

I have also to inform the House that I have received the following wireless message dated the 30th May, 1957 from the District Magistrate, Kanpur:

"I have to inform you that Shri Jagdish Awasthi, Member, Lok Sabha, arrested on the 25th May, 1957, was tried in the court of Shri B. N. Verma, Magistrate, First Class, on an indictment charging him for the contravention of an order under section 144 Cr P.C. promulgated by me and has been sentenced today under section 188 Part (ii) I.P.C. to three months' rigorous imprisonment and rupees five hundred fine or in default one month's simple imprisonment"

NAVY BILL*

The Deputy Minister of Defence (Shri Raghuramiah): I beg to move for leave to introduce a Bill to consolidate and amend the law relating to the government of the Navy.

Mr. Speaker: The question is:

"That leave be granted to introduce a Bill to consolidate and amend the law relating to the government of the Navy."

The motion was adopted.

Shri Raghuramiah: I introduce the Bill

GENERAL BUDGET—GENERAL DISCUSSION—contd

Mr. Speaker: Now the further consideration of the general discussion on the budget will take place. The hon. Minister will reply to the debate. Mr. T. T. Krishnamachari.

Shri Sampath (Namakkal): May I submit that no representative of the Dravida Munnetra Kazakam has been given an opportunity to take part in the discussion so far. We are only two

here but we represent a very powerful and distinct force in Tamilnad which is playing an important role in the shape of things to come in the Madras politics.

Mr. Speaker: There are five hundred and odd members in this House. I am sorry that I have not been able to provide opportunities to all Members in this House. Some of them have to wait some time longer than those three debates. Therefore, I could not make any exception so far as these hon. Members are concerned. Now the hon. Minister will reply to the debate.

The Minister of Finance (Shri T. T. Krishnamachari): Mr. Speaker, the debate took more than three days, including today the fourth day and 46 Members, apart from the Prime Minister and my young colleague have participated in the debate and have spoken for more than sixteen hours. It will, therefore, be almost impossible for me to meet all the points that have been raised by all these hon. Members. I have to confine myself perforce to deal with some of the important points that have been raised by hon. Members. I should also like to express my gratification for the fact that the debate has, barring a few exceptions—as they always exist—been conducted in a very high level in spite of the fact that hon. Members might have been exercised because of the sweeping nature of the taxation proposals and it might have been mistaken that because they were of a sweeping nature, they were equally rigorous. Notwithstanding, there has been an atmosphere in the House of an attempt to understand the difficulties of Government. For that I am very grateful.

The pride of place in regard to the discussion that has taken place must undoubtedly go to the initial speech made by the Leader of the Communist Group. I do not exactly place what the hon. Member was really driving at. I am not going to refer to the

* Published in the Gazette of India Extraordinary Part II Section 2 dated 31st-5-57 pp. 217—290.

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philosophic or quasi-philosophic element in his speech, that is, his reference to the Marxist ideology. Nonetheless, it is very difficult to understand what he really wanted to say. I am very sorry I have lost my notes about his speech. But it does not matter very much. There are quite a number of contradictions in his speech, of which I suppose he is aware, for, he being a very intelligent person I do not ascribe to him the motive that he is unaware of what he is saying.

His main charge against me is that I am not taking my work seriously. I know I have a lot of defects and I think hon. Members of this House know about my defects. Quite a number of them, both on this side and the other side, have been with me for the last five years. But this is the first time I heard somebody saying I have not taken my duty or work seriously. I suppose it would probably help us because the hon. Member opposite and I are probably of the same age and it is good for us sometimes to relax. But I can assure him that the basis of his charge that I was not taking my work seriously has no substance in fact. I would not characterise it as being anything in particular except that he wanted to make a charge and he found this itself a good polemical argument and therefore he made it. Well, it is all in the game. But may I ask if the hon. Member is very serious himself about this? Of course, my hon. friend is not the typical communist that we think of, at any rate in the past, the lean, hungry, ferocious-looking person who spits brimstone and fire. He is a very polite, suave, pleasant person, almost like a faded aristocrat who has lived well but not wisely. I have had some acquaintance with him, though not of a very near character, at the time when he used to attend—those stray cases in which he used to attend the committee over which I was presiding, the Industrial Advisory Council. We have had the benefit of his advice in those Committees on the occasions he attended; but generally he preferred

to be absent. I can also understand that my hon. friend was not interested in the Industrial Advisory Council because obviously the work of the Industrial Advisory Council was to help the private sector and so far as the public sector is concerned most of the things will be decided at governmental level and the hon. Member was not interested in advising Government in regard to the development of the private sector. Am I to draw the conclusion that the hon. Member is not interested in this House and the work of this House, the parliamentary form of Government and in the plan that a Government functioning under that system wants to bring into being? Perhaps he is not. I do not blame him. After all, there were various types of Marxists and he might feel like the one that won't change though I remember that in the year in which I was born Lenin appears to have stated that after all whatever theories and principles that Marx adumbrated, they are merely the corner-stone, something on which we should build in the future. Well, Lenin is forgotten and what does it matter? Things have changed considerably since Lenin departed from this world. Therefore I am at a loss how to reply to the hon. Member. What shall I say? He seems to like the Plan or at any rate the planned economy. But he says: whatever you are doing in regard to the furtherance of the Plan is all wrong. He has suggested some methods by which we can forego all these things, these Financial Bills and collect enough money for the purpose of implementing the Plan. But he has been very charitable merely because he had his eye on Kerala. He said: I am not suggesting that you should nationalise plantations. I would like the House to mark those words that indicate the policy of the Kerala Government: barring plantations nationalise the rest. Of course, he had a queer theory, a new interpretation of Marxism, namely, you seize the wealth the time that is made. A very good thing. Often times, it is good to go and buy milk when it is being milked from

the udder of the cow. Then, there is no chance of adulteration. But the cow must yield the milk. If I seize all this wealth the time it is made, well, there will be no incentives. He may say I have asked you to nationalise everything. A reply to it was given by Shri Ranga to whom I am very grateful. He knows it perfectly well that, assuming the Government wants to nationalise—it does not—it is not possible for it to run all these enterprises. Therefore, it is just a suggestion thrown in the air so as to confuse the Government, if it will be confused, and confuse the wider public so that they may know the theory of the Leader of the Communist Party making an able suggestion which will relieve the Government of its responsibility to impose indirect taxes on the people. It adds ginger to the propaganda that might be carried on to say that you ought to protest against these indirect taxes and lead processions and organise hartals. Of course he has his eye outside all the time. I do feel after his speech and the light manner in which he treated the entire thing, that he is not interested either in this Parliament or its work or in the Plan on which the work of this Government is mainly based.

Another worthy suggestion that he made was State trading. Do we not know about State trading? In fact, may I say, in all humility that it was given to me to implement the Government's policy with regard to State Trading Corporation and I am happy to say that my colleague who has taken my place is furthering the scope of this particular organisation. We know about it. We propose to utilise State trading methods when it is most convenient to us, when it is good for the economy of the country. But, then, I would like to tell my hon friend—not that he does not know, he knows everything, only he does not want to admit. He knows fully well that there is no ten per cent margin in import-export trade because if there is a ten per cent margin, we will raise the duty and mop it up. If there is that margin on export trade, we will levy

the export duty because we have our eyes on what the commodity will bear. He knows that fully. The Government is in a position to take out the extra profits from time to time and only leave the incentive in the hands of these people so that goods may be able to go out or be brought into the country for the purpose of distribution. Still, he facetiously suggests that there is a ten per cent margin and that even if we take over half of that Rs. 1,200 crores of export-import trade, we shall have Rs. 60 crores a year which means Rs. 240 crores for the Plan and then we can very well drop a large part of the indirect taxes.

I am merely stating this fact in order to tell this House and through this House the wider public, that no counter-proposals have been made by any hon. Member, and least of all, by the Leader of the Communist Group.

He found fault with me for not having any theory. May be, I have no time to adumbrate a theory because I have got a job of work to do. We broadly call ourselves socialists. The hon. Member says, 'You are not socialists.' Well, if he says that I am not a socialist, he is entitled to have that belief. If he says that there is a mote in my eye and I do not have it, he is entitled to say that I have got a mote in my eye. If he says that every hon. Member has an element of squint in his eye, he is entitled to that opinion because sometimes you reveal a squint and sometimes you do not.

Our socialism is our own variety. And we propose to hug to it. He says: there is no theory so far as your socialism is concerned. So get a prophet. Well, we do not want a prophet in this country. We create idols and we create symbols and then wipe them off. We have no need for a prophet in order that we could implement a socialist economy and bring into being an egalitarian society.

The trouble about him is he does not know what this socialism means. His socialism is co-terminous with authoritarianism and totalitarianism. It is co-terminous with the idea that the individual human being had no part or lot and there is the apathy

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of a party which rules over everybody That is the organisation which he believes in Of course, I cannot provide a theory similar to what he has in his mind He says this is no democracy, but it is a bureaucracy May I ask him, which Communist country exists in the world which is not run by bureaucracy? What is the use of these words I should like to tell my hon friend that the theory which he hugs to, that the system to which he is mentally addicted to, which he is supposed to represent in this country and which he wants to be implemented in this country, is nothing but sheer, naked, unadulterated authoritarianism rich with bureaucracy and no element of democracy With that I will dismiss the speech of my hon friend Shri Dange

Sir, as I said at the beginning, I am very grateful to a number of hon Members, not only on my side but also on the Opposition, who made several constructive speeches, some of them I know and some of them I have not got the privilege of knowing Will hon Members on my side forgive me if I mention the names of two hon Members on the opposite? One is an old friend, Shri B C Ghose, who, during the time that he was a Member of Rajya Sabha, always came out with constructive criticism which I found very difficult to resist, either I had to accept or apologise for not accepting it The other hon Member is Shri K Khadilkar who made a very effective contribution so far as this debate is concerned Both the hon Members realise that we are committed to the Plan Both the hon Members found that there were some defects in the implementation of the Plan Well, may be, they are right in some respects and wrong in other respects, but this is a point of view that can be entertained, a point of view that will have to be met and answered, and these hon Members will have to be satisfied Therefore, Sir, my friends on my side will forgive me when I say that these two hon Members opposite have materially contributed

to raising the level of the debate and to pin-pointing on the main purpose of this Budget, namely, that the Plan must be implemented.

May be, Sir, that some hon. Members on my right felt that the burden of the Plan was far too much and, therefore, it has to be cut, it has to be pruned My hon friend, Shri Masani, who is always constructive, had to give up that path merely because of certain inhibitions He could not get away from the inhibition that the Plan is bad, that the Plan, by the very nature of its content and the fact that it does require certain amount of regimentation, voluntary undoubtedly, cuts across his somewhat pet idea of a mixed economy He does not like it He says, prune the Plan The Prime Minister spoke yesterday about the possibilities of pruning the Plan But I was rather interested in the two words that he used which, it appears are used in Yugoslavia for the purpose of characterising two types of Communists

Shri M R. Masani (Ranchi-East)
Hungary

Shri T. T Krishnamachari: The hon Member has travelled so far and wide that it is rather difficult to distinguish the country If it is in Hungary, it is all the more interesting He said something about people being romantic and people being dilettantes I do not know whom he had in mind Of course, there are dilettantes and there are romantics He says, a man who hugs steel plant is romantic If he had intended to call me romantic, I may tell him even at my age there can be a little romance, for me Fortunately, this romance happens to be in relation to myself and something which is tangible and which has no life, namely, steel plants Yes, Sir, I feel romantic about it Often times people have told me, "Now that Shri T T Krishnamachari is realising how difficult it is to bring into being three steel plants, he might give up the idea of the target of 15 million tons by the end of the third Five Year Plan" I hope I would not become the casualty

of the budget, as my hon friends from Madras have mentioned. If I am here during the next four years in order to enable me to lay down the target for the third Five Year Plan I shall stick to the 15 million tons of steel.

As far as my being a dilettante is concerned, I am afraid my hon. friend must lay his hand on his heart and find out whether he was saying something about himself. I cannot even claim to be a dilettante nor I am one, nor have I got the mental ability to be a dilettante. But, by and large, what he said was in all good faith. He spoke about Sindbad the Sailor and the Old Man of the Sea. All right. If the Old Man of the Sea is the Plan and I am Sindbad the Sailor, well, I can be even more romantic than what he has suggested. After all, it is good to be Sindbad the Sailor. Sometimes the Old Man of the Sea can be carried, as he said, across the stream to the shore of safety. After all, our country is old. But it is not the Old Man of the Sea in the sense that it sits round the neck. It wants to be carried to a stage of progress that will have to be brought about in the country. But I do not think he has materially helped to lighten my burdens or provoked me to such an extent that I should have to reply to him with a certain warmth.

Sir, before I go to the main issue, I shall say a few words in regard to what Acharya Kripalani said. I am glad that the Acharya is here. The trouble with the Acharya is allergy to Finance Ministers, though he is allergic to several other things besides. But he is certainly allergic to Finance Ministers. He provoked a predecessor of mine, a very distinguished predecessor of mine, in 1950, to such an extent that there was a story behind it. He told me a story of a mad man who wanted a job and ultimately said he got a job in Government service. And my distinguished predecessor said that the Acharya seems to be ripe for a job in Government service. I am glad to see that the Acharya is not ripe yet, but the trouble about him is this. May I say, in all humility, to

him, a leader of ours, that it is not particularly graceful for him to go and accept the hospitality even in a Government House for which we pay—all of us pay, and we pay for the Government House being run—and then find fault with the way in which the host has been living, and that it is not true to our tradition. With that, I shall say nothing more about the Acharya.

Acharya Kripalani (Sitamarhi) I must say that it was not at his private expense, but it was at public expense. I have every right to criticise how these things are done.

Shri T. T. Krishnamachari: The Acharya should not go to such entertainments. He is contributing to wastage of public money.

There is one point I would like to say in this connection. The hon. Members have referred to one particular point, namely, the budget speech of mine suffers from a very serious defect in that I have suggested nothing about economy. I understand that my budget is somewhat unorthodox. I may also say that I thought it was not necessary to follow the trodden path in the case of a budget speech of this nature at a time like the present. The fact really was that I wanted to carry the House with me so far as the difficulties that lay ahead of us in implementing the Plan concerned. May be that somebody grunts, may be that the hon. leader of the Communist Group groaned and sighed. I did deliberately not mention this question, because I did not want to divert the attention of the hon. Members of this House. If I had made an omission of a serious nature, I would apologise to the House for it.

But, so far as the public expenditure is concerned, I agree that there is waste, and that is why we have checks and counter-checks. If we feel that every person is going to spend the money exactly according to the needs, purely on production basis of his expenditure, then there would be no need for checks. We need not have an Expenditure Department; we need

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not have Financial Advisers, we need not have a departmental check, we need not have a Comptroller and Auditor-General. The fact is that when we undertake an expenditure in a large way, the danger of wasteful expenditure is there all the time. May be that some hon. Members see that there is waste somewhere which is patent to them. Some other hon. Member may see a waste somewhere else. Some other hon. Member might think that it is unnecessary to make the expenditure though it is a necessary expenditure from the point of view of the Government and has been correctly incurred and without any wasteful additions to it.

Mention has been made about the utilisation of water in the irrigation projects. It is not that we are unaware of it. In fact, the target laid in the first Plan was 8.5 million acres to be brought under cultivation. That is the irrigated land we expected to get, but in accordance with the figures reported by State Governments in connection with the progress report for 1956-57, the Planning Commission has said that the additional area brought under irrigation is only about four million acres. The realisation of irrigation benefits, therefore, works out roughly to 50 per cent. The shortfall can be attributed to various causes. In fact, I myself have seen, and have realised some of these causes. Sometimes we do not have a canal or, it is not dug quickly.

Now, take a person like Sir M. Viswesvarayya who happily is still with us. He is the man who conceived one of the biggest projects in India, the Krishnarajasagar dam, but it was left to his successor 15 or 20 years afterwards to utilise the water, because the first canal that was dug out for irrigation, the Irwin Canal, was during the period of service of Sir Mirza Ismail, who was the Dewan, long after Sir M. Viswesvarayya left his office. Undoubtedly now, today, it has meant an enormous difference in the agricultural economy of Mysore.

I have myself found that in the Tungbhadra project, canals have been dug to a length of 140 miles on the right bank, the land is there, but there are no people to utilise the land. I am told now that it is better than it was two years back, but there are these gaps. Gaps are caused in every human endeavour, but they have got to be watched, and that is why we have the National Development Council as such, and my hon. colleague the Home Minister has established a Committee on Plan projects which is going into the question of utilisation of these projects.

So far as I am concerned, during the last eight months, we tried to put a break on expenditure. Some of the hon. Members have said—I think it is Shri Somani—about loose budgeting. I can tell Shri Somani that so far as the budgeting this year is concerned, we have omitted so many items and they may come back again by way of supplementary grants. I do not think that in such public expenditure, there is a chance of money not being utilised. But, at the same time, I am aware of the fact that with the amounts of governmental expenditure going up, the exercise that we have to indulge in, in regard to putting expenses down has got to be tightened up.

I would like to tell the hon. Members that in regard to civil expenditure, these are, obligatory expenditure which means a share of the excise duty payable to States, services, statutory grants, pensions, and so on which comes to about Rs. 98 crores. There can be no economy. Tax collection charges come to Rs. 17 crores or which there could be economy, but it might be a misplaced economy. It is a matter to be looked into. It may be that with the new tax that I am proposing, and which the House may approve, there might have to be an addition. Nevertheless it is a matter that wants watching. You have the nation building services, education, medical health, agriculture, scientific departments, community development,

welfare of backward classes, employment exchange and so on which come to Rs. 179 crores. Obviously we can only see what is the proper utilization at the end; it is no question of checking the number of people employed here because grants are made in the particular project. Then there are the general administration, audit, police, external affairs and tribal areas and these form a sum of Rs. 45 crores. The item that has to be checked and looked into is the Civil service and this amounts to Rs. 16 crores; we have already cut it down to the bone. It is necessary to see that they are properly expended. There is then Rs. 24 crores for "Miscellaneous" and for mint, stamps, Pondicherry, grants to States, there is no particular cut there

13 hrs.

In regard to item 2—tax collection charges—Administrative charges and Civil Works, I would like to promise to the House that I do propose to take steps to tighten up the present method of control. While we have the services controlled in the Home Ministry—it is now being tightened up—we have also the Organization and Methods Division in the Cabinet section, and I have on my side an economy division which goes into the work of each Ministry. It may be that this particular Division which is ultimately responsible for the number of people employed has to be strengthened. It is my intention, subject to my Colleagues agreeing, to set up an economy board within the Ministry—not a committee—which will report from time to time to the Cabinet. I realize the need for checking the expenditure and extravagance. I would like to assure the House that I have taken very seriously all the suggestions that have been made in this regard and we propose to try and see what we can do and to cut down expenditure to the limits that are possible. At the same time, I would like to say that in a developing economy, all obligations grow and hon. Members themselves want this and that or some other service. It may be that while we cut down some sections,

some other sections will grow. I have mentioned in my budget speech and it was mentioned again by the Prime Minister yesterday that the Centre is taking greater interest in certain matters affecting the lives of the people like slum dwellers, provisions of housing in rural areas and a greater concentration in the rehabilitation of our refugees.

I am sorry that in the other House when I mentioned about Rs. 80 crores having been spent on rehabilitation of refugees in Bengal and that has been wasted, it was somewhat misunderstood. I have no doubt in my mind that we have given them relief and quite a lot of money we have given in addition to the relief. But we have not been able to rehabilitate any large portion of them. This is one of our primary duties in the coming months which we have to undertake. So expenditure has to increase in a developing economy. I quite admit and accept the validity of the charge made: "What have you done in regard to checking expenditure and effecting economy?" Economising in one direction which appeals to one hon. Member may not appeal to another. There are certain exigencies which we cannot forget. An hon. Member asks: Why do you go in a big car? If an hon. Member asks 'why', I will mention why. We have sometimes to carry 6 or 7 boxes. Sometimes we do not go all alone. If hon. Members are under the impression that that a Minister goes in a staff car, I would say that a Minister goes in a staff car once or twice. I myself go in my staff car with 3 or 4 members of my staff. Then there is the other fact that a small car is not an economical car. A small car goes out of order in two years while big cars last for ten years.

An Hon. Member: It is only a small matter.

Shri T. T. Krishnamachari: These are facts which I place before you. What looks to be economy by one person is not always economical. So, when criticising Government, I would like to tell hon. Members that Government

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are aware of the fact that needless waste should be cut. Of course, there may be cases when somebody exceeds the limit.

Acharya Kripalani: Why not have a bus?

Shri T. T. Krishnamachari: If the hon Member is satisfied, I am prepared to ask the House to make a grant and give the present of a bus to the hon Member. It may be useful to him.

Shri Tyagi (Dehra Dun): It might be missed.

Shri T. T. Krishnamachari: Somebody will have to pay. It does not matter very much.

An Hon. Member: A lorry would be better.

Shri T. T. Krishnamachari: Then I come to the rationale of the tax proposals. Before I do so, I would like to mention one aspect of the Plan. Some hon Members have said here yesterday that the Plan must be saved. I said the core of the Plan must be saved. Then I said the hard core of the Plan must be saved. He thinks it is a diminution of the size of the Plan from time to time. He does not understand that the Plan itself is by and large made of the hard core. The fleshing around is very little, just enough to cover and if the Plan is a human being who wants to sit on the floor, he will find the floor is touching the bone, the Plan itself is the hard core of the whole of the Plan. My hon friend Shri Masani said "Cut down". Am I to cut down the expenditure on the steel plants? I know my hon friend Shri Pande mentioned about the steel plants. I would like to take Mr Pande to the steel plants and convince him that every pie that is being spent is spent taking a long view.

Shri C. D. Pande (Naini Tal): Is he taking me to all the concerns?

Shri T. T. Krishnamachari: I propose to take him only to the steel plants. I do not propose to take him either to Bhakra or to Agra. I can tell him that needless economy which we make now will entail greater expenditure later on. If we defer the coming into being of the steel plant by one month, we shall lose crores. Sometimes, therefore, you will have to spend a couple of crores in order to accelerate the coming into being of the steel plant. Therefore, my hon friend must realize that this is the hard core. I cannot shave off anything. There is no flesh in it. Therefore, I cannot drop the steel plants. If we drop the projects and maintain the staff, it adds to the cost of the plant. If hon Members had turned round and found fault for not accelerating the execution of the project, I would have pleaded guilty. I am perfectly sure in my mind that some of the projects which we started, the stage of project making in 1948, if we had accelerated it we would have saved a lot of money. As mentioned by the Prime Minister, if the Steel Plant had come in in 1948 or 1951, we should certainly have saved a lot of money. If hon Members find fault with us for not having taken this earlier, I plead guilty. I do not know if my hon friend Shri Masani is correct, when he says "You cut down the Plan". Yes. But what happens to the plan if the foreign exchange needs are not made available? Well, to the extent we have committed ourselves, I have to go through. May be we can reduce a few things here and there, but it will reduce the size of the plan very much. Supposing we cut down the amount to be spent on the heavy electrical project and bring down the amount to Rs 7 crores from Rs 15 crores which we expect to spend, we cannot make a big saving. Out of Rs 7 crores there is a foreign exchange of Rs 3 crores. We may produce transformers and switchgear to which we gave a high priority than other things that the factory is going to make. What you would save in the aggregate would not amount to very much. So, I will take such of these people who

tell me to drop the plan into my confidence and tell them: "You would be doing far more injury to the exchequer and to the country by this than if you carry the plan although with a certain amount of difficulty". May be the plan is wrong; may be the plan is right. From the point of view of Shri Masani our objective is wrong; our planning is wrong; we should not take risks in a mixed economy.

Shri M. R. Masani: I never said that our objective is wrong. I said that there is over-concentration on heavy industries to the neglect of consumer goods and agriculture.

Shri T. T. Krishnamachari: As the Prime Minister mentioned yesterday, if we don't develop our heavy industries we would be in the same position in which we have been placed all these years. We don't have machinery for working even the consumer goods. Are we to be in that state for all time? Undoubtedly, we can give more importance for consumer goods in the Third Five-year plan. Even for these things we need big forges, foundries and other big machineries. If we do not do it even at some risk now for having something better for the future, we will only be depending on the vagaries of the monsoon. We will only be depending on the foreign country over which we have no control for our export trade. For that purpose, we have to be a little more self-reliant. We have given up the word 'self-sufficient'. We have to be self-reliant and for that purpose we have to concentrate on certain heavy industries. I quite agree that we should develop consumer industries. I can request my colleague the Commerce Minister to give licences to all those persons who want to start consumer industries. But I cannot get the foreign exchange. Rather, we can use some portion of it on machinery for producing consumer goods. My friend Shri Masani is a discerning critic and he knows the difficulty in getting foreign exchange. There is really no other choice. If you really want this country to produce more consumer

goods in the next plan you have to depend on our heavy industries so that we make the machinery for working the consumer goods. Therefore, Sir, the plan stands. There may be a few changes here and there, a few items may be dropped; may be I may not be able to utilise the bye-products of the steel plants. I cannot put up chemical factories. Some of the things for which we do not have foreign exchange may be dropped and in the aggregate we may get Rs 100 crores but the result would mean something serious in regard to production of consumer goods in the next plan. I would like to tell hon members, if my colleague the Minister for Commerce and Industry would permit me that our dependence on foreign countries is in respect of the raw materials and some semi-manufactured materials for our industries. We have to get rid of the bottle-necks in all these things. There is no justification for anybody telling us to drop these heavy industries. We may save a few crores of rupees. I know that such plans take a longer time and I know that we are short of man-power and there are various other difficulties. But it is imperative, so far as planning is concerned, in an under-developed economy.

Now I come to the rationale of the tax proposals. There is no use now thinking of the First Five-year Plan where we had a comparatively easy course because of the emphasis on agriculture. There we had about Rs 400 crores of deficit finance. Our balance of payments position was stable. The alternative now is either you should tax or you should carry on with deficit financing. My hon friend Shri Masani was quite right when he said that of the two evils, taxation is a preferable evil than deficit financing. I have been laying the greatest emphasis on the evils of deficit financing for the last 8 months. There are certain interested parties either in this country or abroad who say that the value of the rupee is dropping. The value of the rupee is not dropping. The rupee is stronger today in comparison with many currencies of the

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world It is stronger today than even the currency of the country from which the first criticism emanated I am proud of it, and it shall be my endeavour, to the extent of my ability, to sustain the value of the rupee at its present level And, that again is the justification for my tax proposals.

Therefore, Sir, we have to choose the lesser of the two evils Some hon members have said that there will be a rise in price following the excises May I again tell the hon members that the rise consequent on the excises has to be very small There is no use telling me meticulously of the difference in price because it is likely that the price of one cup of tea may have increased by one naya paisa It may be sold at one anna or six naya paisa more and it does not mean that the price is justified What I have done in regard to the monetary policy, in regard to the present monetary system itself is, disinflationary As usual, in a very good speech, Shrimati Tarkeshwari Sinha said that while these taxes will be all right in a developing economy it is not useful in an under-developed economy I am afraid the position is the reverse In a developed economy you have a high order of direct taxation Where a high order of direct taxation is not possible, it is only indirect taxes that are resorted to A developed economy could not afford to get the money that it gets, in a different way I am afraid it is because of our under-developed economy that we have to think in terms of fractional additions to tax income from individuals Dr Krishnaswami asked me a question as to whether taxation would mean more savings It is a legitimate question Well, I don't see more savings in the hands of the individuals, it will be more savings in the public sector Whether savings are accumulating or stagnating depends upon the tax-payer, and how he reacts I don't know what Dr Krishnaswami has in mind My being somewhat ignorant of advanced economic theories is a handicap in my

ability to understand Dr Krishnaswami.

Dr. Krishnaswami (Chingleput): There is nothing advanced about my economies provided you make an attempt to understand my suggestions

Shri T. T. Krishnamachari: He seems to advocate reduction in investment but he has no positive answer to the question of savings My hon friend Shri B C Ghose made some contribution to the debate which is very valuable He went on to the primary factor which is the sheet anchor of our troubles, namely the food position In the first five year plan, for three years there was a depression, and the prices started dropping before the fifth year

Sir, an hon Member asked about imports and deferred payments and the question of licensing of capital goods I think a question was answered by my hon colleague the Minister for Industry, Mr Manubhai Shah, about it I am not sure whether all this will fructify, it might not, it all depends to a large extent We can go on with the development of the private sector in this direction only if deferred payment is available for capital goods

On the question of taxation, I said it is an impost Some people have said that I have given incentives to people in higher incomes The Prime Minister did make a point yesterday that we are trying to turn the direction of taxation One factor which is certain so far as the present taxation is concerned, and on which I would like to be emphatic is that direct taxation as it stands today does not allow any room for expansion of governmental income If I take the top slab from 93 per cent to 99 per cent I shall get Rs 2½ crores

The matter was also mentioned about evasion Of course, there is evasion Whoever says there is not? In fact, my own estimate of evasion has been higher than that of my predecessor What are you doing about it? asked Mr. Dange Well, we find since evasion

is there, and as the hon Member Mr Dange knows that the evader sometimes uses the instrument of law for purposes of avoiding payment, we have to see that the tax structure itself is changed so that we catch these people at many points. And that is the main basis of the direct tax proposals I have made. I do not say that I have borrowed it entirely from Mr Kaldor. I had the benefit of a number of discussions with Mr Kaldor, I had the benefit of reading some of his notes, which ultimately formed the booklet which we have given to this hon House. I had to tell Mr Kaldor that no Government will go as far as he wants. Unless I am perfectly sure that the tax income is going to be augmented by Rs 150 crores, I cannot go down to the extent of 45 naya paise.

The fact is that Mr Kaldor is not inhibited by responsibility. Therefore, while I am grateful to the ideas that have been given by the Taxation Enquiry Commission, by Mr Kaldor and by a number of officials that we have and my expert advisers, the ultimate responsibility for deciding on the particular course has to be that of Government and I have to give a lead in that matter and get my colleagues to examine the proposals and accept or reject them, as the case may be. All that I have done now is to give a turn to the taxes.

Of course, you may ask what about incentives? Do they need incentives? I think Mr B C Ghose mentioned the fact as against some of the arguments made here that private industry does need incentives. That is how I understood his remarks. Well, it might not need incentives for the time being, but it may need incentive in the future, so long as an element of private enterprise is there. I am not saying that it should exist for all time, I am not saying that it should exist in the present shape and form. As I visualise it, progressively as the public sector develops,—may be the private sector also develops—they may take over consumer industries which are being run by private enterprise under conditions in which we would like them

to function, that is greater participation of labour in management, better distribution of profits to labour, more economic production and better service to consumers. If they do fulfil that function we might keep them. It may not be necessary for us for a long time to push them out. But I am not thinking merely of the private sector. I am thinking of the individual. The individual has to earn and he has to work to earn and he has to have some incentive. Maybe later on when it becomes invested we come up with our unearned income-tax, or expenditure tax. It is an integrated picture. If I do not reduce the top slab, I cannot have a wealth tax.

I have got a statement here in which I have made some academic exercises. I do not want hon Members who represent the private sector to be afraid. I have taken about 21 cases where we know what is the earned income and what is the unearned income of the top slabs. We tried to assess by our own guess work of what will be the wealth they have from the unearned income they get. We found that in four cases they will benefit from the present rate of taxation of wealth and income tax, to a small extent. On a total income of about Rs 17 lakhs to Rs 18 lakhs, they will get about Rs 2,000 to Rs 4,000. In about nine cases they have hit the ceiling and have gone beyond that. I do not say there is validity about it, because it is only an intellectual exercise based on assumption. I do not say they would not happen. The idea really is that by and large we should check evasion because we are attacking people who have property from various angles and it is not a question of expenditure tax yielding more. If the expenditure tax does not yield more it is good, because people do not expend. The money goes into savings. If the expenditure tax yields more it is good.

One point that I would like to reiterate here in connection with this scheme of taxation is that you must take it as a whole. If the House says

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we do not want you to lower the taxable limit of income-tax, I have to gear up the wealth tax and expenditure tax and also increase the rate of surcharge on unearned incomes. Maybe later on when we find greater income accrues and produces not merely Rs 5 crores, but Rs 25 crores, we might lower it by 5 or 7 per cent. and probably take it off the unearned incomes

This is a thing that the Finance Minister of the time like an architect goes on adding or subtracting, as the case may be. He wants to produce an integrated picture. Like a sculptor he has to make an attempt with a block and until he works on it he will not be able to tell you the exact figure, the precise delineation of the various features of that particular sculpture.

Therefore, I beg to say that the House must take it as a whole so far as direct taxation is concerned, and that, Sir, leads me on to a consideration of some of the criticisms made, some of which I felt were valid and therefore merits careful consideration. I do recollect the various points raised by hon Members. I have placed my difficulties before my colleagues. We had a discussion and since that time had bestowed some thought over the matter, I may even say very serious thought how best we can do something in order that some portion of the burden is taken away. Because if the total amount of money is reduced then the Plan goes, or I have to indulge in deficit financing. Consistent with the fears I have been voicing, consistent with our obligation to implement the Plan, consistent with our anxiety to keep the economy in proper trim, I have been exercising my mind on this matter.

The hon the Prime Minister made a point yesterday that the House should not lose sight of the fact that we have set apart Rs 25 crores for which a provision has been made in the Budget, as a fund for the purpose of subsidising food-grains. It is not

a small amount; it is a large amount. But I am not saying the limit of the assistance which Government will give in order to keep food-grain prices at a certain level is more or less coterminous with the amount that I have mentioned. It is not. If the needs of the situation wants more, we will have to find the money. If we spend less, I will be very grateful. With this background I want hon Members to realise my difficulties in this matter.

The question of this lower limit of income-tax was prominently mentioned by hon Members. Well, Sir, as the hon the Prime Minister mentioned yesterday we are convinced that income-tax must be broad based. We realise that we should not take away from a person who gets an income of Rs 3,000 to Rs 4,200, the small amount of money that he is getting. We nevertheless feel that it is best to take the step of broad basing our income-tax structure. I got a telegram the other day from some friends in the Madras Secretariat Association who feel grateful that I, along with my colleagues, in the Centre, have been able to provide a little addition to their income, and they say "you are taking away by this Income-tax provision what has been given". Well, it touched me—I am not impervious to sentiment—it touched me. But still, even though something has to be done, I do not think we should retrace our steps. But I propose to make a small change.

In order to provide relief to married individuals with children, I propose to add to the marriage allowance already provided, a children's allowance of Rs 300 per child, subject to a maximum of Rs 600. This allowance will, however, not be admissible to persons with incomes above Rs 20,000 in whose case I propose to withdraw also the marriage allowance of Rs 2,000.

In regard to wealth and expenditure tax, I have already indicated my intention to ask the House to refer the Bills to one or two Select Committees as the House might choose. There

would, therefore, be further opportunity to discuss the various details of these two Bills. Meanwhile I may as well state that it is my intention to ask the Select Committee to agree to giving a "wealth tax holiday" for the first five years from the date of incorporation of a company on the value of the assets pertaining to an industrial of a new company, provided that the undertaking is not formed by the splitting up or the reconstruction of business already in existence or by the transfer to a new business of buildings, machinery and plant already used in an existing business. I also propose that investments of one company in another company, in what is called inter-corporate existence, should not be included for the purpose of wealth tax. This is in tune with the provisions of section 62 of the Income-tax Amendment Act which amendment was made three or four years ago at my instance.

Hon Members have pointed out an incongruity in the proviso to clause 3 of the Expenditure Tax Bill. It is not as if it did not strike me at the time the draft was passed. I do not want my hon friend Shri Dange to say, "Oh, this Minister is easy-going". The difficulty was in prescribing the limit. We felt that the ultimate determination of the limit should be left to the Select Committee. It is more than likely that several provisions of this Bill would need revision. (a) in the direction of tightening the provisions and (b) in allowing, in some cases, some elasticity for a period of time so that particular individuals might change over from their normal expenditure limits to the new ones—of course, subject to the fact that there will be saving, and they can prove that they have been incurring this expenditure, may be in the case of some people who have retainers to whom money has to be paid, that has to be excluded from the expenditure. Some people have mentioned about a large increase in medical bills. Well, it will be for the Select Committee to consider all these matters, and I propose to leave it to the Select Committee stage.

The question of the postcards has exercised hon Members considerably. My colleague the Minister of Communications and Transport and myself have been discussing this matter for some time, and the other Members of the Cabinet have also exercised their thought on this matter. My colleague the Minister of Communications has authorised me to make certain changes. My original proposals, amongst others, were

(a) to raise the existing rates of 5 NP for single and 10 NP for reply-paid postcards to 8 NP and 12 NP respectively, and

on local postcards from 3 NP to 4 NP for single postcards and from 6 NP to 8 NP reply-paid cards respectively and

(b) to increase the rates on parcels from the existing level of 50 NP for every forty tolas or fraction thereof to 60 NP for the first forty tolas or fraction thereof and 50 NP for every additional forty tolas after the first forty tolas.

It is now proposed to drop both these proposals regarding increase in the rates of postcards and parcels. But a compensating levy is proposed to be made. The initial slab of weight for inland letters, including business reply envelopes, which is one tola should be raised to 1½ tola. And the rates for such inland letters will be raised from 13 NP to 15 NP. The users of this particular type of communication being very largely business houses, they have both an advantage and a slight disadvantage. The additional weight will also be computed in 1½ tolas instead of one tola as at present, and the rate will be increased from 6 NP for every additional tola to 10 NP for every additional 1½ tolas.

As regards railway fare, my hon colleague the Railway Minister, speaking here the other day, promised consideration of this matter. It is therefore proposed to exempt the first fifteen miles from the operation of this tax.

An Hon. Member: Fifty or fifteen?

Shri T. T. Krishnamachari: Fifteen. We are keeping the tax on the other fifteen mules for the reason that unless there is this slab, evasion is a possibility. An hon. friend mentioned to me about rates in hill areas. We had a discussion—my colleague and myself and also the officers—and we found that exemption of hill areas from this small tax might be administratively very difficult. But my colleague has promised that he will look into the charges for these hill areas and revise them adequately to see that this increase does not come into operation.

In regard to excise duties I have, as I said, very carefully heard the argument put forward by hon. Members. And, as I have said, again, we have very carefully considered these excise duties. Though it might look that this has contributed materially to the increasing cost of living, in actual fact their contribution is infinitesimal as it is so widespread and, therefore, in time should not cause any hardship.

We have, again, gone through the lists, as I said I have already withdrawn kerosene, both from excise duty—which is the primary thing—and from the customs duty as well.

As regards motor spirit and diesel oil, in spite of the fact that a case was made out by hon. Members that it is going to add to the cost of transport, where the cost of transport is maintained at low levels it will continue to be maintained at low levels, where it is high, they can cushion it, if they want to make it higher, nothing can prevent them from doing so. There are very many areas where the cost of transport is maintained, even by private operators, at six pies per mile, the initial thing being nine pies or one anna as the case may be, where we pay two annas in some cases. It does not depend upon the actual cost of petrol, but it depends upon the cost of the operation and the nature of the traffic. Therefore,

I think it is not correct to say that this will, by itself, contribute to a rise in bus fares.

Much has been said of cement and steel. Hon. Members are not perhaps aware that the present prices of steel happen to be controlled by a formula which enables Government to absorb the increased cost of steel that is imported, and the present price does not represent the price that we pay to the manufacturers of this country. It is quite possible for me not to have done anything, but I have allowed my colleague the Minister of Steel, Mines and Fuel to administratively raise this amount.

The same thing with regard to cement. The State Trading Corporation had fixed a price of Rs 102-8-0 per ton for cement. But, that is not the cost. The cost that is paid to the producer is different. The price was raised because we had to cushion imports which were costing more. There is today an element there which can, if necessary, be sacrificed. I am not thinking of sacrifice for this reason. I am convinced in my mind that there is shortage in supply, and the demand being very great, there is blackmarket. Our supplies are now in the region of about 5 million tons. Our demand is of the order of 15 million tons. We had found that in actual fact, the price per bag of cement is Rs 8 to 10. I cannot understand hon. Members saying that this addition of 75 naya paise to the price by way of duty is really going to hurt the common man.

So far as sugar is concerned, we have stated why we have raised the price of sugar. Consumption of sugar runs very nearly close to 20 lakh tons. It is running very high.

An Hon. Member: That is very good.

Shri T. T. Krishnamachari: It is good, I do not say it is not good. Hon. Members have said that you need

carbohydrates in a country where the calorific value of the food taken is very low. But, there is still one thing. The margin between factory price and the distribution price is high. Knowing full well that the factory prices vary almost from Rs 22 to 30, we need this duty in order to be able to export. Export happens to be imperative. If I do not get something from an item of food which is only near necessity, how can I subsidise food myself? Therefore, we have felt that we cannot alter this

As regards matches, the incidence of duty is only 1 naya paisa per match box. Actually the price of a match box containing 40's should really be a fraction over 3 naya paisa. It will amount to four, had it not been for the fact that we had an arrangement through one big producer to keep it at three naya paisas. The duties have been carefully worked out so as to bring the retail prices to whole naya paisas. If I make any small reduction, it would benefit nobody except the producer. I am aware that we have a graded system of duty in regard to B, C, D class factories. I have been personally interested in the C and D class factories some of which we have brought into being during the last three or four years on a co-operative basis. If it happens that the amount of duty that we have fixed affects them adversely, we can lower the duty administratively.

As regards tobacco, hon. Members would realise that the increase is not big. Every country in the world depends upon tobacco for purposes of income. My impression is, the grievance such as it is, is more from the trade than from the consumer or grower. Because, in fact, the grower can keep whatever he wants for his personal consumption. There is a limit put which he cannot really keep. The House is aware that we are changing over from the capability test to the physical form. It is understandable that difficulties will arise in certain cases on account of a change of this nature. It has been represented that as a result of this change cer-

tain varieties of tobacco, after processing, will become assessable to a higher rate of duty even though hitherto they are being assessed at the lower rate. I am having this matter examined, and if the difficulties that are pointed out are genuine, it should be possible to remedy them by administrative action. I think hon. Members will not say that I have infringed the privileges of the House by taking administrative action to help the consumer and trade if I do so.

As regards paper, the profits that are made by the industry are very high. The cost of paper production varies from Rs 760 or Rs 780 per ton to Rs 900 per ton. Until about four months back before our new import policy came into operation, the selling price approximated to Rs 1300 per ton. This again has risen for no reason whatsoever. I can tell hon. Members that if the industry wants to cushion this additional duty, they can, because the industry depends on the law of supply and demand. Even if I had not imposed the duty or withdrawn the duty, there is no certainty that the industry will keep to the price so long as there is shortage of supply particularly by reason of the fact that we have stopped imports. There is no reason why the incidence of duty should not largely, if not wholly, be absorbed by the industry.

The increase in the duty on oil is 2 naya paisa per pound and one rupee and sixty five naya paisas per maund. The price today has gone up by Rs 4. Why? The reason is, today, there is shortage of supply. Prices are bound to create difficulties unless the supply position is remedied. Of course, I see in the papers today that groundnut market has fallen. I wish it falls a little more. If it does, I do not think 2 naya paisa per pound is really going to affect much. Hon. Members also know that so far as ghanis are concerned, and also certain types of rotary presses, we exempt them from duty. May be the rotary presses will have to be brought in. Certainly ghanis are exempted. The price in

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the villages is dependent on several other factors. I do not think it would really benefit the public by reducing the duty on oil.

That brings me to tea and coffee. Both these items affect largely the urban population who are vocal. It is easy to get persons to join a hartal if a tea shop has added one anna or six naya paisa for a cup of tea. I realise the incidence of duty here is fractional so far as tea is concerned, and not very much so far as coffee is concerned. The total return that we get out of this is Rs. 325 lakhs. Still, there is the large urban population which is amenable to the influence of my friend the Leader of the Communist Group.

Shri S. A. Dange (Bombay City-Central): You had it in Calcutta yesterday.

Shri T. T. Krishnamachari: My hon. friend just says, what can I do. We had it in Calcutta. You can have a hartal in any place. If any non-compliance with a hartal is followed by consequences which are far more serious than following a hartal, if my hon. friend thinks that we do not know about it, I think he does less than justice even to the meagre intelligence that I possess.

This year, there has been a record crop in coffee. I am told that it is over 40,000 tons. It used to be 27, 28 or 29,000 tons until I was in charge of that portfolio. I envy my hon. colleague that coffee has spurted up. Even in tea, the hon. Member mentioned that the supply is slightly above normal. Therefore, Government have decided to withdraw entirely the increases proposed in the rates of excise duty on coffee and tea and I hope hon. Members and their friends will not pay anything more for their cups of coffee and tea.

The net effect of these changes will be that the yield of the proposals made in the budget will be reduced by not an insignificant sum of Rs. 578

lakhs on an annual basis and Rs. 505 lakhs for the current year. Wherefrom should I get the money, I shall wait for hon. Members to tell me.

I am very grateful to hon. Members for having listened to me with great patience. I hope they will appreciate that the Government is not altogether un-responsive to public sentiment expressed both in the House and outside.

ESSENTIAL COMMODITIES (AMENDMENT) BILL

Mr. Speaker: Now, Shri A. P. Jain. I see hon. Members going out of the House.

As soon as one particular item of work is over, hon. Members may leave one after another if they chose to do so, in a queue. (*Laughter*) This is not a matter for laughter. As soon as one item of work is over, this House converts itself, I do not want to say, into a market place. This is not the way to behave. Hon. Members come and sit one after another. Let them go one after another in a queue. Why should they all run in pell mell. It interferes seriously with the other work. If anybody sees this, he will take us to task for behaving like this. I appeal to hon. Members, gently, one after another, they may leave the place without causing disturbance so that immediately the next item of work may be taken up.

The Minister of Food and Agriculture (Shri A. P. Jain): I beg to move:

"That the Bill further to amend the Essential Commodities Act, 1955 be taken into consideration."

I am thankful to you for finding time to enable me to move this Bill through the various stages. This Bill is an important one, although a short one. It embodies in itself the keen desire of the hon. Members of this House to control the prices. The