[Shri Venktaraman]

metal strips, then the industry will be under very great handicap. It is up to the Government to say whether they would permit export of scrap which is left behind after making of those metal teeth. The question is very important because 65 per cent. of the raw material which is used in the industry becomes scrap and the cost of production becomes, therefore, very high. Therefore, I would urge on the Government that this aspect of the industry should be given due weight and the companies which are making these zip fasteners should be permitted to export the scrap to foreign countries for the specific purpose of re-rolling them into metal strips.

We are very glad that the Government has come forward to protect a nascent industry which according to me requires only these two facilities, namely, the right to export scrap and also the right to import from hard currency areas. We do hope that the Government will give their sympathetic consideration to this matter.

With these few words, Sir, I heartily support the measure before the House.

Shri A. C. Guha (Santipur): I think the Government is committed to the principle of affording protection to the industries. So, from the point of view of giving protection to the Indian industries, there cannot be any objection. But the question is whether the protection that is being given is sufficient or whether the protection is being mis-used by the industrialists. The hon. Minister was kind to mention the interests of the consumers, and I think when an industry is given any protection, the interests of the consumers also should be taken into consideration. The hon. Minister will find that the fair selling price of the two items—sago globules and tapioca pearls—before 1950 was reported to be Rs. 34 per cwt. In 1950 the fair selling price was reported to be Rs. 41 per cwt. and now we find that the fair selling price is Rs. 61 per cwt. So, the question naturally arises as to whether the industry has been misusing the protection that we have given to it. Why has the cost of production risen so much? One reason is given in the report, that is the cost of maize starch.

1 P.M.

Mr. Chairman: It is now one o'clock. The hon. Member may resume his speech later.

The House then adjourned till Five of the Clock.

The House reassembled at Five of the Clock.

[MR. SPEAKER *in the Chair*]

GENERAL BUDGET, 1952-53

The Minister of Finance (Shri C. D. Deshmukh): I deem it a great privilege to present this Budget to the first Parliament elected under the Constitution.

As hon. Members are aware, a budget for the current year was presented to the Provisional Parliament last February as usual and a Vote on Account was obtained from that Parliament to enable the Government to be carried on for the first four months of the current year. A Finance Act was also passed by that Parliament continuing, during the current year, the taxes in force when the Budget was presented. I then mentioned that the Budget as then presented will be presented again to the new Parliament with such changes as may be considered necessary by the new Government.

The usual factual information contained in the Budget speech was embodied in a White Paper which was circulated with the Budget last February. I am having this White Paper and the speech I then made circulated to hon. Members. I do not propose to go over the whole ground covered by this White Paper and I shall only deal with the further changes that have taken place since I presented the Budget to the Provisional Parliament.

In my speech last February I mentioned, as a welcome development in the country's economy, the steady drop in prices which had been taking place from July 1951 onwards. At the end of January 1952 the general index number of whole-sale prices stood at 430·3, a drop of nearly six per cent. from the peak figure of 457·5 reached in April 1951. Between January and March there was a more pronounced fall in the index number, which dropped to 364·9 points, that is, by a further fourteen per cent. by the middle of March. Since then there has been a slight upward movement and the index number for the week ended the third May stands at 369·8 points which may be compared with 301·4, 367·2 and 393·3, the corresponding index numbers for August 1947, May 1948 and May 1950 respectively.

This general fall in prices has, as I had occasion to explain more than once in the debate following the Budget, not been confined to any particular commodity although in the case of some of them the drop has been rather abrupt. It has been largely due to the disappearance of several international factors which led to an artificial rise in prices since June 1950, the impact of the monetary and credit policy adopted by Government to check inflation and the improvement in the general internal supply position as a result of increased production and larger imports. The fall in prices in the case of certain commodities has, however, been sharper than these factors warranted but, this is mainly because of speculative overtrading which had led to an artificial increase in recent months in the prices of these commodities. On the whole, the drop in the price level in recent months has been beneficial to the country's economy, although the readjustment necessitated by lack of accord between costs and prices is bound to cause some unavoidable difficulties to those engaged in business. In their own interest they must now decide to cut their losses reasonably and concentrate on economy and efficiency of production.

Hon. Members are aware of the measures taken by Government from time to time to meet the situation created by the abruptness of the fall in prices with particular reference to its effect on the country's export earnings. The export duty on hessian was reduced last February from Rs. 1,500 per ton, to Rs. 750 per ton and was further reduced a few days ago, as simply a revenue duty, to Rs. 275 per ton. The duty on sacking was also similarly reduced from Rs. 350 per ton to Rs. 175 per ton. Export duties on raw cotton and cotton waste have also been reduced, while the duties on wool and groundnut oil and some oil seeds have been abolished. Licensing restrictions on the export of jute goods have been almost completely withdrawn. In the case of cotton textiles, in which there has been, as in the other exporting countries in the world, a sharp reversal of the relative strength of demand and supply, distribution controls have been relaxed and mills have been allowed freely to sell the entire production of fine and super-fine cloth and 80 per cent. of the production of coarse and medium cloth. They have also been permitted to export fine and super-fine cloth freely for shipment upto the end of September 1952. Last week Government also permitted the free export of coarse and medium cloth for shipment upto the end of August 1952. Government have also assisted the industry in purchasing foreign cotton by arranging special credit facilities, while the concomitant fall in the prices of raw cotton has been arrested by Government's offer to purchase the cotton at floor prices if necessary, backed by the necessary organisation.

The level of industrial production during 1951 showed a marked improvement in spite of the special difficulties which some of the industries encountered in obtaining essential raw materials and the cut in electric power in Bombay. During the early months of this year the improvement in the production of important commodities like steel, cement, and cotton textiles has been maintained. Production of jute goods in the first three months of the year also showed an increase but from the 1st of April the industry has had to reduce working hours owing to a fall in demand which in its turn is the result of the recent trend of prices. The abrupt change over from a seller's to a buyer's market is reflected in the consumer resistance which the products of a number of industries are encountering at the moment. But once the necessary adjustments have been effected in production and prices it is hoped that the level of production will recover from its temporary set back.

The improvement in agricultural production has also been well maintained, although in the case of foodgrains the additional production from the Grow More Food schemes was more than offset by the fall in production in large areas of the country affected by drought or insufficient rains. Jute production has increased to 46·8 lakh bales, nearly thrice the quantity produced in 1947-48. Although the cotton crop was affected by adverse seasonal conditions, the yield is estimated at 33 lakh bales compared with 24 lakh bales in 1947-48. The production of sugar has shown a remarkable increase and is estimated at 13½ lakh tons as against 10¾ lakh tons in 1947-48. As the House is aware, a committee under the Chairmanship of Shri V. T. Krishnamachari is enquiring into the achievements of the Grow More Food campaign and the results of this enquiry are being awaited with keen interest.

The question has been frequently asked in recent weeks whether the fall in prices over the last few months is not an indication of the onset of a recession or even a depression. Personally I do not think that this is so, although I confess that in this matter, where so much depends on unpredictable

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world developments, it is hazardous to prognosticate. But I believe that most competent observers are of the view that the fall in prices represents in a sense the phase in which the inflationary trends which have been such a marked feature of world economy for the last so many years have been spent out and, in our country, countered by measures deliberately adopted to curb them. I do not subscribe to the view that at the present juncture the fall is a portent calling for the reckless injection of purchasing power into the country's economy. While it would be premature to talk of anything in the nature of a recession it is clear that prices have now reached a more stable level. I venture to suggest that a fall in prices is not *per se* a thing to be feared especially if it can be brought about in an orderly manner. It is only when it is of such a nature as to lead to a reduction in production and employment that it contains a threat to the country's economy. I need hardly assure the House that Government are most keenly alive to this danger and that they would take adequate steps, so far as lies in their power, to see that the level of production and employment is not adversely affected by a disorderly movement of prices.

I shall now digress to deal briefly with the country's balance of payments. Hon. Members may remember that both in the White Paper on the interim Budget and in my speech last February I drew attention to the fact that the balance of payments position during last year was not as favourable as in 1950. After taking into account the amounts drawn from the American Wheat Loan the deficit on current transactions for that year is likely to be of the order of Rs. 30 crores. This deficit has continued during the first four months of the current year and is reflected in the drop of Rs. 81 crores in the amount of our Sterling balances, between the end of December 1951 and the end of April 1952.

I do not want the House to gather the impression from this that this position was wholly unforeseen. Under the stimulus of the devaluation of the rupee and the boom in prices which followed the outbreak of the Korean war we had accumulated a substantial surplus in our balance of payments during 1950 and the early months of 1951. During this period we could not import as much as we could wish owing to the difficulty of obtaining supplies from abroad. In consequence, the domestic stocks of essential supplies had fallen to a low level and it became essential to take measures to restore the stocks by reducing exports, as for example of cotton textiles, oil and oil seeds, and by stepping up imports of raw materials and essential consumer goods. We also had to pay higher prices for whatever supplies we could obtain. The unavoidable increase in the import of foodgrains also contributed to the large import surplus during this period. It is not, therefore, a case of frittering away the country's assets; the deficit could be said to be, in a sense, a planned deficit. I might mention in this connection that till the end of last month the deficit on current transactions had been met wholly from the surplus accumulated by us in 1950 and early 1951 and we had not to draw on the release of £35 million for the year ending June 1952 under the Sterling Balances Agreement.

During recent months the rate of the deficit in our balance of payments has risen owing to a change in world conditions and the fall in the demand for some of our principal exports and their prices. I mentioned earlier the various steps taken in the field of export duties for stimulating exports and maintaining our export earnings. We have also considerably relaxed the procedure for the licensing of exports. It is difficult, when conditions are so fluid, to forecast the future trends which are affected, as they are bound to be, by conditions in world markets. But the House may rest assured that Government will take all possible steps to arrest and reverse the recent trends and maintain the deficit in the overall balance of payments within the amount available to us from the accumulated sterling balances.

A brief account of the deterioration during 1951 in the dollar position of this country and of the Sterling Area as a whole and the measures taken to stop the drain on the Central reserves has been given in the White Paper circulated with the budget papers. Although the measures taken by the Commonwealth Governments, following the meeting of their Finance Ministers in London last January, have not taken full effect, the rate of decline in the gold and dollar reserves of the Sterling Area has come down considerably in March 1952. In our own case it may be expected that the present relatively improved position in the stocks of wheat and raw cotton should enable us to reduce our dollar expenditure to some extent in the second half of this

year. It is also likely that the recent reduction in the export duty on hessian will stimulate exports. If the negotiations for loans from the International Bank for Reconstruction and Development, which are in train, result in the grant of loans, this will also assist the country's dollar position.

I shall now pass on to the changes made in the Budget as presented to the Provisional Parliament. But before I do so I should like to mention a change in procedure in regard to the preparation of the Demands for Grants. It has been the practice so far, where any recoveries are, under the accounting rules, taken in reduction of the expenditure, to ask Parliament to vote the net sum under the demand. The recoveries so included in these Demands became, in effect, available for expenditure although they may have no direct relation to the sum actually spent during the year. This procedure has recently been examined in consultation with the Comptroller and Auditor-General and it has been decided that in future the Demands for Grants should be presented for the gross amount of the expenditure, without regard to the recoveries that may come in during the course of the year. These recoveries will continue to be adjusted in the accounts as at present in reduction of the expenditure but, so far as the spending authorities are concerned, these will not be available to them and they will be answerable to Parliament for the gross amount of expenditure, which in a sense represents the real outgoings from the Consolidated Fund for which the authority of Parliament is required. I need hardly mention that this change does not involve any actual increase in expenditure. It is only a change in the method of presentation and I hope that the elimination of these recoveries from the Budgets of spending authorities will result in an improvement in the control of expenditure. A note explaining the changes made on this account in the Demands for Grants is being circulated with the Budget papers.

The Budget presented last February provided for a surplus of Rs. 18·73 crores on revenue account and an overall deficit of Rs. 56·35 crores, taking the revenue and capital Budgets together. I now estimate that the revenue surplus will be Rs. 3·73 crores and the overall deficit Rs. 75·6 crores. The fall of Rs. 15 crores in the revenue surplus is mainly due to a drop of Rs. 25 crores in the receipts from customs, which includes export duties, owing to the recent reduction in the export duty on hessian and sacking, raw cotton and cotton waste, and the abolition of the export duties on raw wool, groundnut oil, oil seeds, etc. This will be partly counterbalanced by an improvement of Rs. five crores in advance collections of income-tax. On the expenditure side, I expect a drop of Rs. five crores in civil expenditure, made up of a reduction of Rs. ten crores in the provision for food subsidies set off by a provision of Rs. five crores for grants, of which Rs. three crores represents the Central share of the expenditure on community development schemes sponsored under the Indo-U.S. Technical Co-operation Agreement and Rs. two crores is for subsidising industrial housing. I do not propose any other change in the revenue Budget at this stage. In the capital Budget I expect a worsening of Rs. 4·25 crores due to an additional provision of Rs. ten crores for loans to finance minor irrigation projects, Rs. five crores for loans for industrial housing, Rs. six crores for loans for the community development projects mentioned earlier and Rs 25 lakhs for investment in a machinery manufacturing corporation, which Government have under consideration, partly set off by the receipt of Rs. ten crores from the sale of American wheat carried over from last year, Rs. five crores from the sale proceeds of materials likely to be received under the Technical Co-operation Agreement and Rs. two crores of short-term loans returned by the State Governments. I do not think that the figures under the other heads in the Budget require to be changed.

Hon. Members will notice that I proposed to retain only a sum of Rs. 15 crores in the Budget for food subsidies out of the provision of Rs. 25 crores made in the Budget last February. This amount will, I expect, be sufficient for meeting the expenditure in accordance with the policy announced last February and the subsequent reduction in the price of milo. This reduction in food subsidies has led to protests and demonstrations from the sections of the public affected in the States. As I explained to the House at some length last Tuesday, after giving the most anxious consideration to these criticisms Government feel that the policy adopted by them is inescapable and will prove to be beneficial in the long term interests of the country. With the rise in the prices of imported supplies we shall require something of the order of Rs. 60 crores a year if, in addition to subsidising milo we are to maintain the subsidies in the industrial areas as in last year and last year's price level elsewhere. This by itself would place an impossi-

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the burden on the financial resources of the Centre. Even last year some States criticised vigorously the subsidisation of industrial urban areas while in the rural areas outside prices remained high. In the circumstances of the current year this gap would have been widened and there is little room for doubt that once a full subsidy for industrial urban areas is conceded there would be an equally clamant demand for a corresponding subsidy for rural areas. If the subsidy is to give the whole range of consumers prices charged in industrial areas in 1951, the cost would amount to something like Rs 90 crores a year. I am sure that there will be widespread agreement with the view that with so many competing claims upon our resources, particularly for development of our economy, calculated to secure more lasting benefits, it will be wasteful to spend sums of this order on consumption by subsidising food. It has also to be remembered that the increase in the price of foodgrains has to be considered against the background of the reduction in the general price level of other commodities, the benefit of which goes to the consumer. The movements in the working class cost of living indices at the various industrial urban centres show that the compensatory fall in the aggregate on these other commodities has been substantial. There is bound to be some measure of hardship, owing to the disturbance of family budgets, until the necessary adjustments are made. But this hardship is inevitable and Government are doing their best to mitigate it for the poorer classes for subsidising milo, wherever it is consumed. I regret I cannot hold out any hope of a relief, in the form of the restoration of any system of subsidies committing the Central exchequer to bringing about an approximation between the prices of imported and internally procured grain. But, as mentioned by the President in his Address to Parliament, Government are anxious that no distress should be caused and will do all in their power to prevent this from happening.

I shall now summarise the result of the changes which I mentioned earlier. The total revenue for the year is now estimated at Rs. 404·98 crores and the expenditure met from revenue at Rs. 401·25 crores (of which Rs. 197·95 crores will be on Defence Services and Rs. 203·3 crores under civil heads), leaving a surplus of Rs. 3·73 crores on revenue account. The capital and ways and means Budget is expected to show a deficit of Rs. 79·33 crores, leaving an overall deficit of Rs. 75·6 crores, taking the Budget as a whole. This will leave, at the end of the Budget year, a closing balance of Rs. 83.08 crores, of which roughly Rs. 40 crores will be the unspent balance of foreign aid received by us, the rest representing what any prudent management of the exchequer would need as a minimum bank balance for the order of financial operations involved.

Although the estimated revenue surplus has now been reduced by Rs. 15 crores and the overall budgetary deficit increased by Rs. 19.25 crores, I do not propose to make any changes in taxation. I expect I shall hear, in the course of the next few weeks, complaints both from Members of Parliament and from the public that I have given no concession to the taxpayer. The problem before me now is really not one of having any money to give away but of how to make good the net loss of resources which the changes I have proposed involve. In present circumstances, when for the first time in four years the ordinary citizen finds the price levels a little less irksome, there is so much to be accomplished for the development of the country and there is no clear indication of impunity for deficit financing. I do not feel that anyone would seriously suggest a reduction in taxation. In the last two years our revenues have been buoyant, largely on account of fortuitous and by no means welcome international developments while the calls on our resources for essential expenditure have been steadily rising. The recent developments in the economic situation, which have affected substantially our revenues from customs, underline the need for strengthening the country's revenue position as far as possible. It will be dangerous at this stage to do anything to weaken Government's revenue position and I have no doubt that there will be understanding support for this view.

This leads me to the question of economy in public expenditure to which Government's attention is being continuously drawn both in Parliament and outside. So far as the expenditure on Defence is concerned, while it is not possible to secure any further appreciable reduction in the size of the Defence Budget without a reduction in the size of the Army, which the needs of the country's security rule out for the present, the search for economy in this expenditure

has been continuously going on. As I mentioned when I presented the Budget last February, a critical examination of the organisation and equipment of the Armed Forces, as they exist today, has been undertaken. This examination, which is progressing satisfactorily, is expected to be completed in the next few months. The progress made in this examination and the tentative conclusions on some of the matters considered indicate the possibility of effecting some savings. A firm estimate is still not possible but I hope to be in a position to give the House an indication of this saving when I place before it, in due course, the revised estimates for this year.

I also mentioned that I had deputed one or two senior officers to conduct a similar enquiry into civil expenditure. This enquiry is still going on and it may be some time before its results are available. But I must make it clear that in an expanding economy like ours any saving realised in administrative expenditure is likely to be more than absorbed by increasing demands for developmental expenditure. It will be unwise to think that there is sufficient scope for economy to make possible a substantial reduction in taxation. While the departmental search for economy continues, I also look forward to continuing assistance from the labours of the Public Accounts and Estimates Committees in securing that, within the four corners of the policy laid down by Parliament, the moneys authorised to be spent by it are utilised to the best possible advantage and without avoidable waste.

As I mentioned earlier, at the end of the Budget year Government's cash balances would have dropped to approximately Rs. 83 crores, a drop of about Rs. 200 crores from the accumulated cash balances immediately after the partition. The bulk of this money has been spent on essential purposes and on the development of the country, and although there may be a difference of opinion as to whether every rupee of it has been well spent, few will deny that the expenditure has substantially been for the security or benefit of the country. The existence of these accumulated balances was a reserve which will not be available in future years, as the level of the free balances which we shall have reached at the end of March 1953, after omitting the unspent balance out of the foreign assistance, will, as I have already pointed out, leave Government only with the minimum balance which they ought to keep. For the future, therefore, on the assumption that the various indices do not point to the onset of a persistent recession, we shall have to raise currently all the money that we may need for meeting public expenditure and for the execution of the five-year plan. On any view of the future which one could take, there can be no room for complacency or for the relaxation of the efforts to raise the maximum amount of resources for the country's development. The Planning Commission has drawn up a realistic plan which would take us a definite step forward in the realisation of the larger and fuller life, without which freedom would be devoid of zest. We have received assistance from abroad for our development plan in recent months through the U.S. Technical Co-operation Agreement, the Ford Foundation, the Colombo Plan and so on. But while all this is welcome and while one may hope for an increasing flow of such assistance in the future, we have largely to rely on ourselves. The edifice of our prosperity cannot be built on props of outside assistance without sacrificing something vital in the nation's spirit but can be built enduringly only by the efforts of our own people. If the budgetary burdens are sometimes found to be irksome, I trust those who find it so in this House and outside will remember that we carry these burdens for ourselves and our children and not for someone else. I have no doubt that the realisation that the people of this country are doing the utmost in their power to help themselves will widen the flow of assistance from our friends outside.

The House then adjourned till a Quarter Past Eight of the Clock on Monday, the 26th May, 1952.