

## MOTION RE ECONOMIC SITUATION

**The Minister of Finance (Shri C. D. Deshmukh):** I beg to move:

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

I welcome this opportunity, ahead of the Budget session, of placing before the House the central points of Government's economic policy and taking counsel with the House. Economic policy is not an end in itself but a means to an end; it has to subserve the broad ends of public policy and to assist in the evolution of the type of society which the country has set before itself. And, therefore, in this context, one has to consider what the broad aim of public policy is. Now, that has been set out in the Directive Principles of the Constitution.

[PANDIT THAKUR DAS BHARGAVA  
in the Chair]

These represent the will of the nation and not the creed of any individual or any party or the dogma of any section. And, so long as they remain in the Constitution, they must govern the over-all policy not only of this Government, but whatever Government there may be in future. I mention this because in the current controversies of government policies this fundamental point is apt to be overlooked.

The objectives set out in the Constitution require that a determined effort should be made for the abolition of poverty, for raising the standards of living and promote a greater measure of equality amongst the various sections of the population. The methods employed to secure these ends must necessarily differ from time to time and there cannot be any complete unanimity about this. But, I do not think anybody will disagree that there can be no differences of opinion regarding the ends to be achieved. Subject to this broad consideration, the enunciation of policy has necessarily to be determined by practical considerations and

by any doctrinaire approach. In modern conditions, particularly in a State which, like ours, has set before itself an ideal of a Welfare State, there can be no complete antithesis between public and private enterprise, nor any difference of opinion about the needs for the regulatory functions of the State. It is inevitable in a democratic system that within the provisions of the Constitution, subject to the sovereignty, direction and control of Parliament, Government must determine what is in the public interest and how best to secure it. I venture to emphasise this because, in the discussions in the business world about economic policy, there is often an under-current of feeling that public ownership or public control is at best an avoidable evil. I am afraid, it is not realised in these circles that the days of laissez faire are past.

The principle aim of economic policy in an under-developed country, apart from any Directive Principles in the Constitution, must be to promote development so as to raise the standards of living and to create, as quickly as possible, conditions in which full employment is reached and maintained. So far as we are concerned, this policy has been enshrined now in the Five Year Plan. It is not as if the Plan is completely rigid and inflexible because the economic situation changes constantly within the country as well as outside. And, it is necessary to take these changes into account from time to time, which means that economic policy has to be constantly reviewed and re-adjusted, and that, therefore, it has both a short-term and a long-term aspect.

Now, the long-term objectives of economic policy in any modern State are an increase of the national income, high and stable levels of employment, provision of certain minimum standards of services to all, in the matter of education, health and housing and economic and social justice. These provide the long-range horizon which the Planning authority has constantly to keep in view.

But, there are also short-term objectives which vary with circumstances and, what is more important, there is often a measure of conflict between short-term and long-term objectives. For instance, the attempt to push up investment rapidly may create an acute scarcity of consumer goods, while a curb on inflation may for a time react adversely on production and employment. Similarly, if any immediate increase in production is desired, higher prices and larger profits may offer promising results, but this might aggravate economic inequalities, besides having other adverse effects. Again, employment in a particular line can be safeguarded or even increased if considerations of productive efficiency are waived, but this may be prejudicial over a period to the growth of aggregate national product. Again, there is the question of agricultural prices. There may be a conflict between short-term and long-term objectives, and hence the need to strike a balance or vary or adjust it from time to time. Lower prices, for instance, are desirable for fixed income groups, also for preventing a sudden upsurge of inflationary pressure as public expenditure goes up, and over a period, accent would be on preventing inflation, but in the short run, low prices, especially a sharp fall in prices, may become a disincentive to the very increase in production that we desire. There must also be, it is recognised, a reasonable parity between prices for the primary producers and prices for the manufacturer. Inequalities of income must not be allowed to widen through a sharp reduction in agricultural prices. Therefore, there is often a case for judicious intervention by the State. This matter, I might add, has been under the Government's consideration, and Government's policy will be announced very shortly.

My point in giving these illustrations is to show that granted that the long-term objectives are met, the accent of the policy must shift from time to time between one objective and another in the light of short-term situations. Considerations of this character were taken fully into account when the First Five

Year Plan was formulated. The Planning Commission took, as a starting point, the fundamental rights and Directives of State policy enunciated in the Constitution. But while keeping one eye on these, it had, so to say, to keep the other eye on resources and immediate possibilities. It was required to attempt a synthesis of these two views. I quote the Commission's terms of reference:

"To determine the priorities in development and to formulate a plan for the most effective and balanced utilisation of the country's resources."

I venture to think that the Plan has been widely accepted as a fair attempt to reconcile the various ends of policy consistently with the resources available. Economic policy, since the initiation of the Plan, has been geared now to the implementation of the Plan, and it must remain so for the rest of the Plan period, and the same will hold good in respect of future Plans, but it has to be borne in mind that the present Plan is intended to be a first step towards a bolder and more comprehensive planning so that the economic policy we now pursue must have a dynamic and forward-looking character. I shall not go into detail in regard to the progress of the Plan, because that is to be discussed separately in another debate, but I should like to make a few general observations.

The House will recall the economic situation when the Plan was first formulated. The improvement in the economy that has taken place is apt to make us forget under what limitations the first start had to be made. If there is impatience now with certain aspects of the Plan or with the economic policy underlying it or of the progress made, that is a measure of the confidence that we have gained and of the realisation that the country could go ahead much faster, and I am sure the House will be pleased with this conclusion. The immediate question for all of us is how best to accelerate the development and

[Shri C. D. Deshmukh]

the capitalisation on the gains recorded which are, I shall not go into detail, very considerable in the face of the great initial difficulties that had to be surmounted. From the progress report the House is aware that the rate of public spending has been below expectations. In the first three years, only about 40 per cent. of the expenditure proposed over the five-year period was incurred. There were several reasons why the Plan started with a low rate of spending, and to some extent, it was unavoidable, for our administrative and other machineries had to be geared through to new comprehensive developments and it was not always an easy transition from the ordinary administration to the administration required for a welfare State and nothing like the comprehensive Plan that was drawn up was known in the past. Then, the bigger projects take some time to get under way, and considering the inflationary situation we started with, we had to proceed with caution, but the situation has now altered completely. We recognise now the need to go ahead faster not only because we must reach as near the target as possible but also because we have to undertake a much more rapid development in the next five-year period. It is too early yet to say whether the Plan expenditure this year will come up to the high level we have envisaged. Every effort is being made to see that no schemes which are worthwhile and have been properly worked out, lag behind for want of finance or on account of procedural delays. Central assistance upto the limits defined in the Plan is being sanctioned to the States, and the Planning Commission is prepared to agree, and has in fact approved a number of Centrally assisted schemes for States which are in a position to carry them through, some of them being specifically aimed at alleviating the unemployment situation. In fact, considering this situation and the current indices of money supply and the price, production and balance of payment figures,

should welcome an increase in public spending.

Now, I come to the other important aspect of the Plan which was not formally included in the Plan, namely, the private sector. In the last three years, here also substantial progress has been achieved, and judging from the trends in housing construction, the import of machinery and capital goods from abroad, the increase in the domestic production of capital goods, the off-take of raw materials and the level of bank lending, private investment may be considered to have been fairly good although as in the public sphere, much more perhaps could have been done. That brings me to a matter which has been agitating the public mind for some time and in which, I know, the House is very interested, namely, the role of the private sector in our economy. I mentioned earlier that our approach to economic problems is not doctrinaire but practical or pragmatic. I venture to suggest that the Industrial Policy Resolution of 1948 is an apt illustration of this approach although it was enunciated before the Constitution took shape and before we started thinking in terms of Five Year Plans. The objective of Government policy has been stated in that Resolution in the following clear terms:

"The nation has now set itself to establish a social order where justice and equality of opportunity shall be secured to all people. The immediate objective is to promote a rapid rise in the standard of living of the people by exploiting the latent resources of the country's increasing production and offering opportunities for all for employment in the services of the community."

The Resolution goes on to stress that "mere redistribution of existing wealth is no solution." It says: "It would merely mean the distribution of poverty. The Resolution further says: "A dynamic national policy must, therefore, be directed to a continuous in-

crease in production by all possible means side by side with measures to secure its equitable distribution." The Resolution lays down that the manufacture of arms and ammunition, the production and control of atomic energy and the ownership and management of rail transport shall be the exclusive monopoly of the Central Government. In the case of industries like coal, iron and steel, aircraft manufacture, ship-building, manufacture of telephones, telegraphs and wireless apparatus and mineral oils, the State is to be exclusively responsible for the establishment of new industries, except where it feels that the participation of private enterprise is necessary in the public interest; and in the event of such participation by private enterprise being found necessary, it will be subject, states the Resolution, to such control and regulation as the Central Government may prescribe. The rest of the industrial field is left open to private enterprise, but the State's right to participate progressively is provided for.

The Planning Commission has in its report endorsed the approach indicated in the Resolution. Government stand by that policy and nothing that has happened since it was laid down has indicated any need to change it, although there might be shifts of emphasis from time to time. Now, one hears, talks, often, of mixed economy. At least, I am not happy about this phrase as indicating any special or static condition of economy. All economies, even the most socialised, are to some extent mixed, and so are economies which rely in the main on private enterprise. Even advanced countries have under pressure of circumstances, to correct through State action some of the shortcomings of private enterprise, and this is both the right, and I venture to think, the duty of a democratic State responsible for public welfare and answerable to the people. The very fact that full employment has been accepted as the goal of policy all over the world, and that Governments are expected to follow anti-cyclical policies means that they must have at their disposal means for regul-

ating the level of economic activity. In under-developed economies where the resources, financial as well as managerial at the disposal of the community are limited, the responsibilities devolving on the State are inevitably greater.

Now, planning for development implies much more than planning within a given socio-economic framework. It involves changes consciously made in the framework itself. This problem was considered when the first Plan was formulated. A high rate of capital formation in an under-developed economy cannot be sustained without some structural changes becoming necessary. The lesson of experience in other countries which have secured a rapid development is that the instrument of public ownership and control in respect of certain strategic sectors is necessary, besides the usual techniques of taxation and borrowing if the process of ploughing back the increase in national output is to be accelerated. In a democratic country it is of course necessary to avoid excessive centralisation and to develop on co-operative lines. That is why over a wide-field in agriculture, in trade in small-scale industries, maximum stress has to be laid on co-operative organisation. Even so, the public sector has to take on increasing responsibilities. This is what the Planning Commission has said on the subject:

"It is clear that in the transformation of the economy that is called for, the State will have to play a crucial role; whether one thinks of the problem of capital formation, or of the introduction of new techniques, or of the extensions of social services, or of the over-all alignment of the production forces and class relations within society, one comes inevitably to the conclusion that a rapid expansion of the economic and social responsibilities of the State alone will be capable of satisfying the legitimate expectations of the people."

In other words, the mixed economy is not one in which the relative propor-

[Shri C. D. Deshmukh]

tions in the mixture remain unchanged. In fact, they must change. The rate at which they change, or the lines along which the State undertake responsibilities is a matter to be decided upon by careful weighing of the facts of the case and the overall requirements of any plan for development. In an expanding economy the opportunities must in the aggregate keep growing. It is not correct to assume that any extension of one sector is necessarily an invasion of the other, or a contraction of its opportunities. To my mind, Sir, there is no basis incompatibility between the public and the private sector. In this respect, one often comes across two mutually contradictory lines of criticism one that the private sector has not been left enough scope or resources and two, that the private sector is growing more rapidly relatively to the public sector and that not enough is being done to expand and strengthen the later. Now, here are the facts.

In the Plan, investment in the public sector was placed at Rs. 1,700 to 1,800 crores, as against a developmental outlay of about Rs. 2,069 crores. Now investment in the private sector, as I said, was estimated, at in round figures, Rs. 1,800 crores. Therefore, the total investment in the economy was estimated at between Rs. 3,500 and 3,600 crores. This ratio of 50:50 roughly involves a relatively more rapid rate of growth in the public than in the private sector. Further, the investments in the public sector represent social overheads like irrigation, power, rehabilitation of railways and certain basis industries, like fertilisers, iron and steel, locomotives, railway coaches, etc. In other words, judged in terms of economic and social importance, investments in the public sector are of a truly strategic significance. It is difficult to see how it could be argued that the public sector is losing relatively to the private sector. Then, it must be stressed that the private sector embraces a wide variety of economic activity, including agriculture, large scale and small scale industries, trade, banking, housing construction, etc. It is

misleading to speak of the private sector as if it represents only a few big industrial, commercial, financial enterprises. In the Plan, the estimated investment of Rs. 1,600 crores in the private sector related to these wide fields. Investment for industrial expansion was estimated at Rs. 233 crores. This included Rs. 43 crores on iron and steel, Rs. 60 crores on petroleum refineries in both of which the public sector has a say. In both these the lines of expansion and the terms on which it is undertaken are determined in terms of a defined policy. Then there was a provision of Rs. 150 crores on replacement and modernisation of industry.

Thus, investment, in organised industries totals Rs. 383 crores. The breakdown of investment in the rest of this wide private sector cannot easily be given because of the lack of sufficient data. But since investment on housing and business construction in 1950-51 was estimated at about Rs. 100 crores, it was envisaged that this item alone would account for some Rs. 600 crores over the five year period. Thus, private investment aggregating to over Rs. 800 crores was envisaged for agriculture, small-scale industries, private trade and transport, the sections of the private sector against which, I believe, no one will cavil.

Then, as regards the performance of the private sector, I think we might as well have the facts. It is not unfortunately possible to say how investment in the total field which I have just analysed, has proceeded in the private sector. It is, however, not correct to say that the private sector, is represented by organised industries, has failed to play its part. The Progress Report on the Plan has stated the latest position in this respect. In the first two years of the Plan, investment on expansion of private industrial sector is estimated at Rs. 53 crores and in the third year at Rs. 45 crores. For the current year, this is expected to go up to Rs. 63 crores. There is thus a progressive stepping up, and

if investment in the fifth year could go up to Rs. 75 crores or so, then the target of Rs. 333 crores for expansion set in the Plan would be realised.

I mentioned earlier that the progress we have achieved does not give room for any complacency. In spite of all that has been achieved, the problem of unemployment still remains. Recently, as the House is aware, the Planning Commission extended the scope of the Plan, but the problem of unemployment cannot be tackled successfully without a significant increase in the rate of investment. The central objective of our economic policy from now on must be to create full employment conditions, within a measurable period, say, ten years, from now. This is, by no means, an over-ambitious goal. It is perhaps the minimum we ought to strive for. In achieving this, there is ample scope for expansion both in the public and private sector. This means, in the first place, that we have to create at least two million new jobs if not more every year, in order to provide for the annual increase of 1·8 million in the employable labour force. Secondly, it means that we must make some impression on the unemployment and under-employment already existing. These jobs must obviously be created in the non-agricultural sector. The House is aware of the various surveys on unemployment, which have been undertaken at the instance of the Planning Commission. Their results will be available in due course, but from the results of two or three that had come to hand, it appears that in fact in some of our urban areas 8 to 10 per cent. of the employable population needs to be drawn into productive employment. One cannot of course generalise from these figures and it is difficult to assess what proportion of the agricultural population can really be regarded as available for employment in other occupations. But on a very rough guess I should think that some 15 million people

out of the total working force of about 15 crores may be regarded as available for absorption in new lines. In other words, to the increase of 9 million or so that we expect in the employable population, as a result of the normal growth, we must add this 15 million for whom fresh jobs must be found. In other words, some 24 million jobs would have to be created if our objective were full employment. Even if we set to ourselves the target of, say, 12 million jobs to be created by the end of this second Plan period, spreading the whole process over, ten years, the investment required for the purpose will be substantial. I shall give some idea. The average income per head in the non-agricultural sector is Rs. 1,000 a year; that is from the statistics that are available. Now, obviously, we must provide at least that level of average income for the new jobs we create. For employing 2·4 million per year on this basis, we should need an increase of at least Rs. 240 crores in the national income every year, and on the assumption of a capital-out-put ratio, of 2½ to 1,—that is to say, you invest 2½ and you get by way of production, 1,—you require an investment of Rs. 600 crores. Considerable investment in agriculture would also be necessary in the non-agriculture sector. On a rough and ready basis, the investment required may be estimated at Rs. 450 crores. Therefore, the total investment in the economy would have to be of the order of Rs. 1,000 crores a year, if we have to create 12 million jobs within the next five years. In other words, the aggregate of investment over the five years should be of the order of Rs. 5,000 crores or perhaps between Rs. 5,000 crores and Rs. 6,000 crores, as compared to the first Plan target of Rs. 3,500 crores with the public and private sector together. These are illustrative figures, as capital-output ratio as 2½ to 1,—and the relationship between investment and employment varies from industry to industry and it is affected by changes in techniques. A number of studies

[Shri C. D. Deshmukh]  
 have recently been initiated at the Indian Statistical Institute on these aspects of economic growth. But it is a safe presumption that for the finances of the second Five Year Plan, it will be necessary to devote these figures—Rs. 5,000 crores to Rs. 6,000 crores—or ten per cent. of the national income which is as near as Rs. 10,000 crores as may be—annually to investment.

I emphasise the need for increasing employment in the non-agricultural sector. The agricultural sector at present employs, though not fully, 70 per cent. of the working population. Small enterprises provide work, again not sufficient work, for another 8 per cent. Obviously, it is not possible to absorb more people in agriculture. In small enterprises also, there is a great deal of under-employment and these enterprises are fighting a somewhat uncertain battle for existence. Before we can hope to absorb a much larger number in that sector, it will be necessary to ensure that it does not lose relatively to the other sector. The House is aware of the efforts that are being made through fiscal and other measures to assist and strengthen these sectors some figures about which are given in this memorandum. The point I wish to make is that the increased opportunities for employment that we have to create have to be viewed against the fact that the non-agricultural sector, apart from small enterprises, at present provides jobs for about 30 million only of the working force. To create 12 million new jobs in this sector will necessitate raising the output of the secondary and tertiary sectors by at least 40 per cent. even if we assume no increase in productivity per head. That shows the size of the problem.

I should like to say a few words about the pattern of industry which could absorb so much of additional employment. Considering the numbers involved, while the development of major industries must continue in the national interest, it is necessary

to foster the development of small-scale and village industries with greater opportunities for employment and more and more chances of improving the resources of the population. Government have constantly kept in view the necessity for the development of cottage and small-scale industries and handicrafts, and as I said, hon. Members will find a brief account of recent measures taken by Government to this end in the memorandum. And in addition—which is not mentioned here—the question of rural electrification will need concentrated attention.

Village industries and handicrafts will supplement the income of the rural areas. But it is important to extend to these areas the benefits of increased credit and banking, both by intensive development of the co-operative movement and the spread of banking, so that the industry of agriculture itself may improve. I shall return later to this question of expanding banking facilities in rural areas. Anyway it is quite clear that in the future plans special attention will have to be paid to all these types of small-scale industries, bearing in mind our paucity of capital and our abundance of man power.

Now I turn to another aspect of economic policy, that relating to foreign investment. I shall first give a few facts. In 1948 it was estimated that foreign investment in India was Rs. 320 crores—under the heads manufacturing, trading, utilities, transport, mining, financial and miscellaneous. Since then there have been some inflows and some outflows. Repatriation of foreign capital between 1948 and 1953 has been estimated roughly at Rs. 100 crores. As against this there have not only been fresh investments by foreigners, but there has been considerable ploughing back of profits—we have not got figures—may be about one-third, by foreign companies and their branches or subsidiaries in India. The overall position as to India's net liabilities abroad will be known shortly—that is why I am not

giving the figures—when the results of the re-survey of foreign assets and liabilities undertaken by the Reserve Bank are published. Remittances abroad by way of profits, interests and dividends have been around Rs. 30 crores a year for the last five years. Estimates of amounts ploughed back by foreign companies are not available. But it is to be expected that the rebate given on undistributed profits and the increasing strength and the stability which the Indian economy has been showing are encouraging foreign investors to plough back a significant proportion of profits for further investment in India. Occasionally one comes across suggestions that we should lay down by law that so much of profits must be ploughed back. This amounts to restricting remittances of profits which is against our declared policy and, what is more, which is likely in fact to produce the contrary effect. And the same sort of remark applies to a suggestion that the whole of the profits in foreign business concerns be frozen. Under the present regulations, for very good reasons, profits of foreign business concerns are allowed to be remitted freely, irrespective of whether the foreign company belongs to the soft currency area or the hard currency area. And in his statement on the 6th April, 1949 in the Constituent Assembly the Prime Minister gave an assurance to foreign enterprises in India that reasonable facilities for remitting their profits out of India would be allowed. The underlying basis of this statement was the actual need for foreign investment in India. Once this need is accepted, we cannot obviously place any restriction in the matter of remittance of profits earned by foreign companies in India. I might add here that economic experience indicates that where such investment takes place the foreign exchange resources additionally created are usually more than the service charges of the investment. That is to say, there is a net gain to the country concerned even so far as foreign exchange is

accepted the basic principles and we concerned. In the Plan we have here formulated that there is scope and need for supplementary resources from abroad, partly through loans and grants to the public sector, and partly through investment in the private sector. And I still think this was a wise decision. I think it necessary, in view of our large needs in the years to come, to maintain conditions under which external assistance—I do not mean aid—through both channels continues to become available. In the first three years of the Plan period the assistance to the public sector was Rs. 234 crores, out of which Rs. 132 crores was utilised. This was made available by the United States Government, by the International Bank, the Colombo Plan countries, the Government of Norway and the Ford Foundation. External investment in the private sector has also been coming forward, as in the case of the oil refineries. The net inflow of private investment from abroad for the last five or six years is not precisely known. There was undoubtedly, as I have given the figures, considerable disinvestment in the immediate post-war years. And the survey by the Reserve Bank to which I have referred will shortly bring the picture up-to-date in the light of events since the first survey was undertaken in 1948. I have recently been to the United States, Canada and Europe, and I have good reason to hope that in the years to come external assistance will be available to us at least on the scale on which it has been forthcoming so far. For the next Plan we shall of course maximise our own resources. But considering our large and increasing needs it is obvious that any foreign assistance will be marginally a welcome supplement to the effort we put in on our own.

I mentioned earlier the problem of extending the banking facilities in rural areas. This has been engaging Government's attention ever since the Rural Banking Enquiry



[Shri C. D. Deshmukh]

Committee reported on the subject. In August, 1951 the Reserve Bank of India appointed, with the approval of Government, a Committee for conducting an all-India Rural Credit Survey. This survey is, I believe, one of the most comprehensive of its kind undertaken anywhere and without precedent at any rate in the so-called under-developed countries. As a result of the survey a vast amount of material hitherto unavailable has come to hand. After careful study of this material the committee have submitted a report to the Reserve Bank which is being released by them and the summary of the recommendation will appear in the press tomorrow. A major recommendation of the Committee which is a part of the integrated solution that the Committee have formulated with reference to the rural credit problem concerns the setting up of a commercial banking institution by the State with a countrywide-spread of branches. The Governor of the Reserve Bank agrees with the Committee that the creation of such a State banking institution is desirable for giving an impetus to co-operative and rural banking, for converting the remaining government treasuries into banking treasuries, and for serving as a support and as a stand-by for co-operative credit institutions and for other forms of co-operative activity. Government have given therefore careful thought to this recommendation and have decided to accept it in principle, the details to be worked out later. The development of rural banking will increase the flow of adequate credit in the rural areas both for purposes of agriculture and small-scale industries and facilitate the mobilisation of rural savings so as to enlarge the resources available for development. The recommendation is that there should be established a State Bank of India. The Committee suggest that into this Bank should be fitted, by amalgamation, the Imperial Bank of India and certain other banks which are already in various degrees

associated with individual Governments. The Committee envisage the creation of one strong and integrated commercial banking institution for the whole country with branches in every State. It is part of the same recommendation that the Government of India and the Reserve Bank should together hold a major part of the share capital of the institution. One of the principal objectives of the proposal is the setting up of an effective machinery of branches spread over the whole country in order that remittance facilities, and along with them, rural banking facilities especially for the undeveloped areas may be vastly increased, and in that process the development of commercial, and particularly co-operative, banking more vigorously and extensively fostered throughout the country. Under the proposal, the branch expansion of the State Bank in undeveloped areas will be largely subsidised by the Government. An essential feature of the scheme is that there should be interference of the State in the day to day operations of the State Bank and no lowering of the standards of sound banking. The proposal requires careful consideration by the Board of the Reserve Bank in consultation with the other interests concerned before the Government of India reach a final decision in regard to implementation. While the Government of India agree in principle that it may be desirable eventually to bring about the establishment of an integrated commercial banking institution which covers the whole country, over which the State has effective control, the details of both the manner and the phasing of so important a measure of reform, have obviously to be examined with great care and deliberation. This will in due course be carefully examined by the Government after the receipt of the views of the Board of the Reserve Bank. Meanwhile, the question of assumption of effective State control on the Imperial Bank of India has been long before the Government. The Govern-

ment of India believe that the first step towards integration, whether or not the integration takes the form suggested by the Committee, will consist in the assumption of such control over the Imperial Bank. Here again, the details will require careful consideration. But, in broad principle, Government themselves are in favour of a solution in which private shareholding subsists, but the State will be the major partner.

1 P.M.

In order to allay any possible apprehensions in this context, the Government of India desire to give the assurance that in the event of its becoming necessary for Government or the Reserve Bank as a result of any decision taken on the recommendations mentioned above, either to make arrangements for an exchange being effected between existing shares in one or more of the banks concerned and new shares in any State-associated banking institution that may be set up or to purchase any of the shares in the existing institutions, the values of the shares thus exchanged or bought will, for the purpose of replacement or compensation, be determined on the basis of the market values of the existing shares during a specified period preceding the publication of the Report. This method of calculation of compensation is on the lines indicated in Shri Shanmukham Chetty's statement in 1948 announcing the intention of the Government to nationalise the Imperial Bank of India it is also the intention of Government to pay any compensation that may be payable in cash up to the first Rs. 10,000 of that compensation, the balance being payable in bonds.

The Government of India would also like to give an assurance that if, as a result of these proposals or otherwise, the State comes to be associated with an institution of commercial banking, Government will ensure that due regard will be paid to the unimpaired continuance of the credit and banking facilities gene-

rally enjoyed by commercial and other interests as well as to the safeguarding of the usual confidential relationship between the banks on the one hand and the clients and depositors on the other. The policy which I have just announced is a further illustration of our practical approach to the economic problems to which I referred earlier. It is not any doctrinaire plunge into nationalisation. It merely seeks to give control of a sector of commercial banking in order to facilitate a comprehensive development of banking and the extension of credit facilities to important sectors of the economy at present not adequately served. The rest of commercial banking will continue to be in private hands as at present. They will be an important element in the financial system of the country with an important role to play in the task of economic development. It has been obvious for some time that the existing structure is inadequate for the expanding needs of the country and for serving certain important sectors of the economy. The House may perhaps recall that the Planning Commission has dealt with this particular matter in some part of its report. I shall not take the time of the House by giving the quotation.

Although so far as the reduction of inequalities is concerned, which is largely a matter of taxation and therefore, the Budget session is the proper occasion for a discussion, I would like to say a word about this. The problem is one of balancing of different considerations, as is so often the case in matters of economic policy. On the one hand, we need resources for the public sector. At the same time, it is necessary to see that the incentives are not dulled beyond a certain point as, thereby, we may be causing greater harm than good by resources or otherwise. Moreover, in any way, the number of rich is limited and the chopping of the tall popples is not going to furnish a correct approach to the solution of the problems while it may easily cause far more serious adverse repercus-

[Shri C. D. Deshmukh]

sions in the economy. This is a matter which is under the consideration of the Taxation Enquiry Commission whose report is in my hands and whose contents I hope to be able to make public on some future occasion.

I have nearly come to the end of my statement. The economic problem is a problem of orderly development. Looking back over the last three years, I venture to think our economic policy has been on the whole on right lines. There is bound to be difference of opinion as to the details of the policy; but I think that the sum of our achievement has been substantial.

**Shri S. S. More (Sholapur):** Complacency.

**Shri C. D. Deshmukh:** We are however, not at the end of the road. Lack of complacency. There is really no end to the road because there is no ceiling to what we can do for the country's development. We have many years of solid work before us. We have just now touched the fringe of the problem. The work will entail sacrifice in the present in the interests of the future. There are two ways in which these sacrifices can be made: firstly by reducing consumption and secondly by harder work without a corresponding increase in incomes in the short run. An under-developed country cannot afford any significant reduction in the low standards of consumption already current. It must therefore rely on direct investment of labour and other utilised resources in the system—canals, roads, bridges and various other works in rural areas can be undertaken on that basis. Youth organisations and voluntary labour brigades do this type of work in other countries. This effort is of great value—economic as well as psychological—in the early stages of development. In this context, the need for stinting, for austerity and for hard work is inescapable. In launching upon democratic planning India has undertaken a big task.

For further progress, efforts and sacrifices on a big scale will be necessary. There is ample scope for the effort of every one. There is no room for differences based purely on ideology or doctrine. The only ideology is love of the motherland and the only doctrine is dedication to service.

**Shri Aitekar (North Satara):** Copies of the speech should be supplied to the Members as also a copy of the Resolution of 1948 regarding economic policy.

**Mr. Chairman:** Motion moved:

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

**Shri T. S. A. Chettiar (Tiruppur):** I beg to move:

That for the original motion, the following be substituted:

This House having considered the economic situation in India and the policy of the Government in relation thereto, while generally endorsing the statement on the industrial policy of the Government laid on the Table on the 6th of April 1948 is of the opinion that—

(1) the objectives of the policy should be,—

- (a) to increase production;
- (b) to provide opportunities of rural employment for all; and
- (c) to lead towards equable distribution of wealth;

(2) while certain industries should be developed on large scale as may be necessary, particular steps should be taken to develop small scale industries in the following manner,—

- (a) by provision of investment co-operation for small scale and cottage industries;
- (b) by improvement of techniques and instruments used in cottage industries and by research institutes instituted for the purpose;

- (c) by reservations of certain fields, for small scale and cottage industries to be determined on proper investigation; and
- (d) by provision of marketing facilities within and without the country for products of small scale and cottage industries;
- (3) the private sector should also be utilised for the purpose of industrial development and while doing so,—
- (a) the present evils present in the managing system may as far as possible be removed by taking steps legal and executive as the case may be;
- (b) the co-operative system of managing should be encouraged as far as may be possible;
- (c) protection to the consumer must be assured by proper fixation of prices and limitation of profits;
- (d) the producer of raw materials must be given an economic price;
- (e) proper deal should be given to labour; and
- (f) labour should be brought within Government control to the extent necessary in public interest;
- (4) the Government should take up the establishment of such industries as are necessary in the interest of national defence and public interest and while doing so,—
- (a) these must be run as far as may be possible on business lines in separate corporations and not as departments of Government;
- (d) a new cadre of managerial and technical staff well equipped for business managements be developed for the purpose, instead of being managed by civilians without business experience;
- (c) these concerns should be made to pay income-tax and other taxes as companies in the private sector so that they may be run as efficiently as the others;
- (d) these concerns should be subject to the same labour laws and regulations as the others; and
- (e) foreign experts may be imported whenever necessary, but always with a view to training suitable Indian nationals to replace them after training;
- (5) foreign capital may be utilised for the purpose of industrial development and while doing so, the following safeguard be taken,—
- (a) they may be given assurance against non-nationalisation for a minimum period of time as may be necessary in each individual case;
- (b) they must agree to train Indian personnel for the highest technical jobs;
- (c) they will be given reasonable facilities subject to public interest;
- (d) the Board of Directors should contain majority of Indians, including a representative of Government; and
- (e) they would otherwise be subject to all the laws applicable to other industrial undertakings;
- (6) the objective of the industrial policy is to build a socialistic society in which there are no large differences of wealth and equal opportunities are available to all men and women, and for this purpose,—
- (a) the tax structure should be so framed as to levy larger rates on larger income;
- (b) the rates of death duties should be increased in such manner as will help this equalisation;
- (c) that educational opportunities in technical and other institutions should be provided to the poorer and backward sections of people through scholarships and other methods;
- (d) the disparities in incomes should be reduced as far as may be possible; and

[Shri T. S. A. Chettiar]

(e) a new ideology of living in which all people will dress and live in about the same standard should be encouraged; and

(7) in the economic development of the country care should be taken to see that all regions get due attention and for doing so,—

(a) the State industries consistent with such other matters as availability of raw materials, should be so planned as to be distributed in all the various regions of India;

(b) the great rivers etc., should be nationalised so that their potentiality be utilised for the maximum good of maximum number of people; and

(c) the big high grade technical institutions should be thrown open for admission to people of all regions."

**Shri N. M. Lingam** (Coimbatore): I beg to move:

That for the original motion, the following be substituted:

"This House having considered the economic situation in India and the policy of the Government in relation thereto, is of the opinion that—

(i) the policy of Government is in harmony with the policy statement of the 6th April, 1948;

(ii) the objective of our economic policy should be a socialistic pattern of society; and

(iii) towards this end the tempo of economic activity in general and industrial development in particular should be stepped up to the maximum possible extent."

**Shri Dabhi** (Kaira North): I beg to move:

That for the original motion, the following be substituted;

"This House having considered the economic situation in India and the

policy of the Government in relation thereto, is of the opinion that Government should accept economic development of the country through self-employment as an integral part of their policy and make it the basis of their Second Five Year Plan."

**Sardar A. S. Saigal** (Bilaspur): I beg to move:

That for the original motion, the following be substituted:

"This House having considered the economic situation in India and the policy of the Government in relation thereto, approves the steps taken."

**Mr. Chairman:** These amendments are also before the House.

I have received many chits and I understand a very large number of Members are anxious to speak. I shall fix 30 minutes for leaders and 15 minutes for other Members. I would further request the Members to stick to the time-table and be as brief as possible in their speeches.

**Shri H. N. Mukerjee** (Calcutta North-East): It is a good thing, Sir, that we have an opportunity of discussing the industrial policy of Government which had been formulated in a certain way in 1948 and which we are now asked to re-assess.

I feel that it is necessary at this point of time to guard against any complacency regarding whatever advance happened or has not happened in our economy in recent years. I know that the Prime Minister has stated that the country has arrived at a very definite stage in planning and in our work. If that is so, it is very necessary for us to go into the basic aspects of the matter and to decide what should be our industrial and economic policy.

It is therefore relevant to recall that we still remain predominantly an agricultural country, the 1951 census revealing that almost 70 per cent. are still entirely dependent on agriculture. We have to recall, as

the National Sample Survey did recently, that nearly 70 per cent. of the total expenditure of an average rural household is on food, which is indicative of very great poverty. We have to remember that our food production, as far as the 1960 targets are concerned, are still somewhat lower than what had been achieved in 1934 to 1938. We have to remember that the Five Year Plan's envisagement that there would be about 400,000 people absorbed into industry per annum has been a figure too low to relieve rural unemployment or basically to affect the employment position of our country in a good direction. It is necessary, therefore, to remember that there has been some growth no doubt, but it is a lopsided growth, leading to rising unemployment, and that is why it is necessary that we try to go as far as we can to the root of the matter.

The Prime Minister has lately made a number of pronouncements declaring his socialistic faith, saying that it meant that the production was socially owned and controlled for the benefit of society as a whole, and he has said that this is the socialist picture of society which he has before him. As his friends in the industrial world have pointed out, he has done a good deal of skating very adroitly on thin ice, tight-rope walking with a multicoloured umbrella in his hand, and throwing smiles at all sorts of people, industrialists as well as the common people. As far as the common people who come to his meetings in large numbers are concerned, they have been told about the socialist picture of society, and in another context assurances have been given to those who own the means of production today and are not going to yield their position; assurances have been given to them that they also would be fitted into the pattern that we are now going to lay down. Now, this kind of bluff, this kind of tight-rope walking, this kind of skating on thin ice has gone on too long, and it is necessary we come down to brass-tracks

and find out what exactly is going to happen to our country.

The Industrial Policy Resolution of 1948 laid down certain objectives, viz., that we want to raise our standard of living, and we want to establish a social order ensuring justice and equality of opportunity, and so on and so forth. But the Plan which we have been operating so long, and which in a different edition we shall try to operate in the near future, is vitiated by the fact that the planners do not appear to take a total view of society. In their insensate antagonism to what they call totalitarian planning, they refuse to plan for society in its totality, and the result was first that targets are fixed for the private sector. But surely everybody knows that laying down targets is no planning at all. And then again, even though targets were fixed in regard to production, there was no plan regarding distribution. There was no effort for the real expansion of the home market, and the result becomes that the more the target comes near fulfilment, the greater becomes the headache of industry. Take textiles for example where the target has been reached or nearly reached or more than reached or whatever you like to say. The result is that they are now worried about how to intensify the export drive, how to curtail production and so on and so forth. Now, this is very odd. As the Prime Minister said about the unemployment situation, it is very odd that after we have got so many people who are trained in order to get into some kind of employment, that there is so much unemployment in this country. So, it is very odd that the more the target comes near fulfilment, the greater becomes the headache for industry. This is a matter which we have to remember and I am not here at this moment to talk to this House about any 'ism' at all, but it is necessary that we have to lay emphasis on the aspect of distribution. We have to lay emphasis on the task of reducing the inequalities of income. We have to try to

[Shri H. N. Mukerjee]

expand the home market. But precisely because production by itself cannot go beyond a certain point unless the maladjustment in distribution is remedied, we find that we get nowhere. There are some Ministers in charge of executing industrial policy who talk about production coming first, and some 'ism' later, but this is self-deception which can be practised very easily.

In regard to the principal question which has been agitating the private sector particularly, it is necessary now for us to make sure as to what exactly is going to be, in our view, the position of the private sector in our economy. Our trouble is that the more vocal and powerful sections of our private sector are people of not a particularly savoury character. I say this because their record, as far as the industrialists of the country are concerned, is by no means satisfactory. We find for example, there is a stratum of the bourgeoisie in this country which is linked up with British finance capital. Now, this is the most dangerous of all because this stratum of the Indian bourgeois has no independent industrial base of its own. I refer particularly to some Marwari and other financiers who are getting into all kinds of contact and sometimes buying up British concerns. These people are linked up in a very dangerous way, as far as the interests of our country are concerned, with foreign capital. Then, foreign capital, particularly British capital, at all levels is tied up with Indian capital. Then, the top stratum of the Indian bourgeois also, which has an independent industrial and financial base—even they are having a number of contacts, ties and connections with British finance capital in this country. We know, Sir, of the somewhat unholy wedlock which we have seen some of our leading industrialists make with foreign interests—Sarabhai and Squibbs, Birla and Nuffield, Tatas and McNeil and Barry, and so on and so forth. The result of this is that these links with foreign capital make them vocal

and the more powerful section of the Indian people. And that is why when they come forward to demand a large share in the economy, when they come forward to ask for their pound of flesh for having agreed to, the Government's sponsoring a few State undertakings, we have to be very, very careful indeed.

In regard to the private sector, we do not say, of course, that we do not want the private sector to function at all. On the contrary, we want the private sector to go ahead, and make as much money as it possibly can. But the basic position is that it is very necessary for us to have a very powerful State sector. If that powerful State sector is there, then and then alone can the private sector be kept in control.

Now, we have seen how the private sector behaves from time to time. The sugar industry, for example, attained the target fixed by the Planning Commission for 1955, three years ahead of time, and precisely because of this fulfilment, we find that the crisis in the industry was accentuated. Now, this throws light on the character of the private sector, and it throws light also on the weaknesses of our position.

In 1953, the production of cement reached the record level of 3.73 million tons as against the target of expansion of the capacity to 5 million tons. But at once, the magnates of the Associated Cement combine threatened that unless the price of cement was increased, they would restrict production. This shows, therefore, that unless there is a strong public sector, and unless the private sector is geared to the overall plans of the public sector, there will be an end of planning altogether, and chaos and anarchy will prevail. If the economy is determined by the private sector, a large number of autonomous *enterpreneurs* will take decisions; each of them would take decisions in ignorance of other, and parallel decisions which might have to be taken in the interests of the national economy; the result of it would

be disaster and chaotic functioning of the economy.

It is for this reason that we have over and over again stressed that British capital, which is the dominant section of foreign capital in our country, and which has got back its returns many times over, many years ago, should be nationalised. If that happens, it will be a very large sector in the hands of the State, and it would augment the revenues and provide capital for further expansion and industrialisation. Consequently, the private sector also will not feel the tightness of the capital market, if we can go ahead with this. I know this requires some kind of constitutional change, but I do not see why when the interests of the country demand it, we should not ask for that constitutional change to be put through as soon as ever that is possible.

Having said this, I shall proceed to discuss an item of debate which has cropped up prominently in recent months, and that is in regard to the iron and steel industry. We say that the iron and steel industry is a basic industry; it is a kind of mother industry, on which depends the development of so many other industries, and the State cannot, and should not, accept the principle of leaving the production to be controlled by the private capitalists. We say also that this is an industry which is vital for defence. And simply because there are some units which have been functioning from before, and they are in private hands, it does not justify the position that new units also should be placed under private control. Then again, as Government have pointed out, this industry requires huge financial investment, and ultimately, either the State has to finance the project or stand as a guarantor for some foreign loans. And the private capitalists have only come forward, when they have seen that the State is sponsoring these undertakings and the State is clearing the decks, so to speak, for selfish action in their own profiteering interests; it is only after

that that these individual capitalists have come out.

We know the record of the Indian iron and steel industry. The individual capitalists have been given so many facilities for years by the State, but still they have not made good, and it was only after the State came into the picture with its own initiative, with its determination to have its own investment, and it is then, and then alone, that we find the private sector beginning to move somewhat more quickly than it had done before.

Then, again, in the case of the recent offer which came from one of our leading industrial houses, the house of Birlas, the rejection is doubly justified, because it was planning to put the steel plant, from what we could find, under the grip of the foreigners. Already, the foreign grip is very tight. Already, in regard to the Rourekela plant, for example, we have got into contracts with this German combine, Krupp-Demag, which we could have done without. Already, we got into this kind of entanglement, and here again was a private scheme sponsored by the house of Birla, which I hope Government have rejected. But as I see it from the statements put out from time to time by members of Government, that after all, perhaps, this rejection is not final. And I want to find out as a result of this debate, what has happened to this kind of proposal regarding a State-cum-private-cum-foreign-controlled and steel combine, which proposal has been made with so much fanfare in recent weeks.

It is necessary, that in the public sector what is being done by Government, and what should not have been done, should be borne in mind. The foreigners are getting their grip into the public sector, by manipulating their power under the clauses of different agreements. This can be shown—and later, I hope, it will be shown in more detail by other Members who will speak—in the case of



[Shri H. N. Mukerjee]

the Hindustan Steel Plant, the Hindustan Cables, the Hindustan Machine Tools Factory, and almost all State enterprises. So, what I say is that the public sector is not being developed and consolidated properly. In the public sector we find foreign control spreading its tentacles in a very subtle way, and sometimes in a very obvious way also. In regard to the public sector, we find the private sector is being allowed a lot of leeway, a lot of rope, and the result is that as far as the basic economy of our country is concerned, the State is not coming forward in the way in which it ought to do.

Now, this grip of foreigners is something which is a theme repeated many times in this House and outside, but I think it bears repetition, because even today the Finance Minister almost appeared to propound a new attitude, so to speak, in regard to foreign capital. He gave certain figures on the repatriation of foreign capital, and he said how the foreign concerns functioning in this country actually eases our foreign exchange position. Sir, you have been in the national movement for a long enough time to know that after all, in regard to foreign capital, we have had a certain point of view, and for certain very valid reasons. Now, this has been stated very clearly even before 1947. It was only after 1947—and that is the tragedy of it—that there has been something of a softening in our attitude towards foreign capital, towards foreign investment in this country.

I want to differentiate very clearly between foreign loan and foreign investment in this country. A foreign loan which you can get on fair and honest terms at rates of interest which are reasonable and normal is a perfectly natural and a perfectly legitimate thing. But foreign investment in the way it has gone on so far is something absolutely different. And sometimes, foreign loan comes through agencies

like the World Bank, which because of its composition and character, and because of its desire to have a fat finger in the Indian pie, gives us loans which are of a very dubious character; and therefore, loans of that sort ought to be shed.

Having said that, I would say, in regard to foreign investment, we must be very very careful; in regard to companies with '(India) Limited' against their names, we have got to be very very careful. But we have not been careful in that way. The Industrial Policy Resolution of 1948 laid down certain principles, but exceptions were invoked in so many cases. In regard to the oil refineries, the Stanvac oil refineries which are so pompously sending their advertisements to every Member of Parliament, an agreement was entered into, which I say was absolutely shameful, which our country should never have entered into. But this is the sort of thing which has gone on far too long.

It is in that context that I shall refer to the two corporations which are proposed to be set up, particularly the Industrial Credit and Investment Corporation. We are going to have two corporations, the Industrial Development Corporation and the Industrial Credit and Investment Corporation. Now, the Industrial Credit and Investment Corporation that has been set up in collaboration with the world Bank and some private corporations of the United States and the U.K. is a very dangerous thing. Out of 17½ crores of its capital, U.S.A. and U.S. dominated World Bank together hold shares worth nearly Rs. 13 crores, about 73 per cent. of the capital. It includes Rs. 7½ crores which is nominally contributed by the Government of India, which is really the sale proceeds of U.S. steel and for which the United States will have the controlling voice in this corporation. In regard to this corporation, I saw in the London *Economist* dated 11th December 1954 a

kind of rejoicing in British quarters. It says, at pages 927-928:

"The initial British stake in the capital may be modest, but it may happen that technical assistance turns out to be more important than cash. Many indications have already been provided that this technical assistance will be forthcoming. The Board will include two British directors. Most valuable should be the appointment of Mr. P. S. Beale, Chief Cashier of the Bank of England, as the Corporation's first General Manager".

I wish to say in parenthesis here that I do not understand why this gentleman, whatever his qualifications, is going to be appointed to such a key position in our country. I can understand though I may not like, the idea of the Colombo Plan being operated by a white man from somewhere. But I cannot understand why the Indian Industrial Credit and Investment Corporation will be dominated by this wonderful financial prodigy from the Bank of England. Now, the *Economist* goes on to say:

"There have recently been some ominous signs in India of growing Xenophobia and nationalism in economic policy. The whole system of British managing agencies is under attack. It remains to be seen whether the launching of the ICIC synchronises a reversal of this trend or whether the new institution may not ultimately provide an alternative to the managing agency system".

Then it goes on to say:

"If the new corporation can take over some of the functions of the managing agencies, it may help to protect Anglo-Indian trade".

This is what I fear because the *Economist* does not make statements without there being a lot of substance to it; I am sure there is a lot behind what the *Economist* has said. It is for the protection of Anglo-Indian trade

that the British interests today are so jubilant and that is why we have to be very careful about it.

We see also that it has been said that this corporation will invest money in those industries where they will get quick returns and high profits. Now, basic heavy industries certainly do not yield either quick returns or high profits. So this is going to finance industries of a sort which we are not particularly keen about; especially we certainly are not going to get foreign money and foreign control in order to set up industries in our country which give high profits and quick returns. So there will be a link-up between private capital in this country and that in the United States of America and the U.K. This economic linking with foreign capital has gone on too long and too far, and the result of this latest incursion of ours into dangerous areas is going to be very anxiously watched by our people. We know how these American, and how these British, capitalists function with picked-up camp followers all over the place. We have the example of what happened in Guatemala, in Iran, in Indonesia and in so many other places. I do not see why we should allow this kind of depredation to be permitted into our economy.

Now, so many things have been said in the memorandum on industrial policy, so many points which have been referred to. I will refer, in particular, to the question of small scale industry—handloom industry and that sort of thing. In regard to this, I would like to quote a passage from the report of the National Planning Committee, which at one time was boosted by the Prime Minister, but has now been buried seven fathoms deep or, shall I say, seven times seven fathoms deep—I do not know how many fathoms deep—But I wish to quote from the National Planning Committee's report on rural and cottage industries, page 80. Here it is said about the handloom industry:

"The handlooms have suffered because of their having to sell their output to the same middle

[Shri H. N. Mukerjee]

class which buys its clothing from foreign and Indian mills. If the working classes, that is those below the middle classes, can be enabled to set up an effective demand for the clothing which, according to any civilised standard, is the minimum, there would be in every locality a considerable volume of output of goods which would be locally consumed. There would thus be no question of their coming in conflict with mills. The problem of rural uplift is to be viewed as one of setting up within each locality numerous lines of production which tend to be locally consumed and which do not raise intricate problems of sales over large national or international markets. If what has been said is true of handlooms, it is even more so of other cottage industries."

The net conclusion from this is that land reforms and other means of increasing the purchasing power of the people are absolutely a fundamental thing and they alone can lessen the difficulties of the cottage industries. Without that, it is no good talking about the Ford Foundation having told us—as if it was something which we have just learnt, most spectacular and unexpected—that power could be employed in the small scale industries and then we shall have very fine production and everything will be lovely in the garden. This kind of thing is so disgusting. We know what kind of reports are produced by experts from foreign countries, and that is why I do not understand why the Ford Foundation report is being made so much of. On the contrary, I should say that unless you raise the purchasing power of the people, unless there is land reform of the proper sort, and not of the show-window sort, unless you really and truly allow the masses living in our village areas—and India still connotes villages and cities are an exception—unless that is done, surely nothing will happen to the condition of life of our

country except a move towards distress, except a move in the detrimental direction.

This reminds me of what is happening even in community development project areas where we find growing unemployment, and this is to be seen from certain statistics collected by the Statistical Bureau of the West Bengal Government. I wish also to refer to the small scale industries and medium scale industries, particularly in West Bengal, which is the most industrialised State in the whole country, which are in a very bad way. And they are in a bad way because the installed capacity is not utilised, cannot be utilised, because of Government policy, because Government support such British interlopers in our economy as the Lever Brothers Limited who produce to their maximum capacity while our soap industry suffers. It is also because of the stores purchase policy of the Government of our country, against which complaints have been made. We know also how the Moolgaonkar Committee reported that 25 to 50 per cent. of our installed capacity in the engineering industry remains unutilised, and that this Committee in particular mentioned the railways and said that the railways could obtain their requirement of rolling stock from indigenous sources instead of buying it from abroad. We know also how there are so many other industries like tin can, keg, drum manufacturing and belting industries and so on and so forth which are finding it very great difficulty in making both ends meet. If I had the time, I could refer to so many other instances which show how this problem of the cottage and small scale industries has not been given any serious attention at all. It is no good saying that you will subsidise them to a certain extent, it is no good saying that you will reserve a certain market for them for a long time to come. After all, there are certain laws of economics which will go on working in spite of the best intentions of whoever might wish to give a great fillip to our hand-

loom industry. This is not the way in which you are going to get our people to have a better life, and that is why I say that the purchasing power of the people has got to be increased, and that it is a matter of the very greatest importance.

I wish to refer also to one matter, in regard to the ordnance factories in India today. There are some 20 ordnance factories with 70,000 workers which manufacture all sorts of materials—engineering goods, leather goods, textiles etc. But, some of them, especially the Harness and Saddlery Factory in Kanpur, the Gun-carriage Factory at Jubbulpore, the Ordnance Factory at Dehra Dun, have already started retrenchment and they are finding great difficulty because of the unfair competition which has come from our so-called patriotic private sector. There was a Committee appointed some time ago to look into this matter and I expect Government to come forward and say something about it. It was on account of pressure from this Parliament that the Prime Minister a year and a half or two years ago said that these ordnance factories would produce for civilian consumption. We do not want these Ordnance Factories producing only for war purposes. We are living in a context of peace and we want to perpetuate this peace and these ordnance factories must go on producing goods which we want. But these Ordnance factories are having a very bad time.

I wish only, in conclusion, to make a few suggestions in regard to what we want tangibly to be the Government's industrial policy. We shall, first of all see—I know that some of our hon. colleagues might laugh at it—that British capital should be nationalised without any delay and without paying any compensation. Remittances of profits abroad should, pending this nationalisation, be stopped.

Secondly, the State must not allow monopoly to grow in any industry. The small and medium industries should be given help and be nurtured by the State.

Thirdly, the managing agency system should be abolished altogether. Then, under any circumstances, the State should not engage in any joint participation with private capital.

Then, no foreign capital should be allowed as equity capital in our industries. If necessary, loan capital may be had on a Government to Government basis; in case of need, and in case of need only, foreign technicians may be appointed.

Pending nationalisation of foreign interests, the State should issue instructions to the Tariff Commission to see that the foreign units in our country do not derive the benefit of protection.

The State must control investments—not only through permission and control of capital issues—but with a system of pooling of the resources. That is to say, the special funds and reserve, including depreciation of all companies should be controlled by the planning authority in accordance with a definite scheme of priorities in development, in return for a reasonable rate of interest to the owner of the capital. Of course, a proviso must be there that in the case of the companies' own requirements for expansion or renovation of machinery, the Companies shall have the prior claim to their own funds.

The State must control profits and fix a ceiling on dividend in the interests of capital formation.

Then, the unequal agreements, such as the agreement with the oil Refineries should be scrapped.

A planned commercial policy should be pursued to save industries from wide inflation. Production should be stepped up, primarily for the home market and planning production of industry corresponding to units of industries should be considered in the interests of the utilisation of the installed capacities.

Then, for the marketability of the production, all large-scale, small-scale and cottage industries, services and

[Shri H. N. Mukerjee]

other means of increasing the purchasing power and expanding the home market should be given the prior place in the development programme.

Then the Stock Exchanges should be immediately reformed and alternate transfer abolished to create a favourable atmosphere for average investments. A large programme of starting processing industries and basic industries should be undertaken.

A new stores purchasing policy aimed at promoting national industrial development should be adopted. In planning industrial development, the import of inflation or deflation from abroad will have to be avoided.

And, then, lastly, workers should be given a share in the management of industries, to check wastage and eliminate corruption.

I am not preaching socialism here. I know that socialism cannot be brought in a suit-case from one country to another. I know it has to grow out of certain objective situations and has to be worked for and I know that it does not come of its own. But, here and now, without going into the merits or demerits of this ism or that, we would say that we want to get the maximum welfare for the people of our country. That is why, I resent the Prime Minister's trying to bluff our people into feeling that socialism is being constructed in this country when, on the contrary, the vested interests are being perpetuated in a different way. I want, therefore, that a real welfare scheme should be adopted and for that purpose an economic and industrial policy in consonance with the people's interest is adopted.

**Shri Tulsidas (Mehsana West):** It is really most gratifying to see that the economic policy is being discussed in this House. The need has been there and I am very glad that the Members are given the opportunity to express their views on the economic policy of the Government.

I am not here to criticise other Members, but I do wish to put forward certain views, particularly on the approach with regard to our economic policy. I am very glad to see that the Finance Minister has started with an approach which is not a doctrinaire approach. His only doctrine, as I could read and understand from his speech, is that the approach must be on a practical basis.

There have been a number of articles recently in the papers with regard to the economic policy, and a number of pronouncement by the different leaders of the Government. There has been an article the other day, which I read with very great attention, by our Commerce and Industry Minister—an article in the *Hindu*. He has also given his views with regard to the economic policy of the Government.

I am very glad that the approach has been on practical lines and not a doctrinaire approach. Because, after all, one has to consider the interests of the country first and how each different sector or different section of the country is functioning. I would like, therefore, to tell the Government that the approach must be a functional one and not a doctrinaire one. The functional one means that in so far as different industries or different sectors have made progress and have shown results, that should be the guiding factor and not the mere doctrinaire basis.

My hon. friend, Shri Hiren Mukerjee has been making, on the one hand, an approach on a doctrinaire basis, while, I, think, he is also thinking on lines of the functional basis. He himself said just now that the public sector is not functioning and he also said that there must be more and more responsibility given to the public sector. He has given certain figures with regard to the functions of the private sector. But, I am sorry to say that his figures are not correct. So many industries have reached the targets which have been fixed in the Plan

for the year 1955-56 even in 1953-54 and there are a number of industries which have reached the targets to the extent of 75 per cent. in the year 1953-54 and there are also a number of other industries which are now on the way to reaching those targets. Therefore, if I may say so, the private sector and private enterprise have shown that they can achieve a number of things according to the targets fixed.

Our Plan which is based on democratic principles, has put certain responsibilities on the different sectors and if particular sectors have to function in the manner, as suggested in the Plan, then it is but natural that such responsibility must be thrown on such sectors. What I feel is that, according to our Plan, the full implication of this concept must be clearly realised. An approach of huge, enormous and rapid national reconstruction can succeed either by dictatorial regimentation from the top or by the enthusiastic, willing and disciplined co-operation of the people as a whole. We have accepted the latter basis and we must, therefore, go on that basis and must get the willing co-operation of the people, as a whole, in implementing this Plan. My point is that, after all, in this country, we have a huge mass of people and we have great man-power. We have to see that this man-power is really brought to proper use. The man-power is a great boon to this country. If its vast population can be turned into man-power it will be good. Unless, we turn that into man-power, it is not possible that whatever approach may be made, we may not be able to function in the manner that would be in the larger interests of the country as a whole. I say, it is from this context that we must see how best the country as a whole gets the services or the goods that it produces at reasonable prices and also that employment is increased considerably. In our Plan we have envisaged that full employment will be reached within the next ten years. We just heard the hon. Finance Minister saying that the approach is that

full employment will be reached within say, about ten years. For that purpose, the number of jobs that are required to be filled in will be considerably large. In order to see that more and more jobs are created, every sector of the country, whether it is a private sector or whether it is a public sector, must be geared to see that more and more employment is taking place. That is the only view that I take. I do not take it at all that we must approach the problem on a particular doctrinaire basis; our approach and basis must be that more and more employment is created in the country.

Let us consider the problem that we are facing. We have a very large population and our population is increasing, but we have limited resources. If we have to depend on these limited resources and distribute these resources among the different sectors, then the full employment that we envisage is not possible to reach, and unless we create more wealth in the country, and unless that wealth is created, employment cannot be given to the large mass of people. Here I came across an article from the *Economist* where such an approach has been made. That article has been put up with the speech of the Finance Minister of the United Kingdom. The point that he took up in his speech was this:

"I see no reason why in the next quarter of a century, if we run our policies properly and soundly, we should not double our standard of living in the country."

The point that the *Economist* makes out is that there is plenty of room for agreement about the division of increase in wealth between the different classes of people and the different sectors. The essential point is that no community can hope to make a rapid economic progress unless year by year in the allocation of its resources it gives top priority to investment. Moreover, if there is to be an increase, the investment must be in the productive form of capital and that is an important point. We have our resources

[Shri Tulsidas]

and we must see that our resources are invested in the productive form. Unless our resources are invested in the productive form, we cannot expect that the country's wealth will increase, and unless we see that the increased wealth takes place, it is not possible for giving full employment. That, I feel, should be taken as the criterion of our basic policy. In the different underlying objectives of the Constitution, as the Finance Minister just told us, and in the objectives of the Plan, the same objective has been taken into consideration, but somehow or other I find that in their practical approach it has not been taken into consideration. Whenever a particular problem has been discussed, it has been discussed in the light of a particular approach—doctrinaire approach—and I only hope that the announcement of the Finance Minister, as made today, will be carried out in practice, that a practical approach will be made and that the functional approach will be properly adhered to. It is one thing to make an announcement, it is another thing to implement it, and I only hope that the hon. Finance Minister will be in a position to put forward approach in a practical sense. We have a number of 'isms' in this country, and every 'ism' wants to see that its approach is brought into the policy of the Government; that is the unfortunate part in this country. We have not yet tried to see that the people fully rally round with the idea of co-operating fully and in achieving the first objective, that is, to increase the wealth of this country and to create more and more employment in the country so that full employment is reached within a much shorter period than what we envisage.

**Shri M. S. Gurupadaswamy** (Mysore): You do not want capitalism?

**Shri Tulsidas**: I am not here to talk about capitalism and I only hope that you will understand the approach that I am making. I am not here to say anything which is based on 'isms'.

The other thing which I would like

to say is that we only try and find out the faults in the different sectors. We find faults in every sector practically, and there is not one section of the community in the country which has no faults. If we are merely going to dwell on finding faults all the time, then our progress will be retarded. Let us forget, for the time being, fault-finding as one of our approaches. Let us try to visualise that all the different sections of the community should be utilised for the fullest use for the betterment of the country. That is the approach that we must have, and that is the only way in which all the ills of the country can be remedied. I am not, therefore, making any criticism in the sense of making a criticism, but whatever criticism I make it merely with a view to correct and not to make any criticism. We are on the one hand trying to see that the State gets more and more responsibilities. I am sorry to say that when I read the Audit Report on the accounts of the Industrial Finance Corporation and when I heard today the hon. Finance Minister, he has an idea to see that a State Bank should function in this country as any other commercial bank functions. When I see the Audit Report, it is really a pointer whether any nationalised institution, particularly in a sector like banking, can function as freely and in as flexible a manner as any other bank. I am not criticising the Auditor-General; he has done his duties and he has gone much farther when he makes a report of this nature. If we have a nationalised bank as is envisaged, is it going to function with this background? I am sure that the bank will not function in the way it is required to function in the interests of the country. That is one aspect. We must try and see what we can achieve in our different spheres and responsibilities. If the State is in a position to have these responsibilities properly carried out, then I have no hesitation in saying that even this particular thing should be encouraged, but the basic fact or approach must be that what-

ever responsibilities are thrown on any section, that section must be in a position to take up those responsibilities and function in the national interests.

I was just reading a speech of Sir Winston Churchill and he has put in a very good idea.

**Shri S. S. More:** He is a good authority for you.

**Shri Tulsidas:** He says:

"We must beware of trying to build a society in which nobody counts for anything except a politician or an official, a society where enterprise gains no reward and thrift no privileges."

I hope we have no time to do this. We have got in this country so many sign posts that we do not know what our destination is. I am afraid that we must now become more realistic and not remain in this, if I may say so, theoretical basis of approach—doctrinaire approach. That is what I have been feeling.

When I say that private enterprise has done, to a certain extent, the responsibilities which they have been given I am not defending what is wrong in the private sector. The private sector must also change their approach. After all we had a foreign rule till a few years back. We have low our own Government, and we ourselves today are trying to build up the country. So, we should accept what is in the interest of the country, or what ultimately is going to deliver the goods.

2 P.M.

It is an admitted fact that the private sector has some achievements to its credit. No doubt, they might not have been able to achieve certain things. If we want a mixed economy wherein the private sector and the public sector are to function, and function properly, then we must create certain conditions in which both the

sectors will be able to function efficiently. Unless we create those conditions, I am sure neither of the two sectors will be able to fulfill its objective. Our Prime Minister in the course of one of his speeches said:

"The private sector has its own way of functioning. To try to maintain the private sector and to ask them to behave otherwise than they are behaving means that the private sector is not functioning properly. One should allow within those limits (of a broad controlled economy) a certain freedom of action to the private sector to function according to its own ways."

In other words, according to the Prime Minister himself, it is not possible for the private sector to function efficiently if it is bound hand and foot.

Now we are making so many laws in this House to control and regulate the functioning of the different sectors. With so many restrictions it is not possible to expect them to function in an efficient manner, as we could otherwise expect. I do not for a moment mean to say that there should not be any overall control. Now, the approach which the hon. Commerce Minister has made is on those lines: that the overall control must be in the hands of Government. But in the day-to-day functioning there should be as little interference on the part of Government as possible. I do not wish to say anything about the Company Law. That Bill is now before a Joint Select Committee of the two Houses, of which I am a member. But I must say that the approach in the formulation of that measure also must be such that the private sector should be allowed to function with at least reasonable freedom and it should have a certain amount of elbow room to function. Unless our law is flexible, it is not possible for the private enterprise to function in an efficient way.

I fully agree that anything evil should be put a check to. But the law



[Shri Tulsidas]

has to be administered properly. Mere enactment of law will not stop the evil. In fact, it is the administration of the law that really matters and if the administration of the law is done properly, then any law can stop the evils. I have dwelt on this particular approach and I wish to say that we should proceed on that approach if we are to build up our economy in as short a time as possible and create full employment in the country. I fully realise that in our country we have a tremendous lot to do. Our country provides huge potentialities. We have a large population; we have vast areas of cultivable land, which today is giving a very low yield. Our yield has to be increased. There is wide scope for every possible industry whether it is large scale or small scale. If the purchasing power of the people and their standard of living is increased even by about 15 to 20 per cent., it would be impossible for the small scale and large scale industries together to meet the demand. But to increase the standard of living and to increase the purchasing power of the people, as I have already said before, our investments must be diverted towards productive capital and not investments where there is no production. That is the only way by which we can increase our standard of living and increase our purchasing capacity, and once that is done we have in this country unlimited scope for every type of industry, whether small scale or large scale. But in order to develop one type of industry, the other type must not be put to any disadvantage. That approach is wrong. We must supplement, we must complement and we must develop both side by side. That is the only way by which we can industrialise our country, and if only we adopt the correct method, there is immense scope in our country. There should be freedom of expansion for each type of industry, without necessarily encroaching into the field of the other. Small scale industries can produce things which are original, and

with which machine made products cannot compete. It is no use trying to create competition between the different sections. Every section must be allowed to go, side by side, get together and produce more and more for the country. I only hope that the approach which Government would make would not merely be a theoretical or functional one, but a practical and realistic one. Then only will the problem facing us be solved.

Shri Asoka Mehta (Bhandara): I am grateful to the Leader of the House for responding to the request I had made in the last session that there should be a periodical debate on the economic policy of the country. I was also happy, that the Business Advisory Committee defined the scope of our discussion today and tomorrow and advised Government to supply the Members with necessary information beforehand. I was surprised, therefore, to find that the information brochure that has been given to us is as insipid a document as a nursery rhyme, while an important policy speech has been made just now on the floor of the House of which no notice was given to us. I thought from the discussion in the Business Advisory Committee that the basic facts of Government's policy would be given to us before hand. Anyway that has not been done.

I would also—like to register my protest against the use of certain words. Over and over again, the Prime Minister, the Finance Minister and their colleagues go about telling us and warning us that the policy of this Government is not guided by a doctrinaire approach but it is a practical approach. I would like to know this. We have a democratic set-up in our country. When the founding fathers, when you among them were trying to draw up the Constitution of our country, was it considered doctrinaire by you while it was said that the judiciary should be separated from the legislature and the executive? After all, the experience of democracy tells

us that if the rights and liberties of the people are to be safeguarded, the independence of the judiciary must be assured. Likewise, the experience of the world teaches us that if a backward economy is to develop, then the levers of control like the banks and insurance companies must be in the hands of the State. There is nothing doctrinaire about it. That is a practical conclusion that has come out of the experiences of diverse people who have sought to achieve development in drivers conditions. Such conclusions can not be dismissed as doctrinaire.

I would like to confine my observations to the industrial policy which has been pursued so far. The industrial policy was first enunciated in 1948. When it was announced conditions in the country were far from normal. Our industrial machine had been overstrained during the war and had been seriously weakened. Because of the communal frenzy. There was considerable amount of disruption in the channels of production. There was a widespread nervousness among men of capital and, if I am not mistaken, the Prime Minister at that time had thought it proper to endorse my observations that capital was on strike. It was in such circumstances, at a time when the Government was not a pure Congress Government—there were elements in it which the Prime Minister often described as rightist and reactionaries—that the industrial policy was adopted. Perhaps the industrial policy that was announced was evolved as a result of concessions that had been made to those rightist and reactionary elements inside the Cabinet, and also because of the special circumstances, national and international, that were then prevailing. Those circumstances have changed today. That is one of the reasons why it was laid down in that policy statement that there would be a review of the industrial policy after ten years. We are called upon to have an early review not only because the conditions have changed and changed radically, but we are embarking upon the

second Five Year Plan wherein the accent will be on industrialisation. At such a time it is absolutely necessary that we review and re-assess the fundamental of our industrial policy. I was surprised to find that the Finance Minister merely echoed and reiterated the moth-eaten policy of 1948, a policy which was enunciated in an entirely different set of circumstances. Today, the Prime Minister has placed before the country two new goals, two new social objectives. He says that we stand for the realisation of a socialist economy and he further says that we stand for the elimination of unemployment within a period of ten years. Surely, the industrial policy must be in conformity with the new goals that he has enunciated, but I find—and I am sorry to say it—that the industrial policy as it has been worked so far, and as it is likely to be worked in the light of the statement that has been made by the Finance Minister today, does not promise to fulfil or does not move towards these exalted objectives.

Even the industrial policy resolution, inadequate as it was, has not been properly implemented. Firstly, the element of control and regulation has been haphazardly organised. We find that profit have been raising. In 1950, the profits were seven per cent. of the paid-up capital of the privately owned industrial concerns in the country. In December, 1953, the profits mounted up to 18.6 per cent. of the paid-up capital. The profits are not ploughed back at all, or the profits are ploughed back in a very inadequate manner. The profits in India for 1950 and 1951 have been analysed in the publication by the Reserve Bank of India; information on the profits is available only for these years. This study of the Reserve Bank is commented in the *Eastern Economist*, thus:

“In the first place, the gross profits of all private and public limited companies are probably now of the order of Rs. 225 crores to Rs. 250 crores. Their capacity to finance themselves might be reckoned as

[Shri Asoka Mehta]

something like Rs. 100 crores inclusive of depreciation. Assuming that depreciation makes an inroad of about Rs. 40 crores per year, this would still imply that Indian industry is capable of new investment of something between Rs. 50 to Rs. 60 crores. These are figures so much beyond existing estimates that it seems difficult to explain the shortage of capital in the expansion of these companies. If the Reserve Bank estimates are correct, where is private capital formation in India companies spending itself?"

That is what the *Eastern Economist* is asking. So what happened to private capital? Where do the profits in private industries disappear? Surely, the reasoning of the Reserve Bank of India cannot be wrong. There is something wrong with the way the private industries are being managed, and in the way they are being controlled by my friend, the Minister of Commerce and Industry. The Finance Minister and the Prime Minister have proudly claimed that there has been a sharp increase in industrial production, but what do we find? The increase in industrial production has not been accompanied by an increase in employment. On the contrary, *pari passu* with the increase in production, there has been some fall in the number of persons employed in industries. We find that while the number of factories that have been brought within the focus of the census of the Indian manufacturers has been increasing from year to year and their annual production has also been mounting up, the number of workers that are covered by these factories has been steadily falling. We find that for a period of five years, the number of workers has been fluctuating around 16,32,000.

The same industrial policy statement of 1948 had assured us that industrial co-operatives is one of the major objectives of the Government. Hardly any efforts has been made to

develop industrial co-operatives. The Shroff Committee tells us that there are only 1,652 societies with a working capital of Rs. 6.65 crores, but two thirds or three-fourths of them only concerned with handloom weaving. We therefore find that this important sector of industrial co-operative has received hardly any attention from the Government in the last six years.

The third important assurance that had been given by the industrial policy statement was that a managerial cadre would be created. Where is the managerial cadre? New establishments are being set up. They are being handed over to members of the Indian Civil Service or the Indian Administrative Service. They are not competent, they have not the background, they have been not the requisite talent and experience to handle these big enterprises involving investments of crores and tons of crores of rupees. We were told that a different type of managerial service would be built up. But where is it? There are top-class managerial talents in our country in private enterprise. Why could not they be drawn to run these State enterprises? It is a matter of pride, and it would be a matter of tremendous challenge, to any person of outstanding managerial talents to be provided an opportunity to run a Sindri factory here or an iron and steel plant there. But we find that the Government have made no effort to build up a new kind of managerial cadre and they have been relying more and more upon the old I.C.S. personnel.

When we come to the public sector, there has undoubtedly been a certain amount of development. We are happy that the public sector has expanded in the last six years. But what do we find? It is a very lopsided development; it has not been well thought-out, well-conceived. In respect of major industries, eight important industrial establishments have

been installed and they demand a considerable amount of steel, in the public sector. In the private sector, permission has been given for these industrial establishments, to build themselves up and to develop themselves, but nothing has been done to ensure that the production of steel in this country is increased side by side. For six years the Government have been negotiating discussing arguing exploring, but have not achieved anything. The signal failure of the Government on the steel front is a matter of profound regret. And as my friend and colleague Shri Meghnad Saha has calculated, this has meant a loss of Rs. 500 crores to the country, thanks to the inaction of the present Government.

In regard to power production we are told that the production of electric power will be increased. We are happy that it will be so. But will this power be made available to small producers? Has anything been done in the Damodar Valley area, in various river valley areas for this power production to be made available, not merely technically made available, but in terms of suitable economic conditions, sociological conditions, marketing conditions and credit facilities provided to enable the small man to make use of the power that is to be generated?

In the public sector our oldest public enterprise is the railways. There is little improvement in the economic functioning of the railways, with the result that confidence is not created in the mind of the people about the efficiency and the economy of the public sector. No bold experiments are being tried in industrial relations at all. These days we are happy in welcoming the great leader of Yugoslavia, Marshal Tito. But one of the great achievements of Marshal Tito and his Government has been bold experiments in industrial relations. While I do not expect my friends Shri Tulsidas and Shri Somani to try these bold experiments, surely I was entitled to expect Shri T. T. Krishnamachari to make such bold experiments.

It is after all in the industrial sector that the workers must be given a new condition and a new position. With the result, that our friends Shri Tulsidas and Shri Somani can be smug about it and say "we are giving as good conditions as Government are giving".

There is no new experiment, no new departure, no new exploration as far as industrial relations or the organisation of management along new lines is concerned. The public sector in an economy like ours must function as a balance-wheel and a steering-gear. It is hardly functioning in either of these directions.

When we come to the private sector I would like to point out that the private sector should not be confused with merely a handful of big businessmen. But that is what is happening today. If we look at the number of new factories that have come up in the industrial expansion, we find that the same handful of big business-houses are growing everywhere. It is Tatas, Birlas and the Dalmias. If you come across a new factory in the country and enquire who is behind it, you will know that is one of these old established houses which is growing, whose control is expanding, whose economic importance and economic weight in the country is growing. But no effort is being made to discover new talents, to find out new people of initiative and enterprise. I would like to ask Government how many new industrialists have been discovered. After all, even in the British days a new T. T. Krishnamachari emerged. In Shri T. T. Krishnamachari's regime I would like to know how many unknown people, how many able men have been discovered and encouraged. That would be the test of the success of the private sector. That would be the test of the success of the Government's policy towards the private sector. But Government only cares for and runs after the established persons, the established big business houses, and the Government today is helping an increasing trustification of

[Shri Asoka Mehta]

our economy, which is a regrettable thing. State assistance is being provided and persons nominated on various Board and Corporations, the very persons whose names have been handed to the Income-tax Investigation Commission for tax evasion. Either you believe they are guilty of tax evasion, either you wait till they come out with a clean bill, or there is no point in appointing these Commissions. If you believe they are guilty, why do you give them financial assistance? Why does Government appoint them on various Boards and Corporations? I would like to know from Government—I do not want to know the names—but I would like to know the number of those whose names the Government handed to the Income-tax Investigation Commission on the one hand and whom the same Government has been appointing on the various Boards and Corporations and to whom financial assistance is being made available from time to time.

In the private sector the rate of capital formation is very low, only 8 per cent. Even in our country today, which is predominantly agricultural, the rate of capital formation is seven per cent. But the Reserve Bank's study of company finances shows that in our industries the rate of capital formation is only eight per cent. This is a scandalously low rate of development. The Shroff Committee reported that only Rs. 28 crores are invested for the development of our industries by private enterprise every year.

These things show that our private sector is weak, is rather an unstable sector. It has to be spoon-fed at every turn. Because it is a trusted sector it wants big profits and big advantages and wants to exploit to the full whatever facilities Government want to offer.

The pattern of relation between the private sector and the public sector has not been worked out at all. It has not been worked out inside the Cabinet

even. We are told there are certain Ministries which favour the expansion of the public sector and there are others which favour the expansion of the private sector. It is all very good to talk "there is no conflict between the two sectors". The conflict exists even today, six years after the enunciation of the Industrial Policy, inside the Government, inside the Cabinet itself. A Government which is not able to resolve the differences between the two sectors inside its own house, is incompetent to resolve the differences in the larger body politic of our country.

The public sector and the private sector compete for credit in the same market. New sources of savings and investment for the public sector have not been found. We are told that a State Bank will be set up. I am happy about it. Take for instance China. There may be many things about China which one may like or may not like. But in Communist China, in 1953, in the State banking enterprises it was found that there were 300,000 employees. All the banks in India today have only 65,000 employees. The State Banks in China had five times the number of employees, which means that the whole net-work of banking had gone much wider, and deeper. After all China had to begin under conditions far more difficult than in our country. But there it has been done. Here the matter is still to receive consideration, and the matter is deemed to be so complex that I do not know when this Government will be able to come to any conclusions and implement them.

As far as the private sector is concerned, I would like to draw your attention to two facts. One, that in the private sector where it suits the Government, every kind of favours are showered, and when it does not suit them even advice is not taken. Mr. J. R. D. Tata in the speech he made to the Tata Iron and Steel Company general body meeting said:

"Faced with this extraordinary situation, we thought it our duty, drawing on our forty-five years' experience of the steel industry, to invite Government's attention to what seemed to us some unsatisfactory aspects of the project. We can have no complaint if the views we expressed were not found acceptable to Government, but I was sorry to find that our action was unwelcome." He proceeds further and says:

"It seems, however, that advice of any kind is not wanted these days and that it is improper to express views at variance with those of Government, even in economic matters."

Is this the way you expect people to co-operate? I know Government is not interested in seeking our co-operation. Plans are drawn up and two years afterwards we are given two days' time and asked to express an opinion within an hour or two or three or four hours. No consultations beforehand are ever held. But I am surprised to find that even in industrial development you are not interested in seeking the advice—you may reject the advice—of those who understand the know-how.

Then again, while the Prime Minister is very proud about his practical-mindedness and he is never tired of criticising us for our adherence to nationalisation. May I point out that his Government is following a policy of which at least we would never have been guilty? Mr. J. R. D. Tata in the course of his observations to the Tata Locomotive and Engineering Company said:

"There is, however one aspect of the matter which needs to be mentioned. In answer to a question in the Council of States in April, 1953, the Deputy Minister for Railways stated that the recommendation of the Public Accounts Committee that the Government should consider the advisability of their taking over from Telco the manufacture of

boilers and locomotives and running it as a State-owned industry was still under examination.

At no time since Telco was launched has the question of the nationalisation of the company been raised by Government and to the best of our knowledge, Government have had no such intention.

Shareholders will therefore appreciate and share our feelings on learning that as recently as May this year, the Deputy Minister of Railways repeated his previous statement in identical terms in the House of the People. This second statement in Parliament by Government is rendered all the more extraordinary and damaging by the fact that it was made at about the time when they themselves were pressing us to increase our boiler and locomotive manufacturing capacity, had sanctioned a scheme for a large foundry at a cost of Rs. 2 crores, and approved a fifteen-year agreement with Messrs Dimer Benz which involved a substantial participation in the share capital of the company."

What does the Government want? Does the Government want nationalisation of the concern or no nationalisation of the concern? Surely, there should be a definite policy. We have a Planning Commission. We have a Government. We have an economic Committee of the Cabinet. We have got the entire paraphernalia for thinking, but the thought is lacking. It is a fantastic thing. We have a Government which speaks with many voices, which talks in a contradictory fashion. It creates total confusion for private enterprise on the one hand and it creates confusion, for the Socialists, those of us who plead that the economic pattern of our country should be along socialistic lines. It is this vacillation which needs to be corrected.

What do we find? The Government today once again speaks in all

[Shri Asoka Mehta]

kind of idioms. I do not know when the Prime Minister is going to speak. When he speaks, he will make an assertion and make ten reservations. Once again, we will not know whether the assertion is the operative part or the reservations will be the operative part. As far as small-scale industries are concerned, what do we find? Here is a complete survey of the small-scale industries in Calcutta. There are 30,000 small-scale establishments employing 121,000 persons. The value of the finished products works up to Rs. 54 crores a year. The assets of over 26,000 establishments are less than Rs. 10,000. Even then, they pay a fairly good wage to the employees. No adequate provision has been made to provide credit facilities for them. Often they have to borrow from the private people at a rate of interest nearing 18 per cent. I can say about my State of Bombay. A sum of Rs. 10 lakhs was provided in 1952-53 for giving loans to small enterprises. Only a sum of Rs. 27,000 has been spent throughout the year. In Sweden, the loans granted to small enterprises amounted to Rs. 75 crores; that is 35 per cent. of loans from commercial banks to industries and service trades. That sum of Rs. 75 crores given to small enterprises has climbed down here to Rs. 27,000 in the course of one year, in the highly developed State of Bombay.

No technical assistance is available. My hon. friend Shri T. T. Krishnamachari needed foreign experts to tell him that technological laboratories have to be established. But, what is the use even of these technological laboratories? What have the National Laboratories that are headed by the Prime Minister been able to do so far? I have gone through the Progress Report of the Planning Commission. What have been their achievements? I would welcome from the Prime Minister a full report on the achievements as far as industrialisation and economic development of our country are concerned, and the contribution made by our National Laboratories

to those ends. If the National Laboratories have remained barren so far, what hope is there that the technological laboratories to be set up will be achieving anything better.

In the United Kingdom, a remarkable way was worked out for providing assistance to small businessmen: I mean the establishment of trading estates. Government themselves built factories. They sometimes provided machinery free. They rented out small portions of the factories. Credit facilities were provided. Other arrangements were made round about, so that men with small resources may go there. There are in our country hundreds of thousands of people who retire at the age of 55 with Rs. 25,000 or 50,000 coming to them as gratuity and Provident Fund. They would like to invest their life savings in a small industry somewhere and themselves work there and spend their time and energy in some productive enterprise. What facilities have they got? Has the Government bothered to establish such townships? Have they organised trading estates in the country? In the U.K. in the last six years 104,000 people have been found employment. The whole pattern of economy has changed in a large number of former depressed areas, by this method of trading estates. Even this simple idea which is being worked so well in the U.K. has so far received hardly any attention from the Government here.

I would like to invite your attention to the goals that have been set up before us. There is nothing very difficult about providing the jobs that we have to provide. I find from Shri Ganguly's book,—the eminent economist of Delhi who was sent by the Government of India to China—his book is called *Economic Development in New China*—I find that in a single year, or perhaps in two years, in China employment was provided for 12,00,000 people. If it could be done there, surely, it can be done here too. Why it has not been done so far is a

matter which deserves serious investigation and it is not merely enough to say that this matter is under consideration as it has been under consideration ever since this Government was formed.

The Prime Minister has assured us that our objective is democratic socialism. The Prime Minister is in the habit of saying that he does not think of socialism in a doctrinaire fashion. I hope and trust that the Prime Minister will realise, will accept, will agree that any concept of socialism must mean (i) economic equality, (ii) social mobility and (iii) expanding democracy. In what fashion have we moved towards economic equality in our country? On the one hand, in the field of industries, there is developing trustification, the Tatas, Birlas and Dalmias. With the strength of their powers and resources, a great monopoly is gripping the whole economy of the country. On the other hand, because price income correlation is unfavourable, in the case of the small producer, the primary producer today, there is greater inequality in our country than there was before. I would welcome from the Prime Minister a clear statistical analysis of how far in his regime of eight years there has been greater approximation towards economic equality in the country, how much greater approximation is going to be achieved in the next ten years. In Yugoslavia, the difference between the lowest and highest incomes is 1:6; in Sweden, it is 1:3; in Norway, it is 1:2. I would like to know from the Prime Minister, from the Government, after ten years, what is going to be the margin between the lowest and highest income in our country. There is no use talking about general trends and general tendencies. Even in the U.S.A., there is a tendency towards economic equality. We want to know the pace, the rate, the manner in which the glaring inequalities in this country are going to be corrected, in the next five or ten years. The Planning Commission is beautifully vague on these basic aspects of the question. As far as

social mobility is concerned, I may state that an traditional occupations in our country, the rural craftsmen, this is the conclusion that I have reached. For every 100 persons who have clung on to traditional occupations, 201 have been pushed down while those who have climbed up would form a mere fraction of one per cent. Here again, I would like the Finance Minister or the Commerce Minister or the Prime Minister whoever is going to reply to the debate, to tell us what has been the rate of social mobility in this country. How many people from traditional occupations have been prevented from crowding the over-crowded agricultural occupation? How many of them have been stifled, have been diverted to different occupations, to higher occupations? There, too, very little has been done.

The Ford Foundation's Report is there. What are the technological laboratories going to do? What is needed, as I have pointed out over and over again, is to introduce rationalisation at the bottom. Rationalisation at the bottom demands thinking in terms of technological streams, thinking in terms of training the technological stream of our economy, thinking out, working out technological locks which will prevent the flooding of lower levels of our economy by the more developed levels of our economy.

These are ideas which we have been placing before the country for the past many years, and Government never thinks that these ideas deserve any consideration.

A group of foreigners come, and they have some elementary suggestions to make, but the more detailed, the far more constructive suggestion of working out technological locks and training the technological levels in the country have received no consideration from Government.

Lastly, may I point out that even in Government establishments there has been no provision whatsoever for



[Shri Asoka Mehta]

workers' participation in the management. I do not understand what is gained by welcoming great dignitaries from foreign countries and saying that their countries have great things to teach us and our country has great things to teach them when we make no effort to learn from the life, from the inspiring efforts and experiences of those countries I know something of Yugoslavia. I have studied about that country, and I can assure you that one of the great achievements of that country has been to make it possible to win over the allegiance of the workers, to enlist his enthusiastic cooperation by giving the worker a say and a share in the management. In all these significant directions I have found that our Finance Minister had nothing worthwhile to say. I have heard this set of figures before, I have read this string of figures before, they need not be thrown at our faces once again. I was hoping that after the Prime Minister's announcement that our objective is democratic socialism and full employment in the next ten years—and I was entitled to hope—some kind of significant advances would be made. Except for the suggestion that the Government will ponder over the proposal to set up a State Bank in the country, no new area, no new continent has been opened up before us.

Therefore, I would end by saying that the industrial policy in the past was framed under a different set of circumstances. Those circumstances have changed. Even that policy has not been wisely and fully implemented, and the time has come when a new policy needs to be enunciated, a new policy in conformity with the exalted objectives which are shared by all sections of this House, which would enthuse and inspire millions in our country, that have been set before our people by the Prime Minister. If these objectives are to be treated as real, our industrial policy needs to be re-enunciated and not in the terms in which it has been done this morning.

Shri Bhagwat Jha Azad (Purnea cum Santal Parganas): After the speech of the Prime Minister just reported in the press, we had expected that there would be a great change in the industrial policy of the Government of India. I would have liked to participate in the debate on the progress of the Five Year Plan vis-a-vis the education policy, which is no policy of this Government, the land policy and also the health and housing policy of which the Health Minister is very proud, but I will confine my remarks to the industrial policy which is uppermost in our minds these days. And as a matter of fact, the whole country was expecting with eagerness what would come on this day from the spokesmen of the Government on industrial policy.

We know very well that the first industrial policy was framed in 1948. Of course, the circumstances were different then, and I should not go into those circumstances, but we know that since 1948 experience has been gained by the Government of India in various fields, and we feel now that it is time that we re-assess our policy in the light of the present circumstances and the experience gained by us.

The Five Year Plan divided the industrial field into two sectors, the private sector and the public sector. The private sector was given a maximum target to be achieved, and that was that it would invest in the economy of Indian industry about Rs. 333 crores. In the last three years, the private sector has been able to invest only Rs. 96 crores with the result that it is much behind the target fixed for the private sector. And now we are told that it is time that we should give up this distinction between the public and the private sector. There are some very influential gentlemen either in the Government or in the party or in the country who say that in the backward economy of ours there should be no distinct division between private and public sectors. They say:

"Let the country grow haphazardly, does not matter, without the distinction between public and private sector. After ten years it will be time to think whether Government should control the private sector or not." And how much importance the Government is attaching to the industrial policy is seen by the fact that the Finance Minister, the Prime Minister, the Commerce and Industry Minister, not one of those who are in charge of these policies is present in the House. Because of that we feel that the importance they attach to the industrial policy is very negligible. The policy is full of shortcomings, and we are told that the Government will do one great thing, and that great thing is that they will think over the establishment of a State Bank. That is the biggest policy that has come after 1948.

We say that the private enterprise which has a large field has not come up to our expectations. In spite of the concessions, in spite of the things demanded by the private sector, it has not come up to our expectations. In asking for encouragement to investment, they want from the Government a low wage structure. They want from the Government concessions in various social matters. They say: "Let not the Government's legislation go into industries, into factories, because that will impair the investment ability and the aptitude of the private sector of the capitalists." And therefore, Government up till now have tried to boost and woo this private sector with the result that up till now only a part of the target has been achieved, only Rs. 96 crores have been invested by the private sector. It is said that in 1954 and 1955 they will invest Rs. 64 crores, but still their investment will be behind by about Rs. 175 crores compared to the target laid down.

**An Hon. Member: No, no.**

**Shri Bhagwat Jha Azad:** We will be glad to welcome a contradiction from the hon. friends who say "no" and

who are the champions of the capitalists, that they have gone ahead of the target fixed in the Five Year Plan.

If you look into the proceedings of the Associated Chambers of Commerce and Industry, Calcutta, you will find that each year they have been criticising the Government that they had not been given sufficient incentive to invest, sufficient opportunities to develop this country industrially. I will quote a few words. In their resolutions passed at Calcutta a few days back they have been pressing the Government for greater security and encouragement for investment. What are those securities they have demanded? They say there should be "positive incentive to work, save and invest by alleviating the burden of direct taxes and spreading indirect taxes, greater moderation and gradualness in the imposition of excise duties." That relates to realisation of taxes.

Talking of the Industrial Disputes Act, the President of the Chamber says that the Chamber "invites the attention of the Government to the heavy burden put on the employers by the social measures." Not only that. He says: "There have been signs on the other hand that Tribunal interpretations are merely serving to discourage progressive employers." He meant thereby that Government, while trying to clear the misunderstandings, quarrels or disputes between the employers and the employees by appointing these tribunals to interpret the provisions of the Act, were, however, discouraging the progressive employers, because these tribunals were trying to throw the entire thing on the back of the employers rather than on the workers. This is what we find from the speech of the President of the Associated Chambers of Commerce at Calcutta. The moment Government come forward with some social legislation, immediately the cry comes that they are marring the aptitude and incentive of the private sector. If you try to amend the Constitution to secure

[Shri Bhagwat Jha Azad]

economic justice, immediately there comes a hue and cry that that will spoil the entire economic set-up in the country. If you set up a Taxation Inquiry Commission, immediately, they say, it is bad. I shall just refer to what the President of the Associated Chambers of Commerce said at that conference at Calcutta. He said that amongst the shadows overhanging the business community was the recommendation of the Taxation Inquiry Commission. The Taxation Inquiry Commission was set up to find out what would be the burden of direct taxation, and what the effect of indirect taxation. But we find here a statement, here is a shadow overhanging the business community; and the business community requested the Finance Minister who was present there, to see that this shadow did not grasp them. So, in whichever field Government come forward with any progressive measure, and in whichever way they do it, immediately comes the private sector, which is supposed to be the champion for the industrial development of the country, which says, that the initiative of the private sector is marred.

Therefore, I have come to the conclusion that our objective of maximum production, full employment, and social and economic justice, which have been laid down in the Government Resolution of 1948 on industrial policy, cannot be achieved by the policy which we have been following so far. Here is the time, when, in the light of the experience we have gained and the assessment we have made, we have to revise our industrial policy. In paras 4 and 7 of that Resolution, we had limited certain industries to be under the control of Government; of course, in some industries, the State control was to be exclusive, while in others, the State wanted to regulate and control, but leave rest of the industry in the hands of the private sector. The time has now come when we should turn over that policy, that is, Government should control all the key industries,

and there should be the maximum amount of public control over such industries, and whatever is left over should be left to the private sector. My hon. friends to the right; as well as left are laughing, for they think that this is a very wonderful position. But I feel that the time has now come when Government should take over all the key industries. I am not importing any views of my own here, but I might just quote what the Finance Minister himself had stated, namely that in a backward economy like ours, "it is a truism that the private sector cannot amass the huge quantity of resources that are needed for the development of our country." Therefore, it is essential that instead of casting our lot with those persons who are interested, not in the national good, but in the interests of a group of persons, we should cast our lot with the public sector; it is far better that we may go wrong thrice in the public sector rather than to go wrong once in the private sector after casting our lot with them. I feel that it is very essential that we should control all the industries which are vital for the life and interests of the nation, and only the remaining industries should be left to the private sector. Even the latter statement I shall qualify by saying that we cannot allow the private sector to go on developing as it likes; we must have strong control over the private sector. There can be no compromise between the public sector and the private sector, saying, I am doing this for myself, and you are doing that for yourself; and after sucking every drop of blood haphazardly, the private sector should come and present a skeleton to Government at the end, saying look here, it is beyond my control, and therefore, you take over and have it under public control.

I shall just refer in this connection to what Shri B. M. Birla stated after his return from his recent tour of the western world where he contacted his friends who probably assured him of

some help in the industrial development of this country. He said that international capital had agreed to come to this country, but that would not be in the form of loan Capital, but in the form of investment Capital and that should be given sufficient incentive for profit, and sufficient safeguard to go back whenever they want. We would very much wish, if it is possible for us—I think it is possible—to encourage the flow of loan investment under terms that will suit our country. Of course, I am not against investment capital coming to this country, but only under certain conditions. Shri B. M. Birla had stated:

"But the investment capital would be forthcoming only if investors felt free to invest in the country and were allowed to take back their profits and also capital, whenever they desired to do so."

To the first part of this statement, we may agree, but when it is said that the investors should be allowed to take not only their profits, but even their capital, we cannot agree; and that is the most objectionable part of his statement.

**Mr. Chairman:** The hon. Member has got only three minutes more. He has already taken twelve minutes.

**Shri Bhagwat Jha Azad:** Yes, I know.

If Government decide to take over the control of those industries which are vital to the nation's interests, I would say that there must be an industrial cadre to manage those industries. I will compliment our administration which has specialised not in running the public sector, but in something else which the country has called red-tapism. This is a compliment for them in the sense that they are not experts on the running of industries, but that they are experts of administration. So, it is very necessary that if at all Government decide to widen the public sector, they must have an industrial cadre to manage it. That industrial cadre will not certainly come from our administration and the

I. C. S. officers, who have got no incentive at all to run the public sector (*Interruption*). I would, therefore, suggest, Madam.....I am sorry, Mr. Chairman.

**Mr. Chairman:** Are old men to be called Madam?

**Shri Bhagwat Jha Azad:** An interruption came from a lady Member here, and I was trying to reply her.

**Sardar Hukam Singh (Kapurthala-Bhatinda):** Is it the private sector or the public sector that is running now?

**Shri Bhagwat Jha Azad:** We might even call upon Mr. Birla to manage an industry, but we will not allow Lever Brothers or Parry Brothers to manage it for a group of persons.

Another most important thing that we want to develop in this country, when we widen the public sector, is to create a powerful labour movement which will have a share in the management of industry. Labour is as much a part and parcel of the machinery as the employers, in the management of an industry, for it is not the employers that they are serving, but they are serving the nation; and therefore, the workers must be associated in the management of industry. So long as we are not giving suitable encouragement to labour, all the trouble that we undertake for the amelioration of the conditions of labour in this factory or in that factory, by building houses for the workers and their families, and so on, will not help us to develop our country.

There are two objections which are raised against the public sector, namely lack of finance and lack of experience. I feel that in this country, there is no scope for small savings to any great extent; there is no saving from agriculture also. So, the finance has to come not from agriculture or from small savings, but from other sources; we must look towards trade; we must look towards commerce, we must look towards industry, we must look towards banking and insurance, and we must look towards the

[Shri Bhagwat Jha Azad]

big speculative business that is being done in the country. After the balance-sheet is prepared we should not only see the bankbalance but also the hidden capital because most times profits declared are passed over to the individuals rather than the account of the firm. If we could tap those avenues and resources, we shall be able to succeed in our effort to industrialise the country.

Secondly, as regards the personnel for the management of the public sector, I feel that if we have got determination to manage it, if we have got a determination to develop this country, in the way in which I have outlined, I feel that the objection raised on this score also can be met, and we shall get the necessary personnel to run the industries. There are sufficient men in this country who can run this, if only we could proceed with a strong determination and enlist their services.

Finally, I would say that we believe in mixed economy because we know that individual planning perils the bread of poor man and collectivist planning hastens the freedom of individual to grave. Therefore we believe in mixed economy but with a greater emphasis on the public sector rather than on the private sector.

With these words, I hope that there will be a marked change in the industrial policy followed by Government since 1948.

**Dr. Krishnaswami (Kancheepuram):** I should like to invite the attention of the House to a consideration of the realities of our economic position and not to quarrel over shadows, as has been the tendency in recent debates. There are four economic riddles which face us today, on which, I hope, the Finance Minister would throw some light. Firstly, we have a policy of open adherence to deficit financing. Nevertheless, the prices of crops have gone down and are expected to go down next year, notwithstanding the sharp decline in output that is anti-

ipated. Secondly, we are thinking of great expansion of investment at home which would necessarily lead to an unfavourable balance of payments. But nothing of this sort has occurred; imports and exports have been balanced at a lower level. Thirdly, according to the Vice-chairman of the Planning Commission, unemployment today is greater than it was before the Plan was initiated. Fourthly, national income is supposed to have increased, but our rate of overall investment seems not to have increased at all. It is this peculiar position to which I wish to invite the attention of this House. I should like to point out that to the extent that we have succeeded in our planning, to that very extent, unless we expand considerably, these factors—disquieting factors—which I have mentioned are likely to be perpetuated.

It is in this context that we have to view our industrial policy. Our new industrial policy, therefore—and I enunciate it straightway as the proposition which I intend proving—must concern itself with investment at home, with imports, particularly of machinery and help in, what I would call, the widening and deepening of investment on the home front. Today a sham controversy is taking place over the role which the public and the private sectors should play. I have not been able to understand the great amount of dust and din that has been raised over this question. I believe that it will be accepted by all men who have applied their minds to this question of economic development that it is not so important as to whether a certain industry is within the confines of the public or the private sector. What is most essential is the speed with which economic development is brought about, and how it is done. I am not one of those who think that all monopolies are bad; they have their defects; they do indulge in restrictive practices. But taking into account the climate of public opinion, the social factors that have gone to change the very concept of private

capital and the idea of social responsibility, and the enormous powers that the State can wield, I venture to think that these great magnates, provided public opinion is vigilant, instead of being the creators of public opinion, would have to be the creatures of public opinion.

But having said this, I should like to point out that there is a great deal of disquiet on the position of the private sector. Why is it that there is so much distrust of the private sector? Let me point out that this is so because the private sector, as it is today, is concentrated in a few managing agency houses which are not likely to move in conformity with broader social objectives. How then are we going to have a modification of the private sector, because obviously, the private sector is something quite different and quite outside the province of these managing agencies altogether? I think that the basic structure can be altered, and I would like my hon. friend, the Finance Minister, not to mistake me for suggesting it, not by passing an amendment to the company law as such abolishing managing agencies—that would be to deal with only the symptom of the problem—but by bringing within the scope of our vision that which we have ignored until now, and to which I wish to invite the attention of my hon. friend. The Planning Commission, or any centralised economic direction, concentrated on a few projects or areas of activity. What we did, and I think there would be universal agreement on what I am stating, was to list a few projects in the public sector and collate a plan of large-scale private enterprise with people whom we could get at and thus form our planning in the industrial field. Economic policy has, therefore, been devoid of any consistent or broad-based attempt to widen the area of economic activity.

I should like, in this connection, to refer to the Industries (Development and Regulation) Act. I have my strong criticisms to offer of that Act.

I believe that the regulation and control over so wide a field and in such detail helps only the big man to obtain the full benefits of policy. The small man goes to the wall because the environment of detailed regulations, of continuous filing of numerous documents and the various complex procedures that one has to go through certainly do not help the small man to have any chance whatever in obtaining a licence for starting a new industry. What we should have done in this particular instance was to have listed all the items as items of national importance. Instead of confining ourselves to a few items in the list absolutely essential for national interests, and which we have taken upon ourselves to aid and assist, either in the shape of grants or loans or other advantages at subsidised rates, I think it would have been better if we had adopted a policy, a philosophy, of what I would call 'do'. It is the philosophy of 'do' that is important, not the philosophy of 'don't', and it is the philosophy of 'don't' that has worked havoc in the industrial policy field. How is the licensing department of the Government of India in a better position to know the profitability of an enterprise than individuals who are willing to venture with their own capital? And what is the commitment of the Government when they grant a licence to a private capitalist? I have not been able to understand what the commitment is. Every prospectus that is published after a licence is granted by the Central Government contains the usual expression to the effect that the Government do not accept any responsibility whatsoever for the profitability of the enterprise or the economic potentialities of the enterprise. This in itself, this detailed regulation, has constituted a great restrictive factor on the small men really starting industries elsewhere resulting in many of our regional areas being neglected and in many of our people being unable to start new investment in all these areas. The memorandum that has been supplied to us talks of scarcity of resources. But today we are in grave danger of allow-

[Dr. Krishnaswami]

ing our resources to run waste. We have not tapped the great amount of co-operative endeavour that there is in this country for the purpose of promoting investment in different spheres of activity. It is not enough to say that a particular industry is not really suitable from the point of view of investment. If an individual is willing to make mistakes, if he is willing to run the risk, I do not see any reason why the Government should stand in the way of any of these industries being started. And I also feel, particularly in these days when we are thinking of more investment, when our sterling balances have increased appreciably, that there ought to be a greater laxity, there ought to be a greater initiative given to other people and there ought to be a greater amount of decentralisation of authority.

May I make a humble suggestion to the Finance Minister? I suggest that today our economic vision has been blurred by certain alien considerations. We have not realised that today the private sector, consisting as it does of 25,000 joint stock companies, is a very poor thing when we consider the magnitude and the size of our country. If we took a rational view of the matter, we would realise that it is not 25,000 joint stock companies that would be necessary for promoting the economic development of our country, but rather 250,000 joint stock companies run by numerous individuals and having the possibilities of a greater amount of enterprise. My hon. friend, the Finance Minister, referred to the Planning Commission. There is, particularly, the lucid paragraph in their report which refers to the prospects of those in commerce entering into industry. But during the past three years, what has happened? There has been no inflow from commercial occupations into very many of these industrial activities precisely because your detailed scheme of regulations, and your high centralisation of authority have led to a lack of these people entering into these particular aspects of activity. I do

not think it is necessary to shoot Niagara in order to promote industrial development in our country. I think, we can, by adopting a simpler technique, really be in a position of development in our country. And, I do feel that if only we can see the problem in its real perspective, there would be a chance of our solving many of these difficulties. Had an Industrial Development Act with all these complex schedules and regulations been in force in the early years of the Industrial Revolution in the United Kingdom, I venture to think that Arkwright, instead of producing any technical invention, would have died of heart-ache in attempting to apply for a licence from the authority concerned to start a new factory. I do feel that this very great lack of balance has been reflected even in the public sector.

My hon. friends today spoke of the public sector being neglected. But, I would like to place before them one particular factor of importance, which it would be unwise on our part as economic realists to ignore. The Planning Commission pointed out that the public sector was expected to spend a little over 144 crores of rupees during the five years. So, far, what has been our record? We have spent only 19½ crores out of the amount scheduled, during the past three years. And, even if we make great leeway in the next two years, I feel we would fall far short of the target or objective that has been laid down in the Planning Commission Report. When such has been the evidence of inertia in public spending, I cannot understand for my life why some of my friends in the industrial world should throw up their hands in horror, roll their eyes and say that the Government has done something very very revolutionary or is taking up an attitude which is really too unfriendly to the private sector or other interests. I feel that this is an assumed controversy, a sort of ruse that is adopted by certain interests to divert our attention from the economic realities of the situation.

Mr. Chairman, I would like to invite the attention of the House not to the schemes that have been in operation in other countries but to the very objectives that were laid down in 1948 and which were also endorsed by the Planning Commission in its Report. The first Five Year Plan started with a concept of development of the private sector, a development to be effected by the men who run the industries, by the managers, the technicians and the labour as different from those who financed or owned the industries as such. That concept has not, as yet, been given a concrete shape. It is to that concept that I wish to invite the attention of Government today, particularly as it is important that there ought to be a regional dispersion of industry, particularly as it is important that we should bring to the service new talent which lies hidden. I think that one of the remedies which we can adopt for really having a better type of economic transformation is to have regional development bodies with a secretariat and other units offering advice and these regional development bodies must consist of men who really run the industries, the managers, the technicians and labour, equipped with a proper secretariat. They would be in a position to explore the problems of the area; they would be in a position to offer advice and their advice will be accepted not because they have the coercive powers of Government but because their knowledge and the sanction behind such knowledge is so great that people will be induced to accept their advice and new industries will spring up in different areas.

Indeed, on this occasion, with your permission, I should like to quote from an authority on this very problem of investment and capital formation Ragnar Nurkse in his book *Capital Formation in Under-developed Countries*, he remarks:

“Capital formation can be permanently successful only in a capital conscious community and this

condition which is just as important for a continued maintenance as for the initial creation of capital is promoted by a wide diffusion of investment activity among individuals. Nothing matters so much as the quality of the people, the personal habits and traits associated with the use of capital,—among them, initiative, prudence, ingenuity and foresightedness give a deeper and surer base to a nation's economic advance than the blue-prints of a Planning Commission. Therefore, it is well for the State to leave scope for the exercise of these qualities and to reduce barriers to their development.”

I hope that in the provision of new credit facilities, particularly because of the increase in social capital which has occurred during the last three years, they will evolve a revision in the instruments of credits also. Some people suggest that co-operative credit institutions will be in a position to give credit to all those people who want to take advantage of the new social capital which requires complementary capital for the purpose of being exploited. I do not think—much as I have admiration for the co-operative credit societies—that they are in a position to handle this problem. It is not really any expert's handling that will lead to the solution of this problem. I venture to think that Banks, like the Bank of Mysore, in the areas to which it caters, should really be given the opportunities and facilities for giving credit to some of the smaller businessmen and such credit should be given not on the principles of old banking but on the principle of repayment, which is the most sensible thing to do and as a result of which there would be a chance of greater amount of development. The Government may possibly, to a certain extent, under-write some proportion of these losses but the eventual credit will be great and if plans can be started, I do think, that in the next year or two we will have such significant development and the



[Dr. Krishnaswami]

Government will have something to report and something to be satisfied with.

**Shri Dabhi:** At the outset, I must say that I want to confine myself to the industrial policy of Government with regard to the Khadi and Village industries.

Sir, we know that only about 18 months have to elapse for the termination of the first Five Year Plan and for the beginning of the next Five Year Plan. We know that in the first Five Year Plan, Government had given priority to agriculture and that in the next Five Year Plan they are going to give priority to industries. So, it is absolutely necessary that we must know what is the exact policy of Government with regard to Khadi and village industries. Criticism has been hurled from several quarters that Government is not quite clear with regard to their industrial policy and that their policy is very ambiguous. Perhaps, with a view to give a reply to this criticism, the hon. Minister of Commerce and Industry is reported to have written a long article in the *Hindu*. And, in that article, it is reported that he has said this. In fact, there is no ambiguity about Government's economic policy; it is the same as has been developed from Congress platforms starting from the Karachi Congress resolution of 1931 and coming down to the AICC resolution at its Ajmer session early this year. I think this is the substance of the article of the hon. Commerce and Industries Minister.

The Karachi resolution reads thus:

"Experience gained during the past ten years through work in hundreds of villages has made it abundantly clear that the deepening poverty of the masses is due, among other things, to forced unemployment for want of a supplementary industry during leisure hours and that only the spinning wheel will supply that want on a universal scale."

I hope, not only Government but the hon. Minister for Commerce and Industry also agrees with this resolution. The relevant portion of the Ajmer resolution reads thus:

"The basic conditions of our economic policy should be maximum production, full employment and social and economic justice."

I take it that this resolution and the spirit behind this resolution is also accepted by the Government. If this is so, then, I submit that it logically follows that Government should endorse also the resolution recently passed by the All India conference of State Khadi and Village Industries Boards and Constructive workers convened by the All India Khadi and Village Industries Board at Poona on the 19th November, 1954.

This resolution—which is practically the same as the one I have moved to-day—is to the following effect:

"Government should accept economic development and self-employment as an integral part of their policy and make it the basis of the Second Five Year Plan. Khadi and village industries are pre-eminently suited as aids to self-employment. Khadi and village industries must therefore be given their due place in the industrial and integrated programme of the Second Five Year Programme."

The chief consideration for Government in formulating the Second Five Year Plan should be directed to achieve the goal of non-exploitative, decentralised economy of the country and their programmes should be such as will meet the objective of providing full employment to the people. If we want to make these programmes effective and give full employment to our people, then it logically follows that the Khadi and village industry should not be

allowed to complete with the big industries. The real difficulty, to my mind, is not with regard to the formulation of the Government's industrial policy, but it is with regard to the efficient and sincere implementation of that policy. Unless we have a certain amount of faith for a good cause, we cannot bring to bear upon that cause the enthusiasm and energy which are required for the success of that cause. I am sorry to state—and experience also shows—that Government, especially the Ministry of Commerce and Industry, have got no faith—they may have faith in any other things, but they have no real faith in the Khadi and village industries.

**Shri A. M. Thomas (Ernakulam):** That is a very serious charge.

**Shri Dabhi:** I am going to substantiate that charge. The result has been that, though under certain circumstances they have to give some protection and help to the Khadi and village industries, whenever an occasion arises they exhibit their dislike for them—it is an unconscious dislike of the Ministry of Commerce and Industry for the Khadi and village industry that comes out. Hon. Members, who are here, know that whenever any question was asked by me and other hon. Members about the Khadi and village industries, the very reply showed the dislike of the Ministry. The Commerce and Industry Minister unconsciously—I do not blame him for that—betrays his dislike for these industries. Once I asked a question about the implementation of the recommendations of the Khadi and Village Industries Board and his reply was "I do not know; the Government may or may not implement them." When replying to another question, he said "I am not going to oblige the hon. Member by giving him the reply he wants." A few days ago.....

**Shri R. K. Chaudhuri (Gauhati):** On a point of order. The hon. Member should at some time or other look at the Chair.

**Shri Dabhi:** The same question was asked a third time, and even at that

time he said he was not in a position to give a reply.

**Shri Gidwani (Thana):** I rise on a point of order, Sir.

**Mr. Chairman:** The hon. Member is not giving way.

**Shri Dabhi:** This is not enough and I have to say further things. Government has accepted the policy of making the Khadi and Village Industries Board.....

**Shri R. K. Chaudhuri:** Shall we imitate his example?

**Mr. Chairman:** There is no point of order there.

**Shri Dabhi:** We know that Government has established an All India Khadi and Village Industries Board with a view to promoting khadi and village industries. We also know that the Members of the Board are devoted to the cause of khadi and village industries, they are experts therein, and they have full faith in these industries. When this Board was established, it was expected that Government would ordinarily, except in exceptional circumstances, follow the advice tendered by the Board and would accept the recommendations of the Board. But what has happened? I have no time to go into detail, but I will give only one or two instances. The Board was established in 1953. The year 1953-54 was practically wasted because Government accepted the recommendation practically at the end of the year and so no progress could be made. In the year 1954-55, what happened? The Board stated that they wanted about Rs. 6 crores for the development of village industries. Government would not give more than Rs. 1,15,00,000 and they put a condition that the scheme should be divided for each part of the year. It was impossible to do that. Then they put in a condition that unless Government was satisfied with the progress of the first six months, they would not sanction the amount. This condition is, on the face of it, plausible. But what happened? The Board had to produce reports before the Government

[Shri Dabhi]

showing the progress made in the six months, but still they would not give sanction for three or four months; in some cases, they would not give for two or three months; in some cases they have not given sanction even upto this time. How is it possible for the Board to disburse the sums and then place before the Government an account or a report of the disbursements made by it?

I do not say consciously, but unconsciously every obstacle has been put in the way of the All India Village and Khadi Industries Board the Members of which have devoted their whole lives to the cause of Khadi and Village industries. The last straw on the camel's back has now come.

**Shri Gidwani:** Is the back broken or not?

**Shri Dabhi:** It was a matter in which the Board itself was involved. The Board was required to certify a certain organisation.....

**Shri R. K. Chaudhuri:** On a point of information.

**Mr. Chairman:** Order, order. Let the hon. Member finish quickly.

**Shri Dabhi:** No self-respecting member of a Board, much less persons who have spent their whole life in constructive work, can bear this. I am reliably informed that the Board has been informed by Government that they are not fit to carry on the work in the Madras State, because they have not obeyed the orders of the Government with regard to certification of khadi of a particular organisation. The Board have said that Government have no faith in them, and if the Government have no faith in them, it is better that the Board is relieved of its responsibilities.

I want to know what is the exact policy of Government with regard to khadi and village industries. It is time that they made clear their policy, and actual protection given to khadi and

village industries. My last suggestion is that the present Commerce and Industry Ministry should be relieved of their responsibility as far as khadi and village industries are concerned.

**Shri Meghnad Saha** (Calcutta—North-West): We welcome this debate for many reasons. This is the first debate on economic policy in this Parliament. We have had many debates on foreign affairs, many debates on maintenance of our moral standard initiated by Dr. Katju. But the most important debate on a subject which affects our economic life has not been initiated till now.

Now, we listened with very great interest to the speech of my hon. friend the Finance Minister. We thought he would talk to us of the past, how the industrial policy which has been in operation since 1948, has worked in this country. He has not told us anything of the past. He simply described to us a very rosy future. But let me fill up the gap.

It has been claimed that in recent years, in the three years of planning, there has been a 14 per cent. increase in our national income. This has been said by no less a person than Mr. G. L. Mehta, our Ambassador to America, who was the first Chairman of the Planning Commission. I have not come across a more exaggerated and untrue picture. I have got the latest figure about our per capita income which is the true index of our progress. The per capita income does not show more than four per cent. rise in the per capita income in the current year. So, he has very conveniently forgotten the increase in population during this period. Even that 4 per cent. is subject to doubt, because we have been told by the Planning Commission itself that the increase in income is not due to the industrial policy, or industrial production but it is due to our having two good harvests in two successive years. So that, agricultural production has gone up, and that accounts, as far as I am concerned, for the whole increase in

per capita income which has been claimed.

Now, our industrial production was only Rs. 1,500 in 1949, it has been claimed. Our industrial output has gone up, it is claimed, by 30 per cent. I went into this affair. I found that the claim is entirely unsubstantiated. There has not been much increase in our industrial production except in a few sectors which have come into operation, like the Sindri Fertilisers, and a few others. There has been no increment in our production of iron and steel; there has been some increment in our production of coal. So, industrial production has not gone up very much. If you take the figures in other countries you will find that industrial production is very much higher in all those countries than in our country. Our industrial production in 1949 was only Rs. 1500, taking everything. If we take the English standard it ought to be about 25 times higher. I have calculated that our industrial production is 1/28th of the industrial production per capita in England.

Now, we have to look into the causes of this failure. We are governed by the Industrial Policy of 1948. This policy said that a number of industries were to be controlled by the nation. They were coal, iron and steel, aircraft, ship-building, manufacture of telephones, wireless apparatus, radios and mineral oils. It further implied that the capital should be State-owned. But what has happened? Let us take the case of petroleum. You know that Government has negotiated with a certain number of companies, foreign companies, for opening refineries. You find that in the case of the Assam Oil Company in the Narkotiya region, it is stipulated that not more than 25 per cent. of the capital can be Indian. It is clear that mineral oils come in the public sector, to be entirely controlled by the State. But we find that the control of this important industry has been given to a foreign company, and India is not to contribute more than 25 per cent. of the capital. How are we going to

control these oil refineries? In the case of the Stanvac Company, they have been given a license for prospecting in West Bengal area, adjacent to the region allotted to the Assam Oil Company. But only a small percentage of the capital is Indian. I think there is a Cabinet decision that in the case of all foreign companies operating in this country, at least 51 per cent. of the capital is to be Indian or is to be contributed by the State. I would like my hon. friend the Commerce Minister to tell us why we have given the licence to a foreign company, where all the capital is foreign with the result that they are resenting any interference by the State. The other day Mr. Malaviya told the House that we are going to have a geophysical prospecting party, consisting of Indians. This has been taken exception to by the Stanvac Company. They are prospecting for us and they do not want that any geophysical prospecting party, consisting of Indians, should be allowed to prospect in this country. Can impudence go any further than that? We have been talking that some of the fundamental industries should be State-controlled, should be controlled in the interests of the nation. This is how this law is operating.

It was the intention of the industrial policy framers in 1948 that coal should be controlled. I need not stress the importance of coal. It is the very mainstay of modern industry in spite of atomic energy, in spite of hydroelectric energy. Almost 90 per cent. of power in the world comes from coal. It has been well-known that coalmines in this country are being operated in a very wasteful manner. Attention has been drawn to the fact that metallurgical coal which is very important for our industrialisation is being burnt by railways and other concerns in very wasteful manner. It is not a cry which we raise only today. Thirty years ago, Sir Lewis Ferrier the Director-General of the Geological Survey, raised this cry that if you go on burning metallurgical coal in this

[Shri Meghnad Saha]

wasteful way, in about 50 or 60 years, the whole thing will be finished and the iron and steel industry would come to a dead stand-still. May I know what this national Government has done to put a stop to this wasteful practice? Under the industrial policy, if any new coal-mine is to be opened, a licence has to be sought from the Central Government. Has this licence been sought for these companies, or are they being floated at random? This is a thing which I want to know. We find that coal raising is under the Ministry of Production and prospecting for coal mines is under the Ministry of Natural Resources and Scientific Research. We find that the same thing is being handled by two different Ministries. This cannot work for efficiency.

We find that the statements which are being made by different Ministries on one and the same aspect are absolutely contradictory. The Prime Minister, a few days ago, said that we are standing for a socialistic economy. What is socialistic economy? He does not define it. He puts it in a vague way. But Shri T. T. Krishnamachari, the Minister of Commerce and Industry, told the meeting of the Indian Merchants' Chamber in Bombay:

"The Government are not wedded to any doctrinaire policy on the suitability or otherwise of nationalisation for the development of Indian industries."

We find therefore that there is great confusion, in the minds of the different members of the Government. Iron and steel was supposed to be entirely controlled by the State. But we find, instead of that, two private companies who neglected their machinery of production which became obsolescent, have been given huge loans by the Government. This, I understand, was entirely against the spirit of the industrial policy. Iron and steel should have been completely nationalised. Not only that. We find that this year, a firm of private industrialists, Messrs. Birla Brothers, said openly

that they were negotiating with a foreign firm for the establishment of an iron and steel factory in this country. It was said that the hon. Minister of Commerce and Industry has permitted them to make this negotiation. We found the other day the Government saying that no such permission has been given. I think it was the Minister of Production who said that: which Minister, I am not sure. But the licence to Birlas has been stopped at least temporarily. So, we do not know what is the mind of the Government. One Ministry says one thing and the other Ministry says quite the opposite thing. We must have clarification on these matters.

We have been told about the public sector and the private sector. We have been told about the mixed economy. The word 'mixed economy' was brought into this country by Shri G. L. Mehta. The industrial policy by which we are swearing now arose out of a draft which was made by Shri Ardeshir Dalal, the Minister for Planning in the Viceroy's Cabinet. Those were days of the war when socialism was in the air. For the first two years, there was economic confusion, till this plan which was left by Shri Ardeshir Dalal was taken up by the national Government. Then somebody put it this way: If you accept the policy enunciated by Shri Ardeshir Dalal, the country will go fully socialised. Your mixed economy was brought in then. Now, where did we get the idea of mixed economy from? That was the election cry of the Conservative Party in England in 1945. This cost the party the election. It was wonderful to see—nay it was a sight for the Gods to see—that the national Government of India should go in for inspiration to the party of Sir Winston Churchill and allow themselves to be guided by that policy of mixed economy. I have no doubt that mixed economy in this country has operated in a very pernicious way. Of course, there is mixed economy in all countries, even in Russia. There, the sale of cabbages, the selling of

river-fish—all these come in the private sector. But here, in this country, when a factory—an iron and steel factory—which requires a capital of Rs. 100 crores and which cannot be raised by any industrialist is sought to be established, it is sought to be placed in the private sector. When you are talking of mixed economy, you must let us know where you stop. What is your limit? It was for the sake of this mixed economy that many things have not been attempted. The industrial policy of 1948 is defective in many ways. If you want the production in this country to go up, then there are a number of capital goods industries which must be encouraged first. Iron and steel is a capital goods industry. There are other capital goods industries. Fundamental chemical goods industry is also a capital goods industry. You cannot have many industries flourishing in this country unless you have got sulphuric acid, unless you have industrial alcohol, unless you have coal-tar distillation products. But there is no mention of these anywhere in the industrial policy of 1948. We find therefore that all the industries are being put in a very surreptitious way in the private sector. I will give you one example. The Prime Minister categorically declared before the National Development Council: "For planning, private enterprise has a very secondary place". He continued: "A system which is based on what is called the acquisitiveness of society is absolutely out-of-date. In modern thinking, it is also considered immoral." This is what the Prime Minister said. At the same time, he said: "It does not mean that we are doing away with private enterprise".

What could be a better example of double talk and double thinking?

**Achaya Kripalani** (Bhagalpur cum Purnea): What about double dealing?

**Shri Meghnad Saha**: Now I come to that. I have just come from Russia and I may just indulge in a Russian joke. There are two Russian

words; one is *voda* which is water, the other is *vodka* which means alcoholic drink containing eighty to ninety per cent. alcohol. I find our Prime Minister preaches *voda*, that is *water*

**Shri A. M. Thomas**: I believe you enjoyed both the doses!

**Shri Meghnad Saha**: But our Ministers of Finance and Minister of Industries believe in nothing but alcohol, in nothing but *vodka*. I will give one example. If you take the expenditure of the Central Government and turn to page 27 of the memorandum you find a very remarkable thing. Loan aggregating to rupees three crores carrying an interest at 4½ per cent. is proposed to be granted to Messrs. Atul Products from time to time for the development of dyestuff and pharmaceutical industry. It is stated that provision could not be made earlier as the scheme has recently been put to Government and details have been finalised now. And the first instalment of the sum of Rs. 75 lakhs is proposed to be paid to them immediately in order to enable them to make a start with the scheme.

Somehow we missed this item when the supplementary budget was put here. This Atul Products, it is well known, is a private concern run by a very well known industrialist whose name I do not want to mention because everyone knows it. This gentleman has started a dyestuffs factory and a pharmaceutical industries factory. Our friends, the Finance Minister and the Minister of Commerce, combine to grant him a loan of rupees three crores. May I know whether this matter was put before the Cabinet? Will the Prime Minister kindly make a statement whether he was consulted when rupees three crores was given to a private firm out of the public exchequer? This is frightful. Therefore, I say the Prime Minister may be preaching pure water, but the Finance Minister and the Industries Minister believe in pure *vodka*, in pure and unalloyed capitalism, and do not hesitate to put public money in the pockets of private individuals.

[Shri Meghnad Shah]

Our industrial policy is not much different from the industrial policy of Chiang Kai-shek. In 1944 he enunciated almost the same policy. He said; I will control power, that is, the State will control power, the State will control coal, the State will control industrial machinery and so on. But what did he do? He believed in mixed economy, and through the backdoor of mixed economy all the machineries of production were being transferred to four families, the Chiang family, the Sung family, the Kung family and some other family.

Where from is the capital to come into the private sector under mixed economy? The industrialists cannot raise any capital. So any number of bodies have come into existence, the Development Corporation, the Industrial Finance Corporation, and some other Corporation in regard to which it is sought that public money should be lent to the industrialists on very easy terms—Tata company, Birlas, Dalmias, Mr. Kasturbhai Lalbhai—by their friends the Finance Minister and the Industries Minister so that private capital may stand on its own legs.

Therefore in the name of socialism we are doing just the opposite. If this country goes on like that there is absolutely no help for us.

If you want industrialisation you can take an example from the Chinese. I will read what the Chinese are doing. Of course Chiang Kai-shek went to his doom because in the name of socialism he was appropriating the money for himself and his friends; all the wealth and means of production he was appropriating to himself and his friends; just as in the name of socialism this Government is trying to make over all the means of production to their friends, the private capitalists, through one or the other corporation or through the Deshmukh-Krishnamachari Corporation.

There is another question to which I may invite the attention of the House. Take these Deve-

lopment Councils which are filled up mostly by industrialists and their nominees. Naturally one would think that is a very good policy. But may I give an example about its working? The iron and steel industry is not yet on its legs. We have got a few projects. They will take another five years to fructify. But we have been thinking of the iron and steel industry since 1947. From 1947 it has been known that this country requires two million tons more of iron and steel. Sir Ardeshir Dalal, then Minister of Planning, appointed a committee which said two million tons or something like that was necessary. And some attempts have been made to have an iron and steel industry. Now, they appointed a panel. The panel said we will require so much iron and steel. And the best place for that was the coal area, which is in Bihar and Bengal. But at the same time they recommended that the site should be Monghyr. Why? Because the personnel of this Committee consisted of seven men, six of whom were in one way or the other connected with the Tata Iron and Steel. And they recommended that the site of this iron and steel plant should be Monghyr. Now, Monghyr is four hundred miles from the nearest source of coal and five hundred miles from the nearest source of iron. May I ask why the members of this Development Council—or something analogous to that—made this recommendation? Because they wanted that the Government should take a step so that the cost of production of iron and steel becomes as high as possible and afterwards they can say that whatever the Government does is a failure. They wanted to make damned fools of the Government.

So this is the risk which we run when we ask these industrialists to be our advisers in the development of industries. I think the policy which we have of the Development Council is extremely wrong, entirely wrong.

We have got soda ash factories, one belonging to Tata Chemicals, another

belonging to Darangadhar Works. They are the worst factories in the world because they produce soda ash, which is a fundamental chemical, at three times the price of other countries. When we have a Development Council for Soda Ash and these are the men there, what kind of advice would they give us? Do you think they will give advice for locating the factory at a place where soda ash will be produced at one-third the cost at which they produce? They will be cutting your own throat.

This being the nature of industries in this country I consider it very pernicious, very injurious that Development Councils should function in the way in which they are functioning. If you want to develop industries in this country, then you must have your own technical personnel, your own consulting engineers and consulting chemists and consulting physicists. You may pay them seven thousand rupees a month, but they should be your servants.

I will give another example. We are taking the help of Krupps and Demag.

**Mr. Chairman:** May I remind the hon. Member that he has already taken about thirty minutes?

**Shri Meghnad Saha:** I will finish in three or four minutes, with your permission.

We are taking the help of foreign companies. What are they? They are the shareholders; they are suppliers of materials; they are our erectors; they are also our consultants. Can you think of so many different functions combined in one body? I was told that a great manufacturer of iron and steel was asked to advise the Government, and that he simply wrote a four line letter saying, you have asked Messrs. Krupps and Demag to be your consultant, it is not etiquette that any other firm should send their consultants to sit over them. It was a slap on the face of the Government.

I think the whole of our industrial policy has to be completely re-orientated and we must have our own technical personnel. These technical personnel may be paid any salary we may want to give them. But, they must be responsible to the nation and to none else.

I wish to raise one more point. I was speaking about China. We have just news from China. China has taken to industrialisation in a very serious way. Out of 36 members of the Cabinet, let us see how many ministers are dealing with industries. They have a Minister for Heavy Industries; they have a Minister of the First Ministry of Machine Building, a Minister of the Second Ministry of Machine Building; they have a Minister of Fuel Industry, a Minister of Geology, a Minister of Building, a Minister of the Textile Industry, a Minister of Light Industries, a Minister of Local Industries. They have taken industries very seriously. Out of 36, about 15 or 16 are devoted to industries. This Government has not taken industries seriously. Industries are only half a Ministry. If you want to do industrialisation properly, you have to treat the matter with all the seriousness which it deserves. You are treating it in a very lighthearted manner. In this way, we can never create any industries in this country. If it goes on in this way, I have no doubt that this Government will go the same way as the Government of Chiang Kai-shek has gone.

**Sardar Hukam Singh:** Before you call upon the next speaker, I want to make request. There is a party in the Rashtrapati Bhavan at 4-50 P.M. and we are expected to be there in time. If we continue till five o'clock, it would be impossible for us to go there. I move that the House be adjourned now so that we may be there in time.

**Some Hon. Members:** Yes.

**Mr. Chairman:** Is that the general consensus of opinion of the House?



[Mr. Chairman ]

But, it is quite clear that if we take away this time, we should make up this time tomorrow.

**Shri N. Sreekantan Nair** (Quilon cum Mavelikkara): May I point out that tomorrow also there is an engagement.

**Mr. Chairman:** This is a special occasion. We have in our midst the head of a foreign Government.

**Shri A. M. Thomas:** There is a speech in the Central Hall of the House. He is addressing the Members of Parliament.

**Shri T. K. Chandhuri** (Berhampore): The meeting is at five o'clock. The House may sit up till 4-45.

**Mr. Chairman:** Then, I think we can make up day after tomorrow.

**Shri R. K. Chandhuri:** Day after tomorrow is very important: dance and music.

**The Minister of Commerce and Industry (Shri T. T. Krishnamachari):** I am afraid we will have to go on. This debate was programmed on the basis that it ends tomorrow. I have to wind up the debate and I have to leave tomorrow. If the House will forego the Question Hour tomorrow, we can now adjourn.

**Shri A. M. Thomas:** That can be done.

**Mr. Chairman:** It is not usual to dispense with the Question Hour. If it is the general desire of the House, I have no objection.

**Some Hon. Members:** Yes.

**Some Hon. Members:** No.

**Mr. Chairman:** There are some who are not for it.

**Shri T. T. Krishnamachari:** I am afraid we will have to go on. Tomorrow, the debate will have to close. We cannot extend beyond five tomorrow evening. The Question Hour cannot be dis-

pensed with. We have to wind up tomorrow.

**Mr. Chairman:** In view of what has been said by the hon. Minister, I do not see my way to adjourn the House.

**Shri R. S. Diwan** (Osmanabad): It is very bold of me to speak on this complex and technical subject. But the common man is greatly involved in this question and we have to see how he is affected by the policy which we decide for him.

Arguments and counter-arguments have been made and will be made. Scriptures will be quoted by the pundits of economics for and against the economic policy of the Government. Lastly, we will vote for or against the policy of the Government. But, neither arguments nor scriptures nor voting is going to satisfy the common man.

**Mr. Chairman:** Order, order; There is no quorum in the House. When the Government bring the motion, they ought to see that there is quorum. There are not 50 Members. Let the bell be rung.

The hon. Member can go on now.

**Shri R. S. Diwan:** We have to see what the common man feels about our policy. If we were to ask him, he will say that he is not definitely satisfied with our economic policy. He has got his apprehensions about the private sector, about his being exploited by the private sector. So also, he has his doubts about the efficient and careful safeguarding of the national interest by the public sector. So, he is not satisfied with the policy which is not definite, which is not clear. But, there is one thing. He has got full and implicit faith in the saviour of humanity, our revered leader, Shri Jawaharlal Nehru. If he lays down some definite clear policy and if the administration implements it sincerely, the common man will be satisfied. Our friend on

the other side, speaking on behalf of the private sector, spoke of national wealth. No doubt, the worker in India is amassing national wealth in the private sector, but the question is: for whom? It is for the management, it is for the managing agents and directors and shareholders that he amassing wealth, and not for the nation, nor for himself.

Then, we are told in one of the reports that our textile industry has trebled its production. In many other sectors also, in many other commodities also, we have increased our production. But by simply increasing the production, we are not going to benefit the common man. He must have the power to purchase, and that power is not there, simply because he is not employed. There is no proper employment.

In his speech before the Congress Party and on many an occasion our leader has said that the main objective of his policy is to create fuller employment, and for creating fuller employment we have emphasised, we have been emphasising cottage industries. Now, look at the fate of the cottage industries. Now, many a cottage industry engaged in the production of essential commodities, commodities of daily use for the common man, have to compete with the large industries. This competition is quite unfair. The policy, whatever it be the implementation of it by the administration in respect of cottage industries, as explained by my friend, Shri Dabhi, is lukewarm, step-motherly and half-hearted. So, this way you cannot expect the cottage industries to survive, far less to flourish; and, if cottage industries do not survive, if cottage industries do not flourish, you cannot create full employment.

Take the case of the textile industry.

**Shri N. B. Chowdhury** (Ghatal): There is no quorum.

**Shri Sinhasan Singh** (Gorakhpur Dist.—South): There is no quorum.

**Shri R. S. Diwan**: The field of the cottage industry shall have to be reserved, shall have to be exclusive, and none of the bigger industries should be allowed to interfere in that field. Today, out of the 28 provinces, the largest industry in 25 provinces is the handloom industry.

**Shri N. B. Chowdhury**: There is no quorum, Sir.

[SHRIMATI KHONGMEN in the Chair]

**Shri R. S. Diwan**: As Shri S. N. Agarwal once said, if the textile industry were to be decentralised, it will help the growth of the cottage industries. When the handloom industry is the largest in 25 out of 28 provinces, if at all we want this industry to flourish and give fuller employment to the people, we have to decentralise the textile industry, at least the weaving section of it, and if we locate all these weaving sections in different areas of the country, there will be more employment. It will be argued on behalf of the economists that the cost of production will increase and it will be all uneconomic. I may say that thereby no doubt the cost of production will be increased. But, at the same time, we will be able to minimise the expenditure on transport of raw material, as well on the transport of finished goods, and thirdly, we will avoid the middleman. So, if at all we have to give our whole-hearted support to the handloom cottage industry, we have to do so by means of decentralising the existing textile industry.

Then there is the khadi case. We have heard Shri Dabhi speaking and explaining. Of course, he could not get sufficient time. He had sufficient data, arguments, as well as figures and statistics also to support Khadi. We are giving support to khadi in doles, we are giving it alms. We have no faith in

[Shri R. S. Diwan]

Khadi, and that way you cannot expect an industry to flourish. So, if at all we want the industries to flourish, we have to be faithful to that particular line and its implementation.

Then there are several other industries, the oil industry for example. On the one side there are the *ghanis* which have to compete with the oil expellers. So, if the *ghanis* are reserved for the oil which is to be used for edible purposes and the expeller oil is used for hydrogenation and other purposes, that will encourage the oil industry.

Then there is the soap industry. As our friend there has explained, we are encouraging Lever Brothers and Tata Soaps, and we want to encourage the cottage soap industry also. Then there is the leather industry. Batas and Flexes are flourishing whereas our own people, our own experts and people who are working in the leather industry are starving. So, we have to put restrictions and we have to reserve all this field for these cottage industries.

I would say that our Finance Minister just now asked in his speech the people, the common man, to sacrifice, to suffer inconveniences. He knows that people in India have got sufficient sacrificing spirit. They can put up with any sort of inconvenience, but at the same time you have to create that sort of atmosphere for the common man to feel that he must sacrifice. That atmosphere can be created only by removing today's disparity between the lowest paid man and the highest paid man in the Government service. I think our ratio comes to 1:100; and unless this disparity is removed, I do not think that you will be able to create the proper atmosphere. Secondly, our administration which is implementing our policy, whatever it be, has got to be more sincere than showy as it is in the community project works. Whatever we go, we see that. So, if we do not create this atmosphere, there is no possibility of the idea of sacrifice amongst the masses and in the common man.

**Shri M. S. Gurupadaswamy:** After hearing the speech of the Finance Minister in the morning, I became more confused about the policy of the Government with regard to industries. I expected that this time at least the Government will come out with a clear statement regarding industrial and economic policy.

**Mr. Chairman:** May I know whether the hon. Member is the spokesman for his whole Group?

**Shri T. T. Krishnamachari:** The leader has spoken already.

**Shri M. S. Gurupadaswamy:** Shri Asoka Mehta has spoken. I am speaking now.

After I heard the hon. Finance Minister, I have not been in the least convinced about the efficiency or the rationale of the economic policy. After much explanation the policy of the Government still remains an enigma shrouded in a mystery.

The hon. Minister said that the basic approach of the economic policy is the pragmatic approach. I want to know what is the meaning of this pragmatic approach, this empirical approach to economic policy. Does it mean an approach which has relation to the prevailing conditions, or does it really mean an approach which has relation only with the pet ideas of the Minister? A man in the street would judge the economic policy of Government by the degree of security in employment and the level of real wages that it would bring to him. To an ordinary man, no theory, no dogma, and no 'ism' will appeal, unless it brings him a better standard of living, more employment opportunities, and more social services. If the policy secures him all these things, then it may be called a good policy. So, I take it that the Finance Minister's approach to the economic problems of the common man is a pragmatic approach in the sense that it takes into consideration the questions such as the standard of living, the employment opportunities and the social benefits to the community.

If you take into consideration the condition of the masses today, I feel—and everybody would agree with me—that we have not made even one inch of progress. If you compare the conditions that prevail today with those that prevailed before 1950 or before the Five Year Plan, you will find that excepting for an increase in the production of a few commodities, the basic economic condition of the common man remains as it was. There has been no change or alternation in his condition. So, judging from the point of view of the common man, the economic policy of Government has failed completely.

The hon. Minister was talking aloud about mixed economy. Enough has been said about this by my hon. friend Shri Meghnad Saha. This is a concept which is foreign in its nature. The capitalist governments abroad, especially in the western countries, failed to make an appeal to the public through their policy of capitalism. So, great they thought of a new phrase to hoodwink the people; they thought of mixed economy." So, mixed economy is only another name for capitalism. The basic concept of capitalist economy is the same as the basic concept of capitalist economy. This phrase is current now in all capitalistic countries. Even in America which believes in complete free enterprise, there is State control, regulation, and interference in industrial and commercial matters. So, from that point of view, even the Americans have a mixed economy. So, the term 'mixed economy' does not convey happy meaning. It confuses the basic policy of the Government. It is a device to hoodwink the public. The hon. Minister has stated that he is not happy with the term 'mixed economy'. The better word would be "muddled economy". I call it so because there is no clarity of thought, and no demarcation between the private and the public sectors; and the whole thing is in a confusion. Even after eight years of independence, we do not know what basic or important industries are going

to be nationalised very soon. Government have based their policy on the industrial policy statement of 1948. That statement is old. It is outworn and does not fit into the changing conditions. That was a statement made before the First Five Year Plan was drafted. But today the conditions and our views have changed, and our needs and demands also have changed. Naturally, we expected that there would be a change in the policy of Government. But instead of a change, there has been lately a subtle attempt on the part of the various Ministers to confuse the public. Perhaps, they might have themselves been confused about their policy. The hon. Prime Minister is talking of socialism. Though he does not believe in any 'ism'; still he talks of socialism. And he goes on diluting it by saying that there will be great scope for private enterprise. Still I am happy that he talks of socialism. But the hon. Finance Minister and the hon. Commerce and Industry Minister do not subscribe to that philosophy of socialism. They do not believe in any 'ism'. They believe rather in a pragmatic approach. And I do not understand what this approach is.

**Shri T. T. Krishnamachari:** Existentialism.

**Shri M. S. Gurupadaswamy:** Anyway, I do not want to believe in any dogmatism propounded by the hon. Minister of Commerce and Industry.

**Shri T. T. Krishnamachari:** No originality there at all.

**Shri M. S. Gurupadaswamy:** But I would point out that the policy of Government so far has not achieved anything. If you look at the country, during the Plan period, you find that unemployment is increasing in large numbers, and the small-scale and cottage industries are at a standstill. For example, though assistance has been given by Government, to the handloom industry yet that assistance has not reached the handloom weavers. From my experience in Mysore State, I can say that though the grant has been received in the Mysore State, yet the amount has

[Shri M. S. Gurupadaswamy]

not been given to the handloom weavers.

So, though there is an attempt to finance the small scale industries and to assist them, in other ways no assistance has actually reached them, and unfortunately, many handloom weavers and others who are depending upon the small and cottage industries have been thrown out of the employment.

Now, if you look at the agricultural sector, it presents a dark picture. You find agricultural production has increased, but the prices of agricultural commodities have decreased disproportionately and, as a result, there is panic and confusion among the agriculturists. The prices of agricultural commodities, when compared to the prices of manufactured or industrial commodities present a great difference, and there is no attempt made by Government to stabilise the prices of agricultural commodities, and there is no attempt to follow a policy of price support or to establish parity between the prices of agricultural and industrial commodities.

**Shri B. C. Das** (Ganjam South): There is no quorum.

**Shri M. S. Gurupadaswamy**: So you find utter confusion and despondency among the agriculturists. We talk of improvement. After all, mere increase in production in certain industries justify the claim that there is an improvement in the overall economic condition of the country.

The other day we passed the Demands for Supplementary Grants. There the Government proposed to set up Export Promotion Councils. But even here I may say that there is too much of lack of planning. The Government seem to act in a sort of fits and starts without much prior thinking. After all, the export and import trade are part and parcel of a single system. The export and import trade should be taken together and an integrated policy should be adopted for that purpose. Here the attitude of Government to set up Export

Promotion Councils will not in any way help the situation, because I feel that unless export trade is conducted on co-operative lines, unless middlemen are eliminated, unless the racket that is going on in export and import trade is eliminated, it is not possible in the immediate future to have a rational export and import trade. So the attempt made by Government in setting up Export Promotion Councils does not in any way help the matter. It may only bring more inhibitions and obstructions in the way of proper export and import trade. So I want to say that the Government should think of taking a few sectors of the export and import trade and monopolize them. There should have been an attempt made by Government to start State trading. Export and import trade is a very valuable source of income, a very valuable source of foreign exchange, and it is high time we should think nationalising the export and import trade, at least in some sectors.

I would submit that hereafter industrial policy should be definitely based upon socialisation of key and important industries. Unless we agree with that basic philosophy, unless there is a definite plan for socialising basic and key industries, we cannot create employment opportunities and we cannot establish an equalitarian order in India. Further, it is high time that, to start with, we nationalised the iron and steel industry. The iron and steel industry is an organised industry. There are other organised industries in the land, but, to begin with, it would be fit and proper to nationalise this basic industry. The iron and steel industry is a mother industry; it is responsible for so many other subsidiary industries. So this key industry should be controlled and owned exclusively by the State. So also banking and insurance companies. Let there be priority list; let a list be drawn up for the purpose of socialising these industries. Unfortunately, the Government have not drawn up any list for the socialisation of basic and important industries. But I would

suggest, even now, before the Plan period is over, that an attempt may be made in this direction. The first attempt to establish socialism in the land may be made.....

**The Deputy Minister of Food and Agriculture (Shri M. V. Krishnappa):** What has happened to your Party?

**Mr. Chairman:** The hon. Member has exceeded his time-limit.

**Shri D. C. Sharma (Hoshiarpur):** He always does that.

**Shri M. S. Gurupadaswamy:** I would submit that the Government should try to Indianise the foreign interests. Other hon. Members have drawn the attention of the House to this important question. We could have made a beginning in this respect. You could have bought over the foreign concerns and Indianised them. But, unfortunately, Government are relying too much upon foreign private capital. They are still trying to import foreign private capital. Instead of doing that, if we had only depended upon internal resources, and if we had only relied upon foreign loan, I think we could have progressed much better, and we could have had more hold on our Indian economy. So, I would humbly submit that at least now the Government of India should take steps to Indianise the foreign concerns in India.

**Mr. Chairman:** The hon. Member has already exceeded his time-limit.

**Shri M. S. Gurupadaswamy:** Lastly I say that the policy of the Government should be made more clear. I wish the hon. the Finance Minister or the hon. Commerce and Industry Minister in his reply would I come out with a clear statement which would clear the misunderstanding that is prevailing today about the stand that is taken by Government in regard to socialism or in regard to the socialisation of big and key industries in the land.

**Shri V. B. Gandhi (Bombay City—North):** We have listened a little while ago to two speeches, one from the Deputy Leader of the Communist Party and the other from the Deputy Leader of the Praja-Socialist Party.

The speaker from the Communist Party took a very pessimistic view of the economic situation in the country today; but that was not unexpected. The Deputy Leader of the Praja-Socialist Party argued about what is doctrinaire and what is not doctrinaire, and also treated this House to his usual share of fault-finding; but it is the business of the Opposition to be fault-finding and we may not quarrel over it. However, what I am going to say presently will probably contain an answer to both of them.

Now, they were not being fair to the Government whose economic policy has such a fine achievement to show. I wish in these economic matters we in this House could be more objective and less partisan. These days we hear so much about flying saucers which are supposed to be coming from Mars and if we could get two men from Mars to visit the headquarters of the Communist Party and the Socialist Party, I am sure how they would report on the economic situation in this country; I am sure they would tell those friends in this Opposition something about the stupendous transformation, in the economic situation in this country, that is taking place now. I am sure they would tell them that they see in India a whole nation on the march. They would tell them about a whole people being in action. They will tell them that the people of India today in their villages, in their towns, in their cities, in their farms and in their factories are on the march. The whole people are moving; they are working; they are building and they are producing. But, these Opposition friends of ours will not see these things.

We claim that in the economic field we have made no mean achievement. It is not on rhetoric alone but on facts and figures that we base our claim. I hope we won't be taken as wanting in modesty if we also claim that the economic situation today in this country shows strength and stability. The element of strength is indicated by increased production both in agriculture and in industry. The element of stability is illustrated by the success we have

[Shri V. B. Gandhi]

achieved in controlling inflation, in keeping stable the cost and price structure in our production.

Let us take agriculture first. As compared with 1950, our agricultural production has gone up by 18 per cent. Taking the food production alone as an important part of our agricultural production, we reached an all-time record in 1953 of 66 million tons, and we did that by increasing our area by only 6.4 per cent. while obtaining an additional production of 22.2 per cent. That is something which even an Opposition ought to admit and, with luck on our side in monsoons and proper rains, we hope to continue and even improve this record in years to come.

In industry, in 1953, our index number of production was 136.3, which went up in July 1954 to 149.3. This is a record, which we should claim to the credit of Government. Here we are talking about increased production. Increased production is all right. But, is the poor man in the country able to buy the things whose production we have increased? The answer is, 'Yes'. The cost of food has gone down. In the pre-Korean year of 1950, the index number of the price of food was 407.1, which, in October, 1954, has gone down to 351.3. That enables even the poor man to buy his food.

Take, for instance, the working class index of cost of living in Bombay. Even there we see a steady decline. In 1952-53 the index was 104 and in 1954, for eight months, it came down to 101.75. That means, that not only the economic situation today has given us increased production but it has also enabled the poor man, the working class man to buy these products. That is what I wanted to say about strength in our economy.

Let us now see the elements that constitute what we call stability in our economy. The countries in the world can be roughly divided into two kinds: countries which have a well-managed economy and countries which do not

have such an economy. Countries which have well-managed economy are countries which have succeeded in controlling inflation. All major wars bring misery not only while they last but also years after they are over and one form of misery is inflation, that war leave behind. How important it is to control this inflation and how important it is to bring stability in the economy, we shall see presently. What good will it be if we increase production, and if, at the same time, we allow prices to rise faster than wages or earnings of our people? That is exactly where control of inflation comes in. We, in this country, are proud of our Government and its economic policy which has achieved such remarkable control over inflation. Here are the index figures. In the pre-Korean year, the index was 397.1 and today it is 379.2. If we compare this situation with the situation obtaining in many countries, which would be admitted by all to be countries possessing well-managed economies, like U.S.A., Canada, Australia and other countries, it compares very favourably. What can happen to economies which have fallen victims to inflation we can see from what is happening today in China, in Indonesia and even, to some extent, in France. We in this country are committed to a Plan. We also have a great programme of industrialisation. That means that we shall have to import enormous quantities of capital goods, heavy equipment and all kinds of machinery. When we have this need for such enormous imports, we must make sure that we are in a position to effect these imports. Any country that does not take care of the exchange value of its currency is going to be doomed to disappointment in any programme of imports. Here, the value of our rupee in terms of other currencies such as dollars and pounds is so stable and is so acknowledged to be stable in other countries that today we never think or give a second thought to the needs of our imports as any very serious problem to us. That also is an achieve-

ment to the credit of the Government and Government's economic policy.

We all talk in this House, both on this side and on the other, about the value of capital formation for the needs of our planning and of our industrialisation. Capital formation, so far as it is concerned, in this country, of course, has to depend, to a large extent, on savings of the people. But will people ever save if they have no confidence in the value of their currency? If they felt that the purchasing power of the rupee two or five years from today was going to be seriously depreciated, would they ever care to save? Today we are thankful to this Government and to its economic policy that this saving is done with confidence by all classes of our people, because they have reason to believe that the rupee will be as sound five years from today as it is today.

So far as our capital needs are concerned, we can also expect some assistance from other countries, but that assistance can come from other countries only under conditions when those countries have confidence in the stability of our exchange, in the stability of the cost and price structure production. Here we see that in the last few years we have received by way of external resources and assistance an amount of about Rs. 200 crores and not only that but we are actually receiving foreign investments in this country. That is a measure of confidence the other countries have in the stability of our economy. Other countries also make the claim that they have achieved just as we claim we have achieved, namely, stability, but there is a difference. In India, in the past few years, we are committed to a programme of a very large proportion of our public resources to be invested in capital projects. That is a matter which concerns the rise of inflation in this country. And with all the enormous public resources committed to capital projects in the last few years, we should be able to show this success in checking our inflation is due entirely to the far-sighted, scientific and resolute policy in economic matters of our Government.

We are having resort lately to deficit finance, and deficit financing makes the task of maintaining stability even more complicated. In spite of this need to resort to deficit financing, we are able to show this record of stability that we have shown. Such is the achievement of our economic policy, and any mention of this policy should also include a mention of the Finance Minister and the Minister of Commerce and Industry, who necessarily are among the principal architects of this policy. I hope our Martian friends will accept my invitation and send two representatives to the headquarters of the Communist Party and the Socialist Party and tell them what they think of our economic situation.

**Shri A. M. Thomas:** I have been following the speeches of the hon. Members from both sides on this question. Two Members from my side have pointed the scant attention which has been shown by the Central Government, especially by the Commerce and Industry Ministry, towards small-scale and village industries. I should think that those Members have been influenced even now by the background of 1952 when an unfortunate controversy arose between the Commerce and Industry Minister and the ex-Chief Minister of Madras. Whatever might have been the view held by the Commerce and Industry Minister at that time, I should think that his Ministry has done for the cottage and small-scale industries more than any other Ministry has done. You find that questionable methods of giving direct subsidies to encourage any industry has been resorted to in the case of small-scale and village industries. On a strictly economic plane if we examine that proposal, it may be said to be wanting in certain respects. All the same, as I said, questionable methods were resorted to in order to encourage cottage and small-scale industries.

**Shri Bimluprosad Challoh (Sibsa-gar-North-Lakhimpur):** Why questionable?

**Shri A. M. Thomas:** From the economic point of view, the policy of giving direct subsidy for encouraging any



[Shri A. M. Thomas]

industry is not desirable. It has to stop at one stage or other even if you resort to that. One thing we have to remember in this connection is that the aid which the Central Government gives for encouraging small-scale and cottage industries has to be utilised mainly through the State mechanism, and some of the defects that have been pointed out here are things which have to be corrected by the State Government concerned. With regard to the Centre, from the figures that have been supplied in this brochure—and those figures have not been disputed by even the most violent critic of the Commerce and Industry Ministry in this respect, namely, Shri Dabhi—it is seen that during the four years ending 1952-53, the total expenditure was only about Rs. 50 lakhs and Government sanctioned Rs. 5.64 crores for 1953-54 and for the year 1954-55, the Budget provision is more than Rs. 10 crores. Up to date, the amount sanctioned by the Central Government for 1954-55 by way of loans and grants total nearly Rs. 8 crores. It cannot be said that the Central Government is following a step-motherly attitude in the matter of encouraging effluage and small-scale industries. I do not want to take up the time that

I have got in meeting the criticisms that have been levelled by my friends on this side. I wish to deal with the criticisms that have been levelled by the Deputy Leader of the Communist Party and some others. Mr. Hiren Mukerjee began his speech with his usual attack, namely, that the Central Government is very complacent in its attitude towards the economic situation of this country. Of course, the Finance Minister in his speech has stated that he has been able to bring about some sort of stability in our financial position. My friend, Shri Gandhi, has referred to it in detail and so I do not want to deal with that matter at all. But to say that the Central Government is complacent in this matter is, incorrect, and I should only invite the attention of the House to the very serious notice taken by the Central Government as.....

5 P.M.

**Shri Chairman:** The hon. Member can continue tomorrow.

*The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, the 21st December, 1954.*