

BUSINESS OF THE HOUSE

Shri Sadhan Gupta (Calcutta South-East): I find from the agenda that has been circulated today that the Insurance Employees pay-scale discussion is not included. A greater number of employees have come from different parts of the country to instruct us on this matter, because of this being taken up tomorrow or day after. May I know the position as to when it will come up? I feel that it should come very soon, otherwise the representatives will be put to some difficulty.

The Minister of Parliamentary Affairs (Shri Satya Narayan Sinha): Two hours more have been given to the Finance Bill and owing to certain changes, we are bringing it before the House next week.

Shri Sadhan Gupta: Some date should be fixed because of the many people who are involved in it.

Shri Satya Narayan Sinha: Hon. Members are fully aware that things have become unpredictable.

Shri Kamath (Hoshangabad): Government business is unpredictable? The Government does not know its own mind at all.

Mr. Speaker: It will be brought up next week. Only 2½ hours have been provided for them; it will be put in somewhere.

Shri Sadhan Gupta: May I suggest that the necessary time should be given to this item after the finance Bills instead of the amendment to the rules. The rules may come up later.

Mr. Speaker: Very well. So far as these matters are concerned, I am afraid, there is a tendency here to insist upon the Government to follow a priority. After all it is a Government business. We can only make suggestions, but to insist is not right. The hon. Minister said that it would not be ignored and that it will be brought up next week. Government must be allowed to choose its own priority, because it knows much better than we do.

Shri Kamath: Could we at least know the reasons for its being deleted from the Order Paper, when it was there for three days successively?

Mr. Speaker: I agree that no surprise ought to be sprung on the House. The hon. Minister need not come again and again before the House even for a small change in the agenda. At the same time, no work of the House ought to be impeded or obstructed by any change in the agenda and to that extent the House is entitled to take care of itself.

FINANCE (NO. 2) BILL AND
FINANCE (NO. 3) BILL

Mr. Speaker: Now, Shri Barman will continue his speech. Hon. Members are aware that the time allotted for these Bills is till 6 o'clock today and all the stages of the Bills have to be completed. I said yesterday that the clauses may take an hour. Do hon. Members feel that the clauses will take more time than that?

Several Hon. Members: No, Sir.

Mr. Speaker: The clauses will take only one hour. By five o'clock, the consideration will be over.

Shri Tulsidas (Mehsana West): At least 1½ hours may be given.

Mr. Speaker: It always takes much more time than we anticipate and when Shri Tulsidas says that, it is so.

Shri Tulsidas: I have given notice of some amendments.

Mr. Speaker: All right, we will allot 1½ hours for the clauses. Therefore, at 4-30 the general discussion will conclude including the reply of the hon. Minister. I shall ascertain from him how long he will take. Then I will call upon him at 4.00 if he wants to take only half an hour, otherwise at 3-45.

Now, Shri Barman was in possession of the House. He may continue his speech.

Shri Barman (North Bengal—Reserved—Sch. Castes): Mr. Speaker, Sir, yesterday I briefly dealt with some of the main provisions of the Bill like the clause regarding deposits, re-imposition of capital gains tax, increase in super-taxes under certain circumstances and so on. Today, because of paucity of time at the disposal of the House, I shall not further deal with those matters, but I shall simply content myself in dealing with a few observations that have fallen from some of the hon. Members here.

As I said yesterday, I am not entering into any controversy about the effect that this Bill will have upon the working of private enterprise. The hon. Minister, who was himself in charge of commerce and industries knows very well whether this Bill will hurt private enterprise or not, and if there be any difficulty in its working he will certainly see to that. We have full faith in him.

I shall simply mention briefly one or two points mentioned by some hon. Members during the course of their speeches. Shri Somani, while he recognised the necessity of more finance for the full implementation of the Plan, incidentally mentioned the difficulty about the textile industry because of the imposition of a higher excise duty on cloth during the last Budget Session. It is a very welcome information to us. At that time we thought that, perhaps, by the increase of excise duty the whole burden would fall upon the consumers. He gives us the valuable information that though the public coffer has stepped up by Rs. 35 crores—it is not a small sum—it is the industry that has borne the full impact of this additional tax. But what is the effect upon the industry? The Reserve Bank statistics show that the quantum of profits of the textile industry has been almost the lowest compared to various other industries and also compared to profits earned in various other industries in other countries. So the complaint is not that this industry, because of this tax, has been heavily put to loss; on the other hand, the case is that it is run at a profit but

that profit is the lowest compared to the profit in other industries. Such being the case, according to us we have made out a case for lowering the profits of other industries so that the consumers may be less taxed indirectly.

Every pie of profit that goes to these investors—I don't grudge them—is indirectly a tax upon the consumers. In a country like ours where 95 per cent. of the people are poor, the more the Government can lessen the burden upon the consumers, and at the same time keep the industry going, the better for this country. I do not like to criticise anybody, but many Members who have never seen what is poverty in our country, have no sympathy for the down-trodden masses at the lowest rung of the ladder. I suppose they have never gone to the outer parts of the country where, during lean parts of year, hundreds of families sit round in their inner courtyards with their children—tears in their eyes,—because they are starving for days together. They accuse nobody in this wide world except this own lot. That state of things cannot continue for any length of time in our country. It is up to the Government to be conscious of that and remedy this sort of abject poverty in the country as early as possible. They cannot be unmindful of such circumstances in the country. If they do it, they do it at their won peril.

Sir, I am not one with Shri T. S. A. Chettiar when he abused our bureaucrats while he dealt with the imprudence of nationalisation. He was saying about the textile industry. I am not saying that it should be nationalised here and now. So far as we view things, in order to meet the wants of this country they are certainly welcome to go on with their scheme. But, if as some Members on the opposite have said, that we are going to kill the goose that lays the golden egg, my reply is,—if that hen lays that golden egg only for the keeper and tries to

deny the legitimate due to those that feed it, it is better that there should be no private hen. It would be quite legitimate for this Government to start State poultry farms where the hen will lay the golden egg and the egg will be the national property. But, I am not one with him there when he says that if the textile industry be nationalised it will go to dogs because our bureaucrats do not know how to manage things.

On that I am not simply giving my own observation just as a counter observation. I am giving some information. I had been a member of the Estimates Committee for some years and I had occasion to see how our bureaucrats are managing our State industries. On one occasion I went to Sindri. It is a huge affair. There were some foreign technicians and the head of those technicians and engineers was an ex-service man who came to India to serve in the military department—M.E.S. He was at the helm of affairs. He told us that it was such a complicated machinery that foreign technicians will have to run it for at least three years more to guide Indian technicians and to educate them. We were very inquisitive. We asked our own people. They said: "Trust us with the responsibility and see whether we can run it or not". We trusted them and they are running it. There is no foreign technician now. It is a huge undertaking.

Then again, we are running the Chittaranjan with success. Some two years back I visited the D.D.T. Factory here near Delhi. There were so many experts. We asked our own engineers there whether they dared to run it themselves without any experts. They also asked us to trust them and see whether they could run it. I do not know what is the condition now, but that was their optimistic view. We have also nationalised the Imperial Bank and the insurance business. Has everything gone to dogs? Are not our people managing them? So what is the fun in saying that if the textile industry is nationalised our bureaucrats will not be able to run it? Our bureaucrats who are doing so many

responsible things, can't they administer this small thing? After all, those managers and other people who are running the mills will continue to run them. It is only the supervision and administration side that will have to be taken up by the State. So it is not a big bogey. But I do not say that it should be nationalised. I quite realise that our private industry also should be encouraged to take as much responsibility for the production in this country as it can, but if they give us the threat and "demand the pound of flesh", our reply would be that the State is competent to replace them. That is what I want to say.

This is a time when all of us, our big industrialists and capitalists, should look round. They cannot go on as they are doing now, and they cannot go on without at all looking at the poor conditions of our country. If they are so much startled at this simple tax, I do not know what they say when a huge sum has to be collected by this Government to run the Plan. What will they say then? Now, I do not say that the capitalists or the big industrialists alone will have to finance the Plan. We have already had the sacrifice of the masses. The masses have already sacrificed much and we must give them the credit for it. They will continue to help us in a direct or indirect way, when they find that the haves are also sacrificing in a proportionate measure. In that case only, this country can be made ready to face the situation and the burden that we are to shoulder will be lightened before we place the country in a better position. This Plan will have to be fulfilled and whatever is necessary for that purpose will have to be done. But only so long as we do justice proportionately to all sections of our people, will the country be ready to support the measures of the Government. I support this Bill.

Mr. Speaker: May I know how many hon. Members want to speak?

Several Hon. Members rose—

Mr. Speaker: There are about 12 hon. Members. If I allow 15 minutes for each Member, 12 X 15 would come to 180 minutes or, it comes exactly to three hours. It is now 1 o'clock. So, from 1 to 4 P.M. the discussion will continue. It is exactly three hours.

Dr. Krishnaswami (Kancheepuram): Some of us will need a little more time.

Shrimati Renu Chakravartty (Basirhat): As it is a 8½ hours debate, we, the Communist Party, should have two speakers to take part in the debate, but we have put up only one, because we see the pressure. So, I do expect that at least our party should have half an hour for one Member.

Dr. Krishnaswami: Then the time will have to be extended a bit.

Mr. Speaker: It cannot be extended. Any how, all the hon. Members may not take the full 15 minutes allowed for each. Let every hon. Member try to finish well within 15 minutes. Dr. Krishnaswami.

Dr. Krishnaswami: Mr. Speaker, the Finance Minister furnished us with a review of the economic situation while presenting the budget, which is most disquieting and disturbing. The economic situation is ominous and a duty is cast on all of us to ponder over the facts presented and ask ourselves whether the proposals made in the budget meet the needs of the situation. It has been stated by my honourable friend that this budget would not have been introduced but for the current economic crisis facing the country. What is the situation that is confronting us today? We have been losing foreign exchange from our reserves to the tune of Rs. 210 crores during the past eight months. We have been losing it at the rate of Rs. 25 crores a month. We have been losing foreign exchange at a little less than Rs. 1 crore per day. Obviously, we have been importing too much and our exports have declined in some measure. If this trend is not arrested and arrested immediately, then, by the end of the financial year, we will

have exhausted our reserves, we would have reached the rock-bottom of our resources. We are to put it brutally at the verge of bankruptcy.

But there is no evidence to show that on the home front there is a general excess of demand over the supply of goods available. No doubt, in a few sectors we witness pressure. The demand for food, cloth, oil-seeds and oils tends to outstrip the supplies available. There has been a buoyancy in the stock markets and the demand for funds has continued at a high level. Even during the slack season, the demand for credit due to inflow of imports has continued unabated. The index of prices of foodgrains is high but the explanation for this phenomenon is the fall in production of food crops. Our output has declined as compared with that of 1954-55. It is, let it be remembered three million tons less than what it was in 1954-55. As for textiles, the fall in exports is mainly attributable to growing competition from Eastern Europe, Russia and Japan in our traditional markets. Our competitive power abroad has been curtailed by the curbs that we have placed on the textile industry and the growing demand in the home market. As for oil-seeds and oils, our export earnings have diminished to the tune of Rs. 25 crores to Rs. 30 crores on account of increased demand at home and the anxiety of the Government to feed the home market at the expense of exports by not giving export quotas. However the dominant factor in the balance of payment crisis is the stupendous rise in imports, particularly of capital goods which are planned and are part and parcel of the Five Year Plan. I do not think that we could ever get away from this fact. But neither the decline in exports nor the increase in imports can be attributed to inflation at home. In other words, it is not the excessive demand at home but the high level of investment with a high import content that is responsible for the situation.

How are we going to tackle this situation? In the context of present circumstances, what is most urgently needed is action on the foreign exchange front rather than internal taxation measures, direct or indirect, particularly when such taxation is not anti-inflationary in consequence. All that Government have done now is to raise excise and import duties immediately but this cannot be a cure for the balance of payment crisis. These duties raise the prices of articles for the consumers.

Let me examine the capital gains tax. Whatever might be the social justification for the imposition of a capital gains tax, in the present context of circumstances, no one can be held to maintain that it can be a cure for the foreign exchange crisis or that it would diminish sharply the amount of deficit spending on which we rely. Let us remember that if the assessee is given an option to choose 1954 as the base year from which capital values can be calculated, we cannot expect anything like an appreciable increase in yield to flow into the exchequer even in 1957 unless we permit ourselves the luxury of a runaway inflation. This tax will not yield much in the coming year or two.

But there is one point which has to be borne in mind. The capital gains tax may be a preventive—a preventive against increasing inequalities which may accrue as a result of large investment expenditure. This apart, I would like to consider this tax from a different standpoint. I want to know what urgency warranted the introduction of this tax in an interim budget. This tax is most drastic in character. It goes much farther than what was envisaged by Mr. Kaldor. I would like my hon. friends to ponder over the logic behind Mr. Kaldor's proposals. Mr. Kaldor pointed out that the exemption of capital gains from income when the latter was taxed at 92 per cent. marginal rates was both iniquitous and discriminatory. It was discriminatory in

favour of holders of property because capital gains represent according to him income from property. It was iniquitous, because to obtain a given yield from a narrow tax base necessitated high taxation of those who derived income from work. The consequences of such taxation, according to Mr. Kaldor, were a fall in incentives, and wasteful expenditure which harmed society. Therefore, Mr. Kaldor suggested that individuals should be treated justly and in order that they may be treated justly and equitably, taking account of these economic incentives, he pointed out that the rates of taxation of incomes should not exceed 45 per cent. This would be possible if capital gains a species of income from property was not exempted from the definition of taxable income; the tax base would be wide, the rates of taxation lower and the yield obtained as great if not greater than at present when capital gains are excluded from taxable income. What have we done? We have chosen to repudiate the logic behind Mr. Kaldor's proposal and make the tax unnecessarily harsh and unequitable. But apart from considerations of logic, and equity I should like to ask this question. What compelling reason induced the Government to introduce this measure in an interim budget? We are at the fag-end of the life of this Parliament. In another two or three months this Parliament will have been dissolved. It is a very thin session that we are having. Most honourable Members are in their constituencies taking measures for their political survival and it is impossible therefore to expect such a measure—an important measure like this—be considered fully and adequately. It is not a correct procedure to have a measure for which there is no urgency rushed through a thin house.

13 hrs.

As for taxation, of dividends I suggest that the contribution of income from dividends to our national income in the present state of economic development is about 6 per

[Dr. Krishnaswami]

cent. The rise in tax on dividends may therefore to a very limited extent be considered anti-inflationary. But these increases might hit the firms which pursued a cautious policy in the past and ploughed back profits. Companies which embarked on risky undertakings will pay a higher rate of tax. Perhaps Government and the Finance Minister may consider whether it would not be better to allow companies to include in their paid up capital these reserves which have been expended on fixed assets. This might help to make the tax more equitable.

I now pass on to another controversial proposal in the Finance Bill, namely that of having a portion of the retained profits in the shape of deposits with the government. Now, the alleged advantage of having a portion of the retained profits in deposits so that Government may have greater control of reserves of the corporate sector is counterbalanced by many disadvantages. It has been suggested that this measure is important from the point of view of conserving foreign exchange. I do not agree. This measure does not help to improve our foreign exchange resources. It may be suggested that the Government can control the expansion programmes of the private sector of the rate at which capital goods can be imported. But this kind of control is already being exercised by the import wing of the Development Section of the Commerce and Industry Ministry and therefore one does not see any reason why there should be an additional check. It is only if the Commerce and Industries department of the Government of India is not exercising this control intelligently that there would be need for an additional check from the highly intelligent Finance Minister of the Government of India. Has there been a decline in efficiency of the Commerce and Industries Ministry in recent months? Besides, if the de-

posits are to be surrendered on request, as has been stated by the Finance Minister in his budget speech, the funds can at best be only a ways and means help for the Government. On the other hand, the idea that it can be surrendered on request entails greater administrative inconvenience than is usually realised. I suggest that the problems involved in scrutinising requests are quite considerable. On a conservative estimate, Mr. Speaker, there would be about 2,000 to 3,000 companies which would deposit these funds. The administrative machinery required for keeping track of investible funds and dealing with requests for their use would be stupendous. Apart from the size, decision-making will have to be concentrated in the hands of one or two persons at top level. You cannot ask an Under Secretary to take a decision about transferring lakhs or rupees to a businessman. It would have to be done by two or three people at the top level. This would involve delay and unnecessary hardship to many companies. If delays are considerable—if delays are anticipated to be considerable—one need not be surprised if companies are forced to pay the tax on development rebate and depreciation rather than deposit funds with the government. In such an eventuality, the whole basis of encouraging ploughed back profits will be nullified altogether. Mr. Speaker, in the consideration of foreign exchange problems we have not taken as much care as we should have done; the main problem is one of taking action on the foreign exchange front. However I cannot help expressing the view that all of us in Parliament have not focussed our attention on foreign earnings as much as we should have done. Owing to lack of thought, and owing to an unnatural attachment to the principle of nationalisation for nationalisation's sake, we have sometimes given up potential sources of earnings from abroad. We nationalised in haste life insurance, creating a

monolithic structure and have on our hands a vast discontented staff and a crippled business which cannot operate abroad. Generally no foreign territory will allow a nationalised undertaking of another country to operate in its territory. Various complications arise in international law and this is one of the many reasons why our life insurance corporation is not able to operate abroad. It was a different matter with the Imperial Bank. There was only one bank which we nationalised; nonetheless we carry on business abroad because it can do business under the old name and style. No fresh application for a licence for registration was necessary. I am, afraid that these difficulties were not taken into account. But let us at least from now on concentrate on earning as much as possible abroad and devising ways and means of earning such amounts. The present situation is most serious, and although it has been said that we would not in the least think of cutting down the Plan we have to consider whether, if the present situation or crisis persists, we should not revise the plan.

The hon. the Finance Minister towards the conclusion of his speech pointed out:

"We are only in the first year of the Plan, and although the tasks we have taken upon ourselves are large and difficult, I see no reason to be pessimistic of our capacity to implement the Plan. Nor is there anything in the international situation which, at this stage, suggests a revision of the Plan. I am convinced that they do wrong who express scepticism at a time when the country ought to be thinking of nothing else but going ahead with the greatest determination. The Plan is a challenge, and it is a challenge which must be met with all the resources and ingenuity at our command."

These are brave words! They betoken the courage and confidence of a very able man! I only hope and

pray that realities will not treat our Finance Minister unkindly. A Finance Minister treated unkindly can inflict a lot of misfortune on the people entrusted to his care. Desperate expedients may be resorted to but the people will suffer. Unless foreign aid is available in a very much larger measure than what we have obtained during the past two or three years the rate at which it is coming into the country is thought to be high by our friends who are critical of foreign aid—I believe that it would be impossible to solve the balance of payment crisis. It would be wise to focus all our minds, Mr. Speaker, on how to earn this exchange abroad, to focus our attention on the balance of payment crisis, instead of giving a fallacious impression to our people that the budgetary proposals and the measures that we have taken are likely to solve the present crisis in the least bit. They will not improve the situation even by a hairsbreadth. They do not in the least solve the present crisis and the crisis remains as it was.

Shri Bansal (Jhajjar-Rewari): Mr. Speaker, the Finance Minister, while introducing these two Finance Bills, stated that he was doing so because of the crisis facing us. Shri Asoka Mehta went even further and said that the emergency was so great that the Finance Minister should have given a clearer call to the country to muster all its resources to face it. I am one of those who believe that some emergency has been existing in our country ever since we became independent. What do we mean by emergency? If in a particular year, in a particular area, there is no rainfall and the crops suffer, there is an emergency for the people there. But it does not mean that there is an emergency of such a nature that the cry of "Wolf! Wolf!" should be raised, because if we over-emphasise the emergency, I am afraid we may not be able to tackle the situation as we ought to do.

Let us examine what new situation has developed in the country after we

[Shri Bansal]

accepted the Second Plan on the floor of this House early this year. Even when the Plan was being framed, there were people who were pointing out that some of the estimates in the Plan were not realistic. About six months before the Plan was framed, I said that the estimates in respect of the Steel Plants were not realistic. Even when we were discussing the Plan in the various committees appointed by you, it was pointed out time and again that a situation was developing in the country which we would have to take note of. It was pointed out that the steel imports were beyond all calculations envisaged in the Plan, that the targets assigned for the cement industry were not realistic and that the targets for food production were under-estimated. It was also pointed out that the price situation must be taken care of. I do not think that anything extraordinary has happened than what was clear to us even when the Plan was being framed. What I am driving at is that this type of crisis, of which much is being made today, is a continuous process. In our country, poverty is the greatest crisis and we have determined ourselves to put an end to it. Therefore, we have to face it, not because an emergency arises today or tomorrow, but because these are the emergent problems which we have been pledged to solve in the Second Plan period.

In my opinion, one of the obstacles which stands in the way is the price situation. Let us analyse what is happening to prices. In recent years, our prices were at the lowest ebb in the year 1955, i.e. last year. But, after December, there has been a rise. It is not as if the rise has started yesterday or a few months ago. They have been rising continuously ever since May last. It was stated at that time that depression in prices represented a sort of slump in our country and prices were not economic to the agriculturists. It was correct. But, when they began to rise, they went on soaring to 376, 397, 409 and so on. I have

been impressing on the then Finance Minister and the present Finance Minister that we must take certain action to stop this rising trend and that Government must formulate a policy so that the prices are pegged at a fairly stable level. I know we cannot hold the price-line at a fixed point; but, certainly the Government could have a policy of pegging the prices at a fairly stable level. I was told that perhaps 400 would be the proper level in the conditions existing in our country. But today the price level is 433 and odd. One thing that comes out very clearly from this is that most of this is due to a stupendous increase in the index of our food article prices, which have gone up from 276 in May last year to 418, while the index of manufactured articles has gone up only by about 14 points in a year and a half. Actually, the index of manufactured articles is somewhat lower today than it was in August or September this year. So, when we talk of price level, we have to see as to where actually the prices are increasing and where action has got to be taken.

I was very glad to read the statement of the Finance Minister and the Prime Minister in the last meeting of the National Development Council, that if we solve the food problem, the Plan will perhaps, take care of itself. I fully agree with that view and I think it is necessary that every step should be taken to see that food production increases. If the present prospects of the crops are any guide and if we do not have any untoward happening, I am sure the food situation will be much better when the next crop comes. I, therefore, do not want to take a pessimistic view, but I would suggest very humbly to the hon. Finance Minister that every step should be taken to increase the food production and allied agricultural production. If we do that, we will have solved a major hurdle which is coming in the way of the implementation of our Plan.

The second problem is that of foreign exchange resources. I must say that we were acting rather complacently during the last three or four years. It is a fact that in some years we were not able to utilise our normal sterling releases and in order to utilise them the import policy was liberalised. Even at that time, I pointed out at the meeting of the Import Advisory Council and other forums that we should not take a complacent view of our foreign exchange resources, because in the next Five Year Plan, we were bound to need them and therefore, steps should be taken not to fritter them away. There also, it is not a new type of emergency. It is an emergency which has arisen because we have imported a large amount of capital goods and also of steel. My friend, while speaking from that side, hinted that perhaps we have imported much of consumer goods. I can say that that is not a correct statement. We have not frittered away, particularly in this year, very large funds on importing unnecessary consumer items. Most of our expenditure has been on capital goods or steel and some on cement. But, that was inevitable, and, in a way I am glad that we have imported machinery, capital goods and steel at a time when we needed them, when the international crisis was threatening to cut off our sources of supply. Perhaps, we have some stock piling—although it has not been built up from the point of view of stock piling—but I am sure it will help us to tide over the difficulties which we might face as a result of the blockade of the Suez Canal.

I do not think that we have pursued the promotional activities to develop our export trade with the vigour we ought to have. About seven months back, at the time of the last meeting of Export Advisory Council, it was suggested that we must have an Export Investigation Committee which will report to the Government as to what are the items in which we

can develop our exports, which are the countries where we can develop and the manner in which we can earn larger foreign exchange. Although we hear now and then that some person was approached to be the Chairman of the Committee or some individuals have been approached, the constitution of that Committee has not yet been announced. If there is an emergency, it is measures of this type that should be adopted urgently.

On the import side also, although I have said that we have not frittered away foreign exchange unnecessarily on importing consumer goods, I believe that there is scope for reducing our imports of certain items. The Finance Minister has increased the import duties on certain items. He has also placed excise duties on items like motor cars with a view to inhibiting the import of some of the items. I think that that is not enough. I think the Government should apply their minds to see that we reduce the import content of at least some of the items. I am one of those who believe that this can be done. Given proper care, I think we can reduce imports by Rs. 30 or 40 crores per year. It is not difficult to prepare a list of such items. I do not agree with those people who dub this solution as a very easy or a facile solution. I think it can be done if our exchange position requires it.

During the course of the Short Notice question, it has been stated that there has been a depletion of the Sterling area's gold and dollar reserves to the extent of 300 million dollars. We are also drawing on the sterling reserves rather heavily so that ultimately Rs. 150 crores remain there for us to reach our minimum level of holdings. I would like to know from the Finance Minister as to whether this depletion of the gold and dollar reserves of the Sterling area is not going to affect the value of our sterling assets. It may be that the Sterling may be devalued. I am not making any forecast. I am saying this only on the basis of this depletion of the reserves. If the reserves go on

[Shri Bansal]

depleting, it is quite likely that something will have to be done about the Sterling. If that happens, what would be the position of our holdings with the U.K. Government? I would like to know if the Finance Minister has approached the U.K. Government with a view to getting any assurances on that point. I would like also to know if the Finance Minister is making efforts to see that we diversify our holdings of foreign exchange. Today we are holding almost our entire foreign exchange assets in one country. Could we not hold them in the U.S.A. and in other countries, the currency of which is more sound than that of the U.K. at the moment. It may be that the Sterling has been a sound currency. If there is some danger of its coming to grief, I think it is time that the Finance Minister did something in order to obtain the necessary assurances so that our hard earned foreign assets are not depleted.

As far as foreign resources and foreign capital are concerned, the Finance Minister is perhaps rightly thinking that we can obtain them in substantial degrees from some of the foreign countries. In the brilliant speech he made at the latest session of the Associated Chamber of Commerce, he held out certain assurances with which I agree. If you are going to import foreign capital, we have to reassure the persons who are going to export their capital to this country. But, I want to tell him even at the point of being misunderstood that Clive Street does not represent the new foreign capital that he is pinning his faith on. I think Clive Street represents a sort of fossilised, crusted, vested interest in this country. If he is going to place his faith on Clive Street, I am sure he is going to be disappointed. The type of foreign capital that is likely to come will come from concerns in foreign countries with which bilateral negotiations will have to be conducted. I know this is the policy of the Government. But, more than that, foreign capital

will come to this country seeing what our Government does to the capital of this country. It is from that point of view that the House should judge the financial proposals that we have before us. From that point of view, I believe that the provision in the Bill for depositing reserves is going to have a disheartening effect both on indigenous as well as foreign capital. It is all right for the Finance Minister to say that in the new context of things, we cannot lay much hope of individual savings, but we will have to depend more and more on corporate savings. It may be true to a point. But, even corporate saving depends on individual saving. I think that the Finance Minister should examine very carefully the types of new incentives that he may have to give, special types of incentive with a view that capital comes to be invested in industries which are desired most. I think it is high time that a system of new incentives is worked out.

13.28 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

I cannot in the one or two minutes at my disposal elaborate that point. But, the fact remains that if capital is to come for new enterprises, although it may come from corporate savings, in the ultimate analysis, it will have to come because the individual wants to invest. If the individual wants to invest, he will have to have some incentives. I think the Finance Minister should examine this proposition very carefully if he is not to get disappointed in the implementation of the Plan in the private sector.

As my time is up, I will only refer to that clause in the Bill which provides that 25 per cent. of the accumulated reserves and 75 per cent. of the current reserves will have to be deposited with the Government. I do not want to elaborate on that point because the Finance Minister knows

my point of view as I had elaborated it at the Party meeting. What I would like to say at this moment is that this attitude of taking power to levy taxation upto a certain ceiling is not a very salutary one. I know that the present Finance Minister himself was vehemently against the delegation of authority. I remember some debate when I was not in this House and when he took up the cudgels against this kind of delegation of authority. After all, what are we doing here? We are being asked to accept the principle that Government may ask the companies to deposit up to 75 per cent. of their current reserves with Government, but in the Bill power is being taken to deposit only 50 per cent. That means that whenever the Finance Minister likes he will ask the companies, without reference to this House, to deposit 75 per cent. Similarly with regard to the 25 per cent., I understand the power is not going to be exercised immediately, but whenever he likes he will issue a fiat on the companies and ask them to deposit 25 per cent. of their accumulated reserves.

The same thing is being done with regard to some of the taxes. The same thing was done in regard to the excise duties on cloth. I think that it is the abrogation of the right of this House that proposals of this type should be sanctioned. I think there should be no difficulty for the Finance Minister to come before the House whenever he wants to change the percentage or the rates of the tax, point out his case and take its sanction. What are we doing here? It comes to this that the Finance Minister is asking the House to accept a particular principle. Supposing this year the Finance Minister came forward with a Bill that the Government will have the power to levy income-tax at whatever rate the Finance Minister may choose, certainly the House will refuse to grant that kind of power to him, but it is a similar kind of thing that is sought to be done here under these provi-

sions. I am sure the Finance Minister will himself see the reasonableness of what I am saying.

My friend Shri Somani has referred very ably to the difficulties that will be there in the operating of this clause. I will appeal to the Finance Minister that while framing the rule he should make them in such a way that the companies which are utilising these reserve funds for their day to day working for the day-to-day renovation of the companies, who have borrowed from banks or financial corporations set up by the Government itself at high rates of interest, should have no difficulty. I think the Finance Minister knows much more than I do about the working of companies, and I am sure that when he makes the rules he will take all these difficulties into consideration so that there may be no unnecessary red tape or unnecessary hold up.

Industry is really afraid that if these sums are deposited with Government, it will take months and years to get them back from Government. I know from personal experience that when the E. P. T. amounts used to be deposited with Government, the condition for refunding the amount was that the person concerned had to inform Government that he had placed an order for the machinery which will cost so much amount, and therefore the amount should be refunded. Even then I know it took years to get the amount refunded. A much more difficult situation will arise in the operation of this particular clause, and I am therefore requesting the hon. Minister to see to it that these difficulties do not arise.

I will refer lastly to this question of prices to which I made a reference in the beginning. The levy of excise duties on textiles has had the effect of perhaps keeping the prices in check, but what has been the cost? The cost has been inhibition of the demand. In a poor country where it

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is one of the purposes of the Plan to increase the standard of living of the people, you take measures by which that very objective cannot be fulfilled. That is, you do not allow them to obtain an additional yard of cloth. I do not think you can claim that what you have done has been crowned with success. Therefore, the solution to our problem is not inhibiting demand by creating conditions where the purchasers cannot buy the goods, but the solution is to increase production. I can claim that there are lines in which production can be increased, particularly lines such as textile manufactures. On the one hand we get worried because prices are soaring. On the other hand we do not allow production to be increased, and thereby hurt the same man for whom the Plan is supposed to be framed. Therefore, I would urge that the Government should see to it that wherever production can be increased, particularly in lines which are badly needed by the common people, nothing should be done to hinder production.

Shrimati Renu Chakravartty: The financial proposals by the Finance Minister have raised a furore and we have heard for the last two days the opinion generally of the big financiers and capitalists and also its echo from many Members, especially Congress Members. We welcome the direct taxation measures proposed for the simple reason that we have felt for a very long time that the time had come for the Government to give up its policy of making the poor people pay for the development of the country on the plea that this is a country of poor people and therefore the poor must bear the brunt of it, because it is clear, and it has been stated also in the Planning Commission's Report, that in a period of such large outlays it is natural that the rich become richer. That is self-evident.

Another point which I think has escaped notice is that during the First

Five Year Plan itself it has been stated clearly in the review that the private sector often went in for such industries which gave them quick returns. Therefore it has become very necessary to channelise the priorities of developmental works. And that is why the depositing of reserves is very necessary not only from the point of view of revenue or from the point of view of having finance under the control of Government, but also for channelisation of the priorities for development.

You may remember that in 1954 during the discussion of the Budget of the Finance Ministry it was Shri K. K. Basu who for the first time raised this question of the necessity of having these reserves deposited. I also remember that during the Budget of 1955 I myself had again suggested it. I am glad that the Finance Minister has taken this up even though late, and although it has created a furore in the business circles, I think it is necessary that planning must be able not only to have control of finance to a certain extent, not only to be able to use it, but also be able to give even the private sector certain priorities along which they will have to build up the Plan. That is why as far as the depositing of reserves is concerned, on which I will say more a little later, I welcome it.

Up till now taxation has been generally on the poor, although during the last Finance Bill there were certain taxes on dividends, bonus shares etc. But even the last taxation has been on cloth, and in the countryside if we compare the taxation that has come on the poor man from 1939 till today, I think it is something like 200 per cent. more than what it was earlier. We hear about betterment levies, we hear about excise duties on so many necessary things. All this has mounted up and has been a great burden on the common man. Therefore, it is necessary that, as Prof. Kaldor has

said, while inevitably a certain amount of indirect taxation has to be upon the masses of the people, it has to be complemented by an efficient system of progressive taxation on the minority or the well-to-do who, he has very rightly pointed out, only number about one per cent. of the population. Without that the rise in the expenditure of the Plan will inevitably increase the wealth of the richer classes disproportionately, and the distribution of the burden imposed on the community at large will be contrary to the sense of justice and equity of a democratic society. Therefore, I feel that both of these proposals for direct taxation are welcome. Now, the argument has been that the yield from direct taxation is not much and, therefore, it is no use really going in for this kind of taxation. The Finance Minister himself has made the statement that if all people pay the taxes which they are supposed to pay, then he would be able to increase the size of the Plan. But, as far as the general run of the people in the country is concerned, they have felt that this eternal argument that direct taxation is going to yield only a very small amount is not due so much to the fact that the taxable income is not there as to the fact that there is evasion. And we are glad that what the general run of the people has felt has now had a certain amount of expert backing in what Professor Kaldor has said in his proposals regarding direct taxation, he has said that Rs. 100 crores can be obtained over a period if we are going in for direct taxation.

Now, capital gains tax is only one of the proposals that he had made. He has an integrated system of gift tax, expenditure tax and various other taxes, and I hope that Government will see that this integrated system of taxation is also brought to bear in order to raise the resources for our Plan.

I shall take up first the capital gains tax. The Taxation Enquiry

Commission had stated that although at a certain time this might be an eminent and suitable method of taxation, yet at that time they had thought that that was not suitable, and the time had not come. But I think it is necessary to remember that that was a time of falling prices. Today, it is not a time of falling prices; the prices are shooting up; and further, the profits are also fairly high, and in the share market, the shares are quoted fairly high. So, from all these points of view, I would say that it is in keeping with the times that we should have a capital gains tax.

Actually, people have said that very little of this tax actually is anti-inflationary in character. I feel that it is necessary to realise the implications of its anti-inflationary character. It is argued in certain quarters that this tax had hardly any anti-inflationary effect, since the consumption expenditure of those on whom the incidence of this tax falls does not go up relative to the increase in total income. Such an argument overlooks the fact that the consumption expenditure of the particular strata might not go up in relation to the increased income, but such capital gains do certainly enable them to speculate in commodities in the market, thereby raising the prices still higher and making consumption costlier for others.

As a matter of fact, only yesterday, Shri Asoka Mehta had pointed out that certain speculations had taken place even prior to the Minister's statement in the House regarding the new financial proposals. As a matter of fact, I tried to find out what the position was, but I have not been able to find out very much; but this much is sure that there was a large play of money in Indian Iron shares. From Rs. 12 lakhs worth of shares, they have made a profit of something like Rs. 50 lakhs. It is necessary to find out from what source they had obtained the information, and whether there had been leakage. But this

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much remains definite that as far as speculation goes, there is a great amount of money which is playing, and which should be mopped up.

Regarding the exemptions that have been given in this Bill, if we compare them with what obtained at the time of the old capital gains tax, certainly we find that there are certain improvements. For instance, the ceiling of exemption has been reduced, and now, it has been put at Rs. 15,000. We know that Professor Kaldor did say that in a poor country like India, the rate should be lower than what is now coming into existence. But I believe that the reason for it is possibly this, namely that neither have we got an integrated system of direct taxation nor have we been able to plug the loopholes that are there in evasion. So, if there is a difference between the rate of taxation on capital gains and that on income by way of income-tax, there will again be a huge area from which people who are most ingenious in evading will be able to get away by not paying taxes.

I do feel that in a poor country like ours, we should keep to the slab rate, and, therefore, the computation that has been made on the slab rate of income-tax under the existing circumstances is a good thing.

Here, I would like to ask why, again, we have stuck to Mr. Liqat Ali Khan's exemptions of wills, bequests and gifts. For, what has been our experience, as far as the estate duty is concerned? Our experience has been—although it has never been admitted on the floor of the House, and we have been replied to in a very jovial manner that enough people have not died and, therefore, there has been no question of having a larger return by way of estate duty, yet everybody knows—that a large number of people who are able to pay and who should be able to pay this tax evade this tax and will be evading it on account of the existence of this clause relating to

exemptions for gifting away. Therefore, we feel that these exemptions for wills, bequests and gifts will be another source through which the tax-payer will now escape.

I now come to coparcenary property partitions. It is quite true that there is the small man, and the middle-class man whom we want to exempt. We do not want that there should be no exemption to them, because they are the people who have always been hit hard; even in regard to income-tax it is the professional classes, and the middle-classes that have had to pay very conscientiously, and have, therefore, been hit very hard, while those who are best able to bear, that is, the big capitalists, have been able to get away with it, because they have their ingenuity, they have their money and they have their social influence by which they do so.

In regard to coparcenary property, there is one point that I should like to mention. In the last few years, in Calcutta, we have been noticing that in the *Bara Bazar*, as we call it, which is guided by the *Mitakshara* system—the people there are not Bengalis; we Bengalis are guided by the *Dayabhaga* system—the people have gone in for partitions, because they have seen that even according to the income-tax slab rate, the rate for coparcenary property jointly taken is a much higher slab-rate than if they had partition. As a matter of fact, I could quote the case of Mr. Birla, for instance. He had a very big property there; he had one very big house there, which he has now donated to the nation. But if we see in Woodlands, in Alipor, and various other parts in Calcutta his sons, his daughters-in-law, his daughters—in fact, everybody has a house of his own—it may be not a house, but even more than one house. They have divided up the large property, a very fine piece of property, so that they can escape certain financial taxation slabs.

So, I feel that even for these exemptions, some sort of slab-rate

should be introduced, or some such thing should be done so that this method which is being adopted before our very eyes may be put an end to.

Now, regarding the restriction on losses to be set off against capital gains tax, in the earlier capital gains tax it was limited to six years. Now, it is going to be allowed indefinitely. Now, this House itself knows the way that the Bharat Insurance Company's transactions had taken place, how *mala fide* losses had been made to cover up actual gains, and so on. These are certain very blatant cases which are there before us, and which raise doubts in our minds whether our machinery will be able to stop these loopholes that are already there, and will be able to gain the maximum amount which we want for the treasury through this direct taxation.

Now, I would like to point out one weakness in the Finance Minister's speech, and that is, that nowhere has he stated that he is going to tighten up the whole machinery for the purpose of collecting these taxes. The revenue-collecting machinery that has been defective in the past has got to be tightened up. We have to find out ways and means of how we are going to do it. I have read through the Finance Minister's speech, but, unfortunately, I have not been able to be assured on that point. If such tightening were not to be there, then, I am sure, again, after a few years, he shall have to come forward before this House and say that the capital gains tax has not yielded what we had thought it would yield, and we shall be having the same reply as we had in respect of estate duty, namely that it was only a very nominal amount that could be collected.

Of course, I realise the difficulties. The difficulties are there, because we have to contend against a very ingenious set of people. There are various fictitious transactions that take place, which I need not enumerate here, because everybody knows about them. I know it is very difficult

to find out the difference between speculative income and genuine investment. These are very difficult to define under the present Act.

I feel that there is a necessity to reform the Stock Exchange Act. There are large amounts of money which have been used for speculation. All these things have to be gone into.

Regarding deposition of reserves, I would like to say, as I said earlier, that this is very important not only as a method of getting some money in the hands of the Government but also as a very important strategy in order to be able to channelise the reserves in the way that the country and the nation want. If we review what has been stated in the First Five Year Plan, we will be able to clearly understand why it has been necessary, because the Plan also envisages a certain priority and a certain type of development even for the private sector.

Now, deposition has not been made compulsory. The Finance Minister has proposed that in the event of failure to deposit the reserves, depreciation allowance and development rebate would be charged to tax. We do not know yet whether this pressure would prove sufficiently deterrent to non-compliance. In view of the fact that large deductions are now made in income-tax in respect of these items, it can perhaps be hoped that this pressure, wedded to the inducement to deposit in the form of fixed rate of interest, would achieve the desired purpose. But even here we will have to wait and see how far this voluntary deposition will be successful.

But I do feel also that it is necessary to sound a note of warning. The governmental machinery up till now has been full of red-tapism. The Finance Minister has given the assurance that he will have a mechanism which will expedite matters. We want to see that these depositions of reserves are utilised to the best effect and that they are not

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lying idle somewhere, when they are badly needed elsewhere, either in the private sector or in the public sector and that it is almost next to impossible to get that money in time, in order to build up the industry itself. Therefore, this point has to be taken into consideration. Seeing the way that the nationalisation of insurance has taken place, naturally very many people are very much afraid of this. Therefore, although I support the provision regarding deposition of reserves, I would like to state that it is necessary that the Government sees to it that the machinery functions in a satisfactory manner.

Regarding the dividend tax—there was a dividend tax earlier also, during the last Finance Bill—I feel that the progressive rates of tax on higher dividends are justified on the ground that they provide an incentive to ploughing back of shares into the industry. But it would have been better if instead of actually putting a tax on it, some sort of limitation of dividends had been laid down. We had been proposing it all along and we still think that that is a better way of tackling the matter. I say this because the taxing of dividends can, to a large extent, be defeated by the issue of bonus shares. It is true that bonus shares are also taxed, but the outlook for individual companies will be governed by whether the balance of advantage lies in agreeing to pay bonus tax in a lump sum and reaping the resultant saving in dividend tax over a number of years.

As a matter of fact, it was very interesting to read what the *Statesman* of December 9, 1956, had to say about what we have been thinking and discussing amongst ourselves. Almost the next day, we saw in the *Commerce and Finance* column of the *Statesman* the following:

“Hopes that the proposed enhanced levy on company dividends would induce many leading joint stock enterprises to

issue bonus shares brought short covering and equity values during the week recorded a smart recovery from the worst levels reached in the immediate post-Budget sessions”.

Then it goes on:

“The decision of the directors of the Century Spinning and Manufacturing Co. Ltd. to issue bonus shares in the ratio of three to two strengthened the belief that companies that have been adopting a conservative policy with regard to issue of bonus shares might reverse their policy in the context of enhanced dividend tax. Some shareholders were inclined to feel that the proposed additional dividend tax might not be as severe as was originally thought out to be, at least in regard to certain leading companies quoted on the Stock Exchange”.

Then it goes on to talk about the Hindustan Lever issue being over-subscribed and so on and so forth to show that the financial week has been quite buoyant and not at all deflated.

Talking about reserves, there have been large reserves. This point has been made over and over again. I was only the other day looking into the question of reserves in the Report of the Plantation Inquiry Committee. This is what the Report says:

“While paid-up capital has increased by 18 per cent., general reserves have increased by 131 per cent. and other specific reserves by 425 per cent.”.

It also says that actually the area under tea has not increased, nor have the real assets. Therefore, I feel that the controlling of these reserves is well justified.

I have taken quite some time. I would have liked to say something

about the 23-A companies which are actually private limited companies controlled by a few persons. This type of companies does not belong to any exceptional category. Actually statistics that have been collected show that out of 4,589 private companies assessed to tax, data were available for only 3,005 companies and 86 per cent. of the latter belonged to this category. From this the Taxation Enquiry Commission came to the conclusion that private companies are, by and large, of the nature of closely-held corporations. It was proved on the basis of the ownership of shares according to the actual registered shareholding in the companies. The Report of the Commission says:

"It is a matter of common knowledge that in a number of such companies, large blocks of shares are held by groups of close relations".

If these could be traced and established, the number of 23-A companies would swell enormously in not only the private but also public limited companies, and may be, that the taxation which will now be imposed on these 23-A companies will yield more than what we are thinking that it will yield.

I forgot to mention one point while I was talking about the exemptions given under the capital gains tax scheme. We are now exempting foreign companies which are going to sell out to 100 per cent. Indian companies. When we go through the Report of the Plantation Inquiry Committee, we find that actually very high and inflated rates have been charged by the Europeans selling out to Indians. As a matter of fact, it says:

"The sale price per acre for sales of estates in Madras State which were effected between 1946 and 1951 averaged Rs. 2,111 and for the year 1954 to Rs. 4,084. The figures for T. C. State for 1946 to 1952 were Rs. 2,025 and for the year 1954, Rs. 1,713. In

recent sales of estates of sterling companies, in some cases the price per acre was as high as Rs. 3,000.....The prices paid in some of these cases were excessive leading to all the bad consequences that usually followed from over-capitalisation".

Here exemption has been made. On the face of it, it looks that inducement should be given to the selling out of European concerns in India to Indian companies. But when this process is taking place, Europeans are selling out to Indians at very high, over-capitalised rates it is only right that they too should be made to pay the capital gains tax and not escape.

Lastly, I will say one word about excise duties. We are aware that there is an almost continuous increase in imports and that our foreign exchange has dwindled. Therefore, in the sphere of trade policy, the Government has to embark upon a rigorous import cut of all non-essential commodities.

It is true that we also welcome the excise duty on luxury cars. But we were reading what certain people were saying in the papers. It is said:

"The stiff excise duty of Rs. 3,000 on luxury cars can hardly be squared with the Government's decision to permit the manufacture of big cars".

14 hrs.

I feel that what the country needs today is not luxury cars but rather big trucks and utility cars and our development demands the purposeful utilisation of each unit of productive capacity. I feel that this is a correct thing that we should have done.

Regarding other taxes, there is only one small point about rayon which I want to mention. Although in our parts rayon is regarded as a luxury article and we were very much hit by the indirect taxation on cloth, I

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believe, in this part of the country, that in Delhi and other parts of Punjab, the middle classes also utilise a lot of this rayon, and, may be, this tax will hit them. As far as our parts are concerned, it is not excessive.

As regards other excise duties, I think, we have to accept them because in the context of the emergency that is developing, it is only necessary that those which are essentially luxury articles should be taxed.

Again, I say that we welcome this with the proviso that unless we plug the loopholes and stop the gaps that remain within the exemptions and the way the Capital Gains Tax and the deposit reserves are going to be utilised, I am afraid the results may not be what we like them to be—the maximum amount of resources as well as the possibility of channelising these resources—in stepping up the purposes according to Plan.

पंडित ठाकुर दास भार्गव (गुड़गांव) :

जनाब डिप्टी स्पीकर साहब, बराबर दो दिन से हम इस बहस को सुनते चले आ रहे हैं और जो तजवीजें हमारे आनरेबल फाइनेन्स मिनिस्टर साहब ने कीं, उन के साथ उसूल पर एक्ललाफ करना मुश्किल है। लेकिन जो प्रिक्टिकल डिफेन्ट्स रोजमर्रा हम देखते हैं और जिस माहौल के अन्दर यह तजवीजें आती हैं, उस से जो नहीं चाहता कि कोई भी टैक्स इस देश के अन्दर बढ़े और किसी तरह का बोझ लोगों पर पड़े क्योंकि हम देखते हैं कि टैक्स बढ़ाने से पहले जरूरी यह है कि हम अपनी पहली तबज्जह इस तरफ दें कि बेजा खर्च दूर हों। हम हर जगह देखते हैं, गवर्नमेंट के सब कामों के अन्दर, कि सिवा वेस्टफुल एक्सपेंडिचर के, सिवा इस के जहाँ जहाँ पैसा खर्च होता हो वहाँ आने खर्च होता है, सिवा इस के कि फ्यूजिलियात पर पैसा खर्च होता है, और कुछ नहीं होता है। किसी भी

दफतर में जहाँ दस आदमी काम को कर सकते हैं वहाँ बीस आदमी लगाए जाते हैं। आप किसी महकमे में जायेंगे तो पायेंगे कि सैकड़ों आदमी बिल्कुल खाली बैठे हुए हैं। सुबह से शाम तक कोई काम वहाँ पर नहीं होता है। टैक्सेशन इन्व्वायरी कमिशन ने गवर्नमेंट के ऊपर बहुत जोर दिया कि वह एक एकानमी कमेटी बिटाये गोर खर्च के अन्दर कमी करे। लेकिन हमें नहीं मालूम कि आज तक उस का क्या असर हुआ। क्या ऐसी कोई कमेटी बनी या बनाने की कोई तजवीज हुई? पिछले दिनों जब मिनिस्ट्री ने अपनी कमेटी बटलाई तो उस की रपोर्ट थी कि ४००० आदमी ऐसे हैं कि जोकि बिल्कुल सर्व्नेस हैं जिन की तनख्वाह की रकम तकरीबन ७ करोड़ बनती है। इसी तरह से जब पिछली मर्तबा हम सेक्रेण्ड फाइव इअर प्लैन पर बहस कर रहे थे तब श्री मोहन लाल सक्सेना जी ने बहुत जोर इस हाउस में दिया था कि यहाँ पर एकानामी हो, और एकानामी कमेटी बैठे। लेकिन हम को आज तक नहीं मालूम कि गवर्नमेंट ने उस पर क्या किया।

दिल्ली के अन्दर जब हम नजर दौड़ाते हैं, जहाँ पर कि हम रहते हैं, तो हम रोज देखते हैं कि बड़ी बड़ी नई इमारतें, इतनी बड़ी कि हमारे दिमाग में भी नहीं थीं, बहुत थोड़े अरसे के अन्दर नमूदार होती जाती हैं। जहाँ तक इन इमारतों का सवाल है मैं कुछ खुश भी हूँ कि जब रुपया खर्च होता है तो कुछ लोगों को काम भी मिलता है, लेकिन जो प्रोडक्टिव इमारतें नहीं हैं, उन को बनाने की कोई जरूरत नहीं है। आज सब से पहली चीज यह है कि हमारे पास जितना रुपया पैसा है वह ऐसे कामों में लगाया जाय जिन से आमदनी हो, हमारा प्रोडक्शन बढ़े। आज हिन्दुस्तान के अन्दर ऐसी जो चीजें रोज ब रोज बढ़ती हुई देखते हैं, जिन से प्रोडक्शन नहीं है, उन को बढ़ाना,

उन की तामीर को आगे बढ़ाना, मैं समझता हूँ कि नैशनल सिन के द्वारा है। थोड़ा अर्सा हुआ, जब हम प्लानिंग कमिशन की रिपोर्ट पर बहस कर रहे थे तो सेकेन्ड फाइव इयर् प्लान के डिस्कशन के वक्त श्री मोहनलाल सक्सेनाजी ने एक एक्सपर्ट (expert) चीन (China) पेश किया था, उसमें लिखा था कि जो इमारतें प्रोडक्टिव नहीं हैं, उन को बन्द कर दिया जाना चाहिये। मैं कहना चाहता हूँ कि हमारे देश के अन्दर गवर्नमेंट को सब से पहली जो चीज करनी चाहिये वह यह है कि यहां पर जितना अनप्रोडक्टिव खर्च हो रहा है उस को सारे का सारा बन्द किया जाय। परसों हम ने यहां पर एक फिल्म देखी। मैं भी इस राय का हूँ कि जो हमारी पुरानी आर्कलाजिकल चीजें हैं, जिन के अन्दर हमारी हिस्ट्री पिन्हां है, वह सब प्रिजर्व की जायें, लेकिन जो खर्च हम ने उस के अन्दर देखा, जिस तरह एक एक छोटी चीज पर लाखों रुपये खर्च होते हैं, उन को देख कर ताज्जुब हुआ। हर एक आदमी जो उस फिल्म को देख रहा था कह रहा था कि अगर गवर्नमेंट इस तरह रुपया खर्च करती है तो सेकेन्ड फाइव इयर् प्लान के वास्ते कोई उम्मीद नहीं है। इस वास्ते मैं अर्ज करना चाहता हूँ कि पेशतर इस के कोई तजवीज ले कर हमारे फाइनेंस मिनिस्टर साहब हाउस में आयें और हम से कहें कि यह टैक्स बढ़ाओ, सब से पहले जरूरी यह है कि वह हम को तसल्ली करायें कि कोई भी अनप्रोडक्टिव एक्सपेंडिचर हिन्दुस्तान के अन्दर नहीं हो रहा है और पूरी एकानमी के साथ काम हो रहा है। अब तक यह नहीं होता, हम किसी बोझ को सिर पर लेने और मुल्क पर बोझ डालने के लिये दिल से तैयार नहीं हैं। मुझे डर है कि इस बारे में हाउस के अन्दर बहुत जोर दिया जाता है लेकिन गवर्नमेंट के कान के ऊपर जू नहीं रेंगती।

पेशतर इस के कि मैं बिल के प्राविजन्स पर आऊं, दूसरी चीज यह कहना चाहता

हूँ, जिस की तरफ पहले भी एक दफा तबज्जह दिला चुका हूँ और जिस का जिक्र मेरी बहन श्रीमती रेणू चक्रवर्ती ने भी किया है, कि आप कस ज्यादा बढ़ाते चले जायें लेकिन जो टैक्स वाजिब हो वह वसूल न किया जाय तो नतीजा क्या होगा? कुछ अर्सा हुआ मैं ने पिछले फाइनेंस मिनिस्टर की खिदमत में अर्ज किया था कि अगर एक तरह से इनकम टैक्स वसूल किया जाय, अगर इनकम टैक्स ऐक्ट (Act) के अन्दर जो कवायद दर्ज है, जो अहकाम दर्ज है, उन पर अमल किया जाय तो बिला शक व शुबहा इनकम टैक्स की आमदनी बहुत काफी बढ़ सकती है। बम्बई, कलकत्ता मद्रास वगैरह में एक कोने में पान बेचने वाले की आमदनी ४ हजार २ सौ ६० से ज्यादा हो जाती है, लेकिन हजारों ऐसे लोगों पर टैक्स नहीं लगाया जाता। उस मतंबा मैं न अर्ज किया था कि कितने ही लोगों को नोटिस दिये गये, कलकत्ते में जहां पर कि सर्वे किया गया था, कितने ही नोटिस पाने वाले लोगों ने आ कर कहा कि हम टैक्स देने को तयार हैं, पिछला टैक्स देन को तैयार हैं, लेकिन उन से टैक्स वसूल नहीं किया गया। आज भी कितने ही ऐसे लोगों से जो टैक्स देने के लिये कहते हैं, टैक्स वसूल नहीं किया जाता क्योंकि गवर्नमेंट की मैशिनरी बिल्कुल डिफेक्टिव है। गवर्नमेंट के पास अफसरान मौजूद नहीं है, मैं जानता हूँ कि अगर अफसर हैं तो ऐसे कि बड़ा अफसर किसी जगह जाता है, तो वह छोटे अफसरान से कहता है कि उस को कोई गाय बैल सस्ता खरीद कर नहीं देता, या उन के वास्ते बहुत अच्छी सफाई नहीं रखता, और क्रयामगाह खूबसूरत नहीं होती तो इन के खिलाफ इतहाम लगाये जाते हैं और रिमाक्स दिये जाते हैं कि सारा का सारा काम ईमानदार अफसरों का खत्म हो जाता है। जो ईमानदार इनकम टैक्स अफसरान हैं, उन की कदर तो क्या होगी उन का

[पंडित ठाकुर दास भर्गव]

बेजा नुकसान खुद अफसरान कर डालते हैं। तो जब मैं इनकम टैक्स डिपार्टमेंट की वर्किंग को देखता हूँ तो मेरी समझ में नहीं आता कि मैं कैसे दिल से यह बात कहूँ कि मैं हर एक बोझ अपने देशवासियों के सर पर लेने को तैयार हूँ।

कैपिटल गेन्स टैक्स लगता है। इस टैक्स के अन्दर मैं जानता हूँ कि इतना इवेजन होगा जिस का कोई ठिकाना नहीं है। मैं ने जब अर्ज किया या कि ठीक काररवाई करने से आप की आमदनी एक तिहाई और बढ़ सकती है तो फाइनेन्स मिनिस्टर साहब बड़े नाराज हुए और कहने लगे कि ३० करोड़ रुपये से ज्यादा इवेजन नहीं होता। अब माना गया है कि तकरीबन डेढ़ या दो सौ करोड़ रुपये का इवेजन हुआ है, काल्डर साहब ने लिखा है कि तीन सौ करोड़ का इवेजन (Evasion) होता है। अगर यह सब इवेजन बन्द हो जाय, यह तो सिर्फ एफिशियेंसी की बात है, तो हमें टैक्स की ज्यादा जरूरत ही न पड़े। मैं फाइनेन्स मिनिस्टर साहब की तबज्जह दिलाना चाहता हूँ कि उन को चाहिये कि सब से पहले वह अपने हाउस को इन आर्डर लाय, पेशतर इस के कि कोई टैक्स लगायें। कैपिटल गेन्स टैक्स ऐसा है जिस का बिना एफिशियेंसी लाए हुए कामयाब होना मुश्किल है क्योंकि इस में इतने लूपहोल्स हैं जिन का ठिकाना नहीं। सन् १९४९ में जो सर्टिफिकेट इस डिपार्टमेंट को कैपिटल गेन्स के बारे में दिया गया वह हाउस को बलूची मालूम है

Shrimati Renu Chakravarty: I may just request the hon. Member to speak in English because I am sure the hon. Finance Minister is not able to make out any of the very good points that the hon. Member is making.

The Minister of Finance and Iron and Steel (Shri T. T. Krishnamachari): I think the hon. Member should not

ask for it, because my hon. friend wants to spare me all the trouble.

Pandit Thakur Das Bhargava: Sir, I am very sorry that, as a matter of fact, whatever has been said by me has fallen on deaf ears. I do not mean to say that the hon. Minister does not know any of these points already. When Shrimati Renu Chakravarty was speaking in English, she made practically the same points. So far as these points are concerned, I would request my hon. friend, the Minister not to make a complaint against me that I am speaking in a language which he does not understand. At the same time, I would request him to consider all these things dispassionately and to work upon these principles which I have put before him. I will now speak in English. In saying all this I am rather not coming directly to the provisions of the Act and I want to add one thing more.

Two or three days ago the hon. Finance Minister said that he is Robinhood. I like that expression. I wish he were a real Robinhood so that he would take the money from the richer people and give it to the poorer people. That is what he claims.

An Hon. Member: He will not do that.

Pandit Thakur Das Bhargava: I would ask him to kindly consider what he has done since he has assumed charge. First of all, he taxed cloth. If he would have arranged it in such a way that the poor people would not be hit and he would have taken all the money from the richer people, I would have had no complaint. The second act of his is that he brought in the law for declaration of important articles in the Central Sales Tax. In spite of my humble request that he should declare at least food grains as an important article, he did not agree to it. I am glad that he took some powers for Government to see that in proper cases he might do something.

I do not know whether he will do it. After all, the State Governments are too strong even for the Finance Minister, though the Constitution has given the Centre powers by which they can certainly influence the State Governments. In that case also, a difficulty is that with the soaring prices, so far as the poorer people are concerned, they are very much affected. I am anxious that in the Second Five Year Plan, as I have stated some time before, if you can arrange your taxes in such a manner that the poorest in the land, about whom another Minister said that they earn five annas a day—practically they are just like submerged people and cannot have a proper, normal existence in the country—can be made immune from such taxes, I will go the whole way with the Finance Minister in imposing any taxation. After all, when the House has accepted the Second Five Year Plan, the Finance Minister is perfectly entitled to come here and say “You give me the money, otherwise it is impossible”.

Some time ago he said that it would be a misfortune for the country if the Second Five Year Plan is not put into practice. I fully agree with him and assure him that the entire country is one with him and we will make all the sacrifices that he asks us to make, but at the same time if he wants to get the sacrifices made by the poorer section of our people I will certainly not agree, and I will ask him to devise measures by virtue of which he can see that this indirect taxation, which hits the smallest in the land, need not be resorted to.

Coming to the provisions of the Bill, I should think that the first change that I find is that instead of the words “sale, exchange or transfer” the words are “sale, exchange, relinquishment or transfer”. I would like to know why this word ‘relinquishment’ has been added to the previous provisions in section 12B of the Income-tax Act. I should think that the word ‘relinquishment’ should not have been added. Relinquishment is certainly not trans-

fer and relinquishment should not have been taxed.

Secondly, I am afraid that since the date is 1st January 1954, the realisations from capital gains will not be very material or considerable. Therefore, we can foresee that the amount of yield will not be much though the amount of harassment will be much more. What would happen now? You are giving extraordinary powers which were previously abused by income-tax officers whom you cannot control. It is a most difficult thing of all things to fix prices on the basis of the prices on 1st January 1954. In many cases the difference will be so small that it will be difficult to arrive at any definite result, but at the same time the harassment caused to the persons who come within the purview of the Bill will be extremely great. Everybody will be entirely in the hands of the income-tax collector and it will depend upon him whether he puts the tax or not. Even in the Indian courts and other courts, from the very nature of the case and from the very nature of these discussions, it will be impossible to give justice. Therefore, my humble submission is that this Act will give much more harassment than it will give good amount of money to the fiscus.

I do not understand why some of the provisions from the original section 12B have been taken away. I fail to see why in regard to compulsory acquisition of property, the provisions of this capital gain should be attracted. After all, we have now changed article 31 of the Constitution, and the provisions of Act I of 1894, which required that 15 per cent. of the market value should be added to the market value to arrive at a proper valuation, have also been changed. What would happen today to those people who got compensation in regard to Lakshmi Insurance Company, for instance? Those people were very much hard hit so far as these companies were concerned, especially the refugee companies. They got practically nothing. The year 1954 was a special year in

[Pandit Thakur Das Bhargava]
which the prices were, so far as those companies were concerned, small, and they would be hard hit again. What would happen to all those companies which, as a matter of fact, did not make much money and whose shares were not at a fair value in 1954? Why this particular date has been chosen I do not understand. I can understand some date being chosen; but why 1st January 1954? It was quite proper if some option was given to the assesseees to choose the dates.....

Shri A. M. Thomas (Ernakulam): There is the option in regard to the prices at which they purchased.....

Pandit Thakur Das Bhargava: That option is of a different nature. Suppose the proper price is the price on 1st January 1954. In the previous Bill we had 1st January 1939. Now we have got 1st January 1954. I want to know whether those companies, whose shares or properties were at the lowest value in 1954, will not be harder hit than others. They will certainly be harder hit. I think such a period should have been given as would have been of equal value for all those assesseees who came within the purview of this Bill and choice of dates from out of prescribed periods should have been given to the assesseees.

We have now been considering about its effect on the Second Five Year Plan. I would only submit that the proposition that has now emerged is that so far as the yield from agriculture is concerned, it must be increased if we want to see the Plan succeed. May I know what measures have been taken? It is all on paper. The highest yield which was in 1954 when compared to what we are getting now is certainly smaller—we are getting much less yield now, and I do not know any specific efforts in that regard being made in the country. That is my complaint. Even now, the land reforms, of which so much was in the air, have not been accelerated. At the same time, the yield in the last season was three million tons less than

what it was in 1954. I am afraid that even the fertility figures are not encouraging. Last time when we considered the figures for 1952 or 1953, we found that fertility was less than before. Now my humble submission is that unless and until we take great care to see that we succeed in getting more and more grain from the earth, our Plan will not succeed.

When we were discussing the Plan, we suggested many measures to the Government to make the Plan effective. In this connection I would beg of you to kindly reconsider, what was said when we took up the question of food, and the Government's policy in regard to animal husbandry, in regard to cattle, which is even today such that we must all deplore that the Government is not doing what it should.

I have been submitting for the consideration of Government that in this regard they must change their policy and they must have a special Minister, if they mean business, for animal husbandry, but they have not done anything. I am afraid that no effort is being made in this direction. The Government is sleeping. Whatever it may be doing in other fields the Government is not doing what it should in the field of agricultural production and milk production. I can predict that we will be getting more and more into difficulties unless we mend matters. The full attention to greater production of cereals and milk products.

I do not know much about high policy matters of imports and exports. I will not say much about them. I am rather happy that this emergency is on account of the import of capital goods. After all we knew beforehand that we should require capital goods and we imported capital goods. It is very satisfactory. But, if the imports are in respect of consumer goods, I am very sorry. Whenever you go in the country and in fashionable quarters, still there is so much foreign cloth in the country. Even now people are using foreign cloth. It is idle to say

that the swadeshi and indigenous cloth have come to the forefront and have replaced the foreign cloth to that extent. In the country, the climate is not such as it ought to be. Where are the emergency measures? We ought to stop the import of foreign cloth.

Shri T. T. Krishnamachari: If you stop imports of foreign cloth, the foreigners would not import your cloth. The export of your cloth to foreign countries could not take place.

Shri A. M. Thomas: It will not be a one-sided traffic.

Pandit Thakur Das Bhargava: Ordinarily speaking, I do not deny. We heard the hon. Ministers saying things about the foreign manufacturers. They say: "You give me your articles to us; you buy articles from us and in addition buy something of this and that." I know that. But, then do not call it an emergency. Emergency knows no laws. Moreover exporters of our cloth are not necessarily those from whom we import and therefore while we may export our cloth we need not import foreign cloth in this country.

Shri T. T. Krishnamachari: I agree. If that is the criterion, there will be no difficulty at all.

Pandit Thakur Das Bhargava: You call it an emergency. But, we do not find that in the conduct of the Government. It does not seem to realise that there is an emergency. There is an emergency in this House alone. Nobody knows of your emergency. I can assure you that all our people want the Second Plan to succeed. They will make all the sacrifices you ask of them provided the Government behaves well and conducts itself in such a manner as to show that it realises that there is an emergency. The country does not know of the emergency. Even the Members of Parliament did not know until these two Bills were brought, that there was an emergency of this kind.

The hon. Finance Minister is a very good propagandist. I do not understand why he does not make the propaganda. Why does he not go outside the country and say that the people should behave in a better manner. He speaks of austerity here and not in the Government. I would rather like the Government to set an example and lead the country by economising the expenditure. There is no austerity in the Government departments. There are pictures and dances and such things going on of an unprecedentedly extravagant manner in the country. Even the diary the Members of Parliament are supplied with is such a beautiful diary that it could not be produced in the country except for atleast Rs. 5. Previously there was no such diary; or picturesque things like this. The Government should not be extravagant. If it is, it does not mean business and it can hardly be believed if it says that there is a great emergency.

Shri Jhunjunwala (Bhagalpur Central): Mr. Deputy-Speaker, at the outset I want to say that whatever taxes are levied for implementing the Second Plan or for removing the poverty of the country are welcome; I am not one with the Finance Minister and the Government on this point. But the mere levy of taxes is not going to solve these problems if the Finance Minister and the Government do not look to their own house to see how the administration is going on. My hon. friend, Pandit Bhargava has stated elaborately that the taxes are levied to burden the poor people. You are not realising the taxes from the quarters from where you can easily realise them.

The second point which he has made out is a very important point. You are collecting taxes in the name of building up the country and implementing the Second Plan. But, you are squandering away the money like anything. He gave instances. There are so many unproductive buildings being built. There are so many other instances where it is

[Shri Jhunjhunwala]

easily visible that the Government is wasting money like anything. It gives an impression among the people that the Government is very rich and that it is asking taxes only for its own aggrandisement and propaganda and for nothing else.

I do not think that the Government does not want to stop this and improve the administration. But, the fact that there are still defects; in spite of the best wishes of the hon. Finance Minister, he cannot put his house in order. If that is so, he should see if what he is doing is justifiable.

Coming to the Bill, the Finance Minister has said that it is a sort of an emergency measure. The usual course would have been for this measure to be brought after he has placed the demands for expenditure before the country. The Government should have come before us and said: "In order to meet the demands of expenditure which we contemplate for the subsequent year for certain purposes, we want so much more taxes." But, here it is not so. He says that some emergency has arisen and therefore, this measure has been brought by him at this time of the year. I do not want to dilate on it. My friend, Shri Bansal, has pointed out at great length that this is not an emergency measure. This emergency is a continuous process. There has been a rise in the prices since 1955 and since May and more especially since December, the rise in the price of foodgrains has been there. All these things were contemplated even before. We had thought that such steps would be taken so that these difficulties might not arise. I do not know what steps the Government has taken. There is deficit financing and no corresponding addition to production and the useless expenditure is going on. The other administrative measures which the Government have taken have not proved fruitful in checking and removing all the difficulties which were likely to arise.

In the Finance (No. 2) Bill Government has levied some customs and excise duties. In spite of these levies and increase in customs duties, we do not know to what extent there will be restriction in imports and how much foreign exchange we are going to save by the imposition of those duties. All these things have not been placed before us by the hon. Minister. In the absence of that we do not know whether there will be any improvement in our foreign exchange position. Before bringing these measures, the Government should have told us that these are the measures whereby they want to build up our foreign exchange, and whatever has been over-drawn they want to meet in such and such a way. The levying of a few customs and excise duties is not going to help us in preserving or saving our foreign exchange.

So far as import of capital goods is concerned, it is all right. Even if we have to suffer on that account, we should suffer. But so far as consumer goods are concerned, we should try to find out what are the items for which import can be stopped. Those things have not been brought out by the Finance Minister. He has not made clear how he is going to save our foreign exchange. Mere levy of taxes and increase in some customs duties on a few articles are not going to stop the drain on foreign exchange.

Then there are a few items, as for example dyes and other things, on which we can very well increase the duties but we cannot do so because of the G.A.T.T. Agreement. I would suggest, if possible the Government should take steps to enter into negotiation and see whether the duties on these articles can be increased or not.

Now I come to capital gains tax. We have no objection to that. In order to have proper distribution and in order to stop the concentration of wealth at a particular place, this is welcome. But, at the same time,

there are certain things like compulsory acquisition of properties by Government, compulsory sale of property at the time of imposing death duties and so on. These should be taken into consideration and we should see that the people are not doubly taxed because of the act of the Government.

So far as dividend tax is concerned, it is on subscribed capital. Many companies have got big reserves and they have thereby increased their capital asset to a great extent. Those companies should be taken into consideration. While levying dividend tax it should be seen that not only subscribed capital but the whole capital assets should be taken into account as capital of the company. The proper worth of the capital assets of the company should be taken into consideration. Further, this dividend tax falls mostly on the poor middle-class people who invest their money for some gain. I know many instances where people invest their money in shares and their income is mostly the dividend earned on those shares and they live on that. If that dividend is taxed and it is not refundable, in that case that class of people will suffer.

The most important question is with regard to compulsory deposit. Whenever Government think that they cannot administer a particular department properly, when the Government think that they are not in a position to administer the Company Law properly they come with some other proposal and that creates further difficulties. This compulsory deposit is going to affect the industry. It is going to create a great hardship on developing industries and in ploughing back the profits which the companies are making. The Finance Minister has said that he will take all necessary steps so that, whenever anybody applies for refund of the money in order to increase the capacity of his plant, or to improve or renovate his plant, the Government will see that his application is expeditiously disposed of. In spite of whatever the

Government might say, in spite of the and their development largely depend so, our experience has been that they have not been successful in doing so in other matters where expeditious decision is so essential. The result which will ultimately accrue is that whatever these companies are doing in order to increase their own capacity, in order to develop the capacity of their plant, that will suffer.

They want compulsory deposit at least to the extent of 50 per cent. But there are many companies who always think from before and begin developing and renovating their plants during the process of their working. If this provision regarding compulsory deposit is applied to them, the result will be that they will not be able to comply with it. Further, the money which they bring for renovation, extension of their plants and other things is from the banks and other sources at a very high rate of interest. Therefore, if after more production and after developing the industry they are compelled to deposit the money in the way in which the Government contemplate, this section, instead of helping the companies in developing their capacity, will stand in their way.

I would, therefore, submit to the Finance Minister and the House that this section, which is going to be introduced in this Bill, will hamper the development of our industries. All other sections, so far as taxes and other things are concerned, are welcome, provided the Government looks to the proper expenditure of the amounts realised through taxes. But this section regarding compulsory deposits will hard hit the industries for whom the Government says they are going to make this provision.

We know there are certain companies which are engaged in speculation and other things. But, for the fault of a few companies the Government should not bring in a measure

[Shri Jhunjhunwala]

which is injurious to the industry as a whole.

Lastly, my friend Shri Tulsidas has given an amendment for sending the Bill to a Select Committee. I know the Government is not going to listen to it. In a measure of this sort it is very very necessary that it should be sent to a Select Committee. It is not possible to convince the whole House within a short time. This Bill has been introduced only ten days back. The people have had no time to consider these proposals and we have not been able to know the reaction of the public to these Bills. If some time had been allowed, we would have been able to know their reaction. I know the Finance Minister has submitted these proposals after great consideration, but if some time had been allowed, he would have known the reaction of the people—both inside and outside this House—much better. It would have been much better if these Bills had been sent to a Select Committee where, sitting in smaller numbers, we would have been able to ponder over the difficulties which these proposals will create. But now it is no use saying that the Bills should be sent to a Select Committee; the Government is not going to accept it. But if the Government accepts it, I support the amendment of Mr. Tulsidas.

Shri M. S. Gurupadaswamy (Mysore): Two hon. Members have alleged that there was a leakage in regard to the taxation proposals. I do not wish to say anything more except the fact that I have received a copy of a letter from some gentleman—the name I can give in private to the Finance Minister—addressed to the Secretary, Finance Ministry, on the 1st December, 1956, wherein he has said that he has got proof to believe that two big businessmen made enormous profit because they had the previous knowledge of these taxation proposals. Therefore, I say that a searching enquiry must be made in

regard to the stock exchange operations of those two gentlemen on those dates. When he has made such specific allegation and has given the names of those gentlemen, I expect that the Finance Ministry would look into this matter very seriously. While I suggest this, I only wish that the Finance Ministry should not again and again give room to us to say that it is a leaky boat.

14-44 hrs.

[PANDIT THAKUR DAS BHARGAVA in the Chair]

It should not function in any manner which may lead to the advantage of a few people among the rich. Here very few people among the rich have been favoured. That state of things should not continue; we do not want that the Finance Ministry should function as a leaky boat.

I do not quarrel with the Finance Minister about the new proposals he has brought before the House, though many hon. Members have taken exception to the new taxation. I do not wish to say that they are not good or desirable and I do not say that they ought not to have been brought before the House at this time. The Finance Minister should have thought about his fiscal and economic policy more seriously and should have convinced the House that what he has brought forward deserves full consideration. Unfortunately, the Finance Minister has not given us full justification for the new taxes that he wants to impose.

If you look at the economic picture of the country today, you will understand that there is a growing social and economic polarisation between classes. Shri Asoka Mehta has quoted figures from Poona; I will take the example of Bangalore. There is an unofficial body of young economists who have been working

on the cost of living and the income of various strata of society. They have collected statistics going from door to door about the income and expenditure of the people and they have found out that in Bangalore nearly 8 per cent. of the people in fixed income groups have gone down in income by 6 points. If this is an indication, I would submit that we are heading to a crisis. There has been a wave of uncontrollable speculation in various urban centres and as a result of increasing demand, there has been a steady spiral rise in prices; and, all the efforts made by the Government at the Central and local level have proved a complete failure.

Recently in some States, Government started fair-price shops to sell grains to the people at a fixed price. But, let me tell the House that these fair-price shops did not make even a grain of difference in the matter of prices that prevailed in the market. In spite of the efforts taken by official agencies to control and curb prices, prices have been increasing. "More the efforts to control prices more the increase in prices" seems to be the present ruling trend in the market. What is the reason? The hon. Minister has given us a reason sometime back, namely, there has been an increasing marginal propensity to consume more and more. In an under-developed economy, the marginal propensity to consume more is relatively high. That is always the case. It does not require a statement the marginal propensity is relatively high in under-developed countries and it will increase more when there is a spiral increase of prices. So, I would expect the Finance Minister to realise this fact. As a result of this spiral increase in the prices of various commodities including capital goods, I would say that inflationary pressures have been already knocking at our door. Deficit finance has degenerated into inflationary

finance. The previous Finance Minister, while speaking about deficit financing, said that the quantum of deficit finance that they undertake would not lead to inflationary finance. He said that the limit that they have set for themselves is a very safe limit. Unfortunately, with the creation of even a small amount of new money, there has already been a spurt in the market. The Finance Minister has not told us how he would be able to control prices. If he can't control prices, the only remedy that has opened to him is to increase the taxes, because according to him more prices mean there is more purchasing power in the community and so there should be drain or squeezing of certain purchasing power from the community. That is a very orthodox theory. My friend should not forget that in an under-developed economy, this orthodox classical theory would not simply work. Your efforts have already shown that you have failed in this direction. The imposition of excise duty on cloth has demonstrated pretty well that you will not be increasing the revenue by mopping up of profits but by levying more and more burden on the consuming public. It will only be an increasing of the burden on the poorer sections.

What has been done regarding wages? In a situation like this, when prices are rising, when there are no indications of stabilising prices or keeping prices at an equilibrium, the only thing that is expected of a Finance Minister is to change the monetary rate of wages. Unfortunately, the Minister is not prone to do this. If there is a rise in price, it is expected that the cost of living will increase. When the cost of living of fixed income groups increases, naturally, the money rate of wages also should increase. I may draw the attention of the Minister to one or two significant remarks made by Shri A. K. Das Gupta, who is, I

[Shri M. S. Gurupadaswamy]

think, a non-controversial economist amongst us. He says:

"In under-developed economies, the current real rate of wages even in one urban sector, not to speak of the rural sector, is about the minimum necessary for physical existence. These economies cannot, therefore, allow prices to rise and yet expect the money rate of wage to remain constant."

What the Minister is trying to do is, he wants to keep the money rate of wages at the present level. He does not give to the community the benefit of just price. He is feeding the community with crisis after crisis. Today, we find ourselves in a frightful muddle. I do not know what measures are adopted to take the country out of this muddle. But, I appeal to him that the course that he has adopted is not the ideal course. The fiscal weapon is not the ideal weapon. That is not the weapon that suits our circumstances. What we have to do is, actual resources should be mobilised and Government should follow other methods, other than fiscal measures. Of course, fiscal measures are very important in their own way. I may point out in brief two or three suggestions in this respect.

India is a land of charity. There are so many charitable institutions and religious foundations. It is understood that these charitable institutions and religious foundations have got nearly Rs. 1,000 crores in their hands. If that is so, why should we not make use of these funds for nation-building purposes? These funds may be returned later on. In the meanwhile, why employ these resources? Secondly, we have been paying a heavy amount to the Princes in the form of privy purse. I do not want expropriation or termination of these privy purses. I want the Government to persuade these Princes to

part with a certain amount so that that amount may be utilised for the various projects that the Government has undertaken. After some time, the money could be returned. Thirdly, I may refer to a thing which was practised in pre-war Germany. That was, of course, Hitler's Germany; but that need not in any way upset us. In pre-war Germany the contractors who built various buildings, bridges, roads and other things in the public sector, were given bills. Those bills were treated as negotiable. There was no ready payment at all. Those bills were discountable and they would be transferred, and for all practical purposes, they were treated as money. Why should we not make a certain portion of the bills given to contractors by the Government negotiable? With these suggestions, I would say that the Finance Minister should look to other methods of mobilising resources rather than depend only on fiscal measures.

Shri Bansal: That is only another form of deficit financing. There is no difference at all in substance.

Shri Matthen (Thiruvellah): Sir, I fully understand the anxiety of the Finance Minister to raise the additional finance and foreign exchange resources for the implementation of the Plan. I entirely agree with him when he said that the Second Plan is a challenge to every Indian, at least to every patriotic Indian. On the implementation of the Plan depends the solution of the major problem of poverty and backwardness. I am not going into it in great detail because that is admitted by everybody. I only wanted to say this much that in the implementation of the Plan, the Finance Minister should also take care about the development of our production and particular care that any ideological approach to economic problems which impedes the Plan should be overlooked. From my experience of the Finance Minister, he has the courage to do so. Because

everything depends upon production, even if opposition comes from leading elderly Members like Shri Gadgil, if it impedes production, it must not be considered. That is the first suggestion.

I give my full support to the taxation proposals. I do not want to go into details because the time at my disposal is very short. A consideration of the foreign exchange situation, naturally, brings to my mind the inadequacy of Indian shipping.

15 hrs.

There are two small matters which I would like to suggest to the hon. Finance Minister. One thing is about cashew. The cashew export mostly from my State has been one of the major dollar earning exports of India and unfortunately, owing to some labour agitation, they have declared this industry which is really 'seasonal' as a 'non-seasonal' one, with the result that several important factories are already closed down. The major part of this cashew comes from East Africa and as you know, it is imposed from abroad; the season for buying them was last month and according to my information, the major factories have not placed orders for them because they cannot afford to work it as a 'non-seasonal' industry. I appeal to the hon. Finance Minister to kindly look into the matter—whether he can by any means restore this year the exports which is going to be considerably lower than previous years in another matter—and try to retrieve this industry which not only deprives us of dollars but deprives us of employment of hundreds and thousands of poor people in my part of the country.

Another thing to which I want to invite his attention is coffee. I understand that the coffee crop estimate exceeds 40,000 tons. Our Arabica coffee has created a great demand in foreign countries. I have no hesitation in saying that we should tighten our belts, just to overcome this emergency to get more foreign exchange—this may not be very much—and even

if Indian needs are not adequately met, I strongly support the export of coffee. Fortunately we have got more than 30 per cent. of coffee this year. We can import cheaper coffee from outside for Indian consumption. Even though I like drinking coffee myself, particularly good coffee, I think we can put up with the lower quality coffee. By consuming cheaper coffee and exporting good coffee, we can get a good foreign market.

This consideration of foreign exchange naturally brings me to the subject of inadequacy of Indian shipping. Transport is the greatest problem in the second Plan period and it may surprise you to learn that the coastal shipping which is cent per cent. Indian carried during the last year was about 4 lakh tons of goods less than the previous years, I mean in 1953 and 1954 it was about 29 lakhs of tons each, while in 1955 it was 25.5 lakhs of tons.

The anticipated expansion of industrial production of the country, the annual increase in the carriage of cargo as a result of the recommendation of the Rail-Sea-Co-ordination Committee and the possible diversion of cargo to the sea route to relieve the strain on the carriage capacity of the Railways, these three factors alone, I understand, will increase the trade on the coastal shipping by about 3 million tons.

In addition to this the carriage of refined products of petroleum round the coast will, I understand, amount to 1 million tons. So, on the whole it will have about 4 million tons more than that carried last year. As I said, we carried about 5 lakh tons less than the previous years.

The hon. Finance Minister is a Member of the Planning Commission and even though the matter strictly relates to the Transport Ministry, I wish to refer to this because I consider that this is a very important matter for the development of our economy.

[Shri Matthen]

The Planning Commission has provided for a total tonnage of 440,000 G.R.T. including dry cargo and tankers for the coastal shipping and as against this the country will require at least 600,000 to 700,000 G.R.T. if we want to carry, as indicated by me above, all the coastal trade—cent. per cent. Indian.

What is the position of the overseas trade? Last year 2 million tons of cargo were handled by the six major ports, excluding cargo carried on the coast and in the adjacent trades and the refined products carried by the tankers by foreign countries it is estimated that about 17 to 18 million tons of cargo were carried in the overseas trade of the country. On the top of it, as pointed out by the Government's spokesman, the country will have to import an additional 6 million tons of cargo per year from 1958 onwards. In other words, we will have to carry about 24 million tons of cargo in the overseas trade.

According to the Planning Commission, we have to carry 15 per cent. of this cargo in Indian-owned vessels. Actually the figures given by the Government the tonnage of 173,000 G.R.T. Indian Companies carried was about 7½ lakhs of tons in 1951 in overseas trade. Calculating on this basis it will require at least 800,000 G.R.T. of ships to carry about 34 lakhs of tons of cargo of overseas cargo, which is 15 per cent. of our overseas trade. If the target of 15 per cent. overseas trade is to be ready at least by the end of the second Plan, as envisaged by the Planning Commission, the tonnage required for the overseas trade is not 260,000 G.R.T. as indicated but 800,000 G.R.T. As against this the Planning Commission has provided for 4,60,000 G.R.T. for the overseas trade. I will come to this later on. It does not need much intelligence to see that it is not humanly possible to manage this 15 per cent. with the tonnage proposed by the Planning Commission.

In this connection, the Shipping Policy Committee of 1947 proposed—that was accepted by the independent Government of India—that 50 per cent. and not 15 per cent. of the overseas trade is to be carried in Indian ships, and for that 75 per cent. of the adjacent trade and 100 per cent. of the coastal trade, for which a target of 2 million tons of shipping is to be reached before 1955. This is 1956. The tonnage we have today on the 31st of March, 1956, i.e., one year after the original target date of the Policy Committee, consisted of 120 vessels of little over 5 lakhs of G.R.T. Out of these 81 ships of about 245,000 G.R.T. were employed in the coastal and adjacent trades and 39 ships of 2,60,000 G.R.T. in the Overseas trade.

The question is how to implement the target especially in view of the large amount of freight which we are paying. The only immediate prospect is to get a good number of ships like the 'Liberties' and 'Victories' from the 'Mothhall' fleet of the U.S.A. The Government of India through the Ambassador in U.S.A., has been trying for the past one year to get some of the ships. The former American Ambassador Mr. Sherman Cooper was trying to release some ships out of this fleet. This subject is vitally important to our economy. I hope the hon. Prime Minister will not forget this matter when he visits U.S.A. and meets the President and it is quite probable that some ships may be released from this fleet.

Another point is the second ship building yard which is to be started as soon as possible. Even though about Rs. 36½ crores have been provided in the second Plan, I think, orders have already been placed to cover Rs. 34 crores out of that amount. There is hardly anything more left, but what are we getting? We are not getting, I think, even the Second Plan target of 900,000 tons. It will be short by at least 140,000 tons excluding replacements of 90,000, that is

230,000 tons short. I was basing all this on the assumption that we will have at least the modest target of 900,000 tons attained during the Second Plan period. All over the world, ship-building yards are over-booked. It is impossible to get ships in the foreign yards. Our only salvation is to have our own yard started in the course of the Second Plan. On top of it, the Suez Canal crisis has made our position much more difficult. My humble submission is that attempts must be made to start the second shipbuilding yard as soon as possible, at least before the middle of the Second Plan.

From the answers to questions and the speeches of the former Transport Minister there seems to be no possibility of revising the tonnage in the Second Plan, nor of increasing the funds allotted under the Second Plan for achieving the moderate target of 900,000 tons. I think it is a very vital matter. I want the Finance Minister to pay particular attention to it and make adequate provision for buying more ships, and that too immediately.

Shri A. M. Thomas: Mr. Chairman, Sir, I am intervening in this debate at this fag end not with any pretence of putting forward anything new or making brilliant suggestions, but to give my general support to the taxation proposals and to goad the Finance Minister further in the direction he is now taking the country.

It is said that it is an extraordinary procedure that the Finance Minister has adopted in bringing these taxation proposals without the usual financial statement of the year. We have to bear in mind one fact when we take account of this criticism. The budget proposals of 1956-57 which were made along with the financial statement for the year gave a great sense of relief at that time. It was because the country was prepared for a much greater tax burden and it was less heavy than was expected. According to the taxation proposals of 1956 February you will find that

it would still leave a deficit of Rs. 17.68 crores on revenue account alone. The Taxation Enquiry Commission was of the opinion that the tax system should have adequacy of both depth and range if it was to promote an accelerated pace of development. Many expressed the opinion in this House when the budget proposals for the year were discussed in last March and April that the Finance Minister had not tried to raise sufficient tax resources to cover as far as possible the development expenditure. The Taxation Enquiry Commission, reports that although India is a very poor country, since the tax resources raised in India amount to only seven to eight per cent. at present which is much less than that of the countries in South East Asia, there was greater scope for raising the proposition. The Taxation Enquiry Commission when it made its proposals thought that the size of the Second Plan would be only about Rs. 3,500 crores. We know that the size of the Plan has been made much larger, to Rs. 4,800 crores, but we are not definite and the hon. Finance Minister has given indications that it will not stop there but will require about Rs. 400 to Rs. 500 crores more. To take a single instance, the estimated cost of the Rourkela steel plant, on which there was a question this morning, was initially a little more than Rs. 100 crores, but then it was raised to Rs. 120 crores and now it appears that it will be Rs. 168 crores. This is an indication of the nature of the outlay on other projects as well.

My friend Shri Matthen has referred to the transport problem. The hon. Finance Minister while replying to the debate on the Demands for Grants of his Ministry as Commerce and Industry Minister last time was emphatically of the opinion that the Plan was likely to be wrecked on the question of transport if proper attention was not paid to it. He is therefore quite aware of the seriousness of the problem and in all his speeches made recently he has put forward this aspect. The speaker who preceded me has just mentioned that

[Shri A. M. Thomas]

almost the entire allotment for shipping is now over, so that further funds have to be found from the Planning Commission, so much so it is even doubtful whether it would be enough to raise Rs. 400 or Rs. 500 crores more than Rs. 4,800 crores put in the Plan. That being the situation, the Finance Minister cannot at all be blamed for the taxation proposals that he has now brought forward.

My friend Dr. Krishnaswami just said that what ought to have been done was to tackle the foreign exchange front, but I do not know how by mere tackling of the foreign exchange front we can find the resources for financing the Second Plan. He has totally ignored to touch on the aspect of raising additional resources.

The weakest chapter according to me in the Second Five Year Plan is the chapter on finance and foreign exchange. In that chapter, taxes have been expected to yield Rs. 800 crores. According to the Plan out of the total outlay of Rs. 4,800 crores Rs. 1,000 crores constitute current development expenditure, and it is surprising that in that chapter no recommendation has been made to find resources on tax account which would yield this current development expenditure. There is the indication that there would be an uncovered gap of Rs. 400 crores. In the chapter it has not been definitely pointed out—of course the possibility has been indicated—that the gap would also have to be met by taxation. We have to take into account another aspect also. I do not think that the foreign aid that we anticipated would be forthcoming. The figure would be more or less a pious expectation, particularly in view of our internal socialist policy and our so called neutral policy in foreign affairs. We have to rely more and more on our own internal strength. The position therefore is inescapable that we have to tap all the available resources that this country can bear.

I am very glad to find that the hon. Minister has so to say cried a halt to the policy of deficit financing. Though his predecessor in office was a very cautious Finance Minister, some of us were feeling whether he was not going too far in the matter of deficit financing. I am glad to find that that tendency has now been checked. We have to understand the point that countries with under-developed economies are highly sensitive to small changes in supply in relation to the demand and a slight deficiency pushes up prices excessively, and a small surplus manifests itself in sharp price declines. Money supply and prices have tended to rise in recent months, and this trend needs very careful watching.

After making these few general observations, I would try to meet some of the criticisms that have been made on the floor of this House dealing with these financial proposals. When you spoke, Sir, you asked whether anything material would be yielded because the base year for the capital gains tax has been fixed as 1954, but I think if you take the recent years into account, 1954 would be a very reasonable year. My own impression is that 1952 was perhaps the peak year, in relation to the index of prices. Then, the prices began to decline gradually. And you may remember that great anxiety was expressed on the floor of this House with regard to the declining prices. Then, there was a gradual upward trend, which was more or less noticeable in 1954. At the same time, it had not reached the peak that obtained in 1952. So, the period of January 1954 has been very wisely chosen, and according to me, this will yield substantial capital gains.

One criticism that has been made by Shri Morarka as well as Shri T. S. A. Chettiar is that the taxation proposals must be precise, but, on the other hand, the Finance Minister fixes

a ceiling and then taxes to any extent he likes below the ceiling. But, I think that it is only in one or two instances that the ceiling has been fixed and a departure is being made by the issue of notifications. When we are on this, we have to take into consideration the background which the Finance Minister had mentioned in the course of his speech that the next budget would virtually be perhaps in May or June next year. So, there is a definite time-lag. Besides, if within a period of two weeks before the Minister introduced his present proposals there was an upward trend in the index of prices to the extent of ten points, then, we do not know what exactly would be the financial complications that would ensue in the near future. If circumstances justify, it may not be possible for the Finance Minister to come before this House and say that this rate or that rate has to be increased.

One item on which a ceiling has been fixed is the stamp duty on the Bills of exchange. That is a revenue which would go to the States. That is rather a steep rate. The Finance Minister has to see whether the Rs. 5 that is imposed would be justifiable and only in that case, perhaps, there would be justification for further enhancement.

On previous occasions also, we have resorted to the adoption of the ceiling rate, and allowed the executive to make suitable changes by notification. We have got the experience of legislation of commodity Boards and Committees, where we have fixed a ceiling for the cess, and as occasion arises, the cess would be so manipulated as to yield the funds necessary for the occasion.

In regard to the excise duty on cloth also, you would remember that although we had fixed a ceiling, Government did not impose the ceiling rate when they put into effect the taxation proposals.

I am glad to find that the Finance Minister has seen his way to accept

many of the taxation proposals that have been made by the expert, Mr. Nicholas Kaldor, in his report to Government. The capital gains tax is one of the suggestions that has come from him, and he has also said that some modifications are necessary in the matter of section 12-B, and those modifications also have been adopted by the Finance Minister.

But, as has been pointed out already by Shri Asoka Mehta, the proposals of Mr. Kaldor are not meant to be picked up singly. He has intended these proposals which he has outlined in his report to aim

“at broadening the tax base through the introduction of an annual tax on wealth; the taxation of capital gains; a general gift tax; and a personal expenditure tax...”

I am aware of the fact that, perhaps, in the next budget, the Finance Minister may adopt one or two of the other proposals of Mr. Kaldor. Mr. Kaldor's recommendation with regard to capital gains tax is also to avoid the evasion of taxes. According to him evasion should be tackled on four fronts, namely, by levying a tax on capital gains, a tax on gifts, a tax on personal expenditure and an annual tax on wealth, for, if the tax is levied only on all these four fronts together will there be the desired result.

We have also to remember that in chapter 9 of his report, Mr. Kaldor has stated that he is of the opinion that if the rates are reduced to the extent of 45 per cent. or so, and taxes are levied on capital gains, personal expenditure, wealth, and gifts, and so on, then, the evasion would be much less and it would be possible on the whole to get more revenue than is really obtained by high rates on income. Professor Kaldor says:

“Conversations with individual businessmen, accountants, and revenue officials reveal guesses which range from 10—20 per cent. of the assessed income at the minimum to 200—300 per cent. at the maximum.”

[Shri A. M. Thomas]

It appears from the speech that the Minister delivered at Calcutta that he also subscribes to the opinion of Mr. Kaldor, namely that the amount of Income-tax lost through evasion would be of the order of 200 to 300 crores than the Rs. 20—30 crores which is sometimes quoted.

So, one basic thing that he has to do is to devote the energies of his Ministry, especially of the Central Board of Revenue, in this direction, so as to check the evasion as early as possible. Otherwise, it will have a terrible demoralising effect. The salaried classes are taxed at the source; you know, Sir, that even our Rs. 400 salary is taxed at the source; but, the several business magnates who have got considerable sources of income escape because of the loopholes. I hope the Minister is quite aware, as I could gather from some of his observations already, that there is a limit to the extent that one can tax the salaried classes. So, the tax evasion problem has to be tackled very efficiently. Otherwise, all the expectations that the Minister has would be belied.

With these few words, I support the taxation proposals wholeheartedly.

Shri Mulchand Dube (Farrukhabad Distt.—North): In order to finance the Second Five Year Plan with an outlay of Rs. 4,800 crores, it was originally estimated that a sum of Rs. 850 crores was to be collected by way of additional taxation. The Finance Minister now says that to this figure another Rs. 400 to Rs. 500 crores have to be added. The result is that the total amount of taxation which has to be raised in order to finance the Plan seems to be of the order of Rs. 1,200 to Rs. 1,300 crores.

In these Finance Bills, the Minister has increased the excise duty, the stamp duty and also imposed a tax on capital gains and provided for the deposit of the reserves. With all these extraordinary taxes, particularly the capital gains tax and the deposit

of reserves, it is estimated that Government will be able to make about Rs. 16 crores a year.

During the Plan period, we may be able to raise by these extraordinary measures a sum of Rs. 64 crores. This is a small sum when we think of the large deficit that we have for the Plan, that is, Rs. 1,200 to Rs. 1,300 crores. The question, therefore, arises as to how this gap has to be filled, and where we are going to get the money from. It appears that during the next financial year additional taxes are also going to be levied. According to Professor Kaldor, the saturation point in regard to tax has not yet been reached in this country, but it does appear that the taxes that are being levied may lead us to a point where people will not find it attractive enough to start private industry. Thus, it may be that the disincentive point may have been reached.

Be that as it may, I am not a financial expert, nor for the matter of that do I claim to be an expert in planning; I read some political economy at the University Stage, but with the lapse of several decades that knowledge has practically faded out and I have had no time to refresh it—it appears to me as a layman that it is necessary, in order to prepare the plan; to take stock of our resources and of our requirements and then to plan our requirements according to our resources. I think what the Plan suffers from is that we have not taken stock of our resources at the time of preparing it. My submission is that the Plan seems to have been prepared on the pattern of the most advanced industrial countries. The special conditions in this country do not seem to have been taken due note of. I am referring to manpower. This is the only resource in which we can excel most of the countries of the world except one or two. It is only in our manpower that we can do so, but it so happens that this manpower is not treated as an asset at all; it is treated more or less like a liability.

I therefore think that the approach in this Plan has not been quite correct. The Planning Commission has certainly in certain places mentioned our manpower in connection with unemployment. But this unemployment is, of course, a negative matter. If only we give greater attention to the employment of this manpower as an asset, I think most of the ills from which we are suffering and most of the difficulties arising in regard to the Plan, will be overcome. Of course, I do not mean to suggest that manpower is all that is needed. For instance, for the establishment of big industry, for the manufacture of machines which will make machines and which will produce consumer goods, of course, manpower would be, more or less, useless and may not be absolutely necessary. But then even for the manufacture of those big machines, thousands of small parts have to be prepared and these can easily be left to be produced by small-scale industry either with the aid of power or without it. I do not think sufficient attention has been given to this aspect of the question. Therefore, we are, in fact, suffering on that account.

The hon. Finance Minister has stated in his speech introducing the two Bills that about Rs. 200 crores of foreign exchange have been spent during the last few months. My hon. friend, Dr. Krishnaswami, pointed out that it was at the rate of about Rs. 1 crore a day. This is perfectly right. I do not think we can go on this way to any considerable extent. I submit that efforts to acquire and conserve foreign exchange have not been made in the manner in which they should have been made. It may not be possible for us to export finished products produced by machines because in that line there are other countries who are far in advance of us and who can produce goods cheaply. But there is certainly another aspect to this, in which we can probably beat other countries, I mean goods produced by manual labour.

I do not think we have studied the markets of other countries in order to find out whether it is possible for us to produce goods required by other countries and whether it is possible for us to produce the pattern of goods which those other countries use and at a much cheaper rate in this country than they are able to produce. I do not think that we have investigated the possibility of being able to market such goods in those countries. I feel that no great expense will be required for undertaking this. We maintain Commercial Attaches in most of the countries where we have Legations, Embassies and the like. Those Commercial Attaches can be asked to study the markets for hand-made goods in those countries so that we may be able to find out whether it is possible or not for us to produce those goods at a competitive price, so that they may be sold there and we may be able to earn foreign exchange. As it is, we are certainly earning some foreign exchange by sending out prints, handloom cloth, khaddar and other things, but that is to a negligible extent. Proper attention is not being paid to it. I would ask the Finance Minister to look into this question and find out whether there is anything worth pursuing with regard to this. As I have said before, I am neither a manufacturer, nor a trader, nor, for the matter of that, a person well-versed in economics or planning. But this is a thing that occurred to me, and the hon. Finance Minister may examine it for whatever it may be worth.

In regard to the deposit of reserves, my submission is that it will not help production. I think I might explain this a little, by stating the relation between deficit financing and the pace of production. I find that the hon. Finance Minister seems to be not in favour of further deficit financing, although I have seen the opinion of experts that deficit financing up to a degree is permissible and may be profitable to the country. But then one thing that has to be kept in view is that production must exceed deficit

[Shri Mulchand Dube]

financing. If production does not keep pace with deficit financing, inflationary trends would be generated, and the spiral of prices may continue to rise. Therefore, if production only keeps pace with deficit financing, the chances are that the ordinary law of supply and demand would operate and prices would not rise.

The one thing in which we can increase our production, if we only concentrate upon it, is agricultural produce. Even if we succeed in raising our agricultural produce to the neglect of consumer goods or mill-made cloth, I suppose we shall not be very badly off. Therefore, what is necessary is that production has to be paced with deficit financing; then, I think, there would not be any danger in it. But the provision that we are making in regard to deposit of reserves is, I think, likely to hamper production and the productive effort of our industry.

Other hon. Members have said that once the money gets into the hands of Government, it is difficult to get it out. This is, to a certain extent, true. I suppose every manufacturer will find it difficult to satisfy the officials of Government that he really needs the money for the development of his industry and for the renovation of his machinery. It is difficult always to satisfy the Government officials or, for the matter of that, any person who is not concerned with the business or who has no knowledge of the particular business in regard to which the demand is being made. It is bound to take some time. With the best of intentions, the official concerned, has to be satisfied. He may be perfectly honest but he cannot be satisfied, unless he has full knowledge of the working of that particular concern, as to whether the application that is made is really *bona fide* or not. This is bound to take time and, to that extent, there is bound to be a lag in production.

Apart from that, I would suggest to the hon. Finance Minister that this provision of the depositing of reserves should be made applicable only to companies with a capital of more than Rs. 10 lakhs. So far as the companies who have a paid-up capital of less than Rs. 10 lakhs are concerned, they would be hard hit by the provision of asking them to deposit their reserves or a certain percentage of their reserves.

Mr. Chairman: There are only five minutes before I call the hon. Minister to reply. If the hon. Member, Shri Mohanlal Saksena can finish within 10 minutes, I shall certainly ask the hon. Finance Minister to forego 5 minutes of his time.

Shri Mohanlal Saksena (Lucknow Distt. cum Bara Banki Distt): I will finish within 5 minutes, Sir.

Mr. Chairman: Yes.

Shri Mohanlal Saksena: Mr. Chairman, I am sorry I did not catch your eye although I stood up again and again. Anyway, I welcome the proposals so far as they go but I regret that they have come too late. I do so because they are in keeping with the suggestions I had made from time to time in regard to the formulation and implementation of the Plan. The policy is to soak the rich to help the poor, to tax articles of luxury and spare articles which are essential. Because these proposals are in keeping with that policy I have no hesitation in supporting them.

I would like to tell the Finance Minister that it does not do much good to say that the Plan is a challenge to us and we have to raise the necessary resources. There was an appeal by the Prime Minister that we must accept it as an act of faith. As I said at another place, faith, like courage and sacrifice, is infectious and it requires greater faith in the person who wants to instil faith in others. Where is that faith on the part of the Planners? There is a minute of dissent in the Plan itself.

With the Suez Canal crisis the Planners are feeling nervous; they are not sure of its implementation. It is not that these things could not have been foreseen. For at least 18 months since the publication of the Plan frame, it has been my unpleasant duty to put forward suggestions and tell the Planners what I feel about them. Now, you say the Plan is a challenge to the people.

Take the case of elementary education. There is a directive in the Constitution that every child, boy or girl under 14, should be in school. But, according to the Plan only 49 per cent. of them would be in school. In the Second Five Year Plan—I wonder whether the hon. Finance Minister knows it—there is a smaller provision for elementary education than in the First Five Year Plan, although there is a provision of Rs. 57 crores for University education as against Rs. 15 crores provided in the First Plan. Again, there is a provision of Rs. 57 crores for administrative and miscellaneous expenditure as against Rs. 11 crores in the First Plan. While in the First Plan administrative expenditure was only to the tune of 6.66 per cent., now it has gone up to about 19 per cent.

As I have said in my note on resources, which has been circulated to the Members of this House, my differences are not in regard to the size but regarding allocations and the manner in which resources are going to be raised. I wonder if the hon. Finance Minister has had time to go through this note on the 'Size and Resources'. I have stated there that I am opposed to deficit financing to such a large extent for two or three reasons. There was the opinion of our panel of economists that we should not provide for more than Rs. 1,000 crores by way of deficit financing. Against that warning, we provided for deficit financing to the tune Rs. 1,200 crores and left a gap. I myself felt that it should not be more than Rs. 850 crores. How are we going to make up that gap? I

had suggested checking of tax evasion by which you could raise during the plan period a sum of Rs. 250 crores. I had suggested that by economy you could raise another Rs. 250 crores. That will go to make up Rs. 500 crores. I had also suggested that for small-scale industries you can raise Rs. 18 crores. At present you have bonds and national plan savings certificates. I had suggested definite schemes where people will have the incentive to save. I had suggested the issue of ration bonds whereby the holder of a bond will be entitled to get certain quantities of rations at specified rates. I had suggested the issue of saving in orchards, as you have got in Palestine. The Government could develop orchards and later on allow these bond-holders to purchase them. By such schemes, I feel it should be possible to raise Rs. 1,800 crores.

But the previous Finance Minister was always talking of taxation and more taxation and deficit financing. Anyway, I hope the hon. Finance Minister will look into this question and in these directions for more resources. As was pointed out by you, I had also submitted a note on 'Drive for Economy and Efficiency'. I had suggested that, as is being done in China, at least in respect of non-productive buildings you must immediately pass an order that there should be a reduction of 15 per cent. and on production buildings a reduction of 10 per cent. Then there are the travelling allowances and entertainment allowances and so many other items which can be cut down, if the Finance Minister is so minded.

15-48 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

The hon. Finance Minister said that we are proceeding according to schedule so far as the execution of the Plan is concerned. I beg to join issue with him. Take for instance the Iron and Steel Ministry. We have just planned for having 3 plants during the Plan period. We are importing so much and there is difficulty about

(Shri Mohanlal Saksena)

foreign exchange which is partly due to this import. My difficulty is this. We are importing capital goods which are not necessary. From my experience as a Member of the Estimates Committee, I can say that when we examined the C. T. O. we found that there were hundreds of cases which had been purchased and which had remained unopened for 3 or 4 years.

In the Bhilai Plant, for instance, we are lagging behind the time-schedule. That is my information. The foundations had to be dug out and laid before the rainy season. But that was not done. The godowns have not been constructed. Trained personnel have not been forthcoming. A very important provision of the Agreement has not been taken advantage of, namely, the training of Indian counterparts by the Russian experts. They had come here and they have gone and their Indian counterparts were not there. The machinery that has come is lying in the open. My information is like this and I would like to be corrected and told that it was not so. We are lagging behind the time-schedule. It is understandable. After all, the hon. Finance Minister has too many irons in the fire, and for him to continue to keep charge of this very important Ministry, I think, is not very desirable from another point. I do not want the Finance Minister to be in charge of any other Ministry because it creates a bad precedent. Firstly, he has no time, he has got so many things to do. After all, he has to raise resources and he has to apply his mind. If he goes on like this, I will not be surprised if he begins talking while sleeping, which he said, yesterday he is not doing now. Before there is a crisis, I would like the Plan to be examined. Our imports should also be cut down.

We have been importing so much cement and steel. Is it only what is absolutely necessary? It has been suggested by many engineers that in the construction of dams it would have been much better if we had taken to

stone masonry as well. About the Tungbhadra Dam, there was a difference of opinion with regard to the construction, and it was decided in favour of stone as suggested by Hyderabad Government. I was told by the Prime Minister that the engineers think that we could not build to that height with stone masonry. My reply was then why not use stone to the height we can because that will provide employment, that will save so much foreign exchange which we cannot have. There is one great disadvantage in the use of cement because it lends itself to so much abuse. Go to the villages in the area of Bhakra-Nangal dam and you will find that so many houses have been built with cement. Where did this cement come from?

Shri Tek Chand (Ambala-Simla): Stolen cement?

Shri Mohanlal Saksena: If there is no handicap of cement you can plan for any number of dams; there is plenty of stone; you can start them now.

In the matter of resources, I had suggested a labour levy. This proposal has been before the Planning Commission for a long time and the Chairman has given me assurance again and again that it was being considered, but I had no information about it. I know that a similar levy is in vogue in France. In the communes there every male adult under 60 is required to work for a certain number of days in a year. If he cannot work, let him pay. As I said in my suggestion for the implementation of the Plan, every able bodied adult under 60 should be made to work or pay for the plan. But the Minister is now taxing articles of food and other necessities. Who is going to pay it? For instance a person may be supporting a number of unemployed persons, a brother and so on, but on account of this tax, we shall have to pay tax for these unemployed dependents. As the time is very short, I would only ask the hon. Finance

Minister to go through these suggestions of mine, and I am prepared to discuss them with him. But I feel that now he has to begin with a balanced Plan. I do not like the implementation of our Plan to hang on foreign assistance. I do not think it is consistent with the high moral stand that we have taken in international affairs.

As regards the Suez crisis and any other crisis, we should know the conditions in the world are such that we cannot expect smooth sailing for a number of years. Therefore, our Plan should be such as can be implemented. It can be divided into two parts—one basic, which may be implemented with the resources available in the country, and the other from assistance from outside, if available.

With these words I support the measures before the House and I hope that the Finance Minister will give his attention towards stopping evasion of taxes and effecting economy on the lines I have suggested.

Shri T. T. Krishnamachari: Mr. Deputy-Speaker, Sir, Government has had support from quarters from which it normally does not get support and it has been opposed from quarters where opposition to a measure of this nature is inevitable. Perhaps what was a little surprising was a certain amount of opposition to the particular measures that came from my side of the House while generally they supported the Finance Bill as such. Under these conditions, I am particularly grateful to my young friend, Shri A. M. Thomas, for, what you might call, the very discerning support that he gave to this measure. In fact, his speech has lightened my burden because he has been able to explain many of the doubts raised on this side of the House in regard to not only the substantial part of the Bills before the House but also the procedural part of the Bills. I would, therefore, like to express my gratitude to him and also compliment him

on the effort that he has made very successfully to get beneath the skin and understand the nature of these proposals.

I must also express my gratitude to my friend, Shri Asoka Mehta, who is not here, for having brought into this discussion a certain amount of dynamism even though it was of the opposing variety. In fact, I would not complain because of the speech that he has made even though I won't agree with the analysis which he has given of the present situation. The only compliment that I can pay is to say that if I were not where I am but were on the other side, I would have done the same thing.

Shri M. S. Gurupadaswamy: You will be.

Shri T. T. Krishnamachari: Having said that, before I go to the most important questions, let me deal with some of the less important points in his speech.

He raised the question of leakage. I am afraid we are living in a world where it is difficult to think in an integrated manner. Therefore, there is a certain amount of leakage in our thinking. Therefore, we look to leakage everywhere. I have not made any exhaustive enquiry into these charges even though a journal which has the reputation of being responsible has departed from its responsible character and started an adventure in a field where responsibility is certainly not necessary. I suppose the paper is angry, and an angry man is generally irresponsible. The charges were made by the finance weekly Capital. Certainly I know the significant characteristics of Capital both as a journal as well as what it generally conveys. I have not made any enquiries excepting just to find out what people say about it, because I am perfectly sure in my mind with the precautions that we have taken that nobody could have had the wind of any of the proposals that we were making. It is undoubtedly true that round about

[Shri T. T. Krishnamachari]

1-30 on the 30th November, when the teleprinters in the various stock exchanges started working and conveyed the news that my colleague, the Minister of Parliamentary Affairs, had asked the Chair for permission for me to make a statement and the Chair fixed the time at 4-30, there was some excitement. It is due to the fact that I have a bad reputation.

That cannot be considered to be a leakage. Here we have a document which is generally produced for our benefit. It speaks of the equity market. On 23rd November, 1956 the Associated Cements—these are the closing quotations—sold at Rs. 194 and on 30th November, Rs. 194-12-0 on 1st December, 1956, it was Rs. 185. Tata Steel Ordys—the quotation was Rs. 191-8-0 on 23rd November, 1956; Rs. 192-8-0 on 30th November and Rs. 180-12-0 on 1st December. Kohinoor Textiles—the position is Rs. 340 on 23-11-56; Rs. 345 on 30-11-1956. National Rayons Rs. 261 on 23-11-56 and Rs. 262-4-0 on 30-11-1956. Bombay Dyeings: Rs. 623-12-0 on 23-11-1956 and Rs. 625-10-0 on 30th November 1956.

This is a record prepared for our benefit, prepared by the Government. It also goes on to mention:

“The Calcutta Stock Market was ruling quietly steady until Friday, November 30, 1956 when a sharp reversal took place. The news of the circumstances which necessitated the adjournment of the annual general meeting of the Indian Iron and Steel Co. Ltd. to December 7, 1956 (“in token of the shareholders’ protest against the limitation imposed on the dividend on the ordinary shares”) induced renewed selling pressure in the share scrip which, in turn, imparted an easier trend to prices elsewhere. This was followed by news of the new taxation proposals which created panicky conditions in the market, resulting in a slump....”.

The enquiries that I have made have shown only one thing. The only share that was affected either on the 30th or a day prior, was the Indian Iron and Steel and here is the cause something completely unconnected with the Budget—that the meeting had to be postponed to the 7th of December.

Shri Mohanlal Saksena: May I interrupt him? I have received a copy of a letter.

Shri T. T. Krishnamachari: I know. I will deal with that letter.

The hon. Members have received copies of several letters. Some busy-body has been writing letters.

Shri Mohanlal Saksena: This is addressed to the Secretary, Finance Ministry.

Shri T. T. Krishnamachari: The usual method is to address it to some high dignitary. In this case, the imagination did not go so high. Normally these are addressed to the Prime Minister or somebody else and a copy is circulated to the hon. Members of this House. If my hon. friend thinks that somebody who has sent him a copy of that letter is right, he must understand that he is a busy-body. Here are the facts which have been disclosed from the market position. If on that basis, my hon. friend wants to show that certain thing has happened, I shall give him the satisfaction of indulging in this happy indulgence. I shall say nothing more about it.

Shrimati Renu Chakravarty: Is it not true that the limitation of dividend has been there for a very long time, since last year? This sudden reversal in the first week of December seems to need further explanation.

Shri T. T. Krishnamachari: But, why should it be only the Indian Irons? The entire taxation proposals, if they had affected anybody at all, had affected a wide range. So far as the Bombay market is concerned, I

have given the quotation to the hon. Members. Why should it be Indian Irons and nothing else? I do not propose to deal with it any further.

The other question that was raised by Shri Asoka Mehta and endorsed by some hon. Members here, was that our import-export policy, which had been pursued during the last 4½—4¾ years, had been highly defective and had generated the present difficulties in the foreign exchange position. This is again a charge made without looking into the facts and figures. In 1952, we had slumped rather low. Then, we started tightening up the belts and re-ordered our affairs—a certain amount of liberality here and there—and generally we had a more rational picture of imports. The net result was that we pumped in a hundred crores into the Sterling Reserves during the period of 1½ years. We maintained it more or less in the same figure until the beginning of this year. I would also like to say that our policy which was followed in regard to imports was something which was, I think, rather restrictive, so far as consumer goods were concerned. The liberalisation of imports for a period of three years has been entirely in respect of the requirements for industry, which has been necessary in order to further the Plan targets. Between the first half of 1955 and the first half of 1956—I am taking two half-years with a gap of one year—the capital goods and heavy electrical goods—the licensing—rose from Rs. 47 crores in the first half of 1955 to Rs. 179 crores in the first half of 1956. Surely, that was not import of consumer goods. They are capital goods—heavy electrical equipment. The difference has been a matter of Rs. 132 crores. So far as what you call raw materials for industry are concerned, during the first half of 1955, we imported for Rs. 112 crores. During the first half of 1956, we imported for Rs. 172 crores. Here, I would like the hon. Members to understand that during this period, some of our traditional import of raw materials

like jute, cotton, etc. had not been on the same high level as it used to be in the past. Even so, in two important items, both necessary for the development of industry in the country and for the furtherance of the Plan, we have imported in one item Rs. 132 crores and in another item Rs. 60 crores more. Between the two, it shows a very big amount.

Then, the hon. Members know about the imports of iron. Shri Bansal asked whether it was planned or not. So far as planning the estimates of imports of iron and steel during the Plan period is concerned, I plead responsibility myself. I would not pass it on to this Council or this officer or that officer. It is the personal responsibility which I exercised as Commerce and Industry Minister. The target for imports is framed by me. It is considerably in excess of whatever figure is produced departmentally because I found that the target was not adequate, and it was also part of the technique. At a time when there was consistent shortage of iron and steel for necessary purposes, we had to get a very large quantity and that is what we did. If all the shipments which have been made or which are being made during the current year come, we should have imported 1·8 million tons of iron and steel as against 380 thousand tons—somewhere less than a quarter of the present figure—which we had before. It will have to be done deliberately for the purpose of the Plan. For anybody to say that we have been pursuing a policy of imports and exports without knowing what the needs are, what our limitations are and what our resources are, is to talk without knowing.

Therefore, I must say to a friend like Shri Asoka Mehta who is usually very accurate and who always comes to the point, that he has been wide of the mark.

My hon. friend, Shri Bansal, said in this connection that we had not been planning exports. I quite agree. I

[Shri T. T. Krishnamachari]

do remember the idea of having a small commission to go into this matter the last time we reviewed it, some five years ago; it is now five years old. So far as the export commodities are concerned, there is not much of elasticity and the elasticity is still less when consumption is rising. It is only when the consumption stops that our exports will go up. Here is the justification for something that I did, for which I was condemned even by my own party-men a few months ago. The raising of excise duties on cloth has tilted the balance again. This was heavily against the cloth exports. Though we have not still reached the figure of 1955, we shall certainly be better off than what we expected we will be round about August 1956. We thought we will probably lose about 125 to 130 million yards. Now I think we won't even break. We will be short by about 30 to 35 million yards. The fact that we have been able to export another 80 million yards against our expectation in August, is the one single justification for raising the excise duties which we did in September this year.

Therefore, much remains to be done. I am not one of those who are complacent either in regard to our own activities or in regard to our understanding of our problems. The Plan is a big thing. In fact, as I said, I would like to have it bigger. But we would need to put away all ideas of complacency, even the remotest ideas of complacency, if the Plan is to go through.

Now I come to the point whether in making my introductory speech in connection with these Bills, I have been negligent so far as the people of this country are concerned in the matter of telling them the absolute, bare and naked truth. Sir, I have a lot of faults and I am certainly not a paragon. But, at the same time, I do not think even people who do not like me would say that I generally mince matters. I have said whatever

a responsible man can possibly say in regard to the circumstances that are now prevailing. It is true that when the Plan was framed we expected the pressures, strains and stresses in the structure of the economy of the country to develop a little later than it actually did. It has come a little earlier. It may be, as some hon. Members mentioned here, that we have not been taking adequate care in production of certain commodities. I am coming to that a little later. But it is not that I have not told the House before. In fact, I suppose I have not been guilty of what you might call a breach of etiquette in speaking the truth even against my own colleagues, even against my Government, which I did in April this year. I said, there are certain indicators so far as the Plan is concerned which will ask for greater sacrifice on our part, and ambivalence in thinking is certainly not going to help us. Ever since I took over this responsibility of the Finance portfolio, knowing as I do my shortcomings and feeling the absence of a person who was in every sense a better man than myself, a better planner anyway, I have not been trying to say that things are right, that things are smooth and that we will get through the Plan. We won't get through the Plan unless we tighten our girdles, unless our thinking is clear.

A Plan means a big Plan. It means development of all sectors. It does not mean the development of isolated ideas which run in narrow grooves. You cannot think of a Plan if you are thinking of austerity. You must think of something which is much less than austerity so far as the common man is concerned. I heard an amazing story the other day. Some people asked me: "Why do you bother about people getting only Rs. 60 or Rs. 70. In any event, we cannot do anything better for them. Let us think of somebody in the next clause." I refuse to do anything of the kind because of the responsibility that is given to me as Finance Minister. I am responsible

for the economy of this country. And, whether it is federal constitution or not, if the State counter-parts do not wake up it will be my duty to tell them to wake up, and if they will not wake up, I shall protest. If this Plan is not going to mean something for the common man, a little less of austerity, a little less of privation, then the Plan is useless. I quite admit that.

So far as my hon. friend is concerned, he quoted certain facts and figures to tell me an obvious truth I am aware of, and it is only because I am aware of that truth that I am asking every section of the community will have to make some sacrifice. I cannot in all conscience go and ask a person who has nothing to sacrifice further. That is why we are asking the rich to sacrifice.

People tell me of disincentives. What is the use of incentives in any country if things continue in the present shape. I am ashamed that people—I am afraid, people of the same colour and people who belong to this country—in the year 1956, when the world everywhere is in the throes of revolution, think in terms of vested interests getting an entrenched position? But that is nothing surprising, because I may tell my hon. friends here that it does not stop here. I am not annoyed with them because I am sure the vested interests will fight in my front, on my side, on my back and on my flanks.

I know that if you are going to carry through this Plan then every section which can afford to make a sacrifice will have to be asked to make a sacrifice. We will have to face struggles on all sides. I know there will be a capitalist strike which, I think, we have not known before. It is coming and it is being threatened. So long as we have the people behind us, so long as we feel that we are consciously doing our best for them, I am not afraid of this. If we have to go out as a party, let us go fighting, let us not go on compromise.

The mere fact that the situation is bad and I have not heightened it does not mean I am mitigating the situation. I realise the situation is serious. The Plan must go through. The present conditions are such that unless they are vitally and radically altered the Plan may not go through. As I said somewhere else, if the Plan fails with that fails democracy. Therefore, Shri Asoka Mehta need not carry conviction to the converted. I am a converted person. He quoted figures and said that national income statistics have not risen, an upward trend has not been maintained. Don't I know it? Don't I know that we have had a diminution in our food crops? To an extent that has shown an indication so far as our national income is concerned. Don't I know the fact that unless the national income rises progressively with a rising population the averages will show we are static? Don't I know that even industrial production which was rising very rapidly has slowed down a bit because it has to get a breathing space? Don't I know that if I force things down in an economy without being digested the net result will be perhaps chaos? We know it. In fact, that is one of the reasons why I have been harping on this theory that we should give up deficit financing. It is no use putting more pressure on an economy where strains have already developed. The economy must be allowed to digest what has been already given. Of course, deficit financing, which I elaborated sometime back, is for trying to bridge the gap between development and the savings that will come in some form or other. It may not come directly as national savings, then it has to be compulsory savings, it has to be compulsory insurance.

Some hon. friend here mentioned about my having said that in future we shall have to depend more and more on corporate savings, which is in the form of savings of companies, which is in the form of insurance savings, which is in the form of provident fund and pension benefits. I

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am not going to withdraw from that position because somebody said I am wrong. I still expect small men to invest. They are investing. They are probably not investing in the proper way. They are probably investing in Guest Keen and Williams, Hindustan Lever, National Carbon and others instead of investing in floatations of Shri Tulsidas and Shri Somani. Am I to be blamed for it? If the average individual in this country thinks that the foreigner is a safer person to put his money with and not my hon. friends here, then my hon. friends are responsible for it. I am not responsible for it. I never said that Shri Tulsidas and Shri Somani are any less able than foreigners. If they are able at all they are only averagely able because no man worth his salt is going to leave his country and come to India only because of certain facilities.

I am not aware of any of my investments about which hon. Members mentioned. I have no money. I have never thought of any investment; all I possess is five shares in the Indian Bank which I bought merely to attend the directors' meeting about twenty years back. Unfortunately, I have not divested myself of it, as the Rs. 600 or Rs. 700 that I get from it might be useful. I do not understand what the hon. Members say. It is for them to remedy the situation. Why come and blame the Government saying that they are doing this and doing that? Why don't you enthuse confidence in the minds of the people.

I say part of my investment must come from corporate savings, part from insurance funds and part will be got by collecting the amounts from investors who will be given 8 to 9 per cent. I come from a lower middle class. I know their mentality. The lower middle class is completely satisfied if it is given $7\frac{1}{2}$ to 8 per cent. If it is given 9 per cent. it is absolutely satisfied. In that case a lower middle class man

won't sell his script at all. It won't come at the Calcutta or Bombay market. He will hug to it and he will say: "I will get 9 per cent.". The mentality in our country is that 9 per cent. is something which is a very rich return. Why don't you do it? So, there is no point in saying that corporate savings should not be depended upon.

I am coming back to where Shri Asoka Mehta left. In an economy of this nature, the national income statistics are undoubtedly revealing, but they are not surprising, because even in industrial production which has been showing an upward trend has slowed down a bit, but probably may go up again. Import of capital goods and iron and steel means more industrial production. But, one item of industrial production is not going to be augmented, namely, cloth. So far as cloth production is concerned, we will not be able to increase it to an appreciable extent. Therefore, the total national income arising out of production will not benefit from that item which has gone to augment it all along.

My hon. friend, Shri Asoka Mehta, mentioned about the Poona socio-economic survey. I do not know very much about Poona. But, I visited a few months ago, about the middle of this year, an industrial city very near it, i.e., Sholapur. The difference between Poona and Sholapur is marked. Poona is a city where lawyers, Government servants, petty shopkeepers etc. live and excepting one or two, there are no industrialists. Many of the industrialists are living in the cantonment. It is a queer sort of city where growth cannot come because there is no income. If you take Bombay, the figures may be different. In spite of the fact that you will see thousands and thousands of pavement sleepers at 11 or 12 in the night, the figures may be different. I went to Sholapur and spent a whole day going round. I was interested only in one sector of the population,

but I saw quite a lot of them. I saw the handloom weavers. I saw some terrific spectacles and at the same time some very good prospects also. A handloom weaver makes Rs. 2 a day in that city. In Karimnagar I saw a family of handloom weavers—husband and wife—making Rs. 25 a month in conditions which I can hardly describe. There were about 25 pit looms in one small house. The cook-room was at the end of the house; men and women were sleeping in the same place; working children were strewn about the place. They had to do the dyeing there and fumes were coming out of the pots in which the dyes were being boiled. There was no lavatory and the courtyard was stinking of urine and human excreta. It was 5 o'clock in the evening and there was hardly any light. I found no light in their eyes. I do not mind confessing our faults. But half a mile away, there were about 300 single tenements with bathroom, lavatory etc. No refugee will come there because the C.P.W.D. have laid down that the return on each tenement should be Rs. 25 a month. The police people were occupying some tenements, but still about 150 tenements were vacant. I thought, here are human beings living in a state absolutely like pigs and here are 150 tenements empty. I admit that it is my defect. It is the defect of the Government to which I belong. I told the Collector, "If you start an industrial co-operative for handloom weavers, I am prepared to finance it." I have been trying to follow it up, but I do not know what has happened. It is after knowing the conditions of these people that we have brought this Plan. What is the use of telling me of the Poona socio-economic survey? Poona is not the common type of town to take. You will find that in South India in many of the towns people are having a parasitical existence without producing anything. It is not so in the case of industrial towns. After all, this is not anything new. There is no use in throwing it at me and saying Poona is like this. My answer to Poona again is the Plan.

Shrimati Renu Chakravartty: What about the problem of unemployment in Calcutta?

Shri T. T. Krishnamachari: The trouble about Calcutta is this. I sympathise enormously with the difficulties not only of the Bengal Government, but also of the people there. But my hon. friend must recognise that apart from politics, we are human beings. So far as Bengal is concerned, the problem today is the problem that faces the entire country and faces me in a greater degree than it faces anybody else. How can we stop this steady influx of people coming in all the time? In many cases, they will not go back after that. I do not blame them. There is no point in saying to unfortunate people, "you have been misbehaving". It is a challenge. It is a challenge to you and to me.

Shrimati Renu Chakravartty: The challenge is to you; not to me.

Shri T. T. Krishnamachari: I am not denying the fact; I do not propose to deny it. I accept it. It is a challenge which we have to meet on considerations which are extra-political, on human considerations and on the consideration that this is our country and we have to do something about it. I will accept any offer of co-operation that I get from hon. Members opposite, which has not got a political flavour behind it. But, if my hon. friend is going to say, "I have done this; I have twisted the tail of the Finance Minister and made him do this", I will say, "nothing doing".

Shrimati Renu Chakravartty: Prestige!

Shri T. T. Krishnamachari: If it is a question of the hon. Member, myself and other people sitting down and doing it, I am prepared. If my hon. friend wants that I should spend a week or 10 days in Calcutta and if it will solve the problem in any way, I am at her disposal.

Shrimati Renu Chakravartty: Stop retrenchment in the jute industry.

Shri T. T. Krishnamachari: But there is one clear understanding. There should not be even an incidental or remote idea of political exploitation of an unfortunate Finance Minister.

I do not think it is necessary for me to dilate at length on the general points made by my hon. friend, Shri Asoka Mehta. I very greatly value his criticisms, because he is a man who feels what he says. But he forgets the fact that he is on the other side and I am here. Whatever he has said is what, I think, I would have said if I were there. But it appears to me that what I am doing now is the only sound thing to do today. It seems to be the only way in which we can go. I do not say that this will be the law for all times to come. It may change three months hence; but, for the time being, this is the direction in which we should go.

My hon. friend spoke about integrated taxation, and asked, "Do you accept Mr. Kaldor or not?" It is something like asking, "Have you left off beating your wife?" All that I can say is that I have no wife. Mr. Kaldor is a good friend of mine; I know how his mind is working and I also know other people of the same calibre as Mr. Kaldor. I still keep a sort of correspondence with Mr. Kaldor. But, that is not what is needed. What we need is, how to proceed in the direction in which we can raise more resources without needlessly shutting off sources which still allow a trickle to come in. I shall allow the people from whom the trickle is coming to exist, so long as it does not go dry. The taxation system must be integrated, but you cannot put it all at once. Supposing I say that income-tax is going to be lowered and some other tax is going to be levied, people will say, "Does this man know how to administer the taxes? T. T. K. always used to do this kind of thing". I would like to tell them that I am also getting a little wiser; why don't you allow me to get a little wiser? Let me find my feet. Things will

change; it does not mean destruction of private enterprise. I do not want to destroy anybody, although I want a little more money.

Shri Asoka Mehta said, "The Finance Minister said that if he could get 80 per cent. of the taxes that are due, he will increase the Plan by 25 per cent. The plan is for Rs. 4,800 crores and 25 per cent. of it comes to Rs. 1,200 crores. So, the Finance Minister has confessed that Rs. 1,200 crores for five years is the amount of tax that is due." Well, maybe I meant all taxation. Maybe, I meant income-tax. What does he draw from that? Does he mean that I have become incompetent straightway? It will take time. I do not say that 80 per cent. is the optimum which I will ever reach or any Finance Minister will ever reach so long as human beings are what they are. Even in a communist State, they would not like to pay taxes if it is possible. I know they have a differential scale of prices for goods, according to their own socio-economic theories. Suppose I go to Russia with two suits, if I would like to come back with one suit and buy something there, probably some books, if I want to sell my suit, I can get a black market price even there. Human beings are human beings everywhere. Even if myself or my successor or the successor thereafter should devise a fool-proof system of taxation, there will be evasion. You have only to devise, somebody will evade. I do agree that evasion is very large. I make no bones about it. If I am inefficient, if the Central Board of Revenue is inefficient, people can draw their conclusions. If I do not realise that I am inefficient or that my system is at fault, there is no incentive for improvement, to develop, to re-order things. I shall not hesitate to come to the House with proposals both in the matter of recruiting personnel, selection, payment, etc. and also in regard to the troubles that I have in the matter of collection of taxes, (if the House permits), merely because Shri

Tulsidas will controvert. Every item of tax legislation that I bring goes to the High Court and the Supreme Court. I may have proof here that somebody is evading tax. I can show in probably a couple of weeks or a month. But, I am not permitted to do that. My books are taken away. The court will say nothing doing. Articles 14 or 18 or 19 or whatever article it is, which Pandit Thakur Das Bhargava and I have devised are the things that stand in the way of our being efficient collectors of taxes. Maybe, I will certainly come to the House if permitted with a proposal that we should restore the provision which existed in the Government of India Act, namely, revenue measures were not matters subject to judicial review. If the House is prepared to give it, I promise straightaway to show progressively month by month efficiency in collection. There is no point in blaming an institution. After all, that institution has individuals who are supported by law and lawyers. Therefore, I know the culprit. But, what can I do? I cannot collect the money because the law does not permit us to do it.

From that, I will take the House to the other question of delegated legislation. Of course, Shri Tulsidas mentioned it. But, he mentioned it casually. It needed some clever people from this side to tell us about delegated legislation. The principle of jurisprudence so far as tax collection is concerned is that there is always a large area of discretion left in the hands of the executive for compounding, for collecting less. After all, revenue considerations are most important. I can compound any tax with anybody. I may have an assessment of Rs. 4 crores; I may take a crore. There is nothing wrong about it. If I do not take one crore, the whole of it may go. So far as taxation is concerned, particularly in the conditions in which we are now functioning, the principal thing is we must have a certain amount of elasticity. Take, for instance, stamp duty. My hon. friend Shri Tulsidas told me

that from three annas to Rs. 10 is a very big jump. Suppose it is my intention to make it Rs. 5 or Rs. 1-4-0 for every Rs. 500, suppose I find tomorrow that it has had an effect on the market and other conditions are coming into being or conditions are changing, I will certainly change it to one anna or two annas or I will say the tax will be kept in abeyance. The stamp duty has to be worked in that manner. You have to watch the condition of the market. If the need for money is not very great, there is no point in my asking for a higher stamp duty on bills. As and when I find that the market conditions necessitate it, I am raising the bank rate or lowering it. This is a small device similar to that. It has to be raised or lowered. Shri Bansal asked, the Parliament is sitting all the year round, why not come and ask Parliament to do it. If I have to do that, by that time, the mischief would be done. These are matters which have essentially to be left to the executive.

Shri Bansal said that in times when he was not here and I was functioning, I spoke against delegated legislation. It is true. The old Speaker who always gave me a certain amount of indulgence, listened to me. We have a Committee on subordinate legislation. I had something to do with it, and I was a Member of the Committee when it started. I do not think the Committee has understood what its scope is. Delegated legislation must and will be there. You have to watch delegated legislation. I have seen the reports of the Committee. Every rule that is made, unless there is delegated legislation, must secure the approval of Parliament. If that is so, there is no delegated legislation. What you do in the Committee on Delegated Legislation is to see if the delegation is abused. That is why every rule is placed on the Table of the House. If you scrutinise it and find any abuse, say it is an abuse, you have gone beyond delegation, you are not using delegation properly, you better

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change. There should be delegated legislation, but it should be under check. It should be used for proper purposes. My hon. friend says, delegated legislation is wrong. I agree, so far as vested interests are concerned, my hon. friend Shri Bansal is not a vested interest. He belongs to the class of salaried persons. He must understand that delegated legislation is very essential, the administrative task of the Government being what it is today. There will have to be increased delegated legislation and increased supervision. If there is abuse, you can say, you should not do this, you should do this. We should watch and see if it is correctly used. If delegated legislation is misused Parliament must call on the Government to explain. There is no use saying that there should not be delegated legislation. No administration can go on. That is my answer to the points made on this side of the House.

I am sure my hon. friend Shri Tulsidas will be very angry if I do not refer to some of the points that he has made. I am afraid he has not given me very much of meat. He has said something about the customs duties, and excise duties. He asks, why do you impose an excise duty on sewing machines. Because, sewing machines can be made in the country. Foreign sewing machines are more costly and more machines will be made in the country. A large number is being made in the country. Why do you impose duty on glucose? Because the type of glucose on which duty is put is non-medicinal. There is also indigenous production. In every case where we have put duty, we have really seen to the interests of the consumer and whether there is an industry which can fill the gap.

I think Shri N. C. Chatterjee does not want my reply. If I may say something in his absence, he was merely talking to brief and having done it, he is no longer interested in the brief.

Shrimati Renu Chakravartty gave me very valuable support. In fact, right through the speech, I found as if we belonged to the same party. I was very happy about it because she gave it very generously. I am not referring in a light way to the valuable massive support that she gave me. I think in one or two things, she is not quite correct. She spoke about relinquishment. I think that is somebody else. She referred to managing agency companies escaping. They won't. In fact, the person who spoke about relinquishment more or less gave the answer—Pandit Thakur Das Bhargava spoke about relinquishment—because that is how it happens. A managing agency will relinquish instead of selling it, and then there will be some valuable asset which has been given away. So, that will not really entitle a person to exemption. Then, with regard to foreign concerns transferring their interests in India, capital gains will be taxed, there is no escape. If the law is defective, I will certainly have the matter examined and before actually the matter can go to court we can set it right.

So far as speeches today are concerned, I would like to deal with them very briefly. Dr. Krishnaswami took the other side. He said I presented an ominous picture. He sympathised with me, and I am very grateful to him for the sympathy. I am perfectly sure what he said is right, that the Finance Minister is treated unkindly, that he might put up with it once or twice or thrice, and then he might break his heart and give up the job. Maybe another man will be found more competent than myself, but still a change always means something which will affect the progress in between. Therefore, I certainly say amen to whatever he has said that people should not be unkind to me.

Dr. Krishnaswami: I did not say you would give up your job. I said you would find circumstances treating you

unkindly and that the people would have fresh impost, and exactions of an unpleasant nature to expect.

Shri T. T. Krishnamachari: I am afraid my hon. friend is younger and therefore his imagination is more lively than mine.

One point I must mention about what my friend Shri Mohanlal Saksena said. He is an old friend. In fact, we have worked together, sat side by side, but he has always got one passion, that portfolios must be divided. He said in the old days that I must give up cottage industries. I gave it up. He now says I must give up iron and steel. Possibly I might give it up, but I hope there will be somebody better than myself taking it over. I am deeply interested in it. I do not think anybody else will be quite as interested in it. Not only am I thinking of these three steel plants but of others. Even today while listening to the speeches here, I asked the Ministry to set up a planning cell because to plan for the future it is necessary. So, I am deeply interested in it. Even if somebody else takes it up, there is one thing in being Finance Minister. Some one said as Finance Minister I must be interested in transport. I am interested. My hon. friend Shri A. M. Thomas said I must be interested in railways. I am vitally interested in it. In fact, I keep in touch practically with the weekly progress that is made in expenditure, and I do feel that we ought to find the money necessary for strengthening the railways. Therefore, even if I give it up, I shall still be interested.

One thing I would like to tell the hon. Member, that the stories that he gets about Bhilai are like the stories we get about the stock exchange. There is some group, I do not know where, whether it is from Madhya Pradesh or somewhere else, that wants to say that nothing is being done. Everything is being done. The goods are being properly stored in proper covered places. The people who are necessary for taking the

position of the Russians are all being trained. Everything is going according to schedule, as far as our technical advice would permit us to do, that is to say if they give us the blueprint then we start. If they do not give us, we cannot start the work.

Shri Mohanlal Saksena: My point is this. What was the time schedule for laying down the foundations? Was it not before the rains? It has not been done.

Shri T. T. Krishnamachari: Yes, it was before the rains. The Russian time schedule is somewhere about July, but they did not send even the blueprints.

Shri Mohanlal Saksena: I do not blame you, but we are lagging behind time schedule.

Shri T. T. Krishnamachari: There is no question of lagging behind because after all these blueprints have to be sent by our consultants. We only got certain basic details, we did not get the blueprints, and we built up a tender form with it and we have given a contract. I can give my hon. friend Shri Mohanlal Saksena this assurance that if you put up with me for the next two years, if I come back—that is a very big 'if'—as Iron and Steel Minister, I shall give these plants on the delivery dates. There will be no difficulty about it. It does not matter who says what is being done and what is not being done, it can be given on the dates that we have fixed. Maybe a fortnight this way or that, but it can be done.

Shri Feroze Gandhi (Pratapgarh Distt.—West cum Rae Bareli Distt.—East): That is a good bargain.

Shri T. T. Krishnamachari: It is a bargain, but I want my friend to think of the T. T. K. that he used to know in 1948, 1949 and 1950, and not as a person who has gone away from him and sits in the Treasury Benches and hardly has the time to see him or to speak to him. I do not say he is a party to this propaganda, but he has

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heard about it. There are rags who write and say I have made Bhilai a Madras colony, that somebody from Travancore-Cochin, another from Palghat happens to be a close relative of mine even though I live 350 miles away. A man who speaks Kanarese, Malayalam, Telugu and even Marathi will be a Madras so long as Bhilai is concerned. I have no interest in Madras or anybody, but I must have a man to do it. It does not matter where he comes from. He may come from the Punjab, Bengal, Madras, but the job has to be done. Whether I do it or somebody else does it, the thing will be done and has to be done. And on that depends the future stability of the country. As I mentioned somewhere, the stability of the country will have to be judged more on its production base, and if we have three steel plants which will lead to bigger steel plants later, that itself is the biggest backing that you can have for the stability of the rupee.

I do not want to take up the time of the House any more. Some hon. Members, particularly Shri Tulsidas has framed such a lot of amendments that it is likely that I will have to explain every one of the amendments with regard to the nature of the Bill. Only I would like to say once again that so far as taxation is concerned, as I have said we have made a beginning. The capital gains tax may be defective, we will remedy it. Gifts may have been left out. If it means a big loophole, it will be plugged. But we have to take a step forward, and that is what we have done today. It has been shown and we realise that the plans are such that we have to plug a number of holes. Resources have to be raised and we have to do it. There is no question of saying 28th February is sacred every year, or 29th February if it is a leap year, and you should not talk about finance or budget during any other portion of the year. If that is so, there could be no Plan. The Plan does not mean sitting in the

Planning Commission and bringing out a big book. It means working 16, 18 hours a day and finding out our loopholes. My hon. friend Shri A. M. Thomas mentioned that the biggest defect in the Plan volume is the chapter on foreign exchange and finance, but don't we know it? That is because the Plan was thought of in terms of what you might call physical planning, and you fixed your target, then tried to prune it from your foreign exchange and finance basis, still you are left a little behind because you must add something for human endeavour. If I merely say: "This is my foreign exchange and finance, I shall have a Plan on it", I can have a Plan for Rs. 3,600 crores, but because we have left something for human endeavour, human ingenuity, for the collective will of the people of the country that finance and foreign exchange is, as Shri A. M. Thomas said, what it is. Therefore, if I am here, I will offer no apologies to this House to come back again and again every session if I could only devise some taxation measure, some measure to plug the hole, some measure to raise more resources, something which will ultimately help the small man. If that is my justification, I will seek that justification, come to the House with perhaps new measures, not only on the 28th February or 29th February, but once, twice, thrice, four times or five times a year if it is necessary. I offer no apologies for coming to the House in season and out of season for more revenues, for more power in order to see that this Plan is a success.

Shri Matthen: May I know if the hon. Finance Minister will look into the recent fall in the cashewnut industry which has dollar earning capacity, and whether he can rectify it?

Shri T. T. Krishnamachari: If I may say so, I realise that the Government of India has innumerable children, but if anybody does point out the fact that one child has not got any milk, we will certainly look after it and see if we can give it some help.