Swatantra Newsletter

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No. 33 April 1963


# SWATANTRA PARTY ON THE BUDGET

Through speeches in Parliament, statements and articles in the press and from public platforms, leaders of the Swatantra Party have denounced the Budget proposals of the Union Government.

## IN PARLIAMENT

Leader of our group in the Rajya Sabha, Mr. Dahyabhai Patel was in fine mettle and delivered a well-informed speech denouncing the budget proposals of the Finance Minister and emphasising that while Morarji Desai was admittedly the Finance Minister, "he does not decide the policies of the Government" which are decided by "Pandit Jawaharlal Nehru who cannot stand a Finance Minister very long like the Bluebeard who could not stand a wife long."

In the Lok Sabha, our leader Prof. N. G. Ranga was equally vehement in denouncing the Budget and drew attention to its anti-people character. Among others who participated from the Swatantra benches in the Budget debate were Mr. P. K. Deo and Sardar Kapur Singh in the Lok Sabha and Prof. Ruthnaswamy in the Rajya Sabha.

Extracts from their speeches form annexure A of this Newsletter. A few extracts from speeches by our members in Parliament during some other debates have also been included in annexure, B.

## IN THE PRESS

### STARK OPPRESSION — Rajaji

"Internal and external policies that lead to this pitch of taxation cannot be right and a government that resorts to it, and knows no other way, must be relieved of its charge. It is worthy of being brought over and over to the notice of the people, whose approval the Government asks for this taxation, that all taxes, on whomsoever they are seemingly laid, really fall on the consumers and toilers at the bottom.

The budget is a disincentive from the point of view of industry. The States' budgets together with the Central Budget will be a total disincentive for all production and a terrible lever for pushing up all prices. The taxation scheme of the Government is based on pure arithmetic without reference to psychology, political science or national conditions.

The political machinery of the Government of the country is jammed and does not permit the real will of the people being expressed by a rejection of the Budget. It will be passed by the steam-roller majority in the present Parliament. Had we a strong enough and well-organised Opposition, the position would have been different and the Government could have been compelled to go to the people. As things stand, the Opposition, such as it is, has only one way of expressing itself—total disapproval and the recording of a total negative vote. An extraordinary situation calls for abnormal action on the part of those who disapprove of the Government's policies. It is also the only course consistent with conscience when one cannot stop the course of oppression. The rule that, as we sow, we must reap applies in politics as in agriculture and morals. The people returned the Congress Party again to power and so this Budget comes upon us.

—*Swarajya*, March 9, 1963

### BURDEN OF TAXATION UNNECESSARY — Masani

The Budget postulates a revenue expenditure on defence of Rs. 708 crores which is almost double the budget provision of Rs. 376 crores last year. The additional amount to be found is thus Rs. 332 crores. Of this, about half, namely Rs. 166 crores, is probably needed for equipment and armament. In view of our inability to produce these, they would have to be imported. They should come in without any financial liability from our friends, U.S.A., Britain and others who have offered this aid. Only the balance of Rs. 166 crores remains to be provided for.

Is it really necessary so steeply to increase rates of direct and indirect taxation in order to find these Rs. 166 crores?

It is now clear that the quantum of revenue collection from Customs and Excise has been greatly underestimated and as against an estimated revenue of Rs. 730 crores, around Rs. 800 crores are likely to be collected for the year that has just ended.

Allowing for a rise of 15 per cent in the coming year in industrial production as against 11.6 per cent in a normal year, it has been estimated that Central Excise and Customs may be expected in the coming year to provide a total revenue of Rs. 884 crores, or Rs. 154 crores over 1962-63. This of course is on the assumption that the disincentives of the current Budget are ruled out.

Similarly, income-tax collections may be expected to bring an additional 5 per cent at the existing rates of tax, thus providing a further Rs. 8 crores over the 1962-63 budget figures, and corporate taxes an additional collection of 12.5 per cent or Rs. 22 crores. Thus, an additional Rs. 30 crores would come in from income and corporate taxes. Since the corporate sector has voluntarily agreed to contribute to the defence effort 5 per cent of its assessable profits, this should bring in Rs. 20 crores, and the Emergency War Risks Insurance Scheme another Rs. 20 crores.

Thus, without any increase in the rates of direct taxation of excise duties, additional collections from all sources may be:

| | Rupees in crores |
|---|---|
| Customs and excise | 154 |
| Income-tax corporate tax | 30 |
| Voluntary contributions by industry | 20 |
| Emergency Risks Insurance Scheme | 20 |
| Total | 224 |

This would be very much over the Rs. 166 crores which is necessary for our defence effort from within the country.

—*Swarajya*, March 9, 1963.

## AT PUBLIC MEETINGS

### COIMBATORE

Addressing the District Conference of Agriculturists and Merchants in Coimbatore on March 2, Rajaji said that the "strong dose of taxation" in the Finance Minister's proposed Budget would adversely affect the poorer sections of the people. He characterised the policy of the Government as one which destroyed the foundation of a new building to get bricks for constructing the top story.

The old policy of divide and rule followed by the British is obviously adopted. The Congress says that to safeguard the interests of the poor, only the rich are taxed; it is like a man riding in a rickshaw telling the unfortunate hauler, that he is holding the box in his lap to lessen the weight in the rickshaw, said Rajaji.

Taxation, would any way hit hard the poor common man, as "the industrial structure of our economy converts all direct taxes into so many indirect taxes to be carried down to the consumer and the wage-earner. We have to pay more for everything and we get less for the current rupee. If profits are reduced wages and bonuses are reduced," the elder statesman added. Referring to the Gold control order Rajaji remarked that the public should not allow the Government to interfere with customs and traditions.

People should arouse themselves and see that the present Government is vacated from power. He appealed to the people to be united in expressing their disfavour for the present Government by strengthening the Opposition to achieve their objectives. There must be atleast twenty to thirty able Parliamentarians in the Opposition. The method the Congress Party adopted in Kerala for ousting the Communist Government could be applied here too with equal success.

Mr. Masani who also addressed the meeting said, that, the present taxation policy of the Government hit to a great extent the ryots and the merchant classes of the society who formed two-thirds of the country's population. The Budget waged a veritable war on the Indian people, he averred.

"Since inflation hits most the common man with a fixed income, the Budget is anti-social and anti-socialist". He added "The follies of our Government's policies are now being visited on our suffering people." Mr. Masani hoped that at least now the people would realise the mistake they made last year in returning the Congress Party to power.

### BOMBAY

A series of meetings organised by the Bombay City unit in various parts of the metropolis was in response to Rajaji's call to crystallise public opinion and strongly oppose the new taxation proposals of the Union Government. Here are some points made by speakers at these meetings:

Mrs. Shantabai Gulabchand: — If this budget was for the defence of the country, the fighting forces should have been geared up since 1954 when the Chinese first started infiltrating. This would have spread the expenditure over a period of nine years instead of an already over-taxed nation having to bear the burden in one year.

Mr. M. R. Masani — The authors of the Super Profits Tax appear to have the mind of a small-town money-lender, since they seem to be unable to distinguish between interest and profit. The absurdity of describing anything over six per cent in the way of profits as a 'super profit' became evident when companies which employed a small capital but a great deal of human skill were examined.

Price controls under the Defence of India Rules would be like treating the symptom after creating the disease. After forty years of shooting squads and secret polce terror, the Soviet dictatorship had been unable to wipe black-markets in scarce articles.

The inspiration for the Budget is not so much in the desire to defend the country against Chinese aggression as in the perverse adherence to the misguided and doctrinaire policies of neutralism, miscalled non-alignment and State Capitalism which have already brought disaster to the country.

Prof. P. J. Shroff — The common man is mulcted heavily through numerous channels to pay for the inefficiency, extravagance and waste by the Government in pursuit of its discredited ideological policies.

Mr. Parmanand Kejriwal — The Finance Minister of a democratic country should be open to criticism and it was regrettable that he asked a veteran politician like Rajkumari Amrit Kaur to leave the ranks of the Congress because she pointedly criticised the budget proposals.

Mr. N. Dandekar — For almost ninty-nine per cent of the people the take-home packet would be ten per cent less, and their purchasing power would be down by another ten per cent because of inflation.

Dr. R. C. Cooper — The four main objectionable features of the budget are:

1. Levy of additional surcharge of between four to ten per cent on the taxed income of individual and other categories of persons. The incidence of this levy though heavy on almost every sector of the population, will be particularly heavy on people in the lower income groups.

2. The imposition of a new Super-Profits tax on companies in addition to the normal levy of corporate taxes is questionable, because:

(a) It does not add up to a coherent scheme of corporate taxation.
(b) It makes unduly heavy inroad into retained corporate profits and dividend payments.
(c) It would weigh heavily on more efficient companies, which with a small capital earn larger incomes through improved efficiency.
(d) It reduces the benefits of development rebate.
(e) With heavier imposition of duty on imported plant and machinery in this very budget, it at the same time leaves lesser resources with the companies for buying such plant and machinery.
(f) This levy is ill-timed because it is imposed when the share and the capital markets in the country are already in the doldrums.
(g) It fundamentally shakes the confidence of the investor.
(h) It will scare foreign capital from collaborating with industrial venture in this country.
(i) It fails to take into account, the fact that almost every industrial unit to-day, has large amounts of long term borrowings which involve annual instalments of repayment of long term loans from profits, i.e. amortization. The present levy will seriously effect in many cases the ability of industrial concerns to meet their repayment obligations to specialised financing agencies like the World Bank, I.F.C. and other such institutions.
(j) It will act as a deterrent on companies about to embark upon expansion programmes.
(k) By reducing the available resources of companies, it will compel industrial concerns to raise more capital from outside a task now more difficult, because of unattractive returns.
(l) It will add to the pressure on the existing industrial financing agencies which are already unable to bear with the demand for capital.
(m) It will adversely effect the debt-equity-ratio of industrial concerns.
(n) In the present capital market the rate of return for fully secured loan is seven and a half per cent and for first class preference shares the rate has to be nine per cent (taxable). Therefore the abatement for the purpose of this levy of six per cent on capital employed is very inadequate.
(o) It is unfair to provide that contributions to National Defence shall not be deductible in arriving at the quantum of Super Profits Tax.

3. A highly iniquitous feature of the proposed Budget is, the additional Sur-Charge of twenty per cent on income-tax payable by registered firms. The incidence of this tax is particularly severe when it is sought to be recovered in respect of professional partners like those of Chartered Accountants, Lawyers, Management Consultants and so on. It is only recently that the Jenkins Commission in the U.K. has pleaded for the removal of the limit on the number of partners of a professional firm. In order to ensure a high degree of specialisation and the rendering of efficient services to clients, professional firms need a large panel of partners skilled and specialised in different branches of legislation, and other branches.

4. Finally the tax proposal of the Finance Minister relating to allowances of salaries and perquisites as business expenditure, will deny the country the best of managerial and technical talent already so inadequate.

*(From a speech to the Lion's Club, Bombay)*

**JAMNAGAR**

From Jamnagar, Saurashtra comes a report of a meeting on March 5 organised by our local unit to protest against the Budget proposals.

Convenor of the Saurashtra unit, Mr. Maganlal B. Joshi recalled a speech by Prof. Ranga from that platform eighteen months ago when he had warned that Government policies would result in suffering for enterprise and business. The Goldsmiths, said Mr. Joshi, were among the latest victims of Government policy. He hoped that similar would not be the fate of other artisans and traders.

Mr. Bhagwandas Seth, the other speaker spoke at length on the evil effects of the Government's Gold Control Order.

A resolution demanding repeal of the Gold Control Order and the rehabilitation of lakhs of Goldsmiths and artisans hit by the Order, was adopted unanimously.

## A BOUQUET FOR THE SWATANTRA PARTY

A paragraph, in the column by 'Admirage' under Advertising and Marketing' in the *Financial Express* of March 4, pays a compliment to the Swatantra Party. It says:

"Political parties in our country recently have taken to the novel approach of approaching the public through press advertisements. The recent one is that of the Swatantra Party in all the dailies carrying the message of their resolution during last week. An encouraging sign towards better communication indeed."

## IMPENDING BY-ELECTIONS

With the decision of the Election Commission to permit by-elections to be held, political parties in the country have got busy putting up candidates.

Of the six by-elections to the Lok Sabha, our Party will be contesting the Dohad (Reserved) Constituency in Gujerat where the previous incumbent who was a member of our Party died. The Parliamentary Board has approved the candidature of Mr. Purshottam Bhil as the Party's candidate.

Of the three Assembly by-elections in Orissa, the Parliamentary Board has approved nominations in two viz. West Jajpur: Mr. Banamali Panda, Jhasaguda: Mr. Manohar Naik.

## A PLEA FOR OPPOSITION SOLIDARITY

The General Secretary Mr. M. R. Masani, in a press statement issued from Madras on March 15 denied reports that he was standing for election to Parliament from Belgaum constituency, where a by-election was pending. The previous day, the Jan Sangh had announced the setting up of a candidate in that by-election.

Mr. Masani stated: "I have seen during the past few days some references in certain sections of the press to the possibility of my standing for election to Parliament from the Belgaum constituency where a by-election is pending. I wish to make it clear at once that I am not a candidate in this by-election in Belgaum. Mr. Katti, the Republican Party's candidate last year, who nearly carried the seat against the Congress in the General Elections last year, ought to be supported by all democratic Opposition parties. Triangular contests which may help the ruling party to win the seat again should be avoided in view of the present challenge which the Budget and the Gold Control represent at these by-elections."

—*Sunday Standard*, March 17, 1963.

## SWATANTRA TRIBUTES TO RAJEN BABU

**RAJAJI**

"Death is rapidly thinning out the old guards. *Rajen Babu's death reduces the number to two who* are bitterly opposed to each other politically, the Prime Minister and myself. Bharat is great enough and under God's grace will look after itself in spite of trials and all our follies. But a good soul, an angel on earth has left us and our world of illusions and anxieties.

Rajen Babu has left us, his example remains, than which there can be no better copy for the children of Bharat. His unostentatious grace, his utter simplicity, his charity of outlook, his deep humility and his broad humanity, to quote the noble words that were used by Parliament when they welcomed him as first President of India, are ineffaceable by death and remain for our inspiration for all time.

I share the country's grief. But I have personally lost a trusty friend to whom there was no equal as far as I was concerned. We stood together during the many crises of our times from the beginning of our adventure for national freedom.

Our comradeship and our mutual affection were never disturbed by any misunderstanding whatsoever all these many years.

**RANGA**

Prof. N. G. Ranga in a feeling statement associated himself with the sentiments expressed in the Lok Sabha. He said the late Dr. Rajendra Prasad was what may be termed a "Karma Yogi". Through the turmoil and strife of political life, he ploughed across steadfast and invincible.

**MASANI**

Mr. Masani, conveying his sympathies and those of his colleagues and of the Swatantra Party, said in a telegram sent to Mr. Mritunjay Prasad:

"Deeply grieved to learn of passing away of your distinguished father whom I had the privilege of knowing since 1934. Entire nation suffers great loss caused by removal of one of the last links with Gandhian traditions."

**R. N. SINGH DEO**

The Executive Committee of the Swatantra Party, Orissa, met and the President, Mr. R. N. Singh Deo, M.L.A. moved a resolution from the Chair, condoling the demise of Dr. Rajendra Prasad. The congregation stood in silence for two minutes as a mark of respect to the memory of the departed.

## HOW "VOLUNTARY" ARE VOLUNTARY CONTRIBUTIONS?

Voluntary Contributions in our country obviously carry a different meaning to what the words imply. Rajaji has reproduced in *Swarajya* the following circular signed and issued by a Collector, which speaks for itself.

*Copy of R.C.A. 11-832/63 dated 15-1-63 of Collector*

CIRCULAR

Sub: National Defence Fund—Collections from ryots on acreage basis—instructions—issued.

During the *conference of the Revenue Officers* held on 3-1-63 it was observed that contributions for the National Defence Fund might be raised from the Ryots in the Districts with reference to the land owned by them apart from taking into consideration the benefits that are being given to ryots under certain irrigation sources for raising second crop paddy. With a view to seeing that uniform procedure is adopted throughout the district the following scheme for the collection of National Defence Fund from the ryots is communicated to all the Revenue Officers.

2. Contributions from the ryots may be raised on the following basis.

1. Wet lands: Rs. 3 to Rs. 10 per acre according to the productivity of the land and the irrigation facilities.
2. Dry lands: Re. 0.50 to Re. 1 per acre.
3. Second Crop: One bag of paddy per acre or its equivalent value in respect of permitted area announced at the Ryots Conference and two bags of paddy per acre or its equivalent money value in respect of lands for which permission is subsequently granted as exceptional cases N.B.: T.J. lands should be reckoned as wet lands *for this purpose*).

The extent on which commercial crops like plaintain, turmeric, limes, etc. are raised may be treated on a separate footing in regard to the levy of contributions. A flat rate of Rs. 15 per acre may be collected on such lands. Casuarina crop may not be treated as commercial crop for the purpose of collecting National Defence Fund.

3. For the implementation of the above scheme at village level each revenue village may be taken as a unit. The village Karnam has to prepare an "Asamivari" list of persons owning lands in the village to the nearest acre of the various categories and work out contributions payable by each ryot according to rates indicated above. The Assistant Collector and the R.D.Os are requested to issue detailed instructions regarding the preparation of these lists, check the correctness of the lists prepared by the Karnams and append their certificates. After check of the lists by the Revenue Inspectors and village level workers, they have to be handed over to the village Munsiffs concerned for collection of contributions from the ryots.

4. The village Munsiff may be made responsible for the collection of contributions as fixed in the lists handed over to them. The Karnam should also assist acre of the various categories and work out contributions payable by each ryot the village in the collections and the co-operation and assistance of the Presidents of Village Panchayats may also be enlisted wherever it is forthcoming.

5. If any of the donors insist on the issue of official receipts for the amounts contributed a list of such donors with amounts paid by them should be sent to the Tahsildar of the R.D.O. for the issue of receipts.

6. The village officers may be instructed to make co-ordinated effort in regard to collections with the assistance of the Panchayat Presidents whenever their help is forthcoming. The Revenue Inspectors and village level workers have to take to the notice of the R.D.O. Tahsildar and Block Development Officers any slackness or irregularity noticed by them in regard to collections, remittances and maintenance of accounts by the village officers. The R.D.O. may divide every taluk into four zones and entrust them to the Tahsildars, B.D.O.s, and Headquarters Deputy Tahsildars for supervising the work of the V.I.W.S. and the Revenue Inspectors.

7. Recalcitrant ryots who do not pay contributions at the request of the village officers should be tackled by the supervising officers during their visits and if they are not amenable they should be told firmly that they failed the Government in the hour of need. When ryots do not respond adequately even after the persuasion of the Tahsildar, such cases may be tackled by the R.D.O. In villages where the President of Panchayat Samiti would influence, their help should also be taken in securing good contributions. If the Revenue Divisional Officer also fails in his attempts he may furnish the names of such ryots to the Collector with full address.

8. The Assistant Collector and the R.D.O.s will have to be in over-all charge of the above arrangements in their respective divisions. They are requested to take immediate steps to implement the above scheme and submit a report regarding the arrangements made by them in this regard as early as possible. They are once again informed that the target fixed for the Division should be achieved before the end of January 1963 without fail and they are therefore requested to see that the scheme is implemented and collections started expeditiously and they are also informed that the District Collector will personally supervise the work in each division.

9. The receipt of this circular may be acknowledged immediately.

Sd.........
for Collector

# NEWS FROM STATE PARTIES

## ANDHRA

Mr. Latchanna, participating in the debate on the budget demand for "irrigation and power", criticised the Chief Minister's speech. In unequivocal terms he stressed that the unanimous resolution of the House two years ago made it mandatory for the State Government to resist any attempt to alter the 1951 agreement. Several hundreds of Andhra villages on the Krishna and Godavari banks are without adequate water supply. Krishna river waters should not be diverted to the city of Madras. Speaking on the Gulhati Commission and the consequent developments, Mr. G. Latchanna said, it seemed like a "play being staged by the Centre at the behest of interested parties."

## DELHI

Meetings of members were held for Karol Bagh and Krishan Ganj Zones Party workers and an organisational programme was worked out. Mr. Mohan Lal Jatava, and Mr. V. D. Paiashar were elected respective Zonal Organisers.

The Swatantra Club Meeting was addressed by Mr. K. Srinivasan, Advocate, Supreme Court of India, who delivered an address on "The Place of English in India."

The Executive Committee met to discuss the present crisis in the country.

The Rural Area unit of the Swatantra Party, Delhi, held its meeting at Bawana. The manifesto of the Party was explained to the peasantry.

The Party is to be commended for the excellent manner in which it had publicised the resolution of the Party's General Council by leaflets and by posters which contained the text of the resolution with an appeal to the people, under Rajaji's signature, to study the resolution.

## GUJARAT

Despite a mounting crescendo of criticism, the Gujarat Government has decided to go through with its plan to introduce Panchayat Raj.

The Gujarat Swatantra Party has asked its members in the local bodies to boycott the Government's plan and the 'so-called elections".

The State Party's executive committee met in Ahmedabad under the chairmanship of Mr. Bhailalbhai Patel, leader of the Opposition in the Vidhan Sabha.

The Committee unanimously adopted a resolution which declared the Gram Panchayat elections unconstitutional and inconsistent with the objects of the Panchayat Raj Act.

In the Vidhan Sabha the Opposition called for a reduction in the size of the Ministry, especially in the context of the Emergency.

A victory by the Opposition was scored when the Gujarat Chief Mnister, Dr. Jivraj Mehta, bowed to the puissant "rural lobby", and withdrew the proposal of extra tax on land revenue.

It is regretted that three of the Party's M.L.A.s in the Gujarat Legislative Assembly have had to forfeit their seats in the Legislature. Their elections were set aside by the Gujarat High Court on the ground of having engaged in religious propaganda. The question of going in appeal to the Supreme Court of India against this judgement is under consideration.

Mr. Bhailalbhai Patel, told the Government to beware if it failed to take adequate measures to stop river water pollution by drainage of towns, like Ahmedabad, Billimora and Barejadi, the rural population would take law into its own hands and march into the cities in the thousands.

Bhailalbhai, supporting a non-official resolution moved by by Ramanlal Patel, lashed out at the Ahmedabad Municipal Corporation, and stated that it seemed one of the largest textile mills was permanently emptying its waste water into the Sabarmati river.

Mr. Ramanlal Patel, reminded the Ministry of Health, that it had failed in not fulfilling its earlier assurance to the House, which was in connection with the deteriorating health of the villagers through contamination of river water.

It was a matter of great regret that in spite of the declaration regarding an "all India River Pollution Board" and the mention of establishing similar organisation in Gujarat, nothing concrete had been done.

## ORISSA

Mr. R. N. Singh Deo, speaking in the State Assembly, said that with the new tax impositions of the State Government and the compulsory deposit scheme, collections to the National Defence Fund should be discontinued.

Criticising the Orissa budget for 1963-64, Mr. Singh Deo voiced the opinion that it would bring "economic ruin and collapse". An armament race with China will be disastrous for India he affirmed.

"Partial prohibition has already led to demoralisation, immorality, illicit, distillation, corruption and preparation of liquor", said Mr. R. N. Singh Deo.

Various resolutions were passed at a meeting of the State Executive one condoling the demise of Dr. Rajendra Prasad, another to mourn the demise of Padmasari Lakshmi Narayan Sahu, who was a great patriot and a social worker, Rajaram Dubey of Sambalpur, Mahendra Singh Bahadur of Kolabira, N. P. Krushna Moorty of Koraput, for their past services to the country and the Swatantra Party.

By another resolution, the Election Commission was urged to move the Government of India for suspending the Defence of India Act and Rules in the Constituencies where by-elections will be held in order to ensure free and fair elections and not to give undue advantage to the Party in power.

The misuse of power through the Defence of India Act and Rules and the imposition of heavy taxation as proposed in the Budget were also condemned.

## RAJASTHAN

The State Executive met in Jaipur on March 6 and 7. Mr. Masani, General Secretary, was present on the occasion. The reconstitution of the State Executive was discussed and a unanimous recommendation of the new Executive was arrived at to be forwarded to the Organisation Sub-Committee for its approval.

While in Jaipur Mr. Masani addressed a public meeting at the Government Hostel Hall on the budget with Maharawal Laxman Singh of Dungarpur, the State President in the chair.

The State President accompanied by Shri Mawjibhai, Shri Udai Lal Vardi, M.L.A.s of the Salumber and Lasadia constitutencies and Mr. K. N. Sharma toured the districts of Udaipur and Dungarpur. Public meetings were addressed both in towns and villages.

Both the State President and Shri K. N. Sharma averred that the Gold Control Rules like Prohibition, would come to a sad end. Speaking on the Defence Fund collections they said that these collections almost amounted to "unauthorised taxation". Instances were cited of corruption. Government officials often collected money, gold and ornaments, and issued no receipts.

## PARLIAMENT DEBATE ON THE UNION BUDGET

**MR. DAHYABHI V. PATEL — Rajya Sabha, March 4, 1963**

The ways of Providence are inscrutable. Events happen in such a way that sometimes their significance is not understood; they are not fathomable.

**Annexure 'A'**

The late Lokmanya Tilak died on the day when Gandhiji announced his programme of non-violence and non-co-operation. That we all remember. Dr. Rajendra Prasad expired after the Budget proposals of the Finance Minister were announced.

I am sorry the Government is being driven by my friend, Mr. Bhupesh Gupta, and his friends, to the oppressive measures that they have been taking one by one. This is not going to help the country.

Shri Bhupesh Gupta: On a point of order. It is a reflection on Shri Morarji Desai as if I can drive him.

Shri Dahyabhai V. Patel: Since Mr. Bhupesh Gupta has made that interjection, may I say that while Mr. Morarji is the Finance Minister, he does not decide the policies of the Government. The policies of the Government are decided by Pandit Jawaharlal Nehru who cannot stand a Finance Minister very long like the Bluebeard who could not stand a wife long. How many Finance Ministers have we seen? And a Finance Minister who cannot be driven and made to tighten the belts here and there of the people will not remain. That is the experience of so many years.

The Minister of Finance (Shri Morarji R. Desai): I am afraid this is a very wrong reflection that the Hon. Member is making against me and also against the Prime Minister and against the whole system.

Shri Dahyabhai V. Patel: As I said, it is exactly what Mr. Bhupesh Gupta wants. I am sorry to say that in many cases we are following the method of repression or the policy that the Communist follow.

An Hon. Member: East Germany?

Shri Dahyabhai V. Patel: East Germany is called the German Democratic Republic. We know how democratic it is. Similarly, let us see how some of the proposals are classed. Look at the memorandum explaining the provisions in the Finance Bill. How oppressive it is going to be to the poorer classes is revealed on the first page. On the first slab of Rs. 5,000/- income, the tax so far paid is Rs. 42/-. Under the new proposals it will be Rs. 241/-. I am not going to read more. Everybody has been supplied with a copy of it. But only to illustrate what I mean, namely, that we are going on using more and more the terminology used by these friends, which is very often misleading. I am constrained to say that the Budget proposals, viewed together, cannot but be classed as oppressive, if not repression in themselves.

The Government are not economising on their non-developmental civil expenditure. You have only to read the reports of the Public Accounts Committee, and you will find enough proof of this. On the other hand, the revenues account shows an increase in civil expenditure of Rs. 83 crores, almost unrelated to planning programmes. An estimate of Budget receipts here gives a distorted picture of the Government finances. Savings in the total grants and appropriations also prove what I say. The percentage of savings in the total grants and appropriations for the five years ending 1960-61 is given below:

| | Total of voted grants and charged appropriations. | Amount of saving | Percentage |
|---|---|---|---|
| | (In crores of Rupees) | | |
| 1956-57 | 4,279 | 650 | 15.2 |
| 1957-58 | 5,499 | 221 | 4.0 |
| 1958-59 | 6,892 | 443 | 6.4 |
| 1959-60 | 7,308 | 255 | 3.5 |
| 1960-61 | 7,416 | 500 | 6.7 |

The position in 1960-61 showed deterioration as compared to the three earlier years. The analysis of the savings by grants shows that in 54 grants, the savings exceeded 10 per cent. Of the funds provided and that in 21 of these cases the savings exceeded 20 per cent.

The supplementary provision totalling Rs. 15.44 crores proved entirely unnecessary in 11 cases as the expenditure did not even come up to the original grant for appropriation. In 8 of these cases, the supplementary provision had been obtained as late as February, 1961. Further, the supplementary provision proved excessive under 12 grants or appropriations. While the supplementary provision under these totalled Rs. 12.50 crores, the amount utilised was Rs. 7.8 crores. I am quoting this from Audit Report (Civil), 1962, pages 22, 23 and 27.

The impost of 50 per cent. of land revenues is inequitable particularly as there is no relief to the small cultivators. Instead of incentive, this will be a disincentive and will reṣult in falling of production from land which we need to raise so much in this country. The additional surcharge will hit the poor man drawing a salary of Rs. 300 per month.

The limit of Rs. 5,000 on employees' remuneration and perquisites will entail double taxation—once at the hands of the companies and the second time at the hands of the employee concerned. Moreover, what about foreign technicians? Will they work on Rs. 5,000 a month or with this sort of taxation, shall we say 'Goodbye' to them?

The import duty on petroleum products and the enhanced duty on spares will be such as to render car ownership a grievous liability and will throw road transport that is just beginning to shape in this country, completely out of gear. This will also aggravate the slack noticed in the economy in recent months. It will disturb the lull and price levels which will prove self-defeating. The Chancellor of the Exchequer in England in November last, announced a reduction of 2 per cent. in tax on motor cars, not commercial vehicles, because he said that the economy of the country, the economy of all countries based on industry and engineering was geared to the fortune of the small car. I do not agree entirely with the people who say that the small car is a luxury. Shri Bhupesh Gupta also knows it as he uses a car. He comes to Parliament in a car. It is a fallacious notion to say : You should not go about in cars and everybody should go in buses. It takes a lot of time. Besides, it is necessary to put the car at the disposal and within the reach of the small man. The Industrial Revolution came about in America because of the idea of Henry Ford to see that every factory worker in his company comes to the factory in a car. How did he do it? It was not by raising the taxes, not by raising the car prices but by reducing the car prices. Unfortunately in this country we have been going the wrong way. We are raising both.

The impact of these proposals on the cost of living of the masses will be such that the effect of these will be difficult to forecast just now but with the upward thrust in the prices, the cost of living will go up. How will it react on production? This needs deeper thought and consideration and once the price level is disturbed, we will be faced with demands for higher wages which will mean higher costs again.

Which will mean lower production. Whether for defence or for conserving foreign exchange, the proposed increase on duty on kerosene oil will hit the poorer section of society. The poor working class, men or women, will remember the Finance Minister every time he or she goes to buy a bottle of kerosene oil that they need every day.

The interpretation of the duty imposed on vegetable oil—what is processed oil and what is unprocessed—is already confusing people. The interpretation by the Excise people is already commencing to lead to hardships to the trade. Even a simple filtration of oil is considered processing and telegrams have been received by many Members in this House, those coming from districts where oil crushing is going on, as to what exactly the Government's intentions are in this case. I hope an early clarification will be made. I believe the Finance Minister and his Deputy have received the note that I have sent to them in this connection and I hope they will make an early clarification.

The method of the levy of the Compulsory Deposit Scheme is cumbersome. The administrative machinery for income-tax collection which is even now inadequate will be further burdened. There will be scope for more and more evasion. The Super Profits-tax which is proposed in this super-Budget, as regards the corporate sector, is charged on a low level of profitability and it will have an impact on almost all reasonably efficient industrial units. It will be as high as 75 per cent. to 80 per cent. in the aggregate on some companies. Well-managed companies with a small capital and a large income will be hit very hard. It will work as a levy on dividends and drag on the amount to be ploughed back which is so necessary for maintaining the efficiency, leave alone the progress and expansion of the industry.

Advertising is going to be allowed at the complete discretion of the I.T.O. When Mr. K. K. Shah goes and asks for an advertisement in the Annual Number of the Congress at Rs. 10,000 a page, it will be given and it will not be questioned by the I.T.O. when a Company grants it but when I ask for an advertisement at Rs. 500 the chances are that it will be questioned and it will not be allowed.

Knowing things as they are, with so many years' experience, with the pressure that is put on the Government officers at the lower levels, it is going to be very difficult, I say for the I.T.O.s to act independently and fairly in these cases. This leaves a very large and wide gap where there is scope for corruption and we know that there is a certain amount of corruption existing. In arriving at the chargeable profits for the Super Profits-tax, the I.T.O. may add commission, advertising expenses and entertainment expenses, etc. which he considers to be excessive. These discretionary powers give too wide an authority to the I.T.O. and will be a source of corruption.

The Super Profits-tax will take away all resources which the companies usually plough back. This high impost will stop expansion and development of industries. Because of less dividends, savings and capital formation will be affected. A common man will not have the incentive to invest in company shares. Anybody who invests in the joint stock companies does so with a view to securing a dividend but if the dividend is to be given by well-managed companies, with the present taxation, how many of them will be able to give 6 per cent on the market value of these shares today? Mr. K. K. Shah has of late become a great industrialist. Will he tell me how many of the industries, where he is a director, according to the present rates of taxation, if they pay their taxes honestly, they will be able to give a 6 per cent dividend on the market rate? If not, how will they attract the investors? Or is it the policy of the Government to go and support the monopolists, people who have already established industries? I do not think that is the policy of the Government. It is, I think, the policy of the Government to encourage more and more industries to come up. Are you going to increase the formation of industries by such taxation? Instead of a super-profits tax the Government should have charged all profits in excess of a certain standard profit, say the average of the last three years' profits. Or the Government could have asked the companies to compulsorily deposit with the Government profits in excess of the standard profit. Perhaps such a provision would have met the needs of the present situation and would not have been so oppressive. How can we hope to get any foreign capital when earnings above 6 per cent are penalised and this at a time when the levels of corporate taxation abroad are tending to go down? Of course, those who read news paper know that drastic cuts in income-tax levels are introduced by President Kennedy in the U.S.A. and other progressive countries are following that lead. Are we going to follow the lead of the Iron Curtain countries and squeeze out everything that is left with the people?

The Government's estimates of revenue as disclosed by successive Budgets are usually in the low side. But this time it is much too low because of the complicated nature of the proposals. Therefore, the proposals have come before us now and the Government have not got any scientific background to assess actually what the impact is going to be and as usual, there is under-estimation. My fears are that the under-estimation is very much more than it should be. In the case of individuals the curb on deduction for expenditure on account of remuneration and perquisites at Rs. 60,000 per annum for an individual employee and units amounts to enforcing a sort of ceiling on income through the backdoor. If so, let them say so. Perhaps Mr. Bhupesh Gupta wants it.

Shri Bhupesh Gupta: Absolutely.

Shri Dahyabhai V. Patel: Let me inform my hon. friend, Shri Bhupesh Gupta, that in the land which he admires so much, there is neither a ceiling on income, nor is the disparity between the income of the poor worker or the peasant and that of the topmost paid man less than the proportions that we have here. They are as high if not higher than that in progressive European countries.

Shri Bhupesh Gupta: Then you should follow what I am saying here now.

Shri Dahyabhai V. Patel: Out of the total investible resources pool in this country, the Central Government and the State Governments will now be taking away about 30 per cent by way of taxes, loans, savings and compulsory deposits. The Defence expenditure will be met and the public projects expenditure also. But what about the other sectors of the Plan? In a mixed economy enough resources should be left for development and expansion of other sectors of the economy. But under the plea of mopping up purchasing power in order to prevent inflation, the Government is taking away all the resources from the total investible pool in the country and it is well known that the investments in the public sector bring negligible return. This will have serious repercussions on the present industrial development of the country and the future capital formation. In this connection I would like to draw the attention of hon. Members too.

Shri Arjun Arora: Is he reading from a book?

Shri Dahyabhai V. Patel: Yes, I am presently reading.

The Deputy Minister in the Ministry of Finance (Shri B. R. Bhagat): From what book?

Shri Dahyabhai V. Patel: I will just tell you. In this connection I would like to bring to your notice the opinion of well-known experts. This is from the publication 'Taxation and Investment' by the National Council of Applied Economic Research, New Delhi.

The Minister of Finance (Shri Morarji R. Desai): That is not a Government publication.

Shri Arjun Arora: It is not a Government organisation. It is an independent organisation.

Shri Dahyabhai V. Patel: But government-recognised. The Government has recognised it. I will correct myself if the hon. Minister says that the Government does not recognise it.

Shri Morarji R. Desai: No question of not recognising it.

Shri Akber Ali Khan: These are not government's figures.

Shri Dahyabhai V. Patel: But they are recognised expert economists and they have been giving their advice and their advice is often quoted by the Government when it suits them. I am, I believe, entitled to quote them also.

Shri Morarji R. Desai: When it suits you.

Shri Dahyabhai V. Patel: On page 78 it is stated here:

> "The real position, however, is quite the contrary. Net savings by the public sector have really declined since 1951-52. The ratio of net government savings to net government investment has steadily fallen from 94 per cent in 1951-52 to 18 per cent in 1957-58. In other words, an increasing proportion of public investment is financed by drafts on private savings".

And let us remember that this was as far back as 1951-52. The draft on private savings has gone very much further and what will it be after these proposals? Then further it is stated here:

> "At still higher levels of wealth, the sum of income and wealth-tax liabilities will first equal and then exceed the entire income of the individual. In other words, consciously or otherwise, the tax system is so fashioned as to impose a virtual ceiling on individual wealth holdings".

If this is the policy of the Government, I would like Government to come out with a clear statement that they want to impose such a ceiling on salaries, a ceiling on earnings and on capital.

Next, I would like to invite the attention of the House to a passage in another chapter Taxation and Foreign Investment—since this is very pertinent. At the end of Chapter X, on page 90 it is stated here:

> "Although the Indian rate of wealth-tax on companies compares favourably with the rates in the six European countries, which tax the wealth of companies, this tax is not in force in important capital-exporting or capital-importing countries, which compete with India for foreign capital. Secondly, it imposes a burden on companies which is in addition to the already high rates of company taxes. This tax would, therefore, be a deterrent to foreign investment in India".

And this was said some years ago. What will be the position after the Finance Minister's recent proposals?

The State Finance Corporation charges interest at 7 per cent and 8 per cent. The corporation is a State sponsored organisation. If the Finance Corporation hopes for and legitimately wants and the Government also supports this policy of taking interest at 7 per cent and 8 per cent, then is it fair to ask the industry or the private investors to be satisfied with less than 6 per cent? If the profits are reduced, then the source or the pool from which wages and bonuses ultimately come will be reduced. Whether it is direct or indirect, the burden impinges on the body politic at the lowest level where all the weight has to be supported. The burden of the Budget is ultimately going to fall on the consumer and the toilers at the lower levels. The present set-up and industrial structure of our economy is such that it will convert direct taxes into indirect taxes and the burden of it will fall heavily on the consumers and the wage-earners. The State Budgets and the Central Budget reveal that the entire internal and external policies have led us to this rising pitch of taxation. It should be obvious that it cannot be right to do so. It is time—and I have been, as a matter of fact, saying this for more than a couple of years—for Parliament and the country to think whether it is right for a Government to continue with such policies and whether it is right to continue such a Government, if it cannot find other ways of carrying on the administration of the country except by resorting to such oppression. The situation of danger to national security so close by the Chinese aggression last winter cannot be met by oppressive taxation. Such methods will only undermine the moral stratum.

Such methods of oppressive taxation will undermine the moral stratum and the vigour of the people, incapacitate them to resist future aggression of such a type and will damage the prospects of increased production both in industry and agriculture which we need so much. Why do we do this? On an earlier occasion I had pointed out that in one of the Sanskrit books called *Rajtarangini*, the Sanskrit pundits are said to have advised the Kings of Kashmir and—the translation of this book, if you please, was made by the late Shri R. S. Pandit, brother-in-law of the Prime Minister, and the Prime Minister has written a foreword to this book—that if they wanted to keep their power, they should look after, keep an eye on the cultivators. "Do not allow the cultivator to keep more than years' requirements of grain. Do not allow him to keep bullocks in excess of that required to plough the land for one year. Do not allow him to ride a horse because he will get wind in his head. Do not allow him to keep more woollen clothing; he should have just the bare clothing necessary; otherwise he will become soft and will not go out to work in the fields in the cold of Kashmir".

Shri M. Govinda Reddy: He seems to have written this for the Swatantra Party.

Shri Dahyabhai V. Patel: For the information of the hon. Member I might tell him that this book is more than a thousand years old but I want to ask my friends opposite, who do not see the writing on the wall, whether the Prime Minister is not acting according to this advice.

It is therefore, and because the policies are not progressive, that I shall oppose the Budget proposals. What are progressive countries doing? Why is there so much hush-hush about our defence efforts, when we ask about the defence equipment we have and about the expenditure on this? It is quite true, and I quite understand, that to a certain extent there should be some secrecy on defence expenditure but the present system that we have debars any scrutiny. On the contrary, look at what the progressive countries of the world are doing. In a magazine called *U.S. News and World Report* there are figures given of defence manpower and expenditure on defence relating to more than a dozen countries. These are published, the manpower that they have got, the length of the military draft, the equipment they have. Where do we stand here? If the country is expected to make a sacrifice and tighten its belt to the limit that we will have to, are we not entitled to know the equipment we have, the efforts that we are making to build up our defences so that, God forbid if we are to face another foreign invasion once again, we will know where we stand. In all seriousness, I ask, what is the Government, what is the Prime Minister, who has been having the unquestioned love of the people for the last thirteen years, doing? And, under these circumstances, to come out with a Budget of this type is something that I cannot understand and it is time that people got up and said that they would have no more of this. I oppose this Budget.

**PROF. N. G. RANGA — Lok Sabha, March 16, 1963**

I am sorry, on this first opportunity to speak on the Budget introduced by my hon. friend Shri. Morarji Desai — and the other Budgets introduced by him — that I cannot agree with him in the claim that he has made in these words:

"I have endeavoured in doing so to be fair and constructive to the best of my ability".

I am not quite sure whether he would agree with me when I say that it is not entirely his own achievement.

Shri. Morarji Desai: Entirely my own.

Shri. Ranga: If so, he would have hesitated in using these words: "The proposals that I am called upon to make for my fifth Budget"...

Sri. Morarji Desai: That is my duty.

Shri Ranga: Why do I say that these proposals are not fair and that they are not constructive? Are they fair to the Kisans, the great majority of our masses? The prices of agricultural commodities are being kept down. I know it for a fact that the peasants are suffering very bitterly because the prices that they are able to get, if at all they are able to get, are very low. In many cases they do not find buyers and those buyers who have sympathy for them and want to take their supplies are not in a position to pay, because they are not able to sell at the consuming centres, and they are going through all these troubles. So, how can we say that my hon. friend has been fair to them? Not being satisfied with that, they have been harassing and hustling the State Governments with the so-called Land reforms. They have introduced these ceilings. After having put that ceiling, they have also clamped upon them additional tax burdens and additional land revenue burdens. In my own State, our Finance Minister has had to admit that in some cases the additional burden would be 200 or even 300% and that in a few cases it may be more. Certainly nowhere is it less than 100 per cent more. My hon. friend now comes and says he has got this great gift to us, namely, the imposition of compulsory savings. How is it to be collected? Through the Village Karnam and the Village Munsif. In that way, it will be collected with all the rigours of land revenue collection. Are there any exemptions there? In the case of other classes of people, there is some minimum of exemption. But here, in the case of the agriculturists, there is nothing whatsoever.

Take next the ordinary working classes in this country. My hon. friend seems to think that just because he has tried to beat everybody, whip everyone, he has been quite fair to everyone. I do not see any reason why the Finance Minister should be squeamish about making concessions to the agricultural workers, the Industrial Workers and the under-privileged people, all those who are obliged to live under subhuman conditions, and save them if not from the whole of the tax burden atleast from a part of the tax burden. My hon. friend does not wish to make that effort. On the other hand, the total tax burden would come to not less than Rs. 285 per capita. That means, if we were to take into consideration the per capita income of our people, as calculated by the Government experts, on the basis of 1949-50 prices, it comes to more than one month's income.

Is this a rationally-conceived budget? Can we say that this is a national budget? I say that there was not a national approach to this budget. It is a party budget; the Congress believes in Socialism and in development first of all. Just because this nuisance of the Chinese invasion has come, they would like to make a provision for that also. I strongly dissent from that approach, if that is the approach of the Government.

Coming to external affairs, all our friends are so eloquent about the failure of the External Affairs Ministry to win the good-will of the various nations for our stand in regard to China. This damsel comes in for Rs. 15 crores whereas they needed only Rs. 11 crores, two years ago. Then, there is cooperation. They are not satisfied with the money that is being spent by the State Governments and they want to spend here Rs. 4 Crores. On labour, railways, posts and telegraphs, various Government institutions and corporations are spending money, but on top of it, Government here wants to spend Rs. 6.71 crores on labour.

It is said that our people should be willing to bear this additional burden now and when compared to other countries, what we are bearing is so much less. But I want the Government to remember that since the second World War, more and more burdens have come to be imposed upon our people not only through direct taxation, but also through excise and inflation. During the Second World War, there was a huge burden of inflation imposed upon our people.

Now, it speaks volumes of the patriotism of the people that they have welcomed this proposed additional expenditure on defence. It comes to more than Rs. 20 per head, which is nearly two-thirds of a month's income of these people. Long before these budget proposals were prepared, it should have been the duty of the Government to try to find out which countries are willing to help us. Now they are going to send the Defence Minister, the Super-Minister, the President and their super-Secretaries — later on I suppose another host of Ministers would be sent — to various countries of the World in order to ask them to give us support, which we need so very badly. All this should have been done earlier.

Sir, all credit to Mr. Kennedy, who on two occasions has come out spontaneously to offer help and assistance to India and, what is more, to say to the whole World that they would consider it to be one of their own international responsibilities to see that India was not overrun by the Chinese, that the Chinese Communist invasion would not again take place on the large scale on which it has taken place, and that if it were to happen, then the security of the democratic people and countries in the World would be affected. When all this offer had already come would it not have been wise on our part to have welcomed it? We should have welcomed it in the budget sense and asked them to what extent they were going to assist us. Then we should have pooled their resources along with ours into a common comradeship for the protection of our freedom.

Sir, on the other hand, my hon. friends do not seem to be keen to discharge their duties in that direction. They seem to be keen in another direction, and that is to utilise this opportunity given to our country by the patriotic feelings of our people to impose all these additional taxes. In Russia, too they depend for most of their tax revenues on what is known as the purchase tax. Our Government has also come to depend upon that. A qualitative difference has come over during the last five or six years. More than Rs. 80 crores additional tax burden is going to be imposed by way of this purchase tax — I mean the Central excise duties.

An. Hon. Member: Rs. 106 crores.

So it would be a Soviet-oriented budget and it is in that direction that they want to proceed, because, as I told you, they take their lessons from Soviet Russia.

Yet, my hon. friend is courageous enough to say that he is constructive. That is why he has put all goldsmiths out of employment. Then he makes a great offer of telling the State Governments — we know how they respect even the fiat coming from the Prime Minister — to do what they possibly can to provide them with employment, to give scholarships and so on. I have got here figures to show the performance of the employment exchanges. 38,45,000 people asked for employment. They received notifications of jobs only for 7,90,000 and they found employment only for 4,58,000 people. So, 23,37,000 people are still left without any employment being provided. I am told that even in the employment exchanges there is corruption. Unless some money is paid, a candidate is not registered. Inspite of all these things, this is the record of the employment exchanges, and he and his Government want the country to believe that these goldsmiths will be provided with employment.

Therefore, to conclude, I wish to say that this is not a National budget; it is a party budget. It may be a socialistic budget, but it is not even a developmental budget. Let the Estimates Committee bear witness to what I say. They have not even come forward, as the British Government came forward during the last war to ask for a special committee to study their own defence estimates. They do not want any check at all. In today's papers you get extracts published from the report submitted by my hon. friend, Shri. Tyagi, showing how the Ministers are behaving with public funds, Public facilities.

**MR. P. K. DEO — Lok Sabha, March 12, 1963**

I could not find a more appropriate adjective to this budget than calling it a Juggernaut. It is a budget which only the Finance Ministry completely ignorant and criminally indifferent of the nature of the economic activity and of the standard of living of the people could dare to conceive. It has put the country's economical clock back by at least three Five Year Plans. It is a vicious attack on the standard of living of the people. In a nutshell, it is stark oppression and it is the price which the people of this country are going to pay for the mistake that they have committed in the 1962 elections. Administrative convenience in extracting more money as a means is given over-riding priority in exclusion of other considerations of social Justice and equity.

The additional taxation proposals amount to Rs. 275 crores. In their magnitude and range they exceed the sum total of the taxation proposals in the last four years. Additional taxation revenues, would bring Rs. 2000 crores if the taxation goes on at the current rate for the whole of the Third Year Plan period, as against the target of Rs. 1,170 crores which is the financial resources of the Third Plan from this source.

Coming to indirect taxes, the Finance Ministry has cast the net so widely that it has covered all the necessities of life. The Finance Minister proposes to raise Rs. 116.21 crores by excise duties. It will cruelly hurt most of the people. He has imposed taxes on all conceivable commodities, mostly the necessaries of life of the common man.

It includes tobacco, vegetable products, soap, paper, straw board, cotton yarn, aluminium and china ware. Lastly, it is kerosene. In the case of kerosene superior, it is a 300 per cent increase and in the case of kerosene inferior, it is a 200 per cent increase in the present taxes. After all this big programme of oil exploration and the amount sunk in the hunt for oil, if, at last, the poor man has to pay 200 percent and 300 per cent more on his consumption of kerosene, then, I think, God alone can save this country, especially when the per capita income in this country is Rs. 330 per annum. It will pinch the pocket, of the poor. It will affect the low income bracket, as has been pointed out and as has been voiced by the previous speaker in his sermon for sacrifice.

The surcharge on customs duty at a flat rate of 10 per cent will bring an additional revenue of Rs. 99.77 crores which will further boost the prices. It will have an inflationary effect on the cost and raise the cost of living by at least 10 per cent. Similarly in the case of transport all our development programmes are being retarded by the bottle-neck of transport. If by increases on diesel and petroleum, transportation cost is going to be higher, then it will put the clock back.

Similarly, in postal charges. The Finance Minister has not spared even the usual amenities which any civilised country gives to its people. So far as indirect taxes are concerned, I beg to submit that it is day light robbery. The Finance Minister has said that the people should be strong to fight the Chinese. But, if they are to be bled white, an anaemic nation cannot be expected to fight with the ruthless Chinese.

Coming to direct taxes now, the Finance Minister, contrary to his utterances, has levied these tax proposals which go against the very incentive for production. I draw your attention to page 11 of the Finance Minister's speech. In para 27, he says:

"First and foremost, there is need to increase production and accelerate the pace of development. The growing claims of defence and development cannot be met except on the basis of an expanding volume of production. By far the greater part of the responsibility for increasing production rests with the private sector;"

In this regard, I would like to pin-point my observations on the super-profits tax. The super profits tax on companies which will be operative from a comparative low level of profitability of 6 per cent, will have far-reaching impact on the corporate sector. The Finance Minister proposes to penalise efficiency. It will stop Capital formation and its future development. The incidence of tax while putting a premium on inefficiency will take away 65 to 75 per cent of profits by way of taxes. The Limit of 6 per cent does not even compare favourably with bank financing which is available at 8 per cent. In this regard I would like to quote from an article of no less a person than Shri A. K. Sen, a Minister of Government which appeared in the Economic Journal of the A.I.C.C. on November, 15 1957.

Some Hon. Members: 1957?

An Hon. Member: Things have changed.

Shri P. K. Deo: Changed for the worse. He says:

"The yield from income-tax indicates the operation of the law of diminishing returns. The structure of income-tax is tending to reduce the incentive of the enterepreneur to work more and earn more".

He further goes on to say:

"While the incidence of tax burden increased in India, there was a fall in the number of assessees, indicating that the law of diminishing returns, has already set in. In other countries more taxes are paid where there are a larger number of assessees. Such trends indicate that in India, the sources of personal income are drying up. And the policy of progressive increased taxation has not been yielding increased revenue. Government will not be able to realise increasing yield of taxes unless the income of the people expands at the same time at least proportionately."

The surcharge of 4 to 10 per cent on income tax will have a serious impact on the savings of specially of the small man with an annual income of Rs. 3,600. The surcharge of 20 per cent on the income tax in the corporator sector will make partnership a prohibited form of association.

Restrictions are going to be imposed on remuneration and perquisites. Restrictions are going to be imposed on all remuneration above Rs. 5,000 a month. In an expanding economy, it will be difficult for companies to get highly skilled technical foreign experts required in some of the highly complicated processes of manufacture, specially more so in our defence manufactures. The Finance Minister should not judge the corporate sector by the poor performance of the public sector.

The Parliamentary Committee which was scheduled to be formed to look into the public sector undertakings of Government has been shelved since so long. Since the last two sessions we have been told in this House that some controversy is going on between the Rajya Sabha and the Lok Sabha regarding the formation of the parliamentary committee to look into the public sector undertakings. But I do not think so; I think that the whole purpose is to shelve the formation of the committee into cold storage.

In this regard, I would like to draw the attention of the House, to various reports of corruption which have come to our notice and which has been rampant. In this regard, it would not be out of place to mention a quotation from Shri Harish Chandra Mathur which has appeared a few days back in the papers, where he says that no level of administration from the lowest to the highest is free from this charge of corruption.

So, I beg to submit that a high-powered committee should be appointed to go into this matter. It should not be done at the party level. My hon. friend wanted that some machinery should be formed at the Congress party level so that they could go into the matter. But why should it be confined to the party and why should it be made a party affair? It should be formed by this House which should go into this question.

The dominant feature of the entire budget is the provision of Rs. 867 crores for defence, of which Rs. 708 crores are scheduled to be spent under revenue expenditure and Rs. 159 crores under capital expenditure. In formulating his fiscal policy, the Finance Minister has rightly emphasised the emergence of this challenge to the nation's security. He has concluded his budget speech by posing three questions. He has said:

"Can we afford not to meet the challenge of the Chinese aggression? Would it be prudent to try and meet this challenge by forsaking our aspirations for development? Or indeed, would it be wise not to face it squarely and unleash instead the forces of inflation?".

In this regard, I would be failing in my duty if I did not point out that as an answer to this question the presumption of the Finance Minister regarding the inevitability of this taxation is far from the reality. The situation of danger to this country cannot be met by oppressive taxation. It exceeds all limits of endurance, and undermines the moral stamina and the vigour of the people. It incapacitates them for defence by damaging the industrial and agricultural production. Defence cannot be strengthened by breaking the economic backbone and by decreasing the incentive for production. We shall have to face this music because of the faulty foreign policy.

Shri U. N. Dhebar has said that he does not agree with those who say that we should align, because then we are going to barter away the freedom of this country. But he is absolutely wrong. The only deterrent to Chinese aggression would be our military superiority, and if the right policy could have been pursued from the beginning, then this sad state of affairs would not have been there.

It is impossible to compete in the arms race with China. This is what exactly China wants us to do. Since 1949, China has been engaged in building up her arms strength by having a defensive alliance. China entered into a defensive alliance with the USSR, which was signed in Moscow on February 14, 1950. So, in our case to say that we should stick to non-alignment is bad and is absolutely meaningless. Only an alliance with the Western democracies is going to act as the true deterrent against any Chinese aggression in the future.

Rajaji has been harping on this again and again. The communists are panicky. They are in the habit of creating panic in this country and trying to demoralise the people and in saying that India would be turned into a theatre of war with all the holocaust and all the consequences. It is all calculated to create a warphobia and thereby to undermine our military strength and make us incapacitated in meeting any foreign aggression.

If this alignment is examined in the true perspective, it will be seen that no aligned country like Japan or Iran or Turkey, Thailand, Philippines or Pakistan or even South Korea since 1951 has become a victim of aggression. China even does not dare to liberate the 29 square miles of Hong Kong from the British or to liberate 11 square miles of Macao from the Portuguese. She is only trying to 'liberate' its so-called territories in India on all sorts of pretexts because we are militarily weak.

As I have pointed out earlier, it is China which has been aligned with USSR. Mr. Khrushchev has said time and again that Russia will come to the aid of China in case of any emergency. So the protest of the communist against the Air Umberalla is deliberate and calculated. China wants to make India enter into an arms race with it in isolation of all our friends so that our economy may be shattered, fifth columnists can prosper in the misery of the people and they can nibble at our democratic institutions.

Coming to wasteful expenditure, it is absurd to presume that people are going to pay increased taxes if there is no check on spending by Government. The precept of austerity has no meaning unless an attempt is made to plug wasteful expenditure. Take the case of community development. We are spending Rs. 4.5 crores on this and the money is going into gutters without achieving any tangible result; except that it has provided a carrier-belt for the entire propaganda machinery of the party in power, right from the top to the village level; it has achieved nothing. We know very well – there have been so many judgments in election cases – how these community development people are being utilised to further the interest of the party in power in the elections. The other day no less a person than Shri A. P. Jain spoke at the UP Agricultural University – on the 21st February, 1963 – of the futility of this Ministry. We cannot afford the luxury of having these useless departments which are good for nothing. The entire Ministry should be scrapped. This will entail a saving of Rs. 4.5 crores.

Shrimati Lakshmikanthamma (Khammam): Is the provision of drinking water also a luxury?

Shri P. K. Deo: I am not afraid of interruptions. But I would like to remind the lady Member that there is no scope for expansion of the Ministry and no chance for a Deputy Ministership.

Mr. Speaker: No one is afraid here inside the House except myself. Therefore, he need not say that.

Shri P. K. Deo: In the morning I pointed out the increase in unproductive non-plan civil expenditure. Even though it has been pointed out time and again by the Estimate Committee that intensive efforts should be made to cut down non-Plan expenditure. What has been achieved? In spite of the assurances of the Finance Minister on the floor of the House that every step would be taken, the achievement is negligible as you will find in Page 25, Appendix II of the Seventh Report of the Estimates Committee. They say that in the Company Law Administration, the economy effected was retrenchment of one Upper Division Clerk and six Lower Division Clerks. In the case of the Defence Ministry, one Lower Division Clerk and one Daftari have been reduced and the resultant saving is only Rs. 4,200. In the case of Community Development, the procedure has been simplified. They cannot go on fooling everybody all the time.

In 1961-62 and 1962-63 there has been an increase in this unproductive non-Plan civil expenditure to the tune of Rs. 58-90 crores, and an increase is going to take place in the next Budget also. Even though very valuable recommendations have been made by the *Estimates Committee*, they are not being implemented. In the 129th Report of the Second Lok Sabha, they have referred to multiplication of committees. The Estimates Committee has pointed out that the Agricultural Marketing Adviser has been associated with as many as 31 committees, and if these committees meet four times a year, then the entire year is finished in attending the various committees. I cannot appreciate why there should be so many committees and why one person should be associated with all of them. So, the recommendation of the Estimates Committe that there should be amalgamation of committees has not been implemented.

*So also, why are there so many tiers in the administration* instead of having simplicity as in the case of of the Lok Sabha? There are so many Secretaries, Under-Secretaries etc. in the Ministries. Every wretched paper has to pass through the various stages. Instead of solving the problem, they put new points and create hurdles and impediments in the smooth solution of the problem. The morning there was a talk regarding the Minister's houses.

Shrimati Yashoda Reddy (Kurnool): He said something about the Lok Sabha Secretariat. I want to know whether he was correct in using the word "wretched".

Shri P. K. Deo: Shri Lal Bahadur Shastri tops the list by spending Rs. 558 per month on electricity. It is very good on his part to have come out and said that he is going to pay the bill. We all congratulate him. Shri Kanungo tops the list by spending Rs. 132 per month on water, and Hafiz Mohammad Ibrahim spending Rs. 45,324 on furniture. In entails an expenditure of Rs. 13,000 per month to the Government on water and power and *about* Rs. 13 lakhs on furniture.

Mr. Speaker: He jealously defends the privy purses.

Shri P. K. Deo: I have stated in the morning that it has nothing to do with the Budget. It is a part of the Constitution. It is nothing taking into consideration the colossal sacrifices they have made.

The entire budgetary gap of Rs. 454 *crores can* be filled if we take into consideration the following items. Customs and excise at existing rates will yield Rs. 154 crores taking into consideration increase in *production from* 11 to 15 per cent. Income-tax and corporate tax at existing rates will yield Rs. 30 crores more. Emergency risks insurance will yield Rs. 20 crores. If we scrap the Community Development Ministry, it will entail a saving of Rs. 4.56 crores. We could also do away with the Ministry of *Economic* co-ordination, saving Rs. 3.96 crores. Scrapping of prohibition will bring in Rs. 200 crores. Salt levy will give Rs. 25 crores. Besides these, there is Rs. 837 crores in the *non-utilisation* of foreign aid.

The emergency power is being used as a mantle of protection by the Finance Minister to go in pursuit of so called socialist dogmas, thinking that this will lead to the golden road to Samarkhand. Samarkhand is in USSR.

Mr. Speaker: I was in Samarkhand last time; but there are only heaps of ruins now.

Mr. P. K. Deo: It will ultimately lead us to ruin.

**SARDAR KAPUR SINGH — Lok Sabha, March 13, 1963**

The *Finance Minister* has produced a stupendous Budget. It is a Budget that contains astronomical figures, and it is a Budget that by its sheer immensity overawes a peasant like myself.

On examining the details of this Budget it is seen that whereas the Centre and the States collected about Rs. 1900 crores of National income by way of revenues in 1961-62, the corresponding collections in 1963-64 *would* approximate Rs. 3 thousand crores. Whereas in the year 1961-62, it was about 13% of the National income that the State took away, in the current Budget this percentage may well approximate the figure of 20%. I give these figures on the authority of Prof. Shenoy, as revealed by him in the *Economic Times* of March 2, 1963. The same authority asserts that these State imposts represent potential savings of the people transferred to the Government. Since no part of these savings results from the Government expenditure, the increase in revenues means eating up of national savings. This loss of savings is estimated by him at about Rs. 4 hundred crores during the years 1961-62 and 1962-63. Taking into account that the national savings are to the tune of 11 hundred crores per annum, the increase in taxation clearly amounts to a very considerable loss in capital formation and economic development.

It is clear from this that this Budget is not well-conceived and it is bound to retard capital formation and economic growth of the country.

Now, a Budget of a country merely mirrors the *domestic and foreign policies* of a country. It is an attempt to realise the needs of domestic policy and the aims of foreign policy.

It is not my purpose here to enter into a process of detailed criticism of the foreign policy that we have been pursuing eversince Independence. This policy goes under the name of Non-alignment. Whatever the content of this policy may be, the only proper way of understanding it is by realising that it is a policy *which has neither impressed* our enemies nor cemented our relations with our friends. We stand for democracy and freedom and yet our transient expediency made us turn a blind eye towards the strangulation of the Hungarian people. We stand for dissolution of colonialism, and yet when Tibet was raped we could do no better than proclaim to the outside world that the Chinese had the legal right to do so. There is this fundamental dichotomy inherent in the doctrines on *which we have based* our foreign policy. It is this inner contradiction of our foreign policy which has brought us the sorry plight in which we find ourselves today.

This is an ugly picture and it is our foreign policy that has landed us here. It is no answer to this that there are good arguments for the doctrines that have animated our policy. It is no answer to this situation that any other policy that may be suggested is not free of faults. The simple truth is that the policies that we have pursued so far, have landed us into soup, if I may use this culinary expression in relation to our national tragedy that is unparalleled even in our own history.

The present Budget gravely errs in seeking to find ways and means of meeting the situation without discarding the policies that have lead us into it. No amount of taxation and no amount of regimentation or concentration of power in the hands of ruling party, can retrieve the situation and save the honour and integrity of this country unless there is a fundamental change in the policies that have resulted in this sorry plight.

Now, coming to our domestic policies of economic development I cannot but say that they are equally ill-conceived. Nobody denies that we are very much an underdeveloped country. Nobody will deny that it is of the greatest possible urgency that the material condition of the people should be improved. We do not join issue with the Government on this that all measures necessary for material development must be adopted if they are consistent with our fundamental policy of preserving democratic values. In our country, however, we have presumed that the Soviet-type planning is the best possible method of achieving quick results in the sphere of material development. This takes into account only one facet of the Soviet experiment. We have failed to comprehend that the Soviet experiment has succeeded not merely owing to State-planning, but also through a ruthless regimentation that has resulted in great human misery and colossal loss of life. Let us be clear in our minds to the obvious implication that either we must adopt the Soviet methods entirely or we must look for alternative solutions of our problems. Soviet people are not the only people who have progressed from an underdeveloped to a highly developed country. Japan, West Germany, and some other countries have done much better, and in a shorter period, by adopting less questionable methods. Why must we pursue the path of Soviet Planning which is nothing but State-capitalism? Why is it necessary for us to ignore the true implications of the Soviet experiment which ultimately leads to concentration of all power and all wealth in the hands of a single class? If this is what we aim at, gathering of all power and all wealth in the hands of a single class, then let us clearly say so. By merely professing faith in democracy and ultimate value of personality, and by merely professing allegiance to the freedom, prosperity and dignity of the common man, we shall attain neither, unless we turn our faces from the methods which lead in the opposite direction.

The attempt of the Finance Minister to link his Budget proposals with the current Third Five Years Plan cannot but lead to undesirable results.

The only point that I wish to make here is that the huge expenditure involved in the Third Five Years Plan has no direct or necessary bearing to the basic problem that we face today, namely, the defence of our territorial integrity.

The Budget proceeds on the assumption that there exists a necessary and casual nexus between the two. My contention is that this is a fallacy.

It is for this reason that I say that the present Budget has been raised on very wrong foundations. It is for this reason I say that the national objectives which this Budget is expected to realise shall remain unrealised. This Budget will neither strengthen the defences of the country nor will it provide good incentives for greater production. This Budget is likely to retard both. This Budget should, therefore, be totally rejected, unless it is basically recast.

I go further and say that this Budget, and the policies of which it is a child, are likely to fail not only in the near future but that their consequences will go far into the future. Our whole future as a well-knit nation and as a united country are imperilled by the Budget and the policies out of which it is born. Let no man think that, either through sheer persistence in a wrong course of action, or through plausible verbiage, he can escape the consequences of his deeds. The whole accumulated wisdom of our fore-fathers repudiates such a supposition. The whole experience of history runs counter to such a faith. The law of Karma is inexorable. Those who forget it, do so at their own peril and at the expense of those whose custodians they may be.

This criticism of the Budget, however, may be brushed aside as merely academic. It is, therefore, only proper that I should make a few broad suggestions for the consideration of the Finance Minister so that he may alleviate the harshness of the burdens which he intends to impose upon people, without having to correct the fundamental errors of his Budget. For instance, the Budget proposes the revenue expenditure of Rs. 708 crores on defence as compared with Rs. 367 crores of the last year. This has made it necessary to impose an additional burden of Rs. 232 crores on the people which is sought to be obtained by additional taxation.

The point that I wish to make is that it is not necessary to impose additional taxation to cover up this sum of Rs. 232 crores. It is reasonable to presume that at least 50% of this amount of Rs. 232 crores will be needed for purchasing equipment and armaments which we are unable to produce in this country. Why is it necessary for us to impose this burden of Rs. 166 crores on the poverty stricken masses of India when our friends U.S.A., Britain and others are quite willing to offer this equipment and armament as aid? This leaves a sum of Rs. 166 crores only to be found. Even this sum can be easily found without imposing additional taxation, direct or indirect.

Shri Bhagwat Jha Azad: Do you want charity from others?

Shri Kapur Singh: We are already living on charity. The whole world is living on charity. There is not a country in the world today which is not living on the charity of others. No country in this world can stand alone.

Shri Bade: You have taken machinery, armament and everything. Why fight shy of it?

Shri Kapur Singh: To begin with there is obvious under-estimation of revenues in the Budget proposals. In the year just ending, we are likely to realise Rs. 8

hundred crores as against estimated revenue of 730 crores. Allowing for an additional rise of 3% over last year's in industrial production in the coming year, the Central excise and Customs may be expected to yield a total revenue of Rs. 890 crores as against the Budget figure of Rs. 730 crores. This alone gives us an income of Rs. 166 crores, that we need for defence.

Then there is the question of income-tax collections. An additional yield of 5% at the existing rate of taxation can be reasonably expected, and this will yield us about Rs. 8 crores over the proposed Budget figure. Similarly, an additional collection of about Rs. 12% percent can be reasonably expected on the corporate taxation which means Rs. 22 crores. This gives us a figure of Rs. 30 crores which is there of which no account has been taken in the Budget proposals.

In the same manner, is it too much to expect, keeping in view the state of affairs recently revealed by the figures of expenditure on consumption of water and electricity by the Cabinet Minister, that if there is an honest attempt to effect economy in the civil administration, a sum of Rs. 50 crores can reasonably be saved?

Thus, there is all the money already there that the Finance Minister needs for his planning and for his defence expenditure, without his imposing additional taxation on the citizens. There is no good reason, that he should propose the heavy taxation that he has done, unless he finds intrinsic pleasure in taxation as such. Well, has our national poet, Asad Ullas Khan Galib, said:

"My beloved is a refined sadist and mass torture afford him sheer pleasure. If he has assumed a pose of piety, he is nonetheless the sadist."

**Prof. M. RUTHNASWAMY — Rajya Sabha, March 5, 1963**

We have been reminded from all sides of the House that this is a War Budget the experience of the two World Wars in free democratic countries like ours has shown that a War Budget must provide for at least two things,absorption into productive activity of all the employable resources of brain and muscle, material and human. And the other thing a switch over to the immediate war purpose as large a proportion of these resources as could be spared from the ordinary peace-time activity.

War itself is a great industry. The Prime Minister and other spokesman of the Government have excused the lack of defence production on the ground that we have had not enough industrial base. But war for industries themselves, if they had been exploited during the last fifteen years, would have provided the very strong industrial base which the Prime Minister is after. Judged by these principles, how does the Budget fare? Defence expenditure has been provided for to the extent of Rs. 870 crores. But what are the particulars of this Defence Budget? How much is going to be spent on personnel and how much on equipment and material, we do not know. Even the little information that we get in the previous Budgets is withheld from us this year on account of reasons of security. Last year, only about Rs. 60 crores out of Rs. 285 crores were spent on the manufacture of arms and ammunition. Is the same proportion going to be kept this year when all the emphasisis is on the production of war equipment?

Particulars of the chief items of the expenditure could have given confidence to the taxed public that defence production is on a sound scale. We ought to concentrate on the production of basic arms, not fancy arms, as some military experts are advising the Government to do, basic arms like machine-guns, small arms and ammunition, arms that are required for mountain warfare and for guerrilla warfare. There should be no irrelevant expenditure, like the expenditure on the aircraft carrier for which the former Defence Minister was responsible. That aircraft carrier is supposed, to have cost between Rs. 25 to Rs. 30 crores. What is the use of such an aircraft carrier in the present war emergency? If this sum of Rs. 25 or Rs. 30 crores had spent on the production of small arms and machine-guns, it would have been very useful to our men in the recent war operations. Is production being geared up for the promotion of defences needs?

All round we see taxation. These extensive and intensive taxation proposals of the Finance Minister impose on me two melancholy reflections. One is an old European proverb adopted to the effect that nothing is so certain in India as death—and Mr. Morarji's taxes. The second melancholy reflection is that while the taxable capacity of our people is notoriously limited, the taxing capacity of our Finance Minister is evidently unlimited.

Direct taxation is welcome as a counterpoise to indirect taxation. We, of this party, have no bias for or against direct taxation. The only test by which we judge any form of direct taxation is: Will this help production? Will this promote production? With a dividend of only 6 per cent it will not encourage capital formation. Nobody is going to invest money in shares which will get him only 6 per cent return because in the early years of a company, very often the shareholders have to go without any dividend and the 10 or 15 per cent which they earn in later years is the compensation for these years when they could not get any dividend at all. Tax not higher incomes, but tax spending, if you want to tax rich people.

Indirect taxation is of a very high order. It has already led to an increase in the price of kerosene has led to an increase in the prices of meat, vegetables and other products because the butcher and the vegetable seller also have to buy kerosene at the new price and they have to make up for this high price of kerosene by charging their customers higher prices for the products that they require.

Compulsory savings are another form of taxation. No doubt, eventually, the man who is obliged to save compulsarily will get back all his capital and will get a dividend. But here and now, so much money is taken away from his poor income. There must be an attempt at adjusting the expenditure to the war situation.

A distant economics authority the London *Economist* deplores that large numbers of our watercourses in the countryside are left to waste without being used for minor irrigation works. And then there is the great source of revenue which is not exploited by the Government, namely reduced expenditure. In England the War Cabinet consisted of only nine persons, and a minor Ministry of about eleven or twelve. Now here we have still the same old Ministry of fifty persons. There the Ministry can be reduced to the level of nine Cabinet Ministers, nine Ministers of State and nine Deputy Ministers with a corresponding reduction in the expenditure on the administrative offices. The Prime Minister say that war has increased the work of the Ministers. That is to say, there had not been enough work all this time and it is the war that has increased their work. But it is possible to have more work produced from a lesser number of Ministers and from a smaller Secretariat.

Other savings also are possible. Under-estimating is an old dodge, not an invention of the present Ministry; it is an old dodge inherited from the British, and this under-estimating has given us this year an additional revenue of about Rs. 1.50 crores. So I may say that next year also we shall have this addition to the revenue of about Rs. 150-200 crores. And will this Budget be enough? Will all this expenditure, will all this Rs. 867 crores, will all this Rs. 1,220 crores for planning be enough in order to finance the defence of India by ourselves?

The obvious truth is that India cannot do it alone cannot go it alone. She is too poor and the country it too vast and the frontiers to be defended are too extensive for India alone to see to it. She must seek help from abroad. That help may be in the form of equipment. But why should this equipment have been bought when the Western powers offered this equipment free? Is it pride? Is it vain glory that prevents our Government from taking these gifts freely offered? And if we could have equipment, not a military alliance also as a means of easing our defence burden? The Prime Minister, when massive help in regard to equipment, was suggested in one of our earlier sessions, said that there would be loss of independence. But when the urgency came and the emergency came, he himself volunteered to ask for more and more defence equipment. So also it will be in regard to alliance, military alliance. It may be shocking, it may be a new thing to him, but in time of urgency, if he has to save his country, he can save it only on the strength of a military alliance. When the enemy is within our gates we may be forced to seek an alliance, a military alliance from abroad. Why should we not do it now, because now we will be able to impose our own terms upon the military allies. We shall be able to delimit the scope of the alliance, the conditions of the alliance, the implications of the alliance, but at the eleventh hour or at the zero hour we shall have to ask for military alliance and we shall have to take that military alliance on the conditions imposed by the military allies. So in the interests of the country, in the interests of the defence of the freedom of India, it is necessary that we should revise our foreign policy because, after all, defence, foreign policy and the Budget hang together.

The Budget is a function of defence and of foreign policy. We will have to radically change our foreign policy. A distinguished lady Member from Andhra Pradesh I do not know whether she is present today—the other day, with the sweet simplicity that sits so attractively on women, even on women in politics, said that we shall be surrendering our independence if we seek military alliance. Has England surrendered her independence by seeking alliance in the last War with the United States? Even the United States is dependent on alliances, in Europe. It is an antiquated theory that military alliances, imperil our independence. If military alliances are entered into at the proper moment, if military alliances are surrounded by the conditions that we impose upon the allies, military alliance will be no danger at all to this country.

And therefore, although we may spend twice the about we are spending today on the Defence Budget, even if our Defence Budget is raised to Rs. 1,000 crores or even to Rs. 2,000 crores, we shall not be able to equip our defence forces against such a powerful enemy as China. We shall not be able to add heavy military equipment like fighter aircraft, supersonic aircraft, bombers, transport planes, all those things that are necessary equipment for the defence of India against such a powerful foe as the Chinese. Therefore, although we are willing to bear the burdens of this Budget, we on this side think that, with all the expenditure, the Budget will not be able to organise the defence of our country, will not be able to put the defence of our country on a sound basis.

## Annexure B

*Extracts from speeches by our members during the debates on Demands for Grants for the External Affairs Ministry and the President's Address.*

### MAHARANI GAYATRI DEVI — Lok Sabha, March 18, 1963

Before I start I would just like to reply to something that Professor Mukerjee stated in his speech. He spoke about Shri Rajagopalachari who is not here and said that we were fortunate that Shri Rajagopalachari was not able to choose our leader in this country. But, I think, I must say quite confidently that if it came to such a pass of either Professor Mukerjee having to choose our leader or Shri Rajagopalachari this country would stand by Shri Rajagopalachari's choice. Now I would like to deal with the other points.

Shrimati Yashoda Reddi: Sir, with your permission, I would like, to say that Shri Mukerjee did not say that he wanted it; he quoted Ayub Khan.

Shrimati Gayatri Devi: The Demands for Grants of the Ministry of External Affairs for the current year is before the House. It will be seen that this year's budget of the External Affairs Ministry has been increased by Rs. 2.19 crores. Let us hope that the hard earned money of our tax-payers will not be wasted. We must consider if our Missions abroad have succeeded in feeling the pulse of the countries to which they are accredited.

We have two recent examples of their having failed in this respect. The first was in Indonesia when our representative was taken by surprise at the anti-Indian demonstrations. The second was in Ceylon. Although they convened the Colombo Conference to solve the Sino-Indian dispute, they refused to remit to India the money collected by Indian nationals for our National Defence Fund. And yet our Government was not aware of this fact until it appeared in the press. In Burma we are no better off. We hear from the people returning from Nepal that the people there are not too fond of us. Recently, the hon. Home Minister had to go there to soothen their feelings. There are persistent rumours too that our territory bordering on Burma, some of the NEFA areas, parts of Assam and North Bengal have been so heavily indoctrinated by Communist propaganda without any check that they might turn hostile to India. We are spending considerable amounts on this area and I hope that the Government is doing all in its power to counteract the Communist propaganda.

Perhaps, our publicity has not been successful. Our own newspapers have commented on this, and it must be true because the Indian Government have been obliged to import a highly paid journalist to advise us on certain matters.

We are spending so much on sending our representatives abroad and on our propaganda. Would it not be a good idea if we acquired some long range transmitters so that we could do some of our propaganda through the radio? At present we seem to be wasting money on waging a campaign of propaganda on our own people. If, for example, the seventy lakhs of rupees that is being diverted to be spent on television in Bombay could be utilised for buying long distance transmitters, we could broadcast our point of view to other countries and counteract the propaganda of Radio Peking.

While on the subject of publicity, I should like to refer to the warnings we get periodically in the press—not to start rumours. But when the Ministry of External Affairs shrouds itself in a cloak of mystery, it is hard not to prevent rumours. For instance, a room has been allotted in the Ministry of External Affairs for a State Chief Minister. Naturally, people wonder why. His mere presence in Delhi has started rumours and the mystery has deepened because he has gone abroad on a mission of which we in India are ignorant. One would like to know the reactions of the Central Ministers in this respect—what, in fact, can this Chief Minister do that the Union Ministers cannot achieve? Is he both indispenable to his State and to the Central Cabinet? Whose precise role is it to acquire arms from the United States—Shri Chavan's, Shri Krishnamachari's or his?

I have deviated from a point I wished to emphasize and that is the importance of our relations with our neighbouring countries. For one thing, Burma has become a separate country and with the partition of India, Pakistan has now become our neighbour. Unfortunately, during the partition anarchy prevailed and as a result of communal riots, loss of life and other things, our relationship with Pakistan became very strained which, of course, is very sad. We have so much in common culturally—and also the waters of our rivers—and in West Bengal we produce a lot of crops that they manufacture. I have no doubt that had it not been for the problem of Kashmir, these questions would have been solved some time ago. I only hope that Sardar Swaran Singh and Mr. Bhutto would soon come to an understanding on these vital problems.

In the same way, it seems a shame that when Tibet was invaded by China, we did not as much as protest. At that time, we were on good terms with the Chinese and we were pleading their cause in the United Nations. We could surely have appealed to them on behalf of Tibet. Shri Acharya Kripalani, Shri Ranga and Shri Masani and many others repeatedly pointed out the danger of the occupation of Tibet by China and yet our Government turned a deaf ear to their appeals. All that they had said has been proved true today. The whole world watched Tibet being swallowed up and no one raised a finger. I remember thinking, at that time, that surely tragedy like that could not take place in the twentieth century. On our part, was it not a short-sighted policy? But there must be some sort of method behind this seeming madness—what could it be? Was it our fear of alienating Russia? Russia is a mature country and she would not start a world war on any provocation. Besides, it is no concern of hers if we wish to preserve a neutral and friendly relation between ourselves and China.

We call our foreign policy a policy of non-alignment, a neutral policy and a policy which is not tied to any military bloc. But in the true sense of the term, we have never been neutral. We were prepared to break our friendly relations with Britain over Suez and quite rightly so. We denied recognition to Israel and refused to exchange envoys with her. Although the Prime Minister has stated that whilst for reasons of political expediency, diplomatic relations cannot, as yet, be established with Israel, he sees no reason why other relations, such as, trade, cultural and other activities could not take place between both the countries. But, in actual fact a further deterioration between our relations and hers has taken place in the last few months. For instance, Indians, visiting Israel have to visit India, often only in transit find it impossible to get visas and the trade has come to standstill. Our businessmen are told by the officials of the Ministry of Commerce and Industry that by instructions from the Ministry of External Affairs, no import or export licences can be issued for Israel. This seems extraordinary when we need all the trade possible.

Also, Sir, we were silent when Russian tanks were showering bullets on the freedom loving people of Hungary and Poland. We almost always supported the Communist countries, supported the Communist bloc, in the United Nations. How then can we call ourselves strictly neutral? Our neutrality seems pro-communistic.

Before concluding, I should like to touch briefly on our relationship with the Western Democratic countries. They have been giving us aid on a massive scale to prevent India from following the footsteps of so many South-East Asian countries that have gone to the Communist bloc. There have been times when our representatives have gone out of their way to embarrass and insult these countries specially in the

United Nations and yet, when we were attacked, they were the first to come to our assistance. Of course, our leaders were fully aware that these two countries could not afford to allow India to be swallowed up by a communist country. But whatever our Government might say about America or England wishing us to remain non-aligned, one cannot but help wondering what the man in the street in those two countries thinks about our unfriendly attitude. It may be that the opinion of the man in the street in India does not count with the Government, but in those democratic countries, it certainly does.

There are in this world today two distinct trends—the communist and the democratic. We can no longer oscillate between the two. If we persist in playing with both these sides, I would only ask one question: If it came to a question of an all-out war between China and India, would Russia be in a position to supply arms to both these countries? In the same way, it would seem that India is both having her cake and eating it. But in pursuance of this policy between the two we have adopted a policy which has lulled us into a sense of false security. Not only that. It has prevented us from building up our arms as rapidly as we should. Therefore, I think, we owe it to our own people, to our friendly democratic countries to let them know on which side we stand.

The American President, Mr. Kennedy, made a declaration that the American people would stand by India in her fight against Chinese aggression if communist China were to indulge on a large scale invasion. It is a pity that so far, the framers of our foreign policy have not shown their appreciation to this unconditional and whole-hearted offer. I sincerely hope and trust that irrespective of our views regarding the so called neutral policy of our Government, our leaders will hasten to develop our defences and our foreign policy in the light of this proffered comradeship from Western Democratic nations.

**DR. B. N. SINGH — Debate on President's Address, Lok Sabha, February 22, 1963**

I have studied the address delivered by the President to both the Houses of Parliament very carefully. I have tried hard to find some exhilarating remarks, some words of genuine comfort, something which will reduce the burden from the shoulders of the common man if not wholly, at least to a great extent. But in the Congress Government's policy as propounded in the address of our President, I could not find any such remarks which will go to ease the tension which we find in the villages today.

The policies of the Congress Government have ceased to hold any attraction with the people residing in the rural areas. The Finance Minister—though he is not present must be feeling quite elated within himself that within less than week from today he is going to bleed the entire nation white by imposing very heavy burden of fresh taxes all round. He has already ruined the Indian economy and the Indian people. He has hurt their sentiments very much. He has destroyed the rural credit bank by promulgating the Gold Control Order. He has, rather converted this Government into a "14 carat Government".

From time to time, I may say, we have been supplied very ambitious figures and voluminuous reports which tend to tell us how enthusiastically the Government has been going on doing its job of ameliorating the condition of the rural population through its Five Year Plans. Apart from the fact that crores of rupees are being spent on these schemes much of which could have been saved for a proper victory plan and for making the Indian army strong, these institutions have become the den of filthy politics in the villages. They have disturbed the peace and serenity for which the Indian villages were once famous. Literally speaking, warring camps have been established in each village and brothers are seen fighting brothers where village feuds were unknown before.

The common man is not concerned with the jungle of avoidable literature that is being published in testimony of the Government's boastful achievements' nor is he interested in the clever indices that are being manufactured in the various ministries every day.

This is not the only field where the Government failed. They have suffered an all round failure. However, they have succeeded in two respects: firstly in building and developing the institution of of "brown doll bureaucracy" and, secondly, in capturing and retaining power on a minority of votes polled. The Government has failed in the domestic front, their foreign policy has failed, they have failed to distinguish friends from foes and vice versa and, above, all, they have failed in their sacred duty of protecting the territorial integrity of India. In my opinion, therefore, they have morally forfeited their right to govern India any further.

Our President, when he returned the other day from NEFA, summarised the mistakes of the Government in the following words. He said:

"We have been credulous and negligent".

During the Second World War, after Hitler had occupied most of Europe he sent a peace offer to Churchill which the latter spurned and rejected because Mr. Churchill was very clear in his mind that democracy was fighting Nazism and Fascism and that between those two diametrically opposed ideologies there could be no truce or compromise. But the Prime Minister of India is not clear in his mind whether he is fighting Chinese chauvinism or expanding Chinese communistic suzerainty over Asia.

From his actions, however, it is apparent that he is merely trying to bully all opposition in the country and perpetuate his power by maintaining the Emergency—the Defence of India Act and Rules—when the urgency of the emergency has gone.

The hot war with China has come to an end and the cold war has started. Therefore, I can certainly say that a *de facto* armistice has come into being. It is absurd, under the circumstances, to continue the emergency any further. The argument by our Prime Minister only a few days ago that "China had not accepted the Colombo Proposals and has not agreed to come to the talking table, therefore, anything might happen", is a lame argument in favour of continuing the emergency in our country indefinitely. Like many other Congress policies, the policy of continuing the emergency when actually there has been a cessation of hostilities is fatuous. Perhaps, our Prime Minister does not wish to renounce the extraordinary powers which he and his Government both at the Centre and at the States, enjoy under the proclamation. The fate of 400 million Indians today *is in the hands of one man. Never before, not even* during the Mughal period, was the destiny of such a large number of people controlled by a single person.

I admit that China today poses a permanent danger to India. But this does not mean that the *citizens of India should indefinitely be stripped of* their fundamental rights guaranteed to them under the Constitution to meet the permanent menace which is coming from the other side of Himalayas. If the emergency powers are to continue, let them be exercised in making the army of India strong. The emergency should also be exercised in trying to bring about all-round improvement in production, both from our industries and from the fields. Certainly, the civic rights and privileges of the people should not be curtailed and controls imposed in the name of emergency. This would then mean the gradual liquidation of democracy in India and the silent victory of communism. This is exactly what the Communist Party wants, and that is why today the Communist Party of India is solidly behind our Prime Minister in his Policy on China.

Before I conclude I would like to sound a note of warning. It is a dangerous policy to try the enthusiasm of the people unnecessarily for a long time lest we may find it lacking when we need it most.

**MR. Y. N. SINGH — Debate on President's Address, Lok Sabha, February 25, 1963.**

I rise to express my dissatisfaction with the address presented by the President. From the address no one can know that our country has been invaded by a powerful enemy and that the Parliament has given a mandate to the ruling party to take measures to vacate *this aggression*.

The address talks of peaceful methods and it refers to Chinese invasion of our country as if it is just one unimportant occurrence. The address makes it clear that our Government have neither the heart nor the desire to face the basic task that now confronts them.

Sir, the defence of our territorial integrity is a primary task that a ruler has to discharge. In our own history when Anangpal, the King of North Western India was once defeated in the battle with Mahmood of Gazni he immediately set himself to prepare for avenging his defeat. When even in his second effort he failed, he took the only honourable course open to a ruler. He had a funeral pyre set up in Lahore and ascended it to perish in the flames. These are our traditions and such are the duties of a ruler. But now we are being ruled by a strange set of men. They put the country in a mess. They make mistakes after mistakes. They blunder into criminal deeds of omission and commission, again and again. Nevertheless, they feel no shame in clinging to their seats of power.

In his speech in the Lok Sabha on 5th December, 1961, Prime Minister Nehru had declared that his whole soul reacted against the idea of war anywhere. He added that he could not get rid of this attitude at the age of seventy-two. Now that he is a little older, the country cannot expect him to face situations that need more realistic action.

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## FUNDAMENTAL ECONOMIC RIGHTS

First consideration must be given to the freedom of every citizen to live his life according to his financial circumstances, personal desires and values. This basic principle of freedom for the consumer must logically be counter-balanced by freedom for the producer to make and sell what he believes to be marketable, that is, what he has found, after studying individual needs, to be essential and likely to succeed. Freedom for the consumer and freedom to work must be explicitly recognized as inviolable basic rights by every citizen. To offend against them should be regarded as an outrage against society. Democracy and a free economy are as logically linked as are dictatorship and State controls.

—LUDWIG ERHARD in his book *Prosperity Through Competition* (page 6)

*(For Private Circulation)*

INLAND PRINTERS, BOMBAY 7.