THE
PARLIAMENTARY DEBATES
(Part II—Proceedings other than Questions and Answers)
OFFICIAL REPORT

HOUSE OF THE PEOPLE

Tuesday, 23*rd March*, 1954

The House met at Two of the Clock.

[MR. SPEAKER *in the Chair*]

QUESTIONS AND ANSWERS

(*See Part I*)

2 P.M.

MESSAGE FROM THE COUNCIL OF STATES

Secretary: Sir, I have to report the following message received from the Secretary of the Council of States:—

"In accordance with the provisions of rule 125 of the Rules of Procedure and Conduct of Business in the Council of States, I am directed to inform the House of the People that the Council of States, at its sitting held on the 18th March, 1954, agreed without any amendment to the Transfer of Evacuee Deposits Bill, 1954, which was passed by the House of the People at its sitting held on the 13th March, 1954".

PAPERS LAID ON THE TABLE

KHADI AND OTHER HANDLOOM INDUSTRIES DEVELOPMENT RULES

The Minister of Commerce and Industry (Shri T. T. Krishnamachari): Sir, I beg to lay on the Table a copy of the Khadi and other Handloom Industries Development Rules, framed under section 5 of the Khadi and Other Handloom Industries Development (Additional Excise Duty on Cloth) Act, 1953. [*Placed in the Library. See* No. S-89/54.]

REPORT OF DELHI TRANSPORT AUTHORITY FOR PERIOD APRIL 1950 TO MARCH 1953

The Deputy Minister of Railways and Transport (Shri Alagesan): Sir, I beg to lay on the Table a copy of the Report of the Delhi Road Transport Authority for the period April 1950 to March 1953, under sub-section (2) of section 40 of the Delhi Road Transport Authority Act, 1950. [*Placed in* Appendix VI, annexure No. 48.]

REPORT OF THE CHANDERNAGORE ENQUIRY COMMISSION, DECEMBER, 1953

The Deputy Minister of External Affairs (Shri Anil K. Chanda): Sir, I beg to lay on the Table a copy of the Report of the Chandernagore Enquiry Commission, December, 1953. [*See* Appendix VI, annexure No. 48.]

GENERAL BUDGET—*contd.*

The Minister of Finance (Shri C. D. Deshmukh): Mr. Speaker, when I broke off yesterday, I had announced certain modifications of my tax proposals. I stated then what I was prepared to do and orders have issued accordingly. I must now deal with what I cannot do, and appropriately enough, I think it would be better if I begin with betelnuts.

I should like to give a little background information. Of the 31,00,000 maunds consumed in India, 21,00,000 maunds are grown indigenously and 10,00,000 maunds are imported. The

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quantity, value and price per maund of imported betelnuts is as follows:—

Year	Quantity (maunds)	Value Rs.		Price per maund Rs.
1951-1952	13,00,000	5.7	crores	42/-
1952-1953	10,00,000	3.5	"	35/-
1953-1954	10,00,000	3.3	"	32/8/-

The *per capita* retail cost of betelnuts including that of local produce is about Re. 1 and the *per capita* incidence of duty at the proposed rate included therein is about 3½ annas. The extent of profit margin and of premium on import licences during the latter half of 1953 was: margin of profit at the c.i.f. value—Bombay 50—130 per cent.; Calcutta 100—160 per cent.; and Madras 80—100 per cent.; and premium on licence on value thereof—Bombay up to 125 per cent.; Calcutta, upto 80 per cent.; the figure for Madras not being known.

Last year when additional duty was levied. similar criticisms were made as this year that the consumer would be hit. The pre-Budget price of Rs. 115 per maund, after an initial gain, declined and before the Budget of this year was Rs. 93 per maund, so that there was a decline of Rs. 22 per maund in spite of an increase in duty of Rs. 10 per maund. The additional levy proposed now is about Rs. 33 per maund, but the rise has not been more than Rs. 18 per maund. This additional levy will, therefore, in my view not tax the consumer but the middleman, and that is the justification for adhering to my proposal. The increased incidence of the additional duty distributed over the entire population would be about 1½ annas per head per year.

From betelnut, which is a hard case, I now come to a harder case—cement. There are twenty-four cement factories in operation in India at present, with a rated capacity ranging from 38,000 tons to 350,000 tons. The aggregate rated capacity is about 42,00,000 tons. The actual production in 1952 was 35,00,000 tons. No protests have so far been received from the cement industry against the new central excise duty. There have, however, been some enquiries regarding certain minor procedural matters and the effect of the duty on existing sale contracts. The incidence of the excise duty on the *ex*-factory price of Rs. 85 per ton is approximately six per cent. and it has been estimated by some that the duty will add—this is in the light of complaints made yesterday—about one per cent. to the cost of construction of houses of moderate size, namely costing Rs. 15,000. In 1952-53 the imports and exports amounted to 35,000 and 50,000 tons respectively. There is another aspect of it and that is, we roughly estimate that Government consumes about thirty to forty per cent. of the cement produced in the country. Therefore, a part of this burden would have to be borne by me ...

An Hon. Member: By the States also.

Shri C. D. Deshmukh: And by the States also.

Then I come to the cotton textiles. Somebody asked me why it was that coarse cloth which was commonly used by the poor was being taxed. My reply is that the poor do not use coarse cloth ....

An Hon. Member: Not at all.

Shri C. D. Deshmukh: 'Not at all' is a very extreme thing to say. These are the categories in coarse cloth: tapestry cloth; bed sheets; furnishing fabrics, drills, Mazri cloth—I do not know what it is—towels, canvas, and so on and so forth. It is only when we start with the medium that we come to dhoties and saries. The total annual production of dhoties and saries is about 1400 million yards in this country—that is, about 2/7th of the total production and of this three-fourths falls under the category 'medium'. The quantity of coarse dhoties produced is a few hundred bales per month out of forty or fifty thousand bales produced per month.

There were certain other points made in regard to this excise duty on cotton textiles. Shri Somani has suggested that the decline in production of fine cloth in 1953-54 has been caused by the increase in excise duty which was effected last year and to support this theory he has quoted the 1951-1952 production when it reached its peak but he did not mention that already in 1952-53 the production of fine and superfine cloth had begun to decline. In 1952-53 a two-way shift took place —production of superfine on the one side and of medium on the other at the expense of fine. This two-way shift could only have been brought about by the requirements of the market, both internal and external and not by a change in the incidence of the duty with its concomitant pressure on cotton as Shri Somani seems to suggest.

There were several other factors adversely affecting the production of fine cloth during 1953-54 and the increased duty on fine cloth, namely one anna three pies per yard was by no means the principal factor. His reference to hundred per cent. increase in the incidence is again exaggerated as he has taken not an average but perhaps an extreme case in the cheaper varieties of the cloth. Nor has the removal of the import duty on cotton in the coming year anything to do with the fall in the production of fine cloth. The reason for the removal of the duty has been set out in paragraph 48 in part B of my Budget speech. The additional reasons are that mills will be free to carry such stocks of cotton as they deem fit, increased stocks of imported cotton will relieve the pressure on Indian cotton, and with the change-over from import duty to a moderate increase in excise duties, the inducement to shift production—that is an important point—to shift production from one category to another for purely fiscal reasons—not our fiscal reasons but some other people's fiscal reasons—would diminish.

I think the hon. Member erred in suggesting that despite the increase in the levy of excise duty on fine cloth in 1953-54, the revenue had not improved. In fact the revenue on super-fine improved from Rs. 3·9 crores in 1952-53 to 5·2 crores in 1953-54. That is our estimate: this means an increase by about 33 1/3 per cent. That is again my justification for not contemplating any change in the excise duties on cloth.

I think I should resume the thread of my argument which was broken last evening for the announcement of the modifications in the Budget proposals. I dealt briefly with the resources for the Plan and the shortfalls therein as well as the shortfall in performance. It is now necessary to look a little more closely into the possible causes of such short performance. I have got an analysis made of the figures of the shortfall given by the Planning Commission in one of their recent reports which is actually a note compiled by the Planning Commission on 5th March 1954. Altogether there was a shortfall of Rs. 11 crores in the field of the States and about Rs. 40 crores according to the Planning Commission in the performance of the Centre. Let us take the Irrigation and Power Ministry. The Planning Commission thought that the shortfall was about Rs. 9 crores in all. I consider that the actual shortfall of expenditure on the major river valley projects worked out on the basis of figures received by the Ministry comes to about Rs. 3;5 crores in 1952-53. This sum of Rs. 3·5 crores is distributed as follows: Bhakra-Nangal: 18 lakhs; Damodar Valley Corporation: about 36 lakhs Hirakud—1·07 crores and Harike 1·82 crores.

The shortfalls in Bhakra-Nangal and the Damodar Valley Corporation are comparatively small. I consider that the reason for the shortfall in the case of Bhakra-Nangal was that they could not get the services of specialists from abroad in time; in regard to Damodar Valley, there was some over-budgeting. The shortfalls in Harike and Hirakud are reported to be due partly to late receipt of machinery from abroad and partly to over-budgeting.

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Now we come to Production Ministry. I have the details here but I have not the time to go into them. In short the position is that there is an overall lagging behind the expenditure on Production Ministry schemes to the extent of Rs. 7 crores of which the non-utilization of funds to the extent of over four crores by Sindri was not in any way prejudicial to the progress of the work on the Plan schemes. The balance shortfall of over Rs. 2 crores is entirely due to delay in the progress of works and not in any way due to hold-up of financial sanctions.

Now, we come to Education Ministry, where there was a lapse of Rs. 2 crores and the reasons are: Rs. 34·2 lakhs provided for development grants to Universities was not spent as the Universities had not prepared detailed schemes and no settlement had been reached—in fact none has been reached even now—in regard to the sharing of the cost with the State Governments concerned. Then there was a provision of 1¾ crores for basic and social education schemes and other development schemes. Very little money out of this was spent as the Ministry of Education was not ready with clear-cut schemes for implementation by the State Governments and the State Governments are reported to have complained of lack of funds to do anything by themselves. The latter is the more important cause. A sum of Rs. 14 lakhs provided under the head Technical Education was surrendered on account of difficulty in getting necessary equipment. Under the Community Projects there was a shortfall of Rs. 4 crores due, firstly, to the fact that at the time of making provision for this scheme in May 1952, the details of the programme had not been clearly worked out and it was only in October 1952 that the programme was formally inaugurated and some works started in the first block of every project: and secondly, delay in the import of equipment on account of delay in preparation of indents by State Governments and the T.C.A. taking longer time than expected in vetting specifications and getting them revised. It has been reported that no difficulty was caused due to any delay on the part of the Finance Ministry. Even though no firm estimates were available, the Finance Ministry sanctioned an *ad hoc* advance of Rs. 50,000 per block for initial work until the programmes could be settled. We also sent a special representative of Revenue and Expenditure Department to meet the representatives of the Community Project Administration and the State Governments in order to expedite and facilitate formulation of approved programmes.

Then there is the shortfall of Rs. 2 crores under the Ministry of Transport. Actually it is Rs. 4 crores. The Planning Commission took it to be Rs. 2 crores, but we found that actually it is Rs. 4 crores. A sum of Rs. 2 crores was set aside as loan to the shipping companies for overseas trade, but this loan was not availed of by the shipping companies. Another sum of Rs. 2 crores was surrendered on account of underspending in connection with the Kandla Port. This was mainly due to the delay in the finalisation of designs, in the completion of works, non-recruitment of full strength of staff and so on.

The Ministry of Railways has the lion's share of the shortfall *viz.* Rs. 17 crores which is largely due to non-availability of supplies. I do not look accusingly, but only pityingly, at the Railway Ministers. The locomotives, wagons and rolling-stock were just not available that year.

Then with regard to the Ministry of Rehabilitation, the shortfall is Rs. 4 crores. This is due to about Rs. 1 crore being under-spent under the head Loans and Advances due to the absence of properly worked out rehabilitation schemes forthcoming from State Governments. About Rs. 1·12 crores was under-spent under the head "81—Capital Outlay" as the pace of construction of houses for displaced persons during 1952-53 was not sufficiently brisk. The work had to be executed through the Central Public Works Department and it is understood that there were delays in execution. Rs. 2 crores was underspent under the head "57—Miscellaneous" relating to grants for relief of displaced persons, mainly due to the smaller volume of exodus from East Pakistan. I have no doubt the story will be repeated this year also when we get the final figures. I know, as a matter of fact, so far as my Ministry is concerned, about Rs. 1·5 crores which had been allocated for local works has been surrendered because the State Governments have not been able to send any schemes and they have not submitted any account of works actually executed out of the advance of Rs. 1,25,00,000 which has been placed at their disposal.

Shri Meghnad Saha (Calcutta—North-West): May I interrupt a little? I am told by the representatives of the State Governments that their schemes which they sent to the Central Government have not been sanctioned and so they could not spend the money.

Shri C. D. Deshmukh: If this refers to local works it is quite wrong. I do not know whether the hon. Member refers to local or rehabilitation works.

Shri Meghnad Saha: It refers to rehabilitation works.

Shri C. D. Deshmukh: My information is that the schemes which they sent were not considered appropriate and as against Rs. 1 crore in 1952-53—I think they have bettered it this year—they have surrendered Rs. 3 crores!

Now, Sir, I come back to the Plan itself and I shall have a word to say in regard to the main objections raised against the Plan. The objections are rather interesting because they were raised again and again. The first objection is that it is a very limited effort and does not go far enough. Then another objection is that it is a "manager's plan" and not a people's plan; that the Plan has been imposed from the top and is not a manifestation of popular will and that there is little popular enthusiasm for it. I am referring to this although this has been summarised in an excellent article entitled "Economic Development in India" by Mr. Jerome B. Cohen, which appeared in the *Searchlight* dated 28th February, 1954. What I am reading out is largely the views expressed there, which views I think, are correct. Now, so far as the first point is concerned, what is wanted by the people is immediate gains; in other words, they want a doubling of *per capita* national income within the life of the Plan. Let us examine the implications of this aspiration. There is now a general recognition that capital formation is the key to economic development. We have, for our purposes, taken the rate of net capital investment to gross product at 5 per cent. as compared to 18 per cent. in the United States, 16 per cent. in Japan, 23 per cent. in Canada and 13 per cent. in the United Kingdom. Our national product is, in very round figures, about Rs. 10,000 crores. Thus capital formation in India is certainly at an extremely low level. The Planning Commission estimated that by the end of the first Five Year Plan—national income in India will have risen by about 11 to 12 per cent. and the rate of capital formation raised to 7 per cent. We anticipate that, subsequently, if the rate of gain established in the first Five Year Plan can be projected, the rate of capital formation can be raised to 11 per cent. by 1960-61 and to 20 per cent. by 1967-68, after which it is expected to stabilise at this level. Now, Sir, on these assumptions *per capita* income in India will be doubled by 1977—I am repeating facts which are given among the first four chapters of the Planning Commission's report—or in about 24 years, and the consumption standards raised by about 70 per cent. over the 1950-51 level. Now, of course, everyone says, we cannot afford to wait for 24 years to double the present very low *per capita* national income. People also say that if this is the best that the Planning Commission can do,

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will, then, it is better that they do some thinking again. We are always trying to think as best as we can. What I am asking myself really is, if this is an inadequate rate of progress, what has been the experience of other countries, particularly those that have had the so-called rapid development?

In Britain, statistics of national income and investment are not available for the first half of the nineteenth century, which was perhaps the most significant period in its economic development. Figures for the period 1870—1913 show a net investment rate fluctuating between 10 and 15 per cent. depending on whether times where prosperous or not, and over this period *per capita* national income rose by 100 per cent. (1870 to 1913 is 43 years). In the United States, from 1869 to 1913 net investment rose from 13 to 16 per cent. and over the 44 years *per capita* national income rose by 130 per cent. In Japan, with the population growing at an average annual rate of 1¼ per cent., about the present rate in India, net capital formation averaged about 12 to 13 per cent. from 1878 to 1912, and over this 34-year period *per capita* income is estimated to have doubled. Therefore, the period that has been taken by other countries has ranged between 34 and 44 years. If these figures are even approximately correct to aim at doubling the *per capita* income within a generation—that is 25 years—and to raise the rate of investment from 5 to 20 per cent. as the Planning Commission hopes to do by the present and subsequent Five Year Plans, will, I think, Sir, be regarded by economic historians as a stupendous achievement. And that, Sir, is what one ought to bear in mind.

Now, as regards performance, here are certain figures in regard to the Soviet Five Year Plan. All the Soviet Five Year Plans to-date have promised far greater benefits to consumers than were actually realised. This is not intended as a criticism but as an indication of what the possibilities are in other countries where regimentation has been far more extensive than we would ever think of applying. The whole Soviet experience has been that when resources proved inadequate it is the consumer goods and services that bore the cuts needed to assure fulfilment of the goals for heavy industry. The First Five Year Plan set a goal for cotton textile production of 4,670 million metres. The actual output was 2,694 million metres in 1932, that is to say at the end of the First Five Year Plan period. The Second Five Year Plan set a goal for cotton textile output of 4,900 million metres, and actual production was only 3,448 million metres. Shoe production in the last year of the First Five Year Plan was to be 145 million pairs. It was only 94 million pairs in 1932. In the Second Five Year Plan it is true, the shoe production goal was apparently fulfilled in 1937. But the benefits here must have been far outweighed by the shortfall in housing. Instead of 64 million square metres—to me it does not convey a proper idea of what exactly it is—instead of 64 million square metres of housing becoming available during 1933—37 as planned only about 27 million square metres were actually put into use. Never since 1928 has the *per capita* housing available to urban residents come close to the goal set in the First Five Year Plan.

Shri Meghnad Saha: May I interrupt the hon. Minister for a minute? The object of the First Five Year Plan in Russia was to improve the capital goods industry, not the consumer goods industry. They concentrated their attention on heavy industries.

Shri C. D. Deshmukh: I get the idea. But if that was so, that does not justify starting with a higher target and not fulfilling it. If the stress was intended to be put on something else they should have taken a more modest target. I say after having deliberately chosen a target there was a far more disastrous debacle than you will ever see in the Indian First Five Year Plan.

Shri H. N. Mukerjee (Calcutta North-East): May I know the source? He has quoted the figures and we ought to know the source.

Shri C. D. Deshmukh: I have anticipated this question and taken care to set down the source. This is *Russia's Soviet Economy* by Harry Schwartz (1951). I am told he is quite a reliable author, Sir.

Shri Sadhan Gupta (Calcutta South-East): Where was it published?

Shri C. D. Deshmukh: 1951. Schwartz means black. So he is a 'black horse' so far as I am concerned.

I referred to the order of deficit financing and I wish to point out that I do not regard it as a cure-all. It has really to be administered as a medicine and not to be taken as food. When I said that deficit financing in the next two years may be of the order of Rs. 600 crores, that really means at the moment an arithmetical exercise. It is not a statement of policy or a recommendation. For one thing, it may be that we shall have an unavoidable shortfall in the Plan expenditure somewhere or the other. As I said in the Council of States, we ought to be able to congratulate ourselves if we find that we have implemented the Plan to the extent of 85 per cent.

When it was decided towards the end of the last year to re-orientate the Plan in some respects with a view to relieve unemployment, we knew that this additional amount of Rs. 175 crores would not necessarily be all additional. We knew that shortfalls in certain directions were perhaps unavoidable, as they have already happened, *e.g.*, about Rs. 51 crores in 1952-53. Nevertheless, there was no intention to regard these shortfalls as inevitable. Even now our objective is to live up to our targets in every respect. Even if the Plan is implemented to the extent of 85 per cent. or so, it will turn out to be more than what we envisaged by way of Part I and Part II previously. I might remind the House that we thought first in terms of Rs. 1500 crores by way of Part I and Rs. 300 crores by way of Part II. As against that, in its final shape, the Plan amounts to Rs. 2244 crores. Also I am not despairing of external assistance, as I said, from the International Bank for Reconstruction and Development. There are friends in the Commonwealth who might be relied upon to take the same interest as they have taken hitherto in the economic development of this country purely out of friendly motives.

An Hon. Member: A mistake.

Shri C. D. Deshmukh: The next point I wish to take is in regard to resources. Some incidental points have been raised. There was, for instance, criticism by Shri Tulsidas that the taxation proposals now and in the past have, owing to faulty budgeting, operated as a futile withdrawal of savings from the private sector. This is intended to be an argument against fresh taxation. I consider that this argument is not tenable in the light of the deficits which have already been incurred and the deficits which are likely to be incurred. I mentioned figures yesterday and the taxation that has been resorted to or is proposed to be resorted to is really only a very small part of the deficits that we have to meet. There can be no question of fruitless diversion of resources from the private sector.

There was some reference to Pakistan and I think that I should take this opportunity of stating what has happened between the two Finance Ministers. I must take back the story somewhere to 1952. When we had our first conversations, we thought that there was some way of settling this two-way dispute: that is to say Pakistan's claim for consideration, so to speak, against the India Bank notes liability they have already transferred to us. That is to say Rs. 50 crores are already with us. Therefore we either owe them exchange in some form or equivalent assets of the Reserve Bank in the proportion in which those assets stood at the date of the Partition. The dispute really arose out of the fact that at one time we thought that

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much of the circulation was post-Partition circulation and therefore not entitled to be repaid or adjusted by transfer of the assets of the Reserve Bank. At that time, sterling, gold and so on were more valuable. We had a rupee payment agreement with Pakistan. Now, all that has changed. We have to settle all differences with Pakistan in sterling, whether we pay them exchange or we pay them a proportion of the assets of the Reserve Bank is more or less the same thing. We shall pay a very small amount in gold, we shall pay a part of it, 40 per cent. or 50 per cent. in sterling and the rest in India rupee securities, whereas if we were to settle all this by way of exchange, so to speak, then we shall have to pay all of it in sterling. And therefore it seems to me that the choice before us is easier. But, one way or the other we must settle this because we have received the money and we have no justification for hanging on to the consideration for that money. As against that, our claim has been that unless some figure has been agreed upon as the instalment in repayment of public debt taken over by Pakistan, it would be very difficult for us to make this cash settlement. Towards that purpose we both moved and I provided about Rs. 9 crores. By a figure mentioned by them—not necessarily every time included in the Budget—they seem to think that the instalments would be of the order of Rs. 7·4 crores in terms of Indian money. It seems to indicate a figure like about Rs. 8 crores as the sum likely to be agreed upon, although no figure has been agreed upon. The balance to be adjusted may not be very large. It may make a difference of about between Rs. 50 lakhs to Rs. 1 crore one way or the other, possibly in our favour but I cannot say, because the accounts have not been received by the Accounts Officers in Pakistan who have possession of them.

Then, there are various side disputes, as for instance, the settlement between East Punjab and West Punjab—what used to be West Punjab—East Pakistan and West Bengal, and there is a possibility of our agreeing that all these should be settled through Central transactions.

Then there are some claims of contractors and so on for which we may have to advance some money, not of a very large order; and finally, there are two other rival claims. One is in respect of military stores which we supplied to Pakistan, about which there was something in the papers and there was a statement made, I think, on our side as well as on their side, a few weeks ago; and the other matter is about writing up of the rupee balances of the State Bank of Pakistan with the Reserve Bank at the time of devaluation, the basis of their claim being that as the devaluation was in violation of an agreement made by us without consulting them or without waiting for their decision, we must make up what they have lost by devaluation in their rupee balances. We have been resisting that claim just as they have been resisting our claim in regard to payments for military stores. The two sums are more or less of the same order, and it is quite possible that when the final figure of the debt is grossed up, we find that there is very little only, and all that will be reflected in the adjustment figure of maybe Rs. 50 lakhs or Rs. 1 crore. I cannot commit myself to the figure. That will have to be added most possibly to the annual instalment.

Now, after this preliminary talk, the Finance Minister of Pakistan fell ill—very seriously ill—for about four or five months, and apart from the physical discomfort that it caused him, I believe that during his absence the management of the foreign exchange resources was not as careful as he had been making, with the result that Pakistan found themselves in very grave difficulties in regard to their foreign exchange resources, and that was the reason why they were not able to pay the instalments that they might otherwise have paid had the agreement gone through as there was every prospect of its going through. Since then, I have had another talk with him at Sydney, and I have still reason to hope that it will be possible for us to arrive at some sort of settlement. It may not be possible for Pakistan to make up for the loss of these two years, because resources which are once lost are lost for ever, and they may make a request that I might postpone the recovery of all this and start the instalment from next year. As I said, these negotiations will be finalised now as soon as each of us is free from the Budget which will be sometime in May, and that is why I am hoping, in spite of the bedevilling of the relations between the two countries by certain other factors, on the financial front I am still believing that it will be possible for both of us to settle each other's claims—one a cash claim and another a claim by way of payment in instalments of our debt.

There was a criticism that measures for the mobilisation of savings were not enough, I think by Shri Thomas, and he mentioned that during the last war larger amounts had been collected. It is common knowledge that during the last five or six years we have been concentrating on the importance of small savings, and I had occasion to mention in my Budget speech the measures which have recently been taken. About the war period, I am afraid my hon. friend has got his figures wrong. As a matter of fact, in the six years ending 1944-45 there was a net accretion of only Rs. 18 crores from small savings, in spite of the efforts of my hon. friends on the opposite side. In the first four years, there was a disinvestment of Rs. 48 crores, which was more than slightly made up in the following two years. It is really in the post-war period that there was a boom in small savings. In the two years 1945-46 and 1946-47, the net collections amounted to Rs. 109 crores. In considering these figures, the House will remember that during the war an enormous sum of money was injected into the system for war purposes, some of which was bound to come back to Government, because of the limited opportunity for investment, and for spending during the war and the period immediately thereafter. Another reason was the fact that during the war the money incomes of the lower and middle classes increased significantly, and these are the classes which can now no longer be the mainstay of the small savings movement, although they are, I must say, trying their best.

Shri Thomas also suggested that State lotteries should be run as in Ireland and some other countries. As far as I think, the matter is not as simple as it appears to him. I myself have thought of certain considerations relevant in this connection, that is to say, they are my personal views, and Government have not taken a decision in this matter. The majority of subscribers are likely to be the class of people who are least able to find the subscription from their savings. Secondly, to the extent that lotteries mop up the surplus amounts, they will affect the borrowing capacity both of the State and the Central Governments. Thirdly, returns from lotteries cannot be expected to be large or steady, and cannot account for more than a very small fraction of Government requirements. Fourthly, at a time when many measures are being tried in order to put down speculation in its various forms, it does not seem desirable to make an appeal to the gambling instinct of the people.

Shri Frank Anthony (Nominated—Anglo-Indians): That is a biological necessity.

Shri C. D. Deshmukh: Even the prize-bond scheme—lastly, referring to experience—which the Central Government started during the last

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war, and under which the principal was secure, and only the accrued interest was distributed, had had to be given up as a failure, as over two years only about Rs. 5 crores were collected.

Now, I come to this vexed question of direct and indirect taxation. Hon. Members have asked why indirect taxation should be increased, while direct taxation is not, pending the recommendations of the Taxation Enquiry Commission. The reason is not, as some Members have wrongly inferred, that the Finance Minister has a soft corner for the rich. That has become a cliche with some hon. Members, although they do not realise that it really ascribes something to the Finance Minister! If they wish to treat others as they wish to treat themselves, I do not think they would make this observation. But I have ceased to resent this particular statement, for it has really now no meaning. It sounds very nice to say, "The Finance Minister has a soft corner for the rich"!

In regard to direct taxation, what one has to consider is its consequences on incentives in the private sector, as long as we have a private sector; that is to say, as I have pointed out before, direct taxation has various indirect effects, and in my opinion, it will clearly be wrong to prejudge the issue by raising the direct taxation or giving reliefs. I have not given any reliefs, while the matter is under examination by an expert body, and I claim therefore that I have maintained a neutral attitude.

No inference as to the future, therefore, should be drawn from this self-denial on my part this year in the matter of direct taxation. I would like here to say that it is not right to indulge in advance criticism of the Taxation Enquiry Commission, as Shri Gadgil did. He himself has been Chairman of a couple of Committees and I think it is very wrong to say that he knows what kind of a report is going to emanate from that Commission. I have no doubt whatsoever that whatever will come from them will be the result of very deep consideration and very mature judgment. Of course, to some Members the only answer to the problem of resources for planning is to "Sock the rich". But the rich are only a handful and even if all their riches are taken away, that would not be sufficient to finance the long-term economic development of this country. This is not to suggest that inequalities of wealth and income are justifiable or will be tolerated; and as is usual, people forget what has been done in the past. They have forgotten the little advance that we made towards the diminution of inequalities by passing the Estate Duty Bill. Hon. Members of all shades of opinion were quite enthusiastic at the time when the Bill was debated.

Shri S. S. More (Sholapur): We were found to be wrong.

Shri C. D. Deshmukh: But today they have forgotten it.

Some Hon. Members: No, no. (*Interruptions*).

Mr. Speaker: Order, order.

Shri C. D. Deshmukh: As between the date of the last budget and this debate, the only important step taken is a step of direct taxation of an egalitarian nature. That is what I wish to remind hon. Members here. Now, on purely pragmatic grounds, direct taxation must take into account the fact that as far as it appears to us, the private sector has a part to play at least at this stage of the development of our country. I have certain figures here which show really how many rich we have. I define as rich people who have an income of over Rs. 1,50,000. (*Interruptions*). It is a modest and moderate definition. Now, the total number is 1286.

Shri Nambiar (Mayuram): Not 1287?

Shri C. D. Deshmukh: No, 5 and 1, to me, make 6. The total income assessed is Rs. 43,38,00,000. Now, of that....

Shri K. P. Tripathi (Darrang): What about evaders?

Shri C. D. Deshmukh:... by way of income-tax and super-tax, the Treasury collects Rs. 29 crores.

An Hon. Member: Very poor. *(Interruptions).*

Shri C. D. Deshmukh: I hear sighs and jubilations both. Now, that leaves Rs. 14 crores. Rs. 14 crores divided by 1286 gives me about 1·25, that is to say Rs. 1,25,000. In other words, these rich people with income over Rs. 1,50,000 have an income left of Rs. 1,25,000 after payment of taxes, which, of course, is high in all conscience. But there it is. And, therefore, if one were to think of drawing more from them, so to speak, and leaving them very little, apart from any question of private incentive, a purely arithmetical—not a policy—guess is that there may be about Rs. 10 crores available there. Now, add to that about Rs. 20 crores of taxation which, I think, escapes the net of the tax-gatherer. We have been trying to train people and to increase the staff, but it takes a long time to increase the number of good income-tax officers who will not give cause for annoyance to many of the assessees, especially those who have influential voices.

Shri S. S. More: With Government.

Shri C. D. Deshmukh: Therefore, there may be about Rs. 30 crores in the system. I am not saying 'No'; sometime or the other I hope it might be possible to tap that Rs. 30 crores so that for some plan of five years we might have another Rs. 150 crores available, for increasing the plan, which increase is much less than the Rs. 175 crores that we have added, with a sort of indifference to raising resources even in respect of the existing plan.

Now, that brings me to the question of what are the real resources for development that are open to the country. The paradox, or dilemma as you may call it, of development is that the country has little saving. Without saving—of course it is a truism—there can be no capital formation and capital formation is the key to development. Where are all the real resources for all these to come from? My friends on the opposite side, as I have said earlier, say, 'expropriate or tax the rich'. They imagine that there are vast reserves to be taken over from current profits or from past accumulations. A part of the answer, I think, was given by the Parliamentary Secretary. I would only stress that a vast development process cannot be financed except through sacrifices on the part of all sections of the community, where 99·99 per cent. of the people are poor. To my friends from business and Industry, I should say nevertheless that while it is important to maintain and strengthen the private incentive to save, the problem is one of weighing the social cost of providing these incentives against the returns and benefits to be realised in the form of private saving and investment. It is quite true that the goose must be spared if it is to lay golden eggs. But, our contention is that it must lay the eggs. My point is: there are potential resources to be tapped, and in an undeveloped economy these lie scattered all over the system. For instance, and I think this will be a new point to hon. Members, an under-developed economy has a great amount of unemployment or under-employment. The unemployed are being fed and clothed, however inadequately. Their consumption without any production is a tax on the other members of the family. In other words, they are subsidised by the earning members of the family. To secure the right development, this unemployed manpower has to be drawn upon. The subsistence fund, which consists of the savings of the producers, needed for them is there. If only those who were hitherto subsidising should

[Shri C. D. Deshmukh]

be induced to make over to Government the real resources, which so far went into unproductive consumption by the unemployed—now somebody at present is doing the saving anyway, otherwise the unemployed would not be fed, and would not be alive—all that we ask for is that they keep it up for a while (*Interruption.*) Let them not increase their consumption as the load of the unemployed is taken off their shoulders. It is possible to calculate the real resources needed for securing additional capital formation through employment of idle manpower. The problem is of mobilising the scattered manpower saving—you may call it compulsory saving. I like the suggestion that was, I think, made by Shri S. N. Agarwal that the saving should be for local projects which people can see rising before their eyes. Already, in the present Plan, we have made a little beginning in this direction, through the Community Projects and local works of various kinds. So, it is wrong to say that the common man cannot make sacrifices. He is already making them, devoting a part of his income to the maintenance of the unemployed who are not producing anything. We have to find a way of utilising this idle manpower and of mobilising the savings—of marrying the two. This is essentially a problem of organisation, not of finance. Finance can help to some extent and a few excises can have a place here. So, would deficit financing. But, I am convinced that if we want to develop economy rightly, we shall have to draw on these real resources. I say this not only with reference to the present Plan but in view of what is likely to be needed for the next plan.

There are a few other matters into which I shall not be able to go. For instance, questions of what economies are being attempted, what sort of financial control is maintained and what account we have taken of the work of the Estimates Committee and the Public Accounts Committee and what is the employment potential of the Plan and all that. I am hoping that sometime or other I shall have an opportunity of going into these matters.

There are also the points made by hon. Members opposite, especially Prof. Mukerjee and Mr. Basu in regard to production. They are quite right in saying that we should not merely point to the increase of production and say that everything is all right in the world. Everything is not and it is our duty to go into those units which are not doing well and find out why they are not doing well. There I am one with them.

Then there was a point made by Mr. Nambiar that Government was favouring the landlords and that there was some delay in getting the assent of the President to a Tenancy legislation. I understand that it came up here in the first week of February and on the 18th March the assent was given. If this were to prove his contention, he will be welcome to hold his opinion. For good or for evil, as I said, we have chosen the way of democracy and the way of mixed economy. My only answer to the other friends on the opposite side who have referred to motor buses and bank clerks getting down and so on, is a small quotation which I shall give in conclusion of my speech:

"Two roads diverged in a yellow wood
And sorry I could not travel both
And be one traveller, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;
Then took the other, as just as fair,
And perhaps the better claim,
Because it was grassy and wanted wear;

* * *

I shall be telling this with a sigh
Somewhere ages and ages hence
'Two roads diverged in a wood

I took the one less travelled by,
And that has made all the difference.' "

The road we have chosen is true democracy.

Shri U. C. Patnaik (Ghumsur): A very important point raised by me has not been replied, namely, that there is no provision at all in the Budget for civil defence measures. This is an important point and, particularly so in view of the present tension in regard to foreign aid to Pakistan and foreign pockets in India.

Shri C. D. Deshmukh: I may point out that the hon. Member was not present when I spoke yesterday evening and said explicitly that when Defence Ministry and Home Ministry affairs are discussed this matter will be dealt with.

Shri U. C. Patnaik: I wanted a reply by the Finance Minister....

Mr. Speaker: Order, order. The Defence Minister, I think, is the best person to reply to it.

REPORTING OF SPEECHES IN PRESS

Shri Tandon (Allahabad Distt.—West): Mr. Speaker, Sir, before you begin the business of the day, I crave your indulgence to draw your attention to the report, in one of the important newspapers of Delhi, of the speech which I delivered in Parliament yesterday. There are two serious errors to which, I feel, I should draw your attention.

The report attributes to me the following sentence:

> "Not a single pie out of the hundreds of crores of rupees spent so far had been devoted to village welfare."

Obviously this would be an untrue statement; I did not make it and could not have made it. What I said was that not one village had been constructed on the plan which I had placed before Parliament, namely, the garden-house plan. That is what I said and I could not have said that Government had spent nothing on rural welfare.

The Minister of Finance (Shri C. D. Deshmukh): On his observetions about the village beautiful, I did intend to draw the pointed attention of the Community Projects Administration in regard to that suggestion.

Shri Tandon: The second error here is this. The report refers to me as having—

> "suggested the appointment of an independent commission, with which the Education Minister would have nothing to do, to give Hindi its proper place within the next 11 years or, in the alternative, a change in the Education Ministry so that it would have a man who would fight resolutely for the cause of Hindi."

My first suggestion has been correctly reported, namely, the appointment of a commission. The alternative suggestion, as reported here, is incorrect. I did not suggest a change in the present Education Ministry. What I said was that if a commission was not likely to be appointed especially for Hindi, a permanent commission, then in that case there should be a special Ministry set up for the purpose of looking after the cause of Hindi during these next eleven years. That is what I said. This part which relates to the Education Ministry has been correctly reported in the Hindi paper *Hindustan*.

This is all, Sir, that I wish to say.

3 P.M.

Mr. Speaker: I think the points which the hon. Member has raised require some consideration about the method and procedure of raising this kind of points. I wanted to know as to what he had to say. It seems his intention was only to point out misreporting in the Press.