, four years have been very difficult years. I would like to take this opportunity to pay my tribute to Mr. Morarji Desai. If he had not put in the tremendous effort that he did in 1962, I believe we would have been in an even more parlous situation.

Shri D. C. Sharma: You failed to get him into the Cabinet.

Shri Asoka Mehta: I am not trying to get anybody into the Cabinet or outside. I am only saying that when we look back, we have to realise that from the treasury benches, from the Government, proposals have come which are very hard proposals, which were accepted, and these hard proposals in a sense saved us, but the rapid, sudden and precipitous decline in agricultural production has upset our calculations to a great extent. We are trying to correct this thing and we hope we shall be able to succeed with the co-operation of all concerned.

Therefore, the choice before the country was this. It could have ignored the need for devaluation, either formal or implied, and the consequences then would have been a far greater price rise, a constant contracting of the economy, and our inability to have moved forward at all. Either that had to be done, or, as I said, formal or implied devaluation had to be taken up. Implied devalua-

tion was there even earlier when we raised our import duties very much, when we started giving subsidies to our exports, when import entitlement schemes were extended very largely and when we had the National Defence Remittance Scheme.

Shri Vasudevan Nair: Does the Minister say that the World Bank and the IMF did not tell the Indian Government that unless they devalued, they would stop all aid?

Shri Asoka Mehta: There was no question of any one saying. There is no such thing as aid. We are asking for credits, nobody is giving us aid. We are seeking credit. I go to a bank and say I want so much credit. The bank will give me credit if it feels that the credit will be returned. There is no aid. Let us remember. No country including the Soviet Union is giving us aid. They are all giving us credit which we have to repay with interest, whether it is the United States of America or any other country.

We get two kinds of credit: one, State to State credit; the other, commercial credit. It may be from world financial institutions or what are called suppliers' credits or what are called commercial credits in the Soviet Union. They are all credits which we have to pay back over a period of time, and for which interest has to be paid. Therefore, there is no question of aid.

I am surprised that repeatedly the expression "begging bowl" is used. Is it begging? When an agriculturist goes to a cooperative society or a commercial bank and asks for credit, is he begging? When an industrialist goes to the bank and ask for commercial credit, is he begging? When some one asks for deferred payment from a manufacturer, is he begging?

We are not begging. This country, this Government, is not engaged in begging, but it does seek credits which it is willing to pay back during a period of time, and during the period

the credits are so used that our productive capacity is increased. That is what any agriculturist does. When he sinks a well, he spends Rs. 2,000, and pays it back over a period of time. Is he a beggar? If these questions are to be analysed in this kind of an artificial atmosphere of insinuation, then of course the country will be misled. But these problems will be there whether this Government is there or is not there and even if another party, from the other side or the whole lot of them put together were to form a government tomorrow, they would have to face this problem. What has happened in England today? The conservatives had to face such problems; a change of government has not brought about a change in the problems; these problems have to be faced. In this House while we are fully entitled to look into the faults, foibles and failings of the government, it is also necessary that sufficient attention is given to the basic problems on which, as the Prime Minister suggested there would, I hope, be greater possibility of agreement and consensus. Has it made us less independent? We had to pay our debts and debts have to be paid by exports. The cost of export was going up and it was not possible. Many people said: after all we would have paid Rs. 5 or less than Rs. 5 for a dollar and now we would have to pay Rs. 75 for a dollar.

In order to get a dollar, even before, Rs. 5 worth of exports had to be subsidised and this subsidy would have become larger and larger. These are optical illusions. Therefore, the value of the dollar does not change one way or the other; the value of the dollar is determined by the price level in a country. If that level has gone up, no gimmicks can give you cheaper dollars; no gimmicks can give you cheaper rice or steel. Ultimately prices are determined by the price level in which we find ourselves. Therefore, I would say that this has not made us more dependent at all. On the contrary, if we can step up our exports and I hope there will be full co-operation of the House, if we can

give primacy to exports, it is going to make us more independent and not more dependent.

What about follow-up action? Various follow-up actions had been taken but the most important thing is, if we have to have a development programme, it has to be balanced by the mobilisation of savings in the country. Repeatedly, Members from opposite ask: why this particular project is not taken up? Will you give us an assurance that such and such project will be taken up? That assurance can be given provided there is simultaneous assurance that the necessary resources also will be mobilised. Unless our development programmes are accompanied by full mobilisation of resources, there is always the danger of deficit financing. We do not want deficit financing and so we have to exercise most scrupulous care in the priorities that we have set for our development. Secondly, all non-essential consumption will have to be cut down. Various efforts are being made. Taxation proposals and other measures have been devised. There are evasions. It is the responsibility of the Government to improve the tax gathering machinery, to plug loopholes. But we find, if the State-sector is expanded, the argument is that the State-sector is not functioning properly; if the private sector is allowed to expand, the argument is that the private sector does not function properly. In all these we have to improve our instruments. None of us is going to have the best instrument. Each one of us may not have the experience of running the Government. But each one of us knows how the political party functions, how the co-operative in which he is engaged functions; how the trade union which he is associated with functions. There is a great deal of inefficiency everywhere; there is a great deal of slackness in many things. If the efficiency potential has to be improved everywhere, it has to be improved in the Government also. But to expect that in the administration as a whole the efficiency potential will be 100 per cent while in the rest of our social

[Shri Asoka Mehta]

activities it will remain at 20-30 per cent is asking, shall I say, for the moon. This is a common effort in which all of us have to engage ourselves in. Devaluation teaches us a lesson as I said at the beginning, what is needed is the acceptance of the most effective administrative and economic discipline. This effective acceptance of administrative and economic discipline will require, on the one side, that Government policies and Government practices have to be gone into very carefully and very searchingly, and on the other side, that the rest of the community will also have to recognise that there are overriding priorities which we can ignore only at our peril. And as I said, overriding priorities become the need to step up exports all the time, to do with minimum of imports and, above all, to give a priority to savings and investment over current consumption, particularly, current consumption of non-essential goods.

This is broadly the view that the Government takes. It would like to have a strong follow-up programme. It has taken various steps and it would like to take many more steps. In order to take these steps which are bound to disturb some people somewhere or the other in the economy, it requires the understanding and co-operation of the House and the country and I am confident that in the weeks to come, we shall have that understanding and we shall have that response from our people.

Mr. Deputy-Speaker: At 5 p.m. Shri T. N. Singh will make a statement regarding the Durgapur steel plant.

Shri Vasudevan Nair: If you announce it like that now, how can the Members who have sent in that motion know it?

Mr. Deputy-Speaker: It is already put up on the notice-board.

Shri K. D. Malaviya (Basti): Mr. Deputy-Speaker, Sir, those who are not on the Treasury Benches have obviously to look to the watch every minute to keep themselves or to limit themselves within the time. Therefore, I promise that I will try to finish my speech within 20 to 25 minutes from now.

I have moved an amendment to the resolution of the Government and I consulted some of the Ministers and they almost sympathise with my amendment. This is all that I can say and I do hope that they will consider it very seriously to accept my amendment.

Shri Tyagi: Informally.

16.53 hrs.

[SHRI SONAVANE in the Chair]

Shri K. D. Malaviya: In order to remind them, I will try to read the amendment because it deals with some of the important features that I wish to put before the House.

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 earlier stages of a developing economy in any country wedded to socialism and democracy; national economic policies approved by the people and Parliament are sound and correct. But their implementation has been slow and lack dynamism and thus the nation has to face the unhappy decision of devaluation; 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) it is clear that a national capital has to be found not on the basis of foreign capital but on the basis of national effort; with a view to assure—

Mr. Chairman: The hon. Member is reading the amendment that he has moved?

Shri K. D. Malaviya: Yes, because I am going to limit myself to those points that I have made in my amendment.

Mr. Chairman: Your amendment No 11 is there.

Shri K. D. Malaviya: Yes; that was my first amendment. Immediately after that, I just made some changes.

Mr. Chairman: How can you make changes? (*Interruption*) Order, order, The amendment that has been accepted and moved by him has to be stuck to; only that amendment.

Shri K. D. Malaviya: I have given notice of the second amendment. I am only reading out the second amendment.

Mr. Chairman: If he has not got a copy of his amendment, let him take

a copy from the office. He cannot read another one.

Shri K. D. Malaviya: This is the amendment I submitted after my first amendment and this was also accepted. It will be clear if you just go through the proceedings.

Mr. Chairman: The earlier amendment has been accepted; the subsequent one has not been accepted.

Shri K. D. Malaviya: I just now learn that my second amendment is not accepted, although informally a promise was given to me to seriously consider to accept it, because there were only a few changes of words.

Shri K. N. Pande (Hata): At this stage, an amendment can only be admitted and not accepted.

Mr. Chairman: If the hon. member is insistent, he can send an amendment to his amendment, if he wants.

Shri K. D. Malaviya: I do not wish to refer to that aspect now.

श्री हुकम चंद कटारिया : इनके लिए मदरसा खोलिए। इनके पढ़ना पड़ेगा। कुछ दिन अग्नेडमेंट के बारे में। वहाँ पढ़ कर आयें।

Shri Kashi Ram Gupta (Alwar): On a point of order. The hon. member is not moving his second amendment. There can be no objection to his reading whatever is with him.

Mr. Chairman: There is no point of order.

Shri K. D. Malaviya: I shall deal with some of the most basic questions that concern us today in this economic turmoil which the country is facing. It is true that most of us on this side as well as that side are very unhappy at the growing complexities and complications and deterioration in the economic situation of the country. Yet, we should not get lost in the count of the trees and miss the wood. We must try to see what is what. I believe that the present disturbances or the economic and administrative indiscipline which we are noticing today is inherent in the birth pangs of a new society which we are forming today. We have to recognise this fact that as we grow and march forward from the decadent stage of a feudal society to a new modern socialist society, the more we are earnest in transforming this society from a backward one to a forward one, our agonies will be more and more intense; and the more we are in it, the more we have to prepare ourselves to face this. What we have been noticing for the last 10 or 15 years are pieces of evidence of that truth, that we are passing through a very, very critical stage in the life of the nation and we cannot take too lightly the several aspects that are before us.

The Indian National Congress which is wedded to socialism cannot now go back on it. On the contrary, if we notice the various stages of resolutions and decisions taken from the Avadi session up to the last Congress session, we will find that we have committed ourselves more and more progressively towards building a socialist society and in lesser time than what we conceived at the time of the Avadi resolution. Therefore, the Congress is committed to socialism. The Government that rules this country, which administers the affairs of this country on behalf of the Indian National Congress, is more committed to implement those decisions and to do it as quickly as possible.

Such is the inherent situation in which we are now inextricably in-

involved, and this economic situation that confronts us is necessarily linked up with the economic policies to which we are wedded.

Mr. Chairman: The hon. Member will continue his speech tomorrow. We will take up other business now.

17 hrs.

STATEMENT RE: SITUATION AT
DURGAPUR

Mr. Chairman: The Minister of Iron and Steel wants to make a statement.

Shri Daji (Indore): Sir, I rise to a point of order. Certain hon. Members tried to raise this question through Calling Attention Notices. My hon. friend, Shri Banerjee also tried to raise it this morning, but the Speaker in his wisdom disallowed it—I have no quarrel on that. I am told, Sir, that the Government, on its own, made a statement on Durgapur in the other House. I want to ask, why should this House be treated as a second-class House, a House of second class, citizens when this House is the premier House, sovereign House?

Shri Surendranath Dwivedy (Kendrapara): The Minister belongs to that House.

Shri Daji: The Minister may belong to this House or that House. This House demands that this House should get the courtesy of prior consultation and prior information. We have raised it in this House again and again and the Speaker has given a ruling. The Government not only do not make the statement here but kept the House in complete darkness at 1200 hours when this question was raised, with the result that many hon. Members interested in this have gone away. Why should the Government not make the statement in both the Houses simultaneously when there are two Ministers? Why should this House be put to the indignity of