

17.21 hrs.

DISCUSSION UNDER RULE 193

Present Economic Situation in the Country with Reference to the Steep rise in Prices of Essential Commodities in recent months, Deficit Financing, the Foreign Exchange Crisis and the Conditions Sought to be Imposed by the International Monetary fund

[English]

MR. CHAIRMAN: I take it that it is the pleasure of the House that we take up now discussion under Rule 193 on the economic situation. I have been informed that four hours have been allotted for this discussion. I will call out the names.

Shri Lal K. Advani ... Not present

Shrimati Geeta Mukherjee ... Not present

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF LAW JUSTICE AND COMPANY AFFAIRS (SHRI RANGARAJAN KUMARAMANGALAM): May I make a suggestion.

Both the movers, unfortunately, never expected that this will be taken up. There are other names in the list...

MR. CHAIRMAN: We will go through the names.

Shri Atal Bihari Vajpayee ... Not present

Shri Girdhari Lal Bhargava ... Present

Shri Girdhari Lal Bhargava, I think, you have taken the major share of the House in the afternoon.

[Translation]

SHRI GIRDHARI LAL BHARGAVA

(Jaipur): Mr. Chairman, Sir, I have got the opportunity to discuss the issues regarding the hike in the prices of essential commodity during the last few months, deficit economic system, foreign exchange crisis and the present economic situation of the country in the light of the conditions laid down by International Monetary Fund.

The economic situation of the country is critical. The prices are going sky-high and the commitment made by the Government to eliminate price-rise within hundred days has not been fulfilled. As a result the country is in great distress. Many members will express their views on this subject but right now I would request Shri Jaswant Singh to express his views on this issue.

[English.]

SHRI JASWANT SINGH (Chittorgarh): Mr. Chairman, Sir, I just want to have one clarification. Till what time are we sitting today?

MR. CHAIRMAN: At present, we are sitting till 6 o'clock. If it is the pleasure of the House to extend the sitting of the House, then we will take up that at that particular point of time. When we come to that hurdle, we will take it up.

SHRI JASWANT SINGH: Sir, in fact, I consider this as a very important discussion that the House is taking up. It is part of the parliamentary demand that in accordance with the convenience of the time available to the Parliament, it is being taken up towards the end of the day. But that quite often is what the Parliament dictates so far as the discussions go. I would like to welcome this opportunity to discuss the economic situation, to examine the statement which is very comprehensive. We welcome the hon. the Finance Minister's statement in this regard.

I submit that six months or less than six months is possible too short a time to carry out any kind of assessment of the economic situation particularly when very major macro economic reforms have been set in motion. Also for me to be able to comment intelli-

gently on the Finance Minister's statement is a task that I take up with great trepidation. I am not an economist either by training or persuasion and therefore when this aspect is added on to the fact that we are commenting on the state of the economy in a period of less than six months of the effects of those major efforts having been set in motion, I don't know whether I will be able to do justice to the task.

There are however some early indications and some early thoughts that I would like to share with the hon. Finance Minister. We have consistently said and it requires no reiteration that we have lent our support to the basic direction of the troika of measures taken by this Government. I call it troika because there are three measures undertaken in regard to fiscal policy, in regard to trade and in regard to industrial policy, reforms which we in the BJP have consistently held were long overdue. I find some poetic justice in the fact that the Nehruvian legacies are finally to be abandoned by the Congress party itself and in the adoption of these three measures the troika measures of reforms, there is the most definitive condemnation of the policies for the last forty years that we could have possibly expected.

At this juncture it is necessary for me to share some early reactions with the hon. Finance Minister and those reactions are in the form of worries, thoughts and suggestion. I don't know whether the economy has been able to actually digest the measures that we have adopted or has the economy failed. Have we failed to digest these measures? What we are witnessing today, are they merely hiccups in the process of a very major reform or are there possible a deeper Malaise I will come to the elaboration of this point in a little while.

I am very acutely conscious of the import of the pregnant phrase that the hon. Finance Minister has used in his statement while talking about unfinished tasks the lie ahead; also about a great deal more remains to be done in the realm of macro economic stability and in the field of macro economic

growth. I have gone through this with as much care as time permitted me between the announcement of this debate and now because there are very many pages and a great deal of information. I have attempted to absorb as much I could. We would like to know from the hon. Finance Minister what is this unfinished task that he talks of that lies ahead and what is that great deal more that remains to be done in the realm of a growth-related stability of the macro economy.

I have three great worries and I did start by saying that I am not sure about them because I am not competent to judge this, I don't also have access to information, I don't have access to day-to-day monitoring of the economy and I don't have the expertise that the hon. Finance Minister has in this field. But there are three great worries. I don't know whether they are merely a hiccup or an indication of a deeper malaise. These three worries are on the front of prices, on the front of the value of the rupee, considering the fact that we have devalued it twice and taking into account the fact that despite these devaluation, the Havala rates in the free market are 25 to 30 per cent higher than the twice devalued rupee. That it troubles me.

The third worry is on account of certain shortfalls in receipts, particularly in customs. There is a fourth worry which has subsequently come it is in the supply management. In the supply management, having brought about attempt to control inflation through the management of fiscal deficits, there are typically no one can find fault with that. Statistically also, the hon. Finance Minister has said that from somewhere around 17 to 18 per cent, the Wholesale Price Index-not the Consumer Price Index-has possibly come down to around 13 1/2 to 14 per cent. This is a decline and since this is a statistical reality, you cannot deny it. But, if the object or the aim is to control inflation through the management of fiscal deficits, then, I would ask these: Are you satisfied with the manner in which the prices are behaving? Secondly, are you satisfied with the supply management of such commodi-

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ties, as occasionally vanish from the market? I do not want to repeat the whole debate on the question of edible oils. But, edible oils are items of very great importance.

If I might submit to the hon. Finance Minister, so far as India is concerned, I do not believe that there is any other country in the world which relies so wholly and totally on edible oils which are only vegetable in origin. Every other country in the world relies on animal fat. It is only India and 850 million who are dependent on edible oils which are made only from vegetable oils. Therefore, the problems of edible oils is unique to India. We have not been able to address ourselves meaningfully to solve this problem for the last 40 years. There is a point, but that is altogether a separate point. I give the example of the edible oils question, only to emphasise that along with the management of inflation, equally vital is the question of supply management of commodities. If not all, certainly 350 million Indians that live below the poverty line are entirely dependent on the supply management through the public distribution system. These 350 million people are a very large percentage of the total humanity. That is why, I emphasise this as a worry.

I do know of the very sincere efforts and the very honest efforts that the hon. Finance Minister made in regard to the question of edible oils. But, it is a worry, that soon after he makes the efforts, the edible oils go out of the market.

The Government, I am afraid, has to take the responsibility for this if it runs the public distribution system. If it is the Government, as it is, then, it has to take the responsibility for such hiccups when they occur. I would therefore, request the hon. Finance Minister, to settle our worries and to inform us about our worries on the price front, on the front of value of the rupee, on the front of customs shortfall and on supply management of essential commodities. This may not

be part of the macro economic reforms also. But, you have to take care of the micro reforms; otherwise the human suffering will be attendant upon the macro reforms. Human suffering is in the realm of 350 to 500 million people and it cannot just be brushed aside. I would submit to the hon. Minister that in what he has come forward with what the Government has come forward with there is still great very tentativeness. The measures that the Government has come forward with in the mannered of this troika are really and largely a fire-fighting operation. I submit that. Therefore, this attempt to raise a new edifice, as it were, of the totality of our macroeconomic planning to my way of thinking, has in it just now an unfinished agenda. I submit to the hon. Minister some suggestions about this unfinished agenda. The hon. Minister has himself used phrases to the effects: 'unfinished task', 'great deal more needed to be done', continue with the reform process. I welcome all these. But greater definition in detail is necessary of this remaining unfinished task. What is this great deal more that needs to be done? And in what fashion and manner, will you continue with the reform process?

I recognise also that the hon. Minister has informed us that the report of the Committee, that he has set up, is going to be laid on the Table of the House tomorrow perhaps. We would be better informed after we are able to study that report. But nevertheless perhaps the hon. Minister could also inform us. But so far as my way of thinking goes in this unfinished agenda, there are three or four points which I will put for your consideration. I do not think, a total reform of the tax system books any more delay. I recognise that you have appointed a committee to yet again go into this whole question of taxes—both direct and indirect. I also know that before this sessions started, there were announcements from the Government's side that two major tax reform Bills were going to be presented during the course of this session itself. The Government has not come forward with those tax reform Bills possibly because the Committee has not yet submitted its reports. We will accept the fact

that you want to await the Committee's report rather than coming up with piecemeal tax reform Bills. But please let us know, is the total reform of the taxation system a part of this unfinished agenda.

I accept that the hon. Finance Minister has himself stated about the irrelevance of continuing with the Foreign Exchange Regulations Act in the form in which it exists today. It is a measure that is 20 years old. In 20 years, the world has moved beyond recognition. We would like to know when is it that you wish to set this FERA right. This FERA is a great wrong and you will not be able to achieve - I have said this earlier - what you have set yourself upon achieving unless these stumbling blocks, that are there in your pathway, are also simultaneously eliminated. And in like fashion, unless you simultaneously reform the total working and the work ethos of the Reserve Bank of India.

I would like to quote for yourself and then make a point. It is a very brief quotation. But it is a very fine phrase. I commend this phrase to the attention of the House: 'Scarcity of resources must be reflected in a premium on efficiency whether in the public sector or in the private sector'. I chose to use this phrase to point out that there is in this phrase a great lacuna. It is not good saying that this is unquestionable. You cannot attempt such a major initiative without having the required efficiency and in implementation. But it is not good enough, Sir, to limit yourself to the requirement of this efficiency only in the field of public or private sector. What about the great strain on expenditure? What about proliferation of bureaucracy? Unless bureaucracy is also imbued with the same zeal of efficiency and with the same burning desire to get this economy moving in this very great country, to my mind, this sentence will remain incomplete. Therefore, if you are to content yourself merely by saying that you need efficiency both in the public sector and the private sector and you leave this entire edifice, this undergrowth and uncontrollable weeds of bureaucracy, we will not achieve what we have ourselves set out doing.

I feel that there is one other very great shortcoming in this very major adventure on which the country is now embarked. I had occasion to privately mention to the hon. Finance Minister about this shortcoming. That shortcoming is in the realm of absence of harmony and coordination between what the Union Government is attempting to do and what the various State Government are doing. I recognise that my party has the responsibility and is steering four States of the Union. In a like fashion, other States of the Union have chosen parties of different political persuasion. With great humility and with some perplexity I may say that I do not know how we will address ourselves to this task. I think the rights and prerogative of the States are sacrosanct. The States cannot be made captives or subjects of the Union Government and yet, if at the level of implementation, the State Government were not to act in harmony with the overall broad thrust of what the Union Government is attempting to do merely by legislating here, merely by debating it in Parliament, we will not achieve what we have set out to do. Sir, I submit that this Parliament, the Union of India and all the very many States comprise of each village and unless the States of the Union recognise what you are doing and become partners in the process of the reforms that we have set in motion, we will not achieve what we have set out to do. And we will not have them as partners unless the process of consultation, the process of a larger consensus of where we are headed and how we are getting is discussed.

I will give just one example. On a different occasion, we will be discussing the public sector units. A very detailed memorandum has already been circulated to Members of Parliament on the state of the public sector units. There is no knowledge about the state of the public sector units run by the various State Governments and I submit that I had an occasion to point out this earlier that that too is public money and that too is causing a great deal of drag on the Indian economy. If we content ourselves merely with addressing the public sector units of the Union Government and feel that those run by the

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various State Government as units of only those States Government and if they are not simultaneously tackled, I do not know how this very major adventure on which this Government and this country is now embarked will be faced and how we will succeed in this endeavour. I commend the great courage of the hon. Finance Minister. I do not know how he is able to sleep at nights. I do not make these remarks facetiously because it is a very heavy burden that he carries. Of course, we wish him to succeed. We do not want him to fail because if he fails, I do not know where will me arrive.

I also do not know whether you have addressed yourselves to some of these aspects. I have no time to elaborate on those aspects. I find this a great lacuna in the totality of the reform process that has been set in motion and I would beg of the Finance Minister to inform us what he is doing in this regard.

I have one other worry. There is an elaboration here in the letter that has been sent to the ILF of the social policy of this Government and the emphasis that this Government lays on the simultaneous and attendant social policy to this economic reform Package. I focus only on the aspect of the national renewal policy. If my information be correct, the national renewal policy has entailed the taking of 500 million dollar loan. What has troubled us is that the social reform policy about which the Government has spelt out and to which I will come in a minute, is just one part of it. The national renewal policy for which you have sought 500 million dollar loan is another aspect related only to public sector enterprises, state industrial corporations, etc. How will you employ these 500 million dollars and in the employment of these 500 million dollars, is there a content of a social policy? I refer particularly to the aspect of those worries which persuaded some of my friends and I had occasion even then to say so. Some venerable labour leaders who have spent their lifetime in the field of labour expressed their fears on this.

I cannot even begin to match their concern about labour interests. Their concern is passionate; their concern is just. They are justified when they talk about the possible consequences in the realm of labour-labour being rendered unusable and surplus. In this national renewal policy, national renewal funds, what are the details? How are you going to address yourself when the reform begins to make its impact felt on state-owned enterprises? How will you employ this 500 million dollar loan?

So far as the International Monetary Fund is concerned, what is often spoken about, are the conditionalities explicit or not-explicit and hidden. I am not going to labour that point. I work on the basis that if the nation is brought to this state of having to borrow, it is like a private individual having to borrow, going to a bank. If today I were to go to a bank and ask for funds for whatever purpose I want, it is more than possible that the bank manager will decline to give me funds, not finding me a good risk. Even if he makes the mistake to lend me the money, he would ask from me, "What is it you give me as security for my money?" In that sense, IMF will place condition upon any borrower. It will place condition and I accept what the hon. Finance Minister has given us as the document sent by this Government to the IMF. But this is a debate by itself. I have not the time to go into the question of IMF conditionalities. I do not work on the basis that as distinguished an Indian as the honourable the Finance Minister is, he is holding his charge only to sell India to the IMF. I do not believe that India is a country that can easily be sold to anyone, whether it is the World Bank or it is the IMF, or it is the United States of America or it is the KGB or the Soviet Union. It is not a country that can be sold; leave alone singly, leave alone even collectively, no power on the earth has the ability to buy India out. I am not here to debate the nationalism of the Hon. Finance Minister but there are worries and those worries can be set at nought only by a total candour and to be as explicit as possible in this matter. But there are two other connected worries. I have seen this often in the

times that I have been in this Parliament. We have had occasions, from the days of late Shrimati Gandhi, of borrowing from these international agencies. Every time I had made this point. You will borrow this money, be it 'x' billion dollars or 'x' million dollars, if three years from now this money is spent and what we had set out to achieve with this money is not achieved, are you going back to the IMF or the World Bank? And, with sickening regularity we have gone back. I would submit to the hon. Finance Minister that in this there is one great shortcoming and the one great area of doubt that I have is about the profligacy of expenditure when it comes to the Government itself. I do not think that this Government, and with due regard both personal and professional for the hon. Finance Minister, this Finance Minister can succeed in curtailing this elephantine, uncontrollable expenditure of this bureaucracy, that is India. The bureaucracy, that is India, is not merely an expenditure it is also like the weeds that are clogging up the free flow of water. It is some kind of clogging of veins and arteries of India. Unless you address yourself there, we will not cut down expenditure, we will not achieve efficiency.

I will conclude with just one thought which I shared with the hon. Finance Minister earlier in a different context. Uptill yesterday we were told that the economic gods that we are to worship are the Gods of centralised planning. It is almost a sacrilege even to utter about them. For the last two years we have been told that now the God that we have to worship is free market economy. I do not mean it personally at all, Sir, but I treat all economist with great suspicion. I have seen the god of centralised planning perish. I am also not sure in my mind that the God of free market in the economy is the God in which we will find all answers and it is the panacea that we are looking for and it is the God that will provide salvation to India. I would be happy if the hon. Finance Minister share his thoughts on that subject.

I submit again that the 315 million Indians who live below the poverty line do require State intervention but they require State

intervention from a State intervention from a State that is just, from a State that is caring, from a State that is compassionate and above all from a State that is honest and a State that is able to efficiently deliver what is required to be delivered to those 315 million Indians. I am also not so sure that for those 315 million Indians these reforms, welcome as they are, will serve the purpose of lifting them-however fudged the figures of lifting them up are from that absolute tethering of poverty.

Sir, I am grateful to you for the time that you have given me to speak. thank you, Sir.

17.55 hrs.

BUSINESS ADVISORY COMMITTEE

Tenth Report

[English]

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND THE MINISTER OF STATE IN THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI RANGARAJAN KUMARAMANGALAM): I beg to present the Tenth Report of the Business Advisory Committee.

17.56 hrs.

DISCUSSION UNDER RULE 193

Present Economic Situation in the country with reference to the Steep rise in Prices of Essential Commodities in recentd months, deficit Financing, the foreign exchange crisis and the Conditionalities Sought to be imposed by the International monetary fund -Contd.

[English]

MR. CHAIRMAN: Since, we have got

some time, I will call another speaker, Shri Debi Prasad Pal. Let him start and tomorrow, he may continue.

DR. DEBIPROSAD PAL (Calcutta North West): It will be more convenient, if you allow me to start tomorrow.

MR. CHAIRMAN: You may make your introductory remarks and continue tomorrow.

DR. DEBI PROSAD PAL: Mr. Chairman, Sir, while speaking on the economic situation, we have got to consider the position in the year 1991.

In the year 1991, when we are considering the economic situation of the country, we shall have divide it into two major parts.

When the year 1991 started, it was state of economic confusion, it was a state of frustration in our economy. We find in the earlier period which ended in June, 1991, the economic position of the country was reduced to such a position that even in the international world, our creditworthiness was completely at its lowest ebb. The price situation in the country exceeded the two digits. The price level increased up to 13.4 per cent, although in the earlier periods, it never exceeded the one digit. This was the position when the present Government took up the administration. When our foreign exchange reserves dwindled to only Rs. 2600 crore and it could hardly meet our

Balance of Payment position for even two weeks in the international world, our credit worthiness was not accepted. So, this was the position of our Balance of Payment situation.

Our Rupee was not acceptable to the international world at their face value. The position is this that even the industrial production was at its lowest ebb, even though in the agricultural sector, there had been three good monsoons. So, it increased. But in the industrial sector, the development was not even 4 per cent compared to the earlier period of 7 per cent to 8 per cent.

In this state of affairs, the economy was reduced to such a position at that time when the present Government took up the administration. (*Interruptions*)

MR. CHAIRMAN: Do I take it that it is the pleasure of the House to extend the time of the House in order to listen to a very interesting speech by Mr. Debi Prasad Pal?

SEVERAL HON. MEMBER: No.

MR. CHAIRMAN: Mr. Debi Prasad Pal, you can continue tomorrow. The House stands adjourned to meet tomorrow at 11 A.M.

18.00 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, December 17, 1991/Agrahayana 26, 1913 (Saka).