

[Shri A. C. Guha]

It will be recalled that during discussions on the Rehabilitation Finance Administration (Amendment) Bill in Parliament last session when such suggestions were made, I undertook to examine the matter.

The Rehabilitation Finance Administration is at present charging 6 per cent. rate of interest with a rebate of 1 per cent. on regular payment. The Rehabilitation Finance Administration is meant to be run on business principles as distinguished from other measures of Government for the relief of refugees. Already the interest charged to the Administration on the funds made available by Government is 3 per cent. which is lower even than the Government's own borrowing rates.

Nevertheless, with a view to helping the rehabilitation of refugees, Government has decided that with effect from the 1st April 1954, on all loans granted or to be granted by the Rehabilitation Finance Administration up to and including Rs. 20,000, the interest should be 4½ per cent. for the first five years and 5 per cent. afterwards with a rebate of 1 per cent. in both cases if and so long as there is no default in the payment of interest or instalments. Loans for amounts exceeding Rs. 20,000 will, with effect from the same date, bear the rate of interest at 5½ per cent. with a rebate of 1 per cent. if and so long as there is no default in payment.

The Administration is being asked to propose an amendment of the regulations to give effect to this decision.

## FINANCE BILL

### PRESENTATION OF PETITIONS

Shri Jangde (Bilaspur—Reserved—Sch. Castes): I beg to present a petition, signed by a petitioner, in respect of the Finance Bill, 1954.

Shri K. K. Basu (Diamond Harbour): I beg to present a petition, signed by seven petitioners, in respect of the Finance Bill, 1954.

## UNTOUCHABILITY (OFFENCES) BILL

The Deputy Minister of Home Affairs (Shri Datar): I beg to move for leave to introduce a Bill to prescribe punishment for the practice of untouchability or the enforcement of any disability arising therefrom:

Mr. Speaker: The question is:

"That leave be granted to introduce a Bill to prescribe punishment for the practice of untouchability or the enforcement of any disability arising therefrom."

*The motion was adopted.*

Shri Datar: I introduce the Bill.

## GENERAL BUDGET

Mr. Speaker: We shall now proceed to the discussion of the General Budget. I have to announce to the House that for the benefit of hon. Members, I would like to draw their attention to Rule 225(1) regarding the scope of the Budget as differentiated from the Finance Bill. During the Finance Bill, grievances may be brought to notice. That will be the proper occasion for that purpose. So far as the discussion of the Budget is concerned, under Rule 225(1), the House will be at liberty to discuss the Budget as a whole or any question of principle involved therein. The discussion will be regarding the point whether the items of expenditure ought to be increased or decreased having regard to the importance of a particular head and also the manner in which the Budget is framed. Grievances not related either to the Finance Minister's speech or not directly arising out of the proposed expenditure will not be in order at this stage. They may be deferred for ventilation at the time of the Finance

Bill. Under rule 225(3) I fix that fifteen minutes will be the time-limit ordinarily for every hon. Member, excepting the Finance Minister for whom one hour or more will be allowed, if necessary.

So far as Leaders of particular Groups are concerned, if they want some more time, they can take up to a maximum of thirty minutes, but this extra time will be accounted against the time allotted to the particular Group.

**Shri Tulsidas (Mehsana West):** Sir, I thank you for giving me the opportunity to make my observations on the General Budget. Let me, at the outset, congratulate the Finance Minister for the stable financial policy which has created the least possible disturbance and the gradualness with which he has adopted the financial policy in the course of his four Budgets to the needs of planning. His success is partly due, in my opinion, to the conservative policy that he has been able to continue throughout these four years of budgeting.

Sir, I shall illustrate why I call that as a conservative policy. He has always been under-estimating revenues and capital receipts and over-estimating expenditure and capital disbursements. In the budget year 1951-52 the overall deficit was to the tune of Rs. 78 crores as budgeted. In the revised budget the overall deficit was Rs. 96 crores; the actual was a surplus of Rs. 1 crore. In 1952-53 the budgeted deficit was Rs. 76 crores; the revised estimate was Rs. 82 crores and the actuals Rs. 46 crores deficit. The difference here is Rs. 30 crores. And now in 1953-54 the budgeted deficit was Rs. 138 crores; revised estimate was Rs. 128 crores. I do not know what the actuals will be. That we will be knowing only next year.

Sir, we have also been told that in the year 1954-55 we will have a deficit on the revenue side of Rs. 14 crores, and with the amount of Rs. 250 crores of deficit finance, we may be able to

manage through the year. Now, Sir, I would like to point out that most of the receipts have increased on the revenue side. In 1951-52 on the revenue side the budgeted estimate of receipts was Rs. 402 crores, while in the revised budget it was Rs. 497 crores; and actuals Rs. 515 crores. In 1952-53 the revenue side showed a budgeted estimate of Rs. 404 crores; the revised amount was Rs. 418 crores and actuals Rs. 435 crores. Similarly, with regard to the expenditure side, the expenditure was estimated at Rs. 375 crores in 1951-52, the revised estimate is Rs. 405 crores while the actuals are Rs. 387 crores. In 1952-53, Rs. 401 crores was the budgeted figure; the revised estimate is Rs. 423 crores and the actuals is Rs. 396 crores.

[Mr. DEPUTY-SPEAKER in the Chair.]

What I do want to point out to the hon. Finance Minister is that though I had called it as conservative finance, and a conservative Budget, as we bankers usually do, it is not really in good interest that he has framed this budget in a most conservative manner. I feel the difference between the budget, revised and actual which is, in my opinion, much more conservative. It is intended to maintain taxation at a level that is higher than is warranted by the actual needs of the Government. This results in the imposition of taxation which is heavier than it need be.

**The Minister of Commerce and Industry (Shri T. T. Krishnamachari):** What about the deficit?

**Shri Tulsidas:** I am talking of the previous years. I am not talking about 1954-55—I will come to that later on.

I find that the hon. Finance Minister is afraid of making any major change in the taxation structure. He has made certain changes, particularly in the excise duties and import duties. He has rightly pointed out,—and I know this year most of the Budgets even of the State Government have

[Shri Tulsidas]

mentioned that,— that till the Taxation Enquiry Commission's report is out, no major changes should be made in the taxation structure, but he did, naturally, find that some change was necessary. If that is so, I do not know why he has not gone further and made whatever changes that were necessary in order to increase the productivity and the savings of the country which he thought necessary even before the report of the Taxation Enquiry Commission.

If the Taxation Enquiry Commission makes recommendations of a different nature, or some changes become necessary, then, I do not think there would be any difficulty in making those adjustments. When excise duties on different goods and an increase in the import duty on betel nut have been introduced even before the report of the Taxation Enquiry Commission, this is, in my opinion,—if I may use the word,—an omission on the part of the Finance Minister.

I clearly see from his speech that he does not wish to make any change though there may be a necessity for changes in the taxation structure. He has not spoken anything with regard to any change. I feel that this is a sort of omission. All important countries, such as U.S.A., U.K., Australia, Germany, etc., have made changes or are going to make changes in the near future. They have done this in order that the productivity of the country may increase. Our taxation system has been in operation from the time when there was an inflation soon after the war, and we will have to adjust it on the basis of the needs of the country for increased savings, increased production and increased investment. Therefore, the policy should be changed to suit the needs of the country. Our Finance Minister was a party to the decisions reached at the Commonwealth Finance Minister's Conference held at Sydney and that is why this omission, I say, is all the more glaring.

Sir, I am quoting a portion from that communique:

"We have reaffirmed our determination to press on with development, in conformity with our general policy, to the limit of available resources. In some of our countries private enterprise is making a large contribution to development."

I would like you, Sir, to mark the sentence that follows.

"Governments will be concerned to promote balanced development, whether public or private, to pursue policies designed to increase the flow of savings, and to encourage private investment from both internal and external sources."

I mean there are different places where these changes in the taxation structure are being pointed out and I am sure the Taxation Enquiry Commission will recommend whatever adjustments are necessary. I do not wish to dwell on this particular problem, but I do feel that the present high level of taxation discourages productive effort, inhibits the flow of savings and discourages investment in industry. The private sector, even in the Plan, has to shoulder the responsibilities for the bulk of the investment in industry and almost all the investment in trade. This responsibility it cannot discharge on its own at the present level of taxation. I know that the Finance Minister has mentioned in his speech and the Government has realised that there is a sort of lack of capital available to the private sector. For that reason the Government has floated Industrial Finance Corporations. In fact they have gone further. As even the Industrial Finance Corporations are not meeting the needs, they have gone further, and the Reserve Bank has appointed the Shroff Committee to look into how capital could be made available to the private sector. Further, as the Finance

Minister has mentioned in his speech, two new Corporations will be floated in order to see that increased resources are made available to industry in the private sector. It is also very significant to point out here that even in the public sector the borrowings have not been as successful—according to the words of the Finance Minister, it has been slightly disappointing. I would be happy to hear from him that I am not correct. But that shows that with this increased taxation which we have been having all these years for particular purposes—we are taxing much more for the needs which have been shown in the Budget—the object has not been attained, because on the one hand the moneys have been withdrawn and on the other the moneys necessary to be put in for our economy have not been put in. That has not been gone into. It has been a sort of contraction. And that reflects the unavailability of the capital requirements in the private sector as well as in the public sector. Therefore even the borrowing programme of the Government have not been so successful; they are rather disappointing.

The returns in the receipts from the other sources also are diminishing—I am not saying with regard to the budget proposals—but with regard to each type of taxation the returns are diminishing. I do not wish to dwell upon the point of high rates of the taxation of income and also inflation, which together have been responsible for the erosion of industrial capital to the tune of hundreds of crores of rupees, especially owing to the faulty practice of calculating depreciation on the basis of historical instead of replacement costs. That is one factor by which industry does not get sufficient internal resources to rehabilitate or to put any more capital goods. I am sure, as I said before, this would be looked after by the Taxation Inquiry Commission. But, I would like to emphasise here that it would make more capital available to industry if the Government allowed

the private sector directly to retain a greater proportion of its internal resources instead of giving back to the private sector in a round about way a part of the resources taken away from it by way of taxation. That is what I have been trying to point out and even in the Bernstein Report this has been pointed out. It says:

“Business will not be able to save if price controls squeeze profit margins too tightly or if taxes are excessive. Both the remaining price controls and taxes on corporate profits should be re-examined with a view to facilitating internal financing by business of capital outlays for replacement and expansion.”

This high level of taxation has been continued even after it was known to have reduced capital formation in the private sector on the ground that it causes a shift of investment from the private sector to the public sector. But, that does not happen. Experience has shown that the loss of private investment has not been made good by a corresponding increase in public investment. Here again, we feel that there is not enough purchasing power and we must therefore, pump some money. According to the Budget figures we have not been pumping the money, but we have been taking the money by way of taxation. That is what I am trying to make out.

Taxation on industry and trade has, in my opinion, been kept at a high level on the assumption that the Government would be able to maintain a certain level of investment expenditure, but since the actual amount of investment is considerably less than the assumed amount, the public is called upon to bear a burden of taxation that is not commensurate with the benefits obtained by way of development. Sir, I have dwelt on this point at length and I would rather request the hon. Finance Minister to go into this point and say whether the point that I have tried to explain

[Shri Tulsiidas]

is not the real cause for the private sector not having the capital or resources available.

I would like to mention the question of deficit financing. The Finance Minister in his speech has very rightly pointed out that this is a matter which has to be handled in a rather difficult manner. I know that as long as Shri C. D. Deshmukh is there we are in safe hands, that he will be able to control, and the deficit financing will not have much effect. I have mentioned many times before my views about deficit financing. The Finance Minister says that the climate is now better; and because the climate is better, he feels that deficit financing should now be resorted to. Now, Sir, with regard to the climate, he has mentioned that we have increased our production. I agree that there is an increase in production. But, the increase is not so much and if slightly the balance goes the other way round, it may cause a certain amount of difficulties. Therefore, he will have to be rather very cautious, and I am sure he will be cautious. I see in his speech in the other House he has definitely said that, if he finds in course of time that the conditions are not so good, he will even go to the extent of reducing the expenditure. I am very glad that he has said so in the Council of States. Under his care, I have not the slightest apprehension that there will be any difficulty with regard to deficit financing. But, I would like to point out to him that now that there is going to be deficit financing of such a magnitude, simultaneously, as has also been referred to by him in his speech, we must come back to a certain amount of normalcy. We have to create conditions for a certain amount of normalcy to come back and it must come within a couple of years, or three or four years. We are now on the threshold of the Second Five Year Plan when resources will be required in a much larger magnitude. Unless we create those conditions, we do not

know how we will be able to find resources for a bigger Plan. We hear that it will be of the order of Rs. 7,000 crores; some say Rs. 6,000 crores; the papers say 6 or 7 thousand crores. Whatever it is, we take it that it would be bigger than the First Five Year Plan. It was mentioned in the Preamble of the Plan that the savings which were 5 per cent. in the beginning of the Plan would be increased to 6.75 per cent. at the end of the Plan. I would like to know from the Finance Minister what indication he has got to show that the savings have gone up and, if so, to what extent. If the savings have not gone up, I do not know how he will be able to get resources both in the private sector and the public sector for the Second Plan which is now being planned, which may be of a larger magnitude. If we go on with deficit financing, as a last resort, I do not know how that will work. Deficit financing is a very easy way of producing money. During the Railway Budget discussions, many Members said now that we are embarking on deficit financing, why not spend more? Similarly when we consider the Demands of the various Ministries, we will hear similar expressions in the House, and even some of the Ministers may naturally expect some more money. I would like to lay stress on one point. I only hope that this expenditure will be on productive purposes and not on unproductive purposes. I am sure the hon. Finance Minister will look into the matter and see that the expenditure is on productive purposes.

Then, I come to a very important point. The hon. Finance Minister has mentioned in his speech:

"The bulk of deficit financing this year and the coming year will be more than accounted for by the Central assistance given to the States for their development schemes."

This is a very important question. Here we are voting for deficit financing, and most of that money will be given in the form of assistance to the States. A total amount of Rs. 85 crores was given in 1952-53 to the States. A sum of Rs. 96 crores was budgeted for 1953-54, but the revised estimate is Rs. 118 crores. In the budget estimate for 1954-55 it is Rs. 184 crores. I know there is a certain amount of constitutional difficulty. States naturally do not like control by the Centre. But, after all, when a large proportion of the money voted by this House goes to the assistance of the States, is it not proper that a commission of this House should go into the States' expenditure to see that the money is spent properly and for the purpose it is intended?

**Shri S. S. More (Sholapur):** What about provincial autonomy?

**Shri Tulsidas:** I am not saying that Government should do it. I am only saying this Parliament which gives sanction for Rs. 250 crores of deficit financing ought to have some body—I am only just throwing out a suggestion—which ought to have a certain amount of control, or, let me say, supervision if control is not liked, on the expenditure of the States.

I do not like to criticise certain of the States' policies, but I would like to illustrate one point. Here is the question of our sugar industry. We are going to import to the extent of Rs. 25 crores worth of sugar this year. This is really wasteful expenditure. The State Governments put a cess on cane for improvement of the variety of cane. And what do we find? The production of sugar, instead of improving, has gone down during the last two years, and the position today is we have got to import 5 lakh tons. We do not require increased area for cultivation of sugarcane. We only want improved variety of cane and improved method of cultivation. If we have that, we will be able to stop this import. This cess which was

meant for the development of cane, is now appropriated on revenue account by the States. Therefore, I feel that this House ought to have some supervision over States' expenditure and some knowledge of what is being done in the States. As it was suggested in the case of State enterprises, I feel that we should have some sort of Parliamentary control over States' expenditure.

Of course, with regard to Parliamentary control over State enterprises, I know that Government is rather over-sensitive. They have not come to any decision in spite of Members being keen on having a committee. I find that most of the accounts of these State enterprises, which are now private limited companies, are not available. I have been able to get only one or two accounts. To give an instance again, in the Chittaranjan Locomotive Factory, the capital at charge is about Rs. 21 crores and the production is one hundred locomotives at a cost of about Rs. 5 crores. That is the production of this Factory. I do not know how far it is true, but I am told that only for about thirty or thirty-five locomotives that are produced here, the boilers are made in the Factory, while for the rest, the boilers are imported from outside the country. Thus, out of the total capital at charge, only Rs. 2 or 3 crores go towards production.

Similarly in the Abarnath Prototype Machine Tool Factory, we do not know what is happening. We have got an enormous capital at charge on this Factory, but nothing much seems to have been done in this regard. I hope I am wrong, but I would like to be enlightened in the matter.

At least in the case of those concerns which have been made into private limited companies, we should have some knowledge of what is happening in them, and they should be accountable to this House. I have been trying to get at the accounts of these private limited companies, but so far

[Shri Tulsidas]

I have not been successful, excepting in the case of two or three. I would therefore suggest that Government should agree at least now, to the appointment of a Parliamentary committee or commission, to go into these matters. There is no question of any party politics here. As the Parliament of India, sanctioning the money for the various projects, I think, we should all unanimously agree to the setting up of an organisation to scrutinise the expenditure on the State projects, and also the working of the private limited companies.

I hope the hon. Finance Minister will look into all these matters.

**Shri T. S. A. Chettiar** (Tiruppur): I am not accustomed either by training or by habit, to vainly congratulate those in power. But today I believe I am saying something more than a formality, when I say the hon. Finance Minister deserves congratulations for what he has submitted.

With the achievement of independence, there has been a surging enthusiasm on the part of our people in this great country, and new India is also taking shape before us. We see tremendous activity everywhere, and it has been our purpose to utilise that activity in proper channels. *Firka* development schemes, community projects, national extension schemes, etc. have helped in our work. Food production has increased, and fortunately nature has helped us with timely rains this year. Industries have reached their peak production. Prices have been stabilised. Deficit financing, over which we were so much afraid, has not done harm.

In addition, to develop industries in our country, industrial development corporations are in the making, and the International Bank has been consulted as to how best they can help in setting up those corporations. Only one word of warning, I would like to say, and that is this. Once we are accustomed to deficit financing, it is something

which may mislead us somewhere, but I hope the vigilant eyes of the hon. Finance Minister, and the Finance Ministry will see that they put the reins when and where it is necessary.

This Budget is pre-eminently a plan budget. This has been willed and planned so that it may effectively put into operation the Five Year Plan that we have got. The original Plan was for a sum of Rs. 2,069 crores, but the amount has been further increased by Rs. 175 crores, so that the total outlay on the Plan comes to Rs. 2,244 crores, out of which nearly one thousand crores of rupees have been spent during the last three years, and about Rs. 1,244 crores still remain to be spent. Our problem now is how to find that money.

If we look at the revenue side as well as the ways and means picture, we find that the revenue deficit is Rs. 26 crores, capital investment Rs. 395 crores, repayment of loans etc. Rs. 53 crores, all of which comes to a total of Rs. 474 crores. If we look at the details as to how this amount is sought to be met, we see the dangers, so far as our achievements are concerned. The way in which it is sought to be met is as follows:

- Loans in market—Rs. 75 crores.
- Foreign assistance—Rs. 48 crores.
- Small savings—Rs. 45 crores.
- Miscellaneous dues and remittances—Rs. 56 crores.
- Deficit financing—Rs. 250 crores.

When we study these figures, Sir, I find that they have got certain features over which we should be well warned. In the coming years, I doubt whether we can take credit for that foreign assistance which we have taken in this budget. With the trend of events in the world, with the way in which things are going on—I should not like to explain further—we do not know how the feelings of those portions of the world which are assisting us today will be in the coming

years, and I think we will be well advised not to rely on these Rs. 48 crores of foreign assistance in the coming years. In the same way, customs have been giving us a very good revenue. But this year's budget has shown that our income from customs has been dwindling and it is up to us to find out whether we will have alternative revenues to meet these two and other deficits.

There are also certain other features which we ought to take into consideration so that we may be forewarned, so that we can find out alternative methods; if we cannot find alternative methods, we should consider whether we should not go further in taxing our people in our own country.

Sir, I feel that one of the obstacles in the way of the putting into effect of this Plan is the weakness of our State Governments. I find that many of the States have not been able to gather enough money to put in their share of expenditure. If I may give an example—and I am giving Madras, my own State—I find that Rs. 92 crores was the amount to be spent under the Plan by Madras, out of which Irrigation and Power account for Rs. 50 crores, Agriculture and allied subjects take Rs. 18 crores, Social Services and Education Rs. 19 crores, and Miscellaneous Rs. 5 crores. I find that except for irrigation and power, the expenditure for which they propose to cover by loans, and for agriculture and allied subjects, which account for Rs. 18 crores and which they propose to make somehow, for the most important aspect of the Plan, namely, education and social services, they have been unable to find the money. There is a gap of nearly Rs. 2.5 crores and we ought to see how we are going to help the States to cover these large gaps of deficits that they are having. This Plan is a composite whole. It is not enough if the Centre merely finds the amount, its part of the share. It is also necessary that the Centre, with its large resources,

should help the States in finding that portion which is necessary for them to find. It is rather unfortunate that in the States' portion, lies one of the most important aspects of our social services, namely, education. To my mind, education is perhaps the most important thing in national regeneration, because if we are to develop efficiency, if we are to develop greater productive capacity, if we are to have greater intelligence and greater effort, the basic thing is to give the proper type of education. That unfortunately, has been put to the States' share. The responsibility that has been taken by the Centre in education is so very small that Rs. 8 crores has been allotted for the whole of India in this budget. Many States are not able to find the portions that come in for their responsibility so far as education is concerned. How are we going to put the Plan effectively into practice? I appreciate the priority being given to agriculture; I appreciate the priority being given to irrigation and power, because they are necessary. Food must be produced so that the large drain that we have been incurring by importing food may be avoided, so that we may be self-contained in such a vital matter as food. But more vital perhaps than this is education and yet education has been, almost wholly, put into the States' share. That is a weakness of the Plan, and unless we help the States to cover that part of the amount, to cover that part of the Plan, I think we will be failing to that extent.

So I would like to suggest that if the Plan is to succeed as a whole, not only is it necessary that the centre should see through these priorities given according to the Plan, but wherever possible, whenever possible and as much as possible, we should help the States to get through their plans with regard to education and other social services.

I would like to suggest some constructive ideas through which these obstacles may be overcome. They may



[Shri T. S. A. Chettiar]

have defects, but they are points which we may examine. These are a few points which I would suggest before I go further.

We have received the reports of the Public Accounts Committee and it has been pointed out many times that there has been wastage on many of the big projects. I think we should examine, whether the money is properly spent or whether it has been wasted through corruption or otherwise. It has been brought to our notice through the reports of the Public Accounts Committee that there have been a few cases in which wastage could have been avoided. When we are spending large sums of money and when we are getting that money with very great difficulty, it is our duty to see that in all these projects we have proper financial control. We must have some persons to go through these things and see that not even one pice more than is necessary is spent on these projects.

Sir, there were two bridges which were very similar—one in Northern India and the other in Southern India,—which had almost the same specifications, but for the one in Northern India we spent more than double of what we spent in Southern India. It also formed the subject of questions in this House. I see no reason why there should be so much difference between these two projects with the same specifications. It is up to us and for the Finance Ministry to go into these cases.

I have been suggesting one way of taxation, taxation through labour. I think most of the works that are being undertaken in the districts, in the States are amenities to villages: dispensaries, roads, schools and such other things. I am one of those who believe that in a country where the scope for taxation is so low as in this country, where the taxable wealth is so small, taxes by way of labour can yield an amount of work which, in

terms of money, would be a great deal. Thirdly, I think, we should make the people plan conscious so that these plans may be accelerated.

One matter which I think this House would like to hear is about the worsening of the conditions of Indians in Ceylon. Hon. Members are fully aware that a certain agreement was entered into between the Prime Ministers of India and Ceylon. We find that certain acts are being done in Ceylon so that this agreement is not given a proper trial. I would like to read a small passage.

“The Ceylonization policy of the Government as enunciated by the Labour Minister, Dr. M. C. M. Kaleel, last week is to be first implemented in Colombo and then gradually extended to other areas.”

“A spokesman of the Congress said that the Congress was inclined to interpret the Government's move as an indication of their intention to use employment as a lever to drive Stateless persons to embrace Indian nationality so that they could be eventually repatriated.

Under the last census figures in a population of nearly one million persons of Indian origin, over eight lakhs are Stateless. The former Prime Minister of Ceylon, Mr. Dudley Senanayake, had estimated in June last that about half the number of Stateless persons would become citizens in the course of a year under the Citizenship Act. Since then, however, the ratio between acceptance and rejection of applications is understood to have radically altered. In the last three or four months the number of applications rejected is understood to have risen very considerably so that Indian circles fear that at this rate not more than one and

a half lakh out of the total of eight lakhs would qualify for citizenship. This would mean that over six and a half lakhs of estate labour would be stateless in the present circumstances and they would be asked to register themselves as Indian nationals if they wished to continue in their jobs."

I should point out that our Government should take note of this and see that whatever happens, these unfortunate people are not disturbed from their employment, because a large number of them are born and bred up in that country.

**Shri Gadgil (Poona Central):** Nothing is perfect in this world and therefore, to predicate that this year's Budget will be a perfect one is wrong. I have been in this House for a long period and I do not remember even a single budget which has been approved without exception by every quarter of the country. Therefore, the Finance Minister must be ready always to receive a fair mixture of congratulations and criticism, sometimes well expressed and sometimes warmly expressed.

So far as I am concerned, I am inclined to congratulate him, but I have deferred that till I see the final shape in which the Finance Bill is passed.

**Dr. Lanka Sundaram (Visakhapatnam):** Thereby hangs your tale!

**Shri Gadgil:** That only shows that I am....

**Shri Velayudhan (Quilon cum Mavelikkara—Reserved—Sch. Castes):** Cautious?

**Shri Gadgil:**...no, but that I am very responsible and I do not want to criticise unnecessarily.

One thing is certain, namely, that this Budget provides enough money for the implementation of the Five Year Plan, and if for any reason the State Governments or the Central Government are not able to fulfil it,

the fault will certainly not be that of the Finance Minister. He has taken a risk, namely, of raising deficit finance. There is nothing wrong about it under controlled circumstances. As a very cautious man by nature, by temperament and by experience, he has taken every precaution to see that any moment he can withdraw it from the field of experiment without any serious damage to our economy. Therefore, I am entirely one with him in this respect.

There is only one little postscript that I want to add to this, namely, that it works as an indirect taxation on the whole community, and to that extent, the richer classes have escaped. That is my grievance. If he could have lessened the deficit amount by raising additional direct taxation, I would have been right glad, but this time he has a very good excuse, namely, the Taxation Enquiry Committee is sitting, and after its labours are completed and its report is submitted, I am sure he will take all those recommendations into consideration.

My own fear is that the Taxation Enquiry Commission will not recommend any radical change in the system of taxation. That is because the terms of reference, the composition and the social outlook of those who are concerned with it do not justify a belief of radical recommendations coming from them. Secondly, the role of any Taxation Enquiry Commission is to work within the framework of the economic policy propounded by the government of the day and in this case the Government of the day has not made up its mind whether the economy could move towards nationalisation or whether the field for private enterprise should remain what it is and intensive help should be given to it.

So far as what is stated in the Constitution is concerned, I think it is an obligation on the part of the Government, whether the present one or any

[Shri Gadgil]

other that may come in its place, to see that the system of taxation is in consonance with the realisation of the ideals as stated in the Constitution itself. I therefore say that the recommendations, as I visualise them, will not be radical. I mean no reflection on the Committee. In view of this, I am requesting Government to make its policy clear.

As far as I am concerned, I have come to the conclusion that so far as direct taxation is concerned, there should be no tax below a certain minimum and there should be no income beyond a certain maximum. The range between the minimum and the maximum may be adjusted from time to time, but if somebody asks me to give an indication of my mind, I am prepared to say that there should be no income tax on incomes below Rs. 5,000 and there should be no income above Rs. 30,000. We have to see that we bring about a society in which there will be no vast differences in economics, in wealth and in happiness, and that is possible only if we limit the two extremes of income—the maximum and the minimum. I am not asking Government to give the range here and now. I am asking them to agree in principle that beyond a certain maximum there will be no income, and at the same time, beyond a certain minimum there will be no direct tax.

I am happy that so far as the estate duty is concerned, it is already the law of the land, and those classes which are to be affected have not taken to it kindly. I am told that trusts and gifts are the order of the day. A lawyer who is also a M.P. told me the other day, "I must thank you and Deshmukh, because for the last four months I have been having a roaring practice. Not a day passes without somebody coming and consulting me". He said people came to him to consult how to escape the clutches of the Estate Duty Act.

**Shri S. S. More:** No thanks to the House?

**Shri Gadgil:** That is so far as direct taxation is concerned.

Now, I am not against indirect taxes. I honestly feel that this country belongs to the poor, and there must therefore be no section which is rich.

**Shri R. K. Chaudhuri (Gauhati):** Once poor, always poor!

4 P.M.

**Shri Gadgil:** If this country belongs to the poor, we must all help in the implementation of the Five Year Plan No. 1, No. 2, No. 3 and so on. If the responsibility for raising the standard of life is to be shared by everybody and everybody is to put his shoulder to the wheel, I welcome indirect taxes. But there must be equity between citizens and citizens and there must be equality of sacrifice. Am I asked to give finances for a Plan in which I find the emphasis shifting gradually from the public sector to the private sector? I do not want to dilate on this, because I have not got the strength enough today. All I say is that there are two tendencies clear. One is that every effort or every wooing is done to make the private industrialist do this or do that, because Government feels that they cannot meet the problem of unemployment unless they enlist the sympathy and co-operation of the private sector on their terms. All sorts of concessions are therefore being made. Prices of raw products are controlled in their favour and there is no control on the finished products, which can be sold whenever they can get the highest prices. So far as small industries and cottage industries are concerned, I regret to say that during the last two years, they have suffered more than what they have suffered during the last half a century. It is not necessary here to cut the thumb of an expert weaver: there are ways and ways of taxation.

**Shri S. S. More:** You can starve him now.

**Shri Gadgil:** But how many thumbs have you? To continue my argument, it is my tentative view,—and I do not say that I have come to any final conclusion,—that smaller industries are deliberately neglected and discouraged. Most of the industries which had come into existence and had prospered during war time, are finished. Imports are allowed, on the ground of quality, of biscuits and chocolates. Smaller laboratories evolved certain colours and to a certain extent, the Government policy was to help them. There was ban on the import of certain colours, and after going through the pioneering pangs of that industry last year and this year, they had some ray of hope of earning a little. Suddenly, the Government policy changes and those British and foreign firms, which were exporting those particular colours here, have come here and are thinking of a combine with private industrialists and Government is going to help them because Government wants bigger production, although the requirement of the particular colours is fully met by our own industry. It is time that Government looks a little more carefully. For example, take the tin plate industry. Only yesterday I received a pamphlet by one B. K. Ghosh. It contains this information. In 1947 the Government said, "No more licensing of companies that come into existence later on". Then, 1949, 1950 and 1953, dates were changed because a certain British firm wanted to expand its productions, the result is that the British firm is getting more quota than can be consumed here, whereas Indian companies are going to dogs. I can quote other examples, but the point I want to make out is this. When we are out for a planned economy, we do not engage a private industrialist, whether Indian or otherwise, to manage the economy in such a way that instead of solving the problem of unemployment, it will add to it. Foreign capital and foreign interests are more welcome here! I am told that in the Secretariat, if an Indian merchant goes there, he is

treated with contempt, and if a foreigner goes there, he is welcomed. I want to ask the Government as to how many functionaries of the Government have given recommendatory notes to foreign firms to engage their friends and relatives. This is a matter to be enquired into. One can easily see how things move on. After independence when we want to be self-sufficient in matters of strategic importance and in certain matters here and there, something else is actually happening. Nobody knows what is happening. I want the Government to tighten up the situation—not that they should have a public enquiry. I am not against A, B or anybody else, but I honestly feel that in the context of the present uncertainty in the world, we have not developed civilian industries which can be switched over to war production in a short time. This was an aspect which some of us placed before the Planning Commission, but it seems that no notice has been taken of it. Even now, it is not too late, although time is the essence of the situation. This is a point too delicate to be spoken frankly and freely on the floor of the House, but the hon. Finance Minister can just read my mind, and every Member of the House also can do it.

So far as actual proposals about indirect taxation are concerned, I know there is another occasion, when the Finance Bill comes, to raise this point, but now I just want to give an indication. Take the soap factories. There are small factories which are run by people here in the last two years, but Lever Bros. are being given permission to erect a plant capacity of which is more than what India needs, and if that plant is installed, all other soap factories will have to close down. This "India Limited" has been the bane of the country.

**Pandit Thakur Das Bhargava** (Gurgaon): It will limit India!

**Shri Gadgil:** I remember that in 1939—you were with us—when

[Shri Gadgil]

Gandhiji specially asked me to move a resolution, and it was a well-documented book that was given to me, we moved the resolution. But, then we left the Assembly because of war circumstances and the matter was not pursued. Today, I have no theoretical objection to foreign capital, but what is happening is that foreign capitalists, either by themselves or in conjunction with our own capitalists, are driving out the small industries and creating a situation in which it is highly necessary that we hold all the key positions but where we may be suddenly found to be funking. That is a situation we should avoid.

Take the case of betel nut. This is the only luxury left in Bombay for the poor man. Apart from the religious aspect of which my friend Shri Deshmukh is well aware, I just calculated that one piece will cost a quarter of an anna. It was stated in the Finance Minister's speech that the additional burden may be borne by the middlemen. I have yet to know of a middleman who has failed to transfer the burden of the tax and has borne it himself. His shoulders are proverbially slippery. I urge upon the Government that in the name of the common man, for whom all the planned economy and ten thousand officers are working, they should give him a little relief. If you can withdraw the whole of this tax, well and good. In the end I will be able to tell you that your general financial arrangements are not going to be prejudiced. You have budgeted for Rs. 238 crores of deficit. A little more does not matter. When the Taxation Enquiry Commission reports, add three annas a rupee to the income-tax. If you accept my proposal, which you should, then there is no difficulty of capital formation. Tax everyone of us because it is our country.

**Shri S. S. More:** Is it a personal talk going on between Mr. Gadgil and the Finance Minister?

**Mr. Deputy-Speaker:** The hon. Member will address the Chair, but may look at the Finance Minister.

**Shri Gadgil:** This Member unnecessarily wants to get up every time on some pretext or other.

**Mr. Deputy-Speaker:** All Members here are hon. Members.

**Shri Gadgil:** Regarding cloth, Government were getting Rs. 4 crores by way of import duty on foreign cotton. What is the reason for giving it up? Somebody said it is only Rs. 4 crores. Even if it is Rs. 1,00,000, let me have it. I want to know how much of this fine cotton for the manufacture of fine and superfine cloth used in the export of fine and superfine cloth. And what have you done? Rs. 4 crores are sought to be met not by adding excise duty on the fine and superfine cloth alone but on my own cloth—medium and coarse. Why? This is robbing Peter to pay Paul. The textile interests have a pull greater than any other industry with the Government of India. Last year for eight months they went on accumulating profits, and suddenly they raised a hue and cry and Government abolished this, that and the other duty. They have the Government entirely in the fold of their hands. I suggest that you waive the duty on medium and coarse cloth and raise that much on the fine and superfine variety—I do not mind.

Then there is the question of art silk. Here also the art silk cloth is in competition with the fine and superfine cloth. I am told that this duty is imposed more as a result of representations of certain mill owners who manufacture fine and superfine voile, because they want to reduce competition from the art silk industry. This is a small industry confined to Surat and one or two other places. One of the Gujerat Members told me that many in this industry have a loom or two. I understand that the Finance Minister is going to exempt cottage or

small industries. But a man may have one or two power looms. So, you must define what constitutes a cottage industry. Are you going to confine it merely to the mechanism of power, or mechanism of hand which works it? In the second place, this industry—I am speaking from literature supplied to me and cannot vouchsafe for its accuracy—has not been doing well for the last three years. They are already paying an import duty of 36 to 38 per cent. At Bhivandi, the cloth is sold at 7 annas 6 pies; another variety at 8 annas or 10 annas. On that you are charging I think one anna and six pies. Just consider what the percentage works out to. You are going to exempt cotton which is going to be used for the manufacture of fine and superfine cloth from import duty. But why this discrimination? If it is your policy to exempt raw materials for industrial purpose from import duty, then have a little equity in it. Do justice between competing industries. I entirely agree that the Finance Minister has every justification to raise by excise whatever he loses by way of import duty, because of the policy of protection. That is perfectly correct. But, as I said, there must be equity, and equality of sacrifice.

I have nothing to say about the expenditure side. I do not agree with my hon. friend Shri Tulsidas Kilachand that there must be this control and that control. It is a matter for the State Legislatures. The general control is certainly there. Let them not say that we have not been able to implement the Plan because of lack of finance. Give them more.

So far as deficit financing is concerned, it is a *Kamadhenu*, provided you use it with care. I am convinced that so far as these matters are in the trusted hands of my hon. friend Mr. Deshmukh we need not fear anything. All that I want him to do is to realise that this country is a country of the poor, it belongs to the poor and there must be no rival owner. It must

at least be our sacred duty to see that the disparity between the rich and the poor is not widened and closed gradually, but effectively.

**Shri V. G. Deshpande** (Guna): Mr. Deputy-Speaker, Sir, I rise to express my deep disappointment on this Budget. Some hon. Members have congratulated the Finance Minister. But I really congratulate the spokesman of the Congress who has just spoken for the way in which he has congratulated the Finance Minister. I am also going to congratulate the Finance Minister in that manner. My own complaint against this Budget is...

**Shri Gadgil**: Once in a way you have become a Congressman!

**Shri V. G. Deshpande**: In this way, when all Congressmen come forward, to expose cases of corruption, giving chits to their relatives, etc., I would also be a Congressman by all means!

My complaint against this Budget is mainly based on the taxation measures which are likely to affect the middle classes. My feeling is that the excise duty on soap, on cement, and last but not least on shoes, and other types of taxation, will do grave injustice to the middle classes. I disagree with Mr. Gadgil when he says that indirect taxes are better.

**An Hon. Member**: He did not say so.

**Shri V. G. Deshpande**: Then, I misunderstood him.

I may say that the burden of the indirect taxes necessarily falls upon the middle classes and the poorer classes. This Budget has been framed with a view to give advantage to the capitalist classes, and the middle classes would be the sufferers. My complaint is not only against small taxes here and there, but also against what is known as deficit financing. It is a great magic, which the great magician, our Finance Minister is, displaying in this country. When we have

[Shri V. G. Deshpande]

no money, Rs. 250 crores are going to be spent and we are watching with wonder this great experiment of deficit financing. My own fear is that this deficit financing may end in nothing. It may on the other hand result in inflation. Our country has been congratulated by many foreign countries for having checked inflation. But now our Finance Minister in his anxiety to give economic prices to different industries and the agriculturists is trying this experiment. I would not have complained even against this deficit financing of Rs. 250 crores. My main complaint is that this Budget is conceived in a spirit of complacency, without taking into consideration that this country is on the brink of a crisis. India has to take into consideration the great dangers facing here. We have to take note of the fact that America has decided to give military aid to Pakistan. In the face of this, the country is experimenting in prohibition, thinking of community projects and thinking in terms of the Colombo Plan. We still find that our Finance Minister expects Rs. 48 crores of foreign aid. This very fact shows that he thinks that the whole world politics will go on as it is going on. With the self-respect that we are at least showing, on the face of it my feeling is that a time may come when it will be impossible for us either to receive this Rs. 48 crores or for them to donate this Rs. 48 crores to us. In view of this, my complaint is that this Budget has not taken into consideration the danger that is confronting India.

Another thing which I want to mention, in passing, is that our Finance Minister has infinite and unending faith in the good intentions of Pakistan. We on this side have repeatedly said that we have no faith in Pakistan. Pakistan does not implement the agreements. Our Finance Minister in the first year put Rs. 9 crores to be realised from Pakistan. The next year he put this figure at Rs. 18 crores. I

still remember that last year our late Dr. Syama Prasad Mookerjee warned our Finance Minister that he was not going to realise this Rs. 18 crores. This year our Finance Minister comes and says that the deficit is only on account of Pakistan having failed to pay Rs. 18 crores. With his unending hope, he says that this year he is confident that by having talks with representatives of Pakistan he will have Rs. 9 crores. I do not know what Pakistan is going to send us. The hon. Member, Mr. Gadgil also has given some gentle hint. Responsible as he is, he believes in giving gentle hints! My complaint is that our Government has not taken any hint from the events that are developing in the world. India may be a great country; it may be claiming to be the champion of world peace but we do live in this 20th century and we have to be realistic. My complaint is that this Budget is inaccurate and unrealistic.

England is not a country which you can call a war-mongering country. Those who have followed the British Budget must have seen what huge defence programme they have prepared. They have taken American aid, I think, to the extent of 120 million sterling in the new defence programme. When Britain with all its preparation and defence policy thinks that its defence preparations have to be increased, our Government, with deficit financing to the extent of Rs. 250 crores, has increased its defence expenditure by only Rs. 6 crores. Even for building bungalows in Delhi they are going to spend more than four crores and for the defence of this vast country they are thinking of increasing their defence expenditure only by six crores. My feeling is that the defence expenditure is not to be spent for any material improvements in the defence preparations but on some purchases for the Air Force. They are going to spend this and our defence will remain where it was. I cannot blame the Finance Minister for the

position in which the country is placed; it is just a mirror of the country's administration and the Budget just reflects it.

Our main defect has been the mistaken foreign policy of the Government which has landed us into the present trouble. My feeling is that had the Prime Minister of this country not followed the mad game of what they call 'dynamic neutrality', we would not have found ourselves in the present situation. We have unnecessarily involved ourselves in Korea, and even after burning our fingers in Korean affairs our Prime Minister makes an appeal for cease-fire in Indo-China. The French Parliament is discussing the great offer given by Pandit Nehru. This way we are going on solving all problems but our own problems; and we have landed ourselves in the present trouble.

When we find that such a powerful country as America is giving military aid to Pakistan, the enemy is at our door and we are not still thinking in terms of war. If we talk of war, they say we are war-mongers. These are delicate matters and ought not to be spoken frankly, but my reason for stating this matter frankly is that our Government is still following the blind game of appeasement of Pakistan. Yesterday, we had read that at Amritsar 1,300 Muslims from Pakistan have come; a great reception was accorded to them and they are to be followed by others. 7,000 persons are going to come to Saharanpur. All of us know, our Prime Minister himself knows, that the relations between Pakistan and India are so strained but Muslims who had migrated from India in 1947 are to be allowed to come and colonize and they are to be brought back to their homes. I have nothing against these particular Muslims but we have to take realities into consideration. If you say that Russian influence is working on the Communists here, if our Congress Ministers bear eloquent testimony against the Communists

because Russian influence is on them, are these 7,000 Muslims not under the influence of Pakistan whose interests are positively inimical to this country? I want to ask this question. If you bring them and rehabilitate them in this country, will not the security and safety of the country be endangered? Our country is still not realising the dangers that are ahead.

You are taking so much pains to rehabilitate those people but what have you done for the refugees? I find that in this Budget only Rs. 4 crores are going to be spent on this score. Rs. 250 crores are to be secured by deficit financing but there is no arrangement for a proper defence plan nor is there any money for the refugees. I want to ask, on what is all this money being spent? This is the way our country is going. On this question I want to tell them that unless they make a revolutionary change in their defence policy and unless they give a call and mobilise the forces in the country for the defence of the nation, I feel that India has no future.

In the first place, I must say that our Government has to change its foreign policy fundamentally. We have seen the tragic results of our dynamic neutrality. Our Prime Minister said that if we say that it is bad for Pakistan to accept aid from America, why should it be good for us if we accept aid of America or any other country? I am not championing the cause of America. My feeling is this. We have been told that it will not be possible for us to receive or accept any aid from America. But you will have to accept it from somebody—from the same party or the other—whether you have to go to the same person, or both parties, for aid as Arjun and Duryodhan both went to Lord Krishna for accepting aid. Lord Krishna went to one party and his vast army went to the other party. I do not know whether you have to go to America in this manner or whether you should adopt the *sanatana* line—that is if America



[Shri V. G. Deshpande]

chooses to be our enemy, America's enemy Russia—the enemy's enemy—should be our friend. In politics there is nothing like friend and foe. Today one may be a friend, as we find that England first fought against the combination of Germany and Russia and then made friendship with Russia. Today we may take the aid of Russia and tomorrow if we have great love and affection for democracy, we may make common cause again with the democratic nations. We cannot take any risk in this country. My feeling is that India has to make a decision and unless you do, all your budgets will be unrealistic. We are depending upon foreign aid and are thinking—our Deputy Defence Minister or whatever his designation is, has said in the Council of States that we are now thinking—of having war industries and that we may begin manufacturing after four or five years. Perhaps war may be over by that time. Therefore, a decision has to be taken first and the sooner the decision is taken, the better.

I am not a believer either in communism or in so-called democracy. I feel that both these blocs are out to establish their empires. Therefore, I do not advocate anybody's cause. The country's cause, I advocate; I advocate the cause of India not on any abstract principle. Enlightened self-interest is my guiding principle so far as the foreign policy is concerned. After that we should decide to have the defence preparations of this country.

In this connection, I may make one or two suggestions which should be followed by our country. The first thing that we have to do in addition to taking aid, is concentrating all our energy on starting defence industries. We should not waste money on propaganda. I know that this Five Year Plan is being used for party propaganda, as our hon. friend Mr. Kilachand said. We have no control over the money. At least in the State which I represent. Madhya Bharat, they

have appointed local advisory committees in which non-Congress members are not given place. I have some glimpses of the way in which the money is spent and I feel that all these Rs. 250 crores or whatever money is raised by deficit financing, should be invested so that if the country is called upon to make even greater sacrifices it will be prepared. My complaint is not that the proportion of the defence expenditure is much larger but that no proper attention is being paid to defence.

Therefore, the first thing that our country will have to undertake is to start war industries in this country. Much more than the starting of war industries, in my opinion, is that a proper call has to be given. I do not want to embitter feelings, but Government have to understand what section will stand by the Government and what section they have to look to with suspicion. That is what a realistic and prudent government has to do. Beyond giving this suggestion I would not say anything more.

The second thing I want to say is this. Last time our Prime Minister ridiculed my idea of giving compulsory military training to our young men. He thought that would only make their bodies better. It is not so. Instead of making our spirit rise higher and higher and go to the sky, I would like that we should have able-bodied young men in our country and give them military training. In addition to giving military training I would say that they should be given some amount of training in guerilla warfare because we have to prepare the second line of defence in our country. We cannot have money like America or England. We cannot spend crores of rupees, nor can we afford to allow our country to become a slave. We must develop a war technique whereby with less expenditure we will be able to utilise our huge man-power and defend the country. So that is the

second thing that has to be taken into consideration by our Government.

The third thing that our country has to take into consideration is that this war may take place on the issue of Kashmir. And when this question of Kashmir comes we have to make up our minds once for all. We have to take away all this question of plebiscite from the U.N.O. Up to this time when talks of negotiations were going on between the two countries it was understandable that Pandit Nehru should have said "I stand by my commitment". But when Pakistan has openly said that the taking of American aid may help to solve the Kashmir problem,—that means that they want to solve the Kashmir problem by resort to arms,—then we must also accept the challenge and tell them that the people of Kashmir have expressed their desire to accede to India by means of a resolution in their Constituent Assembly, and now after they have expressed their desire we withdraw the question from the U.N. and go forward with the integration of Kashmir with India. The integration should be made full and complete. The present accession is still limited, and we should think of the ways and means whereby the integration of Kashmir with India may be complete

Unless these things are done my feeling is that we are not going to see a great future. The hope was expressed here that the Estate Duty was being imposed for the purpose of implementing the Five Year Plan. But the paltry sum which the Estate Duty has given shows that that hope is not being realised.

**Shri T. T. Krishnamachari:** People refuse to die!

**Shri V. G. Deshpande.** Up to now nothing has come and even in the next year they expect only a very paltry sum. All these taxes and deficit financing are not going to benefit the country, particularly in view of the

great danger that is confronting the country. And unless the budget is framed keeping constantly in mind that the country has to face certain dangers, when the whole aspect of Indian economy would be changed, I think the days ahead are not bright.

**Shri Velayudhan:** Sir, I am very happy to speak on the Budget and, as you know, Sir, this is not the first speech that I make on budgets in this Parliament. If I remember aright, this is the fourth budget speech I am making in this Parliament.

**Shri S. S. More:** Budget speech?

**Shri Velayudhan:** Yes.

**Shri S. S. More:** Are you in charge of the budget?

**Shri Velayudhan:** Speaking on the budget. I think my friend Mr. More will be always thinking of the treasury bench and to jump over it. But I must tell you frankly that I am not so anxious.

**Mr. Deputy-Speaker:** Jump over it or into it?

**Shri Velayudhan:** I must say jump on it, Sir. When I speak on this Budget I must express the feelings which I had about this Parliament as such. When I entered this Parliament it was my great satisfaction and hope that this Parliament would be the spokesman of democracy in the country and would reflect the will and desire of the people. But after these five years of experience in this Parliament I must humbly submit that I have a kind of suffocating feeling when I come into the Parliament. It must of course be said here clearly that by its self-imposed rules and regulations the Parliament has practically curtailed its rights of discussion and free speech. This Parliament stood high as the Central Legislature where you also, Sir, were a member for a long time. Now this is the first time in India that we have an independent Parliament, an independent democratic institution which we are working

[Shri Velayudhan]

This is the place where we will have to grow democracy and develop democratic institutions. But it is my disappointment and I feel that this Parliament is not giving vent to those ideas and is not developing democracy and democratic institutions. I do not know, I am in a confused mind when I think of the future of this country.

**Mr. Deputy-Speaker:** What does the hon. Member suggest?

**Shri Velayudhan:** I am suggesting just now, Sir.

**Shri S. S. More:** He is confessing that he has a confused mind.

**Shri Velayudhan:** Party government and party leadership are the tools of running a parliamentary form of democracy. The task of a majority party leader is very responsible in a country like India where democracy is passing through an infant stage. A party leader, when elected, is not the sole authority of the party. The practice that a party leader can choose anybody for his team, whether from the party or from outside, must be used only in exceptional cases and on emergent occasions. The majority in the majority party must have a psychological satisfaction in the choice of the team for the cabinet by its leader. In fact in India, in the States and at the Centre, the party leaders who formed the cabinets were satisfied with choosing the inferior cadre in the cabinets and leaving the best men of the party as back benchers. This practice is dangerous to the healthy growth of democracy.

Then regarding the administration I wish to express some of my feelings. The administration is the field where democracy has to develop as a machinery for the welfare of the people. But the Government of India failed to face the task of converting it in this direction. All the measures taken by the Government to change the climate of bureaucratic administration have failed. The Government, in spite

of the great injury done to democracy and democratic running of the government by the administration, still thinks of keeping the administration intact with the same personnel. It wants only to change the papers, ink, tables and chairs. The time has come for the Government to realise that both the Government and the administrative personnel it backs today will go with a good government and democracy. It is poor statesmanship for a ruling party to safeguard the interests of the administration against the interests of the state and also to the detriment of the ruling party itself.

Then, coming to the Budget, I must tell you that I have very carefully gone through the speech made by the Finance Minister. Of course, he has claimed that it is a developmental budget. Therefore, the only progressive aspect of the budget now presented by the Finance Minister is the amount he has allotted to the Five Year Plan. I do not know much about the progress made by the Five Year Plan and the various schemes under that. Of course, the long-term schemes are there and they have worked very well. But, I must tell you that it has not benefited the common man who wants immediate succour and relief. There is great unrest in the country as a whole, not only among the poor people, but also among the middle class and the upper middle class. It is because the Five Year Plan has completely failed to react to the people's psychology as a whole. Certain aspects of the Five Year Plan were talked about in my State during the recent elections there. There was a lot of propaganda literature published by the Government as well as the various parties themselves regarding the Five Year Plan. I read some of this literature and it was a surprise to me that all the schemes now worked on the Five Year Plan basis in my State were included in the plan that was initiated just after the war by a committee appointed in the

Travancore-Cochin State called the Post-War Reconstruction Committee. There was not a single item added to it in the working of the Five Year Plan. Therefore, the Five Year Plan now taken as a whole, is not a new thing, excepting perhaps the social services scheme which is now working through the community projects and also the various schemes sponsored by the Government.

I will have to speak a few words regarding my State which is now coming out with a critical situation. You all know that it is now being talked of not only in the Capital of India, but in the whole world, about the future of Travancore-Cochin State in relation to India as a whole. I am very happy to say that the Travancore-Cochin people have expressed their will in the last election. It is a great thing that the people worked in the most democratic way in the recent election that we had. I must say that I am very proud of the people of Travancore. I myself was born and brought up on the soil which has now created history for the first time in India. At the same time, it is not only my duty to say 'yes' to what has happened, but also to see what next should be done. I have my great fear about the future, not only of Travancore-Cochin State but of the whole of India considering the way in which India is going today. We are not only in a political crisis, but also in a psychological crisis. It was left to the responsibility of the Congress Government, who had inherited the administration from the British Government, to see that this crisis was eliminated to the satisfaction of the majority people of India. I must tell you that the Congress could not satisfy the aspirations of the people of this country even though they have remained in power for about six years. It is a matter to be laughed at or criticised. Great changes are taking place in the minds of the people about many of the Members who are now murmuring may not be aware of. I

must say that the future of India is dependent on my State. I am not saying indirectly that I am afraid of communism. I am not afraid of any other form of Government. I must say that I want a revolution, a peaceful revolution to take place in India. I am not afraid of a violent revolution, and if a violent revolution alone can change things in India, I am prepared to face it and sacrifice my life. Millions in India are illiterate. They are poor and are starving. If things are going to continue as they are today, I am sure they will end in a civil war. It is the responsibility of the Congress Government in power to see that this crisis is avoided and see that a perfect democratic set-up is established in all the States and at the Centre.

Sir, another thing that I want to say is about the Scheduled Caste Community, which I represent here. I am the only Member from the Travancore-Cochin State representing about twelve lakhs of people. Therefore, I must tell you that I have a responsibility towards that community which has remained backward for centuries. I am happy to say that for the last five or six years the Scheduled Caste people in India have developed political as well as social consciousness, so that they are now standing on their own legs not only in this Parliament, but in all the States and in the various fields of life in the country. But that is not enough. About seven crores of people are suffering in one way or other having some sort of social disability in the name of caste system. There is a kind of slavery which exists today between the Scheduled Castes and the upper class. There is no need of any patch-work or half-hearted measure. Unless and until we wipe away caste system completely, I do not think India can develop itself into a perfect democracy. Sometimes I have analysed the various political, economic and social problems coming up in this country and I have finally come to the conclusion that unless and until we wipe out caste system, there is no future for democracy in the country.

[Shri Velayudhan]

This is what Mahatma Gandhi said some years ago; he said not only once but on several occasions, that if India is to survive she will have to abolish caste. But, we have not yet gone to that extent. We have not yet taken courage to see that caste is wiped out from India.

With regard to the few measures that the Finance Minister has brought forth in the Budget relating to taxation, I have to say that most of the present taxes are hitting the common man to which class I belong. During the last election there was an interesting point that was raised among the various party leaders regarding certain measures that are now being taken up by the Government of India. Take for example, family planning. I could hear some of the speakers saying from platforms that the Congress Government will not even allow women to beget children. That was the type of propaganda that was being staged in the last election campaign because of the family planning scheme. It will have a very great effect on the minds of the people who are sentimental against family planning or birth control. Now the Finance Minister is adding insult to injury. Soap, chappal, betel are all things to benefit the poor man and the Finance Minister is going to tax all these goods. I do not think that even one per cent. of the people in India are using shoes or chappal. When we go to Western countries, any country outside India, we cannot see a single man or woman walking along the road without chappal or shoe. I do know whether the Finance Minister has measured the weight of the criticism that would be levelled against this measure in this House or outside. He has imposed a tax on chappals and shoes which are absolutely necessary not only for the health of the people, but also for the comfort and convenience of the people of this country.

He has also imposed a tax on art silk. Of course, India is a poor country and so cannot afford to put on real silk; the women and children wear only art silk. I do not know what the women will feel when a tax is levied on art silk. We can see plenty of art silk—not only in the Delhi shops but everywhere. I know that not only the people of South India, but also the people in North India, especially the Punjabi ladies are fond of wearing art silk. Mills in Ludhiana and other places produce art silk. It is a great hit on the comforts and convenience as well as the taste of the people when you are taxing art silk also.

The Finance Minister has gone still further and he has imposed a tax on betel nuts. Of course, there is a certain section of the people in my own constituency, who are mostly arecanut agriculturists. They have welcomed this measure. I also join them in welcoming this measure. But, at the same time, I must tell you that the taxation is a little high. It could have been 50 per cent. or something like that, less than what it is.

India is facing a great crisis not only in the economic sphere, but also in the political sphere. How are we going to face it? We must have an ideology. The other day, my hon. friend Shri H. N. Mukerjee was speaking on the Press (Objectionable Matter) Bill and he put certain things to the Government. He said because of lack of ideology all these difficulties have come. I also said the same thing. Any political party cannot stand the test of time unless it has a definite ideology.

**An Hon. Member:** Idiocy.

**Shri Velayudhan:** Yes; I agree; I join with you. I must tell you....

**Mr. Deputy-Speaker:** Whatever the hon. Member says, by way of retort, is cast on me.

**Sardar Hukam Singh** (Kapurthala-Bhatinda): He tells you all right; but he is addressing this side.

**Shri Velayudhan:** What is happening in this world today, adds to the tensions. There is no meaning in saying that we are going to have a 'third area' built in this world. When there is an international ideology, we too must have an international ideology to counteract. I stand for democracy in India not because it is a fad today, but because it will effect a peaceful social revolution in the country that was envisaged by our forefathers: I mean the Father of the Nation. I stand for that. I hope that real economic and national guidance will be given by him and by the Cabinet as a whole in the near future.

**Shri A. M. Thomas** (Ernakulam): I am glad to follow Shri Velayudhan who has heralded Travancore-Cochin into the discussion of the Budget.

The Budget that has been introduced by the hon. Finance Minister has been generally welcomed by the first three speakers though Shri Gadgil has welcomed it with a certain reservation. Shri V. G. Deshpande has referred to the Defence aspect of the Budget. I think it will bear repetition to say that out of the total expenditure of Rs. 467.9 crores, Rs. 205.62 crores will be on Defence services. I think this is a substantial amount that we can bear. The inherent stability or strength of a State lies in its economic stability and strength. I do not join with my friend in advocating a race for armaments for a country of the nature of India. I am ashamed to see an hon. Member of this House advocating arms aid from whichever State it may be forthcoming, whether from America or Russia. I do not know which section of the people of India the hon. Member represents, when he advocates that. The hon. Prime Minister's statement made a few days ago in this House has been welcomed by the people of India and it has elicited

admiration and respect from other countries of the world also.

We have given, I should say, general concurrence to the sentiments expressed in that statement. It is too much for an hon. Member of this House to advocate receipt of aid from any source irrespective of the countries from which the aid originates.

The reactions to this Budget have been of a varied nature. While a section has received it as a bold, development Budget, a diametrically opposite view has been expressed, namely, that it is a disappointing and distressing Budget. In between these two opposing views, there have been couched in abusive epithets also. I do not propose to classify them and examine the Budget analysing each aspect.

It has been said that the Budget does not contain many pleasant surprises. But, the charge that it is not heartening and does not instil enthusiasm is absolutely unjustified. We are not justified in expecting fresh thrills from the annual financial statement. We have taken in hand the implementation of the Five Year Plan as finally approved, with suitable modifications as circumstances compelled us to adopt. Each year's budget is therefore wedded to the Plan and the Plan is the touch-stone for the Budget. Examined in this context, it is a development budget in the full sense of the term. It is heartening in the sense that it reflects the Finance Minister's firm determination to achieve the targets laid down in the Plan within the period of the Plan itself whatever be the difficulties. The Plan, as has been stated in more than one journal or newspaper, is not to be allowed to fall into arrears. It may be that the expenditure in the first half period of the Plan has not been of the order as originally decided upon. Development expenditure is the keynote of the present Budget. I am very glad that the Finance Minister views with some concern the shortfall in the development expenditure in the first

[Shri A. M. Thomas]

half of the period of the Plan. It is somewhat smaller than the proportionate outlay, we can understand that. But the rate of progress has been rather disappointing. We have laid our full faith in the Plan. Everywhere, in important sectors there has been a shortfall. Some have been pointed out by the hon. Finance Minister himself. We had expected much from the community development projects. They have not given any appreciable results. It is a matter of regret that the provision for local works has not been exhausted. There have been lapses in the provision for basic and social education. Unless there is prompt utilisation of the Budget provisions and a bold policy followed in that respect, we need not be told of the logical results of that.

The Industrial housing scheme of the Central Government is a first class venture. But, has there been any expansion of industrial housing? I can very well understand a slow progress in the expansion of the scheme where the co-operation of the industrial employees comes in. What about that section wherein 50 per cent. is given by way of subsidy to and the other 50 per cent. is given by way of loans to the States? My information is that papers pass between the two Governments, namely the Central Government and the State Governments, and either sanction is not given or the grant is not made. In these matters, we have to take into account the local conditions and problems. The State Governments should be given a freer hand in drawing up the detailed specifications and putting them into effect. I am one with my hon. friend Shri Tulsidas when he says that the expenditure must be properly supervised. At the same time I would submit that for the sanctioning of any amount or for making any grant, a more liberal policy must be followed by the Centre and the main emphasis should be on the principle of not

standing as a hindrance to the utilisation of the resources. It is totally absurd that financial sanction should be withheld for months after administrative decisions are taken. In this connection, I would advocate a policy of decentralisation in the administrative set-up.

In the first Progress Report of the Planning Commission, on page 141 it has been said that "in addition to the work which the Bharat Sevak Samaj or other voluntary organisations and groups can undertake over a long period, it is of the highest importance that the village panchayats and other local self-governing bodies at different levels should become fully responsible in the matter of organising development programmes in their respective fields for seeking the maximum local co-operation and participation".

5 P.M.

We were assured that a substantial portion of the amount which is to be spent under the Five Year Plan will be spent through local panchayats. In my State, for example...

**Mr. Deputy-Speaker:** The hon. Member may stop at this stage. The House has to proceed to some other business. He may continue tomorrow.

#### COMMONWEALTH FINANCE MINISTERS' SYDNEY CONFERENCE

**Mr. Deputy-Speaker:** Now, the House will take up discussion of the Commonwealth Finance Ministers' Conference, held at Sydney.

Two hours are allotted for this, from 5 to 7 o'clock. I understand the hon. Finance Minister may take between 25 and 30 minutes. There are as many as eight hon. Members who want to participate in the discussion besides Dr. Lanka Sundaram who has given notice of the motion and Mr. Gurusadaswamy who has supported it. In all there are ten. I will allow 15 to 20 minutes to the hon. Member who is