

Mr. Deputy-Speaker: Now that becomes hypothetical.

Shri S. S. More: May I submit that you are proceeding very hastily? My submission is that you should have...

Mr. Deputy-Speaker: I am afraid the hon. Member is not entitled to say I am proceeding very hastily at all. It was very wrong on his part to have said that. I thought he was saying cautiously, but he has said that I am acting very hastily. Certainly, I am not acting hastily.

Shri S. S. More: I withdraw that expression. What I want to submit is.....

Mr. Deputy-Speaker: I am not prepared to hear.

Shri S. S. More: You are assuming what I want to say, without giving me a hearing.

Mr. Deputy-Speaker: I am not prepared to hear. I will follow this procedure. Whatever is placed on the Order Paper, I am prepared to follow. This is a motion for adjournment. I am willing to hear any information from whichever source it may come, and from whomsoever, before I come to a conclusion. After I come to a conclusion, I do not want to hear on that matter. That is what I am saying. I have done so, on one or two occasions earlier. That is exactly why the hon. Member wants to place something, after the order is passed. I do not think I am called upon to hear a representation regarding this particular matter.

Shri S. S. More: That is not with reference to this matter.

Mr. Deputy-Speaker: Then it is a hypothetical matter, not arising out of this.

Shrimati Sucheta Kripalani (New Delhi): It is an entirely new matter.

Mr. Deputy-Speaker: If it is an entirely new matter, I would like that I should be given previous notice of it, so that I may come prepared with it, whatever the matter might be—instead of taking away the time of the House. I am willing to give any hon. Member any opportunity, relating to any matter of public importance, which can be raised here. I am only stating here, that on any particular matter which is raised, before the matter is closed, before I arrive at a decision and place it before

the House, I am willing to hear any hon. Member. But after the decision is given, I am not willing to hear any representation regarding that matter. If it is a matter arising out of something already on the agenda paper, then I am willing to hear, as soon as I place it before the House. If it is neither the one nor the other, I am always willing to hear any information on any matter, previous to its being brought before the House, if I think it is necessary that I should hear the hon. Member. It is a question of time and of our getting through the work that we have before us. It is nothing more than that. I am not trying to prevent any hon. Member from making any representations or to say anything on any important matter. I shall hear him earlier, and thereafter if necessary, I will bring it before the House either on that day or on the subsequent day. There is no question of damage in this matter.

The House will now proceed with the General Discussion of the General Budget. Yesterday, the hon. Finance Minister was on his legs, while the House adjourned for the day. He may continue his speech now.

Shri Sarangadhar Das (Dhenkanal—West Cuttack): What about the second adjournment motion? You have not taken it up.

Mr. Deputy-Speaker: It is the same thing. I have given my ruling on the motions together.

GENERAL BUDGET—GENERAL DISCUSSION—Concl'd.

The Minister of Finance (Shri C. D. Deshmukh): Yesterday I dealt with the question of public co-operation and said that I will proceed with the discussion of two other matters, namely unemployment and deficit financing.

The new lease of life that I have received has suggested one or two thoughts to me, in regard to public co-operation. It strikes me that sufficient notice has not been taken of the provision of four crores for social welfare which has been made in the Plan, part of which has been provided for in the next year's Budget. That sum is intended to be used for the assistance of social welfare work, particularly in regard to women and children, and the channels of disbursement are largely likely to be non-official organisations of which, we know, there are at least 6,000 in this country. Therefore, there will be forces of en-

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thusiasm and cooperation in many of these places wherever private effort will be irrigated out of the provision to which I have made a reference.

The hon. the Leader of the Praja Socialist Party complained that there was nothing to inspire in the Plan. I would like to point out to her...

Shrimati Sucheta Kripalani (New Delhi): In the Budget.

Shri C. D. Deshmukh: In the Budget as reflecting the Plan. I would like to point out to her that the very first application and proposal that has reached us in regard to the utilisation of part of the funds I just mentioned comes from her party and that scheme is about to be sanctioned. We are only awaiting the reactions of the State Government whom we are bound to consult in this matter. That proposal goes a great deal in the direction of the 'village beautiful' movement to which Shri Tandon made a reference. I am wholly at one with him in considering that this idea deserves a very great deal of extension all over the country and if every village were to devote its attention to how it could remove filth and disorderliness and bring in beauty to their surroundings, then I think half the battle in regard to rural development will have been won.

Now, it will be proof that so far as the attitude of the Praja Socialist Party is concerned, it is generally helpful. They might disagree with us even in regard to ideology, but they have promised to cooperate where they can without doing violence to their principles.

An Hon. Member: When?

Shri C. D. Deshmukh: I wish I could say something more in regard to the Communist Party.

Pandit Thakur Das Bhargava: (Gurgaon): May we know what is the nature of that application from the Praja Socialist Party?

Shri C. D. Deshmukh: It is for improving a number of villages with the assistance of the labour of University students and the voluntarily given labour of the able-bodied people of the villages themselves. And this personal labour will be supplemented by a grant from Government out of this provision.

Well in regard to the Communist Party, I am sorry to see that they can see nothing good happening in this

country. The Budget is dead, the economy of the country is half dead and all the activities that they show seem to be in regard to the burial of the corpse. Their attitude reminds of a Telugu saying which, I am sure, you would be knowing. (*Interruption*).

Dr. S. P. Mookerjee (Calcutta South-East): *Apni kee bolchen bujhiye dalun.*

Pandit Thakur Das Bhargava: We have not understood the meaning.

Shri A. C. Guha (Santipur): We do not know Telugu.

Shri C. D. Deshmukh: It means: 'Mother will not feed you, and will not let you ask for assistance from other people'. (*Interruption*).

सेठ गोबिन्द दास (मंडल-जबलपुर दक्षिण) : तो क्या माननीय मंत्री जा को यह बात मालूम है कि साम्यवादी दल जो यहाँ पर बैठा हुआ है वह चाहे हमारे कामों में कुछ तर्क न देखता हो, लेकिन दूसरे साम्यवादी देश, जैसे चीन, हमारे कामों में बहुत बड़ा तर्क देखते हैं ?

Shri C. D. Deshmukh: Well, talking of food, I might almost call the Communist Party the 'Cabab Brigade' that is to say, it stands for China; China excellent; Bharat always bad. Therefore, even though in China and other countries there is a certain amount of understanding of what is happening in India, so far as the Communist Party is concerned, as far as I can see, they can see nothing good that is happening in this country. And that is my only serious complaint against them. I have no right to quarrel with them about their ideology.

Shri S. S. More (Sholapur): What about Dr. Kumarappa?

Shri C. D. Deshmukh: Each one is welcome to have the ideology that appeals to him.

Now, in proof of this...

Babu Ramnarayan Singh: (Hazari-bagh West): What about others?

Shri C. D. Deshmukh: I would like to refer to some observations in regard to the industrial prosperity or industrial production in this country. I believe Shri V. P. Nayar referred to my

statement as 'obsolete bunk and fantastic nonsense'. The origin of the last word I indicated. (*Interruption*)

Shri V. P. Nayar (Chirayinkil): If I may correct him, I did not say 'obsolete bunk'; I said 'absolute bunk'.

Shri C. D. Deshmukh: That makes it more of a living issue.

Well, now it is an undeniable fact that all important industries registered increased production in 1952 and these include some of the main basic industries like cotton textiles, coal, cement, caustic soda, ammonium sulphate, iron and steel, paper, power alcohol, plywood, refractories, soap, sewing machines, power boilers, electric lamps, power transformers and electric motors. The figures of production of the above industries may be compared for 1951 and 1952.

There are undoubtedly a few industries which have shown a decline in production and the early months of 1952 saw the changeover from the seller's market to a buyer's market with a resulting fall in prices and purchasing power appeared to be at a low ebb. Three industries were affected by this fall in demand and their production declined. The shortage of sulphur affected the production of a number of chemical industries and the shortage of steel resulted in decline in production in some others. The shortage of electrolytic copper, labour trouble and competition from imported goods, which in some cases, enjoyed consumer preference were other reasons that contributed to a fall in production of some other industries. But I have no doubt that the over-all picture is satisfactory. During the concluding months of 1952 in particular industrial production attained very high level. The overall index rose from 127 in October to 137 in December 1952, an increase of more than seven per cent. in two months. And what is more important, in the same period, the number of man-days lost through industrial disputes declined from 3½ to 1½ lakhs. In the cotton textile industry where the peak level was recorded in production, man-days lost in the same period declined from 1,13,000 to 20,000.

Dr. Jaisooriya questioned the statement that there was no unemployment in the organised industrial sector. I have examined the figures in this connection and I find that in 1952 for which only provisional figures for the

first half are available, there is some slight decline in employment, but unless we are to seek out the precise causes for this small decline, I think it would be rash to say that that is evidence of any growing unemployment or any decline in production.

Before I come to the general question of unemployment, there are one or two other small matters to which I think I ought to make a reference. One of these is the question of precise information and public accountability in regard to State enterprises. The question of the public accountability of State enterprises has been raised, as you will recall, in the Legislature as also by the Auditor-General and this question arises because of the form of management adopted for State enterprises. The adoption of the company form of management was the deliberate decision of Government to give flexibility in administration by the adoption of commercial principles and practices to provide for association of businessmen in the formulation of financial, commercial and employment policies. Government officials constitute, however, a majority on the board of directors and the evolution of policy is therefore brought in line with our thinking to the extent necessary and feasible. Now, the company form of management and requirements of public accountability are not a little compatible. Nevertheless, a form of accounts has been agreed to between the Auditor-General and ourselves which has been included in the articles of association which makes it obligatory for the companies to make available to the Auditor-General for inspection and audit their accounts and all other connected documents. If the audit by the Auditor-General reveals any undesirable features, then he would undoubtedly, in fulfilment of his responsibilities to Parliament, bring it to the notice of the House. It has also been suggested that during the construction stage there will be adequate financial supervision and satisfactory audit arrangements.

The question of setting up the company form of management before construction, is taken up and is separately under consideration. It has been suggested that the constitution of companies at an earlier stage provides greater flexibility and earlier completion of the project thereby reducing capital expenditure. Now, these companies have qualified auditors to certify to the correctness of the accounts and the business of the company and also certify that the

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business of the company is being conducted in accordance with the provisions of the Companies Act. Balance sheets and Profit and Loss Accounts will be prepared within 18 months of the incorporation of each company and will be available to the Members of Parliament and this will reflect the financial results of State management. In the case of Sindri, the Annual Report and the Profit and Loss Account and the Balance sheets could be available in April and that is the reason why it has not been possible for us to give any precise data or *pro forma* account and the affairs of these companies in the Explanatory Memoranda attached to the Budget.

There was also some doubt expressed in regard to the policy that Government adopt towards the integration of foreign concerns, that is to say, the integration of their manufacturing and distributing processes. Reference was made to certain observations made by my colleague and I believe they were torn out of their context. The point of his observations was that he would not be a party to see the extension of any such integration. In other words, I believe those observations were in the nature of the Government. Actually, there is no statutory provision in regard to this matter but in order to control capital issues we have an instrument by the help of which we can ensure that foreign capital is not engaged in those branches of business for which we have sufficient resources and sufficient talent. And, therefore, as a matter of practice, barring one or two exceptions in the public interest, the issue of capital by foreign concerns is not allowed merely for trading activities.

Then, there was the question of the employment of foreign experts. Now, this is a matter which is constantly being brought up and it is all very easy for hon. Members to wish to criticise this, to reel off a string of names and numbers of the categories and the salaries paid. But there is no reason to believe that Government are less conscious of the importance of utilising our indigenous talent and that they are over-ready to import foreign experts. Let us not say that if one were to go through the matter with a comb there would not be cases where, in the opinion of some, the experts who have been imported would not be necessary or that the experts would be fully competent for the jobs for which they have been brought out. But, I do not

think that any such finding would vitiate the general conclusion that experts are imported only in such cases where their presence is absolutely necessary for furthering our business. As regards the terms offered to them, since they do come from industrially advanced countries where the scales of remuneration, especially in the private sector, are high, it does become necessary for us to offer them terms comparable with the remuneration that they draw in their respective homes, plus some element of a compensatory allowance. Now, in one case—the Chief Engineer of the Damodar Valley Corporation—the emoluments are, as I have admitted, undoubtedly very high, but I repeat that that Chief Engineer is worth every rupee of salary that is given to him. And, indeed within a few months of his arrival here, he saved us an amount—by his competence and vigilance—which was several times his annual pay.

I come to the main question of unemployment to which several Members have referred. The first observation that I would like to make is that we ourselves are very much aware of this problem but it is important that we should be clear in our minds about the nature of this problem. There is firstly, the chronic under-employment in the country which has been there now for several decades and it has been aggravated by the growing population and which ultimately reflects the under-developed nature of our economy. Now, under-employment of this type is only another facet of low productivity which in turn is due to a shortage of capital equipment and technical skill. So the problem of removing under-employment or the securing of employment opportunities for all at rising levels of income is in a sense synonymous with the problem of development itself. The Planning Commission itself does not promise any spectacular progress in this sphere in the period of the first Five Year Plan, for the essential limitation here is the total quantum of resources that can be made available immediately. It is only as rates of investment and capital formation can be stepped up that a sizable improvement can be made regarding this problem.

Now, there are other problems of a temporary kind, that is, temporary unemployment which comes to notice. For instance, there may be a decrease in employment opportunities in the tea

industry—there is today—or in the coir industry; or diminishing opportunities in the handloom industry. In these cases, Government tries to do all that is possible in the circumstances, as it has done, for instance, by reducing the duties or the imports, or by stimulating exports, or, in the case of handlooms, by cordoning off for the time being certain markets for the industry.

There is another case of unemployment, and that is among the middle class. It is of a different kind. To a very large extent, it is an instance of failure of coordination between the system of education and the needs of the economic system. As it appears to me, a large and continued increase in the demand for educated men and women can come only from a quickened tempo of development of the economy, and as planning proceeds I have no doubt that there will be demand for personnel with various types of qualifications and training. Meanwhile, it is necessary to take steps to diversify and reorientate the educational system in keeping with the needs of our developing economy. To a certain extent, I must emphasise that the difficulties experienced by the educated young men in finding employment are traceable to a certain amount of reluctance on their part to take on occupations which involve hard manual work, or work in somewhat uncongenial surroundings either in cities or in the rural areas. The breaking down of these resistances is as important in an economy like ours in its present stage of development as creating new employment opportunities. But in regard to employment among the educated middle class as well as many other sections of the population, the problem is basically one of building up a capital base which will provide growing employment opportunities at rising levels of real income. Until we are able to build up such a base, more and sustained employment cannot be provided on any significant scale, excepting by drawing on the real incomes of those who are already in employment. That is as far as I can say regarding this very difficult issue.

I would like to make a few observations on this very controversial issue of deficit financing. It has come in for a great deal of attention in this House, and it came in for attention in the Upper House as well. The question has been asked what exactly is this deficit financing; how much of it has already been incurred; and whether the

scale of deficit financing resorted to so far is particularly in conformity with the estimates of the Planning Commission. Some Members have also dealt with this matter and asked questions about the possible effects of deficit financing on prices. Precise and complete answers, I am afraid, cannot be given at this stage to all these issues that have been raised, because the factors which determine the effects of deficit financing are complex and are constantly changing. Therefore, it is necessary to approach this matter, not in a spirit of dogmatism, but in a spirit of humility, and one can only say that one has exercised one's best judgment in the matter. It is one of those subjects on which I at least feel that the last word cannot be said, or has not been said—at any rate, in the present state of our knowledge and experience.

And, this is the conclusion which even experts arrived at in a meeting of the Second Working Party of Experts on the Mobilisation of Domestic Capital which was convened by the E.C.A.F.E. towards the end of last year. This is what they say:

“It was felt that despite the measures they had indicated for raising funds, Government may find it difficult to avoid deficit financing.....”

Here “Government” means any Government in that region:

“...which indeed has already taken place to some extent in some countries. The Working Party recommends that while, in some cases, deficit financing is not inflationary, the countries should take the greatest care to avoid it. It considered that the various factors which are relevant to decide as to when deficit financing becomes inflationary are: the size of foreign exchange reserves; the speed with which development projects will lead to the highest production; the sensitivity of the cost and price structure and of exports and imports; the efficiency of the monetary weapon for limiting private expenditure and the efficacy of other measures of direct control.”

You will see that all these principles have only been indicated in general terms, and from the Report of this Working Party, our representative was inclined to think that there

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had been some shift in the thinking of the advanced countries on the subject of deficit financing. While still opposing deficit financing in principle, they conceded that it should be resorted to under certain circumstances, and indeed some of the delegates seemed to be quite enthusiastic about it.

There are one or two other points which perhaps might help us to arrive at a judgment and see the problem in proper perspective. Deficit financing, as defined in the Planning Commission's Report, represents "any excess of disbursement by the Government over its receipts from the public." One of the main ways in which such deficit financing can be sustained is by the Government drawing on its cash balances. The extent of the decline in the cash balances of the Government, which is easy to work out, is therefore an obvious measure of the extent of deficit financing. As I mentioned in my Budget speech, this has amounted, in the case of the Central Government, to about Rs. 82 crores in the first two years covered by the Five Year Plan. Comparative estimates for the decline in the cash balances of State Governments are not yet available, but when the State Budgets which are now being presented are analysed, we shall be in a position to say how much deficit financing there has been in all, through withdrawals from cash balances.

In addition to drawing upon the cash balances, Government can finance an excess of disbursements over receipts from the public by borrowing from the Reserve Bank. In the last two years, the State Governments have undoubtedly been liquidating securities from out of the reserves to meet budgetary deficits. Shri Tulsidas Kilachand and Shri Bansal mentioned an estimate of about Rs. 200 crores as the deficit financing we have effected in the period 1951 to 1953. Presumably, they have calculated on the basis of the State Budgets of last year the estimates for liquidation of securities by State Governments over this period. I should point out that, apart from the advisability of awaiting the revised figures which will be available shortly, part of the liquidation of securities by the State Governments must have been on account of the maturing of Central Government Securities held by State Governments. The effect of this, as far as deficit financing is concerned, is already reflected in the cash

balances position of the Central Government. It must also be noticed that, while the State Governments have been selling securities to the Reserve Bank in exchange for cash, the Central Government on the other hand had been adding to its holdings in its cash balances investment account by purchasing securities from the Reserve Bank. We should therefore be indulging in double accounting if, on a closer examination of the net effect of all these transactions, the liquidation of the securities of the State Governments is added to the decline in cash balances at the Centre. As I had occasion to mention somewhere else, the Planning Commission is engaged in preparing a preliminary report—I think I mentioned it here also yesterday—on the working of the Five Year Plan in these two years. This report will contain a more accurate assessment of deficit financing done by the Centre and the State Governments together in this period than I can attempt here and now. For the present I would only stress the fact that in 1951-52 the impact of the budgetary deficit was probably more than absorbed by the import surplus in that year. I quoted the figures before. Though in 1952-53 larger budgetary deficits have been incurred side by side with accumulation of export surplus, there has been so far no sharp accentuation of inflationary pressure. Now this warrants the hope that provided measures are taken to utilise the available sterling balances in the coming year somewhat larger scale of deficit financing in 1952-53 can be sustained without any serious adverse effects.

Hon. Members have referred to the tendency towards employment and production in certain lines as well as to a decline in private investments and imports of machinery. Now all these trends may not be due to factors which can and ought to be corrected through financial measures. Nevertheless, there are signs which indicate that a larger measure of deficit financing, particularly when it is incurred for development projects will not have adverse repercussions and may well have a corrective effect on the economy. I do not wish to be dogmatic on this point. It can be claimed with some justification that the larger deficit financing envisaged for the coming year is mainly on account of higher developmental outlay. The whole question of deficit financing has, of course, to

be constantly reviewed in the light of the various developments in the economy, some of which may originate within the system and some of which may represent the impact of external forces and happenings. Ultimately, the scale of deficit financing feasible for any year, or for any particular period is a matter of judgment, and one should proceed, though cautiously, not too timidly.

I am often asked what value one can attach to the vigilance which I said Government would exercise and what course I propose to follow should my expectations in regard to the possible consequences of deficit financing be belied in order to counter inflation. This is equivalent to asking the driver of a motor car who is taking to a difficult mountain road which measures he proposes to take should he come to difficult portions of the road. His only answer can be that he promises to be a good driver.

The Minister of Revenue and Expenditure (Shri Tyagi): Keep to the left.

Shri C. D. Deshmukh: If that is not sufficient he can humbly point to his past performances. Therefore, I would ask the House, until the contrary is shown, to have faith in the driver, as the common man in the country appears to have.

I have received a letter from the same gentleman who has been sustaining my Budget for the last two years. This is the translation of the note that he has sent me this year:

"Please find herewith my yearly donation. Rupees Five may please be credited to the country's revenue for the next year and Rupees Five may be utilised for the implementation of the Five Year Plan. Kindly do not disclose my name."

Kumari Annie Mascarene (Trivandrum): May I know your relationship with him?

Shri C. D. Deshmukh: I do not know him from Adam, Madam.

RESOLUTION RE: PRESIDENT'S PROCLAMATION ON P.E.P.S.U.

Mr. Deputy-Speaker: The House will now take up the resolution standing in the name of Dr. Kallas Nath Katju.

This is a motion and under the rules some time has to be fixed:

"The Speaker shall set the appointed hour on the allotted day, or as the case may be, the last of the allotted days forthwith put every question necessary to determine the decision of the House on the original question."

Normally a couple of hours will be enough for this. However, I leave it to the House as to how long they would like to take and then I will fix up the time.

Shri H. N. Mukerjee: (Calcutta North-East): Actually, I have got in touch with the Chief Whip of the Congress Party and he is quite agreeable to the rest of the evening being devoted to the discussion of this resolution.

Mr. Deputy-Speaker: Then I will put the question at seven o'clock today.

The Minister of Home Affairs and States (Dr. Katju): I beg to move:

"That this House approve the Proclamation issued by the President on 4th March 1953 under article 356 of the Constitution, assuming to himself all the functions of the Government of the Patiala and East Punjab States Union."

I notice that notices of amendments to this resolution of mine have been handed in. I, therefore, do not propose to make a very lengthy speech; the more so, because the salient facts have already been stated by me in the statement which I ventured to place before the House at the time I placed the Proclamation itself on the Table of the House.

I would beg the House to consider some salient facts. Here is an Assembly which consists of sixty members and if you exclude the Speaker, then there are 59 effective members. Now, what is the position today? The General Elections were completed and the first Ministry entered office in March 1952—last year. The General Elections left the political parties in a very fluid conditions. No party was in a majority: there were several parties and independents. The Congress Party had 26 members; Akalis had 22; Communists three; K.M.P.P. one; Jan Sangh one; and Independents seven. The Rajpramukh called upon the party which had at that time the largest number of members to form a Ministry. A Ministry was formed. Immediately began a tussle and within less than a month the Ministry broke down. Then