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Swatantra Newsletter

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Protest Against High Taxes

In a response that exceeded all expectations, the Party's units and members throughout the country responded as never before to the call to observe February 20, 1966 as "Anti-Excessive Taxation Day". It was truly a "Day of education for the people on the realities of oppressive taxation" and a "Day of warning to the Government."

That the warning went unheeded is common knowledge. The only thing new about the Union Budget was the person of the Finance Minister. Otherwise, the Union Budget gave little indication of a desire to deviate from the beaten path. While comments by the Party's Members of Parliament will be reported in the next issue of *Swatantra in Parliament*, we carry elsewhere in this issue a report on statements by our members from other platforms.

The despatch of *Talking Points* and the cartoon strip entitled *18 Years of Socialism* directly to the Party's district units, prospective parliamentary candidates and field organisers by the Central Office paid handsome dividends. From various parts of India reports came pouring in of meetings, processions, poster campaigns, signature campaigns, demonstrations outside Government Secretariats, and public meetings. (See centre page for an idea of the publicity on the Day). Everywhere the theme, with minor variations, was

that no new taxes should be imposed in the Union Budget for 1966-67

that there should be no enhancement in Land-levy

that wherever land or paddy-levy has been enhanced, it should be withdrawn

that excise duties on the daily necessities of life of the common man should be reduced drastically. Such items include cloth, kerosene, sugar, tobacco, betel nuts

that the strangulating taxes on the middle class should be drastically reduced

that inflationary policies which lead to rising prices should be scrupulously avoided

that the infamous Gold Control Act should be scrapped

that zonal restrictions on the movement of food-grains from State to State and District to District should be abolished.

In Annexure 'A' to this issue we have reported at length on the activities of our Units in various parts of the country on February 20.

The C. P. B. Meets in Madras

The Central Parliamentary Board met in Madras on February 26 and 27 with Prof. N. G. Ranga in the Chair. Mr. C. Rajagopalchari, Mr. R. N. Singh Deo, Mr. B. P. Singh, Mr. G. Latchanna and Mr. M. R. Masani attended. Mr. Dahyabhai Patel and Mr. N. Dandeker were present by special invitation.

The main item of business before the meeting was the selection of the Party's candidates in the biennial elections to the Rajya Sabha and Vidhan Parishads due to take place at the end of March. The following were nominated as the Party's candidates.

Rajya Sabha

Gujarat	–	Dr. Biharilal Anantani
Madras	–	Mr. G. K. Sundaram
Orissa	–	Mr. Loknath Misra
U.P.	–	Acharya Kripalani (whose independent candidature was to be sponsored by the Party)

Vidhan Parishads

Bihar	–	Mr. Budhan Rai Verma (Shahabad Local Authorities Constituency)
Mysore	–	Mr. P. H. Krishna Rao (Graduates Constituency)
U.P.	–	Mr. Raghubir Saran Srivastava (Baharaich Local Authorities Constituency)

OPPOSITION UNITY

The Congress Party is the major beneficiary of the split vote – which explains their disproportionately large representation in legislative bodies despite obtaining less than 45 per cent of the votes polled. To try and prevent the recurrence of such a phenomenon the Central Parliamentary Board after considerable discussion decided to invite the Central Parliamentary Boards of other democratic Opposition parties in the country to a joint meeting in Delhi during the current session of Parliament to discuss the possibilities of promoting an understanding for the next General Elections. Within days of taking this decision, letters of invitation signed by the President and General Secretary of the Party were issued to all non-Communist Opposition parties.

PROSPECTIVE PARLIAMENTARY CANDIDATES

The Board reviewed the work of the Party's prospective parliamentary candidates so far adopted.

Eleven more prospective candidatures were decided upon. Statewise, they are: Mysore 1, West Bengal 1, Uttar Pradesh 3, Rajasthan 2 and Orissa 4.

RESOLUTIONS

The following resolutions on the need to terminate the Emergency and the setting up of a Caretaker Government prior to the General Elections were adopted unanimously:

> "The Swatantra Party is not satisfied with the Executive promises of using the D.I.R. so as not to affect the elections or economic affairs. The Party is firmly of the view that the proclamation of Emergency should be withdrawn at once."

"The Parliamentary Board of the Swatantra Party is strongly of the opinion that the State Governments should resign at least three months before the date of the Elections and Governors should administer the States in order to infuse confidence in the fair conduct of the General Elections in which the Party in power would otherwise have considerably undue advantage as Government and semi-Government organisations are under the control of the ruling party and as has been seen during the last three General Elections.

The Parliamentary Board is also of the view that political parties should adopt a Code of Conduct on the lines suggested by the Election Commission prior to the 1962 elections, with representative implementation committees to check abuses during elections and by-elections."

THE NEXT MEETING OF C.P.B. N.E. AND G.C.

The Central Parliamentary Board decided to meet again on Sunday, 15th May, in Bombay to be followed by meetings of the National Executive and General Council on 16th and 17th.

Mr. SAVARKAR'S DEATH CONDOLED

While the Board was in session it was informed of Mr. Savarkar's passing away. The members present stood in silence for a minute and later recorded their sorrow on the passing away of this historic figure in the nation's history.

Rajya Sabha Elections

Three Party candidates filed their nomination in the biennial election to the Rajya Sabha from the State Assemblies of Gujarat, Orissa and Madras. All three emerged successful.

Dr. Biharilal Anantani was elected to the Rajya Sabha from the Gujarat Assembly securing the second largest number of votes. A Congress candidate secured 31 votes and Dr. Anantani 30.

Mr. Loknath Misra the retiring member was re-elected to the Rajya Sabha, from the Orissa State Assembly.

For the six seats open to election in the biennial election to the Rajya Sabha from the Madras Assembly, the Congress party put up five candidates, while the D.M.K. put up one and Swatantra one candidate. The D.M.K. and Swatantra votes could return two candidates between them if they secured an addition of one or two independent votes. If the Congress had put up only four candidates, there would have been no election and all six candidates would have been returned uncontested. But the Congress forced a contest by putting up five candidates. As a result the Swatantra candidate Mr. G. K. Sundaram, a member of the Party's National Executive and Vice President of the Tamil Nad Unit, topped the list with 31 votes, the D.M.K. came next with 30 votes and then the four Congress candidates with lesser number of votes each. The fifth Congress candidate was eliminated. He was the Congress whip in the State Legislature.

A fourth candidate for the Rajya Sabha, to be sponsored from the U.P. Assembly, was Acharya J. B. Kripalani. Unfortunately, due to the refusal on the part of the majority of the members of our Party in the U.P. Legislative Assembly to agree to implement the Central Parliamentary Board's decision, we had to inform Acharya Kripalani of our inability to give effect to our invitation and to apologise to him for the embarrassment caused to him.

The Central Parliamentary Board then decided that no member of the Party should stand for election to the Rajya Sabha or the Vidhan Parishad from U.P. and that our members should be advised to abstain from voting for the election to the Rajya Sabha and to vote for the Jan Sangh candidate for the Vidhan Parishad, in accordance with the understanding between the two parties.

NINE U.P. LEGISLATORS SUSPENDED

Unfortunately, as an aftermath of these developments concerning the Rajya Sabha and Vidhan Parishad elections, the majority of our members in the U.P. Legislature purported, in an unconstitutional manner, to remove their Leader, Mr. B. P. Singh, from his position and to elect new office-bearers and communicated this to the Speaker of the U.P. Legislative Assembly. Since no properly convened meeting of the Legislature Party was held to proceed with the election of new office-bearers and even notice of such a meeting was not given to certain members, including the Leader of the Party, the Central Parliamentary Board came to the conclusion that this move was improper and had no validity.

The Board was further of the view that any member who persisted in the stand improperly taken in the communication to the Speaker of the Legislative Assembly and did not immediately resile from it in accordance with the directive of the Board conveyed to them, would be guilty of a breach of the Party's discipline. Such members were called upon to show cause why disciplinary action, including expulsion from the Party, should not be taken against them.

It is a matter for regret that nine members of the Party have continued to defy the directive of the Central Parliamentary Board and refused to put themselves right. In view of their defiance of the directive of the Board and their persistence in their improper behaviour violating the discipline of the Party, Professor Ranga, as President of the Party, passed an order on 31st March suspending the following eight members of the Party in the U.P. Legislature from membership of the Party and from any elective office or offices that may be held by them in the Party pending a decision of the National Executive of the Party in the matter: Mr. Chaitanya Raj Singh, Mr. Munnoo Singh, Mr. Vijay Singh, Mr. Mangal Prasad, Mr. Chiranji Lal, Mr. Ram Singh, Mr. Balbir Singh, Mr. Ram Adhar Kanaujia and Mr. Virendra Shah.

Volunteer Leaders' Training Camp

The first Volunteer Leader's Training Camp which commenced in Hyderabad on 5th February came to a successful conclusion on 3rd March. Seventeen trainees from the States of Andhra, Assam, Kerala, Madras, Maharashtra, Orissa, Punjab, Rajasthan and UP participated. Lt. Appa Rao, formerly of the INA was the Camp Officer in charge of training and P.T., games and drill and discipline of the Camp. Mr. P. Rajgopal Naidu, MLA, Deputy Leader of the Party's Legislature Group in Andhra was in charge of ideological instruction and Mr. G. Hanumantha Rao, General Secretary of the Andhra Unit was in charge of the administration of the Camp. The selection of the Trainees was done by the Central Office. A good feature was the number of graduates among the Trainees.

The Camp was situated at a village called Moula Ali, seventeen miles away from the city. The training consisted of flag-hoisting, physical training, games, drills, guard of honour and road marches, prabhat pheri on the physical side and political lectures, questions and answers and group discussions on the ideological side. There were cultural programmes every night with the singing of Party songs, slogans and recreations like mimicry, and dances. 22 slogans were coined along with two marching songs and a flag song. Eight exercises in P.T., 3 games, squad drills, guard of honour and commanding squads were organised every day. The Trainees commanded the Group in turns. During the camp period, leaders of the Party including Prof. Ranga and Mr. Masani, visited the Camp and talked to the Trainees.

A mass contact programme was organised for the Trainees who spoke at two public meetings – one on 5th February at Secunderabad and the other on 20th February also at Secunderabad. The slogans and songs by the Trainees while marching on the streets of Hyderabad, attracted the favourable attention of the public. On 28th February, all Trainees participated in a programme of shop to shop distribution and sale of Party literature in Secunderabad which resulted in the sale of literature worth Rs. 22.

The valedictory function of the camp was held on 2nd March with Prof. Ranga taking the guard of honour and inspecting the Trainees on parade.

An oath-taking ceremony was conducted.

Mr. Rajagopala Naidu administered the following oath to each of the Trainees:

"*I, a Swatantra Sevak hereby solemnly take* OATH in the name of the Almighty that I will serve the country through the Swatantra Party by honouring the Constitution of the Republic of India and observing non-violence. I Pledge myself to work under the command and discipline of the Swatantra Sevak organisation for the preservation of Democracy and Freedom in India."

After the oath-taking ceremony Prof. Ranga awarded certificates to the Trainees. Mr. Latchanna presided over the function. Rajaji sent the following message to the Trainees:

"My blessings and prayers for the trainees who will graduate on March 2. I want them to keep in mind the fact that they are on religious and not only on political duty. We must undo the boycott of God and expose the futility of Godless material progress."

The Camp was organised by the Central Office in collaboration with the Andhra Unit in an effort to try and develop a volunteer organisation, the absence of which has been keenly felt these last few years. A disciplined body of volunteers would be an asset to the Party's organisation and particularly so during special occasions like Conventions, public meetings and most important, during the General Elections. The Camp was meant for training volunteer leaders who, in turn, will be required to develop volunteer organisations in their respective states. The future set up of such an organisation is now under the active consideration of the Central Office and it will not be long before plans are finalised and a regular volunteer corps of the Swatantra Party comes into existence.

Swatantra in Action

There is a widespread though fallacious notion that the louder the noise made by a Party the greater is its influence on the people. There is a tendency to judge the strength of a political party by the length of its *morchas* and processions. It is such a tendency that makes our Party's impatient young men to cry out in despair: "Why cannot we go to the masses by holding processions, morchas, mass meetings?" But older politicians know only too well that the effect of the longest procession is ephemeral. The Swatantra Party, while not denying the place that constitutional protest occupies in democratic politics firmly believes that it cannot be a substitute for *hard and sustained work* among the people, identifying itself with them and lending a hand to help solve their problems.

The Bombay Unit of the Party has in the last couple of months been winning the goodwill of the people of the metropolis precisely because of this. It has blazed a trail which, if followed, would give similar results elsewhere. People are the same everywhere and will respond to efforts which they are convinced are genuine and calculated to be in their interests.

In the last issue of the *Newsletter* we had reported on the role played by the Unit's General Secretary, Mr. Madhu Mehta, in helping to resolve the deadlock between Management and Workers in the Tarapore Atomic Power Project where work had ceased for 52 days. Not content with resting on its laurels, the Unit collected donations totalling Rs. 2,260 from the citizens of Bombay to provide relief to the families of the nine workers who lost their lives in the police firing on striking workers. This amount was handed over to the Bombay Labour Union for disbursement to the families of the nine workers.

The Bombay Unit hit the headlines with what became popularly known as the "Swatantra Wheat" affair. Party workers noticed that trucks leaving the City docks with foodgrains left a trail of wheat. They armed themselves with brooms and began sweeping the streets near the docks regularly every night. In a short time, they swept and collected 150 Kilograms of wheat. They then drew the attention of the authorities concerned to this criminal wastage of foodgrains especially in conditions of acute scarcity. Suddenly, the wheat that nobody had cared for became the bone of contention between the State Government and the Centre's Regional Directorate of Food, each claiming the 150 kilos of wheat as its own! It was only when the Unit gave the two disputants a deadline to settle their quarrel or else with a threat to distribute the wheat to the poor and needy in the city after the expiry of the deadline that the Regional Directorate of Food succeed in establishing its "claim" and the wheat has since been handed back to them. Commenting on this the *Free Press Bulletin* an evening daily of Bombay said in its issue of March 5, 1966: "Nobody can deny that the Swatantra Party by commissioning its volunteers to collect the wheat thus thrown on the streets, has done a signal service to the country by highlighting the criminal negligence of those concerned with the transport arrangements. . . .Had it not been for their initiative and enterprise in collecting it, it is anyone's guess what would have happened to it. Moreover the negligence would have remained unexposed."

The suburbs of Bombay are sadly neglected. Its City Fathers are so pre-occupied with national and international affairs that they do not find time for such mundane matters like civic hygiene! So, the Bombay Unit decided to do something about it. Prabhat Colony is a prime example of the squalid conditions in which the people of the suburbs have to live. The Unit's General Secretary, Mr. Madhu Mehta, accompanied by Party workers repaired to Prabhat Colony. The residents got together and on March 17 went to the Municipal Corporation Building taking along with them baskets filled with the filth and rubbish that abounds in their Colony for the City Fathers to have a whiff at first hand.

The residents urged the City Fathers to start taking interest in their problems. They said that they were living in the most inhuman conditions. "There is hardly any sanitation in the area. Almost everyday, the drains are overflowing. There are open cess pools in the area which are never covered and which are cleaned only very rarely and that also not fully," they said. "The night soil from the area is never collected and removed. As a result of this, unbearable stench has become our constant companion. Every family has to pay every month a minimum sum of Rs. 25 towards medical bills," they added.

Municipal Commissioner S. E. Sukhthankar met the residents outside the Corporation building and assured them that he would see that their grievances were redressed. Mr. S. R. Patkar, leader of the Congress Party in the Corporation, also met them.

On 21st March a three year girl was drowned in an open gutter at Borivli in the suburbs of Bombay. It so happened that at that time Mr. Madhu Mehta was in Borivli looking into the problems of the people in that area. On hearing of the calamity, Mr. Mehta rushed to the scene of the tragedy. The little girl was the fourth victim claimed by the open gutters. It was time someone told the Municipal authorities to attend to this criminal neglect of elementary safety precautions. The Bombay Unit's General Secretary got together a deputation to meet the Municipal Commissioner. With the deputation went the body of the dead girl. The Municipal Commissioner sitting inside his house (it was a Sunday) told his Bearer to inform the deputationists that he was not at home. It was only after Mr. Mehta sought the assistance of the State Home Minister who telephonically asked the Municipal Commissioner to see the deputation that the latter agreed to meet the delegation.

The Municipal Commissioner promised to send his Deputy to Borivli "to examine the state of affairs there in order to prevent further calamities of this nature".

The Municipal Commissioner issued a statement on March 23 defending his and the Corporation's position and stating that the gutters were left open to prevent mosquitoes breeding. Perhaps it did not occur to the Municipal authorities to cover the gutters in such a manner as to leave sufficient space for spraying insecticides but at the same time not large enough to endanger the life of children.

Therefore on the following day, the Bombay Unit launched a "self-help" campaign. Purchasing stone slabs with the help of donations collected from the residents of Borivli, the Party's workers and 200 residents covered 600 feet of open gutters with 160 stone slabs. At a public meeting held just before this, Mr. Mehta declared: "Today we will cover the gutters and in future we will also cover the open cess pools. We cannot afford to wait till the Municipal authorities and landlords decide to act."

All of a sudden the people of Bombay appear to have awakened to the fact that there is a City Unit of the Swatantra Party functioning and working with the people, guarding their interests and inculcating in them the true spirit of self-help or Swatantra.

6 Jetpur Khedut Sammelan

30,000 peasants from Saurashtra and Kutch gathered in Jetpur to participate in the Saurashtra and Kutch Khedut Sammelan held on 20th March. The Conference was addressed by Prof. Ranga, Mr. Masani, the local M.P. Mr. Bhailalbhai Patel, Mr. Pravinsinh Solanki and by prominent Khedut leaders of Saurashtra and Kutch. Before the Sammelan began the leaders of the Party were taken around in a procession of colourfully decorated bullock carts.

The Sammelan unanimously adopted a resolution demanding, among other things, the abolition of food zones, fair price for the producer, repeal of the 17th Amendment of the Constitution and the supply of cheap electricity and diesel oil to the farmers to help grow more food.

Mr. Ranga, speaking on the occasion, said that he too was a peasant. He recalled that even in pre-independent India he was fighting for the rights of kisans. People, he said, should not be misled by false propaganda of the Congress and if in 1967 the Swatantra Party came to power in Gujarat, it would abolish all anti-Kisan laws, setting an example for other States to follows.

Declaring open the Sammelan, Mr. Bhailalbhai Patel, President of the State unit and leader of the Opposition in the State Assembly, said that the Swatantra Party would encourage small scale industries in villages, increase the supply of electricity and take up such irrigation schemes as the Narmada Valley Project. Bhaikaka said that if the peasant was really interested in becoming the owner of his land in the true sense of the term, then he should remove the Congress in 1967 and vote for the Swatantra Party.

Mr. Masani said that the Congress had declared war on the peasants. The Kheduts should give a fitting reply to the Congress in 1967. He said that the Swatantra Party was formed to fight for the rights of the peasants. It is opposed to cooperative farming and believes in free agriculture and trade. In a reference to the Union Budget for 1966-67, he expressed strong opposition, among other things to the levy of additional excise duty on diesel oil, used by farmers for oil pumps and engines.

Others who spoke at the Sammelan included Mr. Shivrajkumar Singh of Jasdan, Mr. Ratilal Ukabhai Patel M.L.A. Mr. Dharmsingh Patel, Mr. Nathabhai Patel, Mr. Balubha Jadeja of Morvi, Mr. Ramanbhai Patel, Darbar Saheb of Bhadwa and Mr. Ambalal Patel, President of Jetpur Municipality.

By all means, it was a magnificent Sammelan and a proof, if any was needed, of the fact that today the Swatantra Party does command the respect and following of the peasantry.

The Same-Old Budget

In Parliament and outside, leading members of the Party subjected the Union Budget for 1966-67 presented by the new Finance Minister Mr. Sachin Choudhri to scathing comment. The speeches delivered by our Members of Parliament are scheduled for publication shortly in booklet form. Outside Parliament three major speeches were delivered in the cities of Bombay, New Delhi and Calcutta by Mr. N. Dandeker, Dr. R. C. Cooper and Mr. C. R. Irani. While Mr. Dandeker spoke at a meeting organised by the Bombay unit of the Party, Dr. Cooper spoke at the Annual meeting of the Federation of Indian Chambers of Commerce and Industry, and Mr. Irani to the Forum of Free Enterprise. All three are studied speeches by people who know what they are talking about. Extracts from their speeches are reproduced in Annexure "B" to this *Newsletter*.

Poll Strategy

The Swatantra Party would undoubtedly consolidate its strength in Orissa, Gujarat and Rajasthan in the coming General Elections, Mr. M. R. Masani, General Secretary told newsmen at Bhubaneswar on February 11 "We are going to set up", he said "enough candidates to attain a Swatantra majority in some States".

Outlining the Party's election strategy, Mr. Masani said the Party would keep its door open for any electoral adjustment against Congress.

One of the Treasurers of the Party, Mr. Charanjit Rai, on a visit to Hyderabad addressed a press conference on March 10. He said that the Swatantra Party was concentrating on capturing a majority of seats in the States of Gujarat, Orissa and Rajasthan. He expressed the hope that the Party would emerge as the official Opposition to the Congress in many other States and also in Parliament. In regard to electoral adjustments he expressed views similar to those of the General Secretary of the Party.

Attacking the Statist policies of the Congress, Mr. Rai said that this was undermining the moral basis of the State and society with disastrous results. Mr. Rai, himself an eminent industrialist of Bombay, criticised corrupt and dishonest capitalists and said that the Swatantra Party when in power would like to promote conditions where the best in the individual was brought out for his and society's good.

Mr. Rai added that the primary need of the hour was to provide food and clothing to the mass of the people whose interests could be protected and promoted only when the Congress had a strong opposition.

Moscow's Real Intentions

The General Secretary of the Party has warned the Government of India that they should wake up from the illusion that the Soviet regime looks upon them with particular friendship.

Mr. Masani, in a interview to *Current* recently, testified to the authenticity of what is known as the "Sundarayya letter" which exposes the Russian hypocrisy towards India.

The letter, addressed by Mr. Sundarayya, Left CPI's General Secretary, to Messrs A. K. Gopalan, B. T. Ranadive and Harikishen Singh Surgeet, Left Communist leaders, recently from Moscow during his convalescence there, explains how the Soviet leader, Mr. Suslov, wants the Indian Communists, Left or Right, to exploit the food crisis in India to the advantage of the Communist movement in India. Mr. Suslov, says Mr. Sundarayya in the letter, suggested that "the most vulnerable aspect of the Congress regime was its inability to feed the people and offered a valuable opportunity"... Mr. Masani said that the Sundarayya letter made nonsense of the Soviet Government's pious professions of non-intervention in the domestic affairs of other countries and of its so-called friendship towards the Congress Government.

Mr. Masani, a student of International Communism and author of "A History of the Communist Party of India", expressed his conviction that the Sundarayya letter was authentic. He said that the attitude of Mr. Suslov towards India should prove an eye-opener to the Government of India (whose credulity insofar as Russia is concerned is generally well known.

Referring to the denunciation of the letter by PRAVDA as a "concoction", Mr. Masani said:

"Surely nobody is going to take such a denial seriously! Conspiracy is part and parcel of the communist system, and secret letters are among the normal methods employed to provide ideological guide lines to its adherents.

"In my own experience I have known of several documents which were similarly repudiated but subsequently found to be authentic.

"One such was the Communist Party circular issued to its adherents in the Congress Socialist Party in the late 30's, instructing them about how to carry on faction work with a view to disrupting the Congress Socialist Party".

Mr. Masani said that when he published the letter then under the title "Communist Plot Against the

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CSP" he was promptly attacked as a gullible victim of forgery although, six months later, both Mr. P. C. Joshi and Mr. Ajoy Ghosh, the then Secretaries of Communist Party admitted the authenticity of the circular. They later tendered an apology to Mr. Jaya Prakash Narain, the then General Secretary of the CSP, as well as its National executive for the circular, Mr. Masani added.

"Similarly, when the Democratic Research Service published the secret documents circulated at the Madurai and Palghat Congresses of the C.P.I. on each occasion these documents were repudiated but later found both by the Intelligence Service of the Indian Government and by students of the subject, to be perfectly authentic".

Referring to the denial again Mr. Masani said: "There is another intriguing point. The denial was issued by *Pravda*. This means it was purely for home consumption. As far as I know, the denial has not been circulated by *TASS* or the official *NOVOSTI* agency.

"If they claimed that Suslov does not hold the views ascribed to him, it would wreck any chance there is of getting the 'Left' and 'Right' wings of the CPI together – something that the CPSU desperately wants today".

Asked whether Suslov's hard line represented the official Soviet view Mr. Masani said:

"The Soviet Government will continue to preach "peaceful coexistence" and be friendly towards India, but if at some later time the climate is ripe for a 'revolutionary' struggle, word would be passed to the Party to launch such a struggle".

"Mr. Suslov's description to Sundarayya of the detailed instructions Moscow has been giving to the 'Right' Communist leaders about the need to keep the door open to 'illegal' and 'extra-parliamentary' methods and not to become infatuated with the methods of bourgeois democracy is very significant and may be taken note of in New Delhi. . .

"In view of our past bitter experience of the 'Hindi-Chini Bhai Bhai' chapter the Suslov – Sundarayya discussions are a timely eye-opener".

When asked "Do you think Communist leaders should continually be running off to Moscow for instructions? Mr Masani replied: "What do you expect? Moscow is their Mecca, their spiritual homeland. No Indian Communist can possibly take an important decision without asking his bosses for the "line-clear".

Arrivals and Departures

Mr. Muzaffar Hussain, M.P. elected from Moradabad, has joined the Party and has informed the Speaker of his intention to sit with the Party's Group in the Lok Sabha.

On February 20, 25 influential persons of Nowgong, Assam, enrolled themselves as Party workers. Among them are Mr. P. C. Sharma, an advocate of the Supreme Court, for 15 years a Congress member of the Assam Legislative Assembly and for 10 years a Congress member of the Rajya Sabha. He initiated the non-cooperation movement in Upper Assam in 1921 and was imprisoned by the British Government nine times. He is the editor of "Ganatantra" an Assamese weekly; Mr. Nasrul Islam, ex. M.L.A. and advocate of the Supreme Court Mr. Rohimuddin Ahmed, ex. M.L.A. and advocate of the Supreme Court, Mr. Ataur Rahman, also advocate of the Supreme Court, and Mr. Pabitra Borkotoky prominent Assamese film star.

The following have resigned:

Mr. Sanyasi Appala Rao M.L.A.

Mr. Ram Gopal Gupta former M.P. and Treasurer of the U.P. Unit of the Party.

RKS.

DEMOCRACY

Democracy can be compared to our modern airplanes. They are admirable machines and we feel perfectly safe in them. There are no longer any unsolved problems in our modern societies. The machine carries us comfortably and safely wherever we want to go. But it only stays aloft because of constant efforts to keep it working, for an airplane is heavier than air and, by nature, destined to fall. Political systems, like the airplane, are destined to fall into dictatorship or violence. Only constant vigilance and the creative spirit can keep them aloft in the sky of democracy.

(Maurice Duverger in "The Development of Democracy in France" published in the Volume "Democracy in a Changing Society" edited by Henry Ehrmann").

NEWS FROM STATE UNITS

ANDHRA

The Party's Group in the State Legislature which met at Hyderabad on February 14 vehemently opposed the compulsory levy and procurement of food grains in the State and asked the Government to withdraw it immediately. It said that the measure was discriminatory and highly unpopular. The levy not only aggravated hardship in famine-affected districts but was also responsible for the soaring prices of paddy, it pointed out.

Earlier at the meeting the Group expressed its profound sense of sorrow at the tragic demise of the late Prime Minister Shastri, Mr. V. P. Menon, Jathedar Udham Singh Nagoke, and Dr. H. J. Bhabha, Chairman of the Atomic Energy Commission.

ASSAM

Prof. Martin Narayan, the Centre's representative in Assam toured two tea gardens and addressed workers in Tinsukia and Dibrugarh. In Tinsukia, Assam's biggest industrial town, Mr. A. K. Mojumder is working hard as the Party's local organiser. Funds are being collected for the General Elections. Mr. Mahmod Ismet Halim, a High School Headmaster has been appointed organiser for the Dibrugarh and Lahoal constituencies.

Prof. Narayan also visited Nowgong where 25 prominent people in the District were enrolled as Party workers on 20th February. An Ad Hoc Nowgong District Committee has been set up with Mr. Nasrul Islam, Ex. M.L.A. as President. It is significant, states a report received from the Party's Office in Shillong, that this is the first time that so many influential leaders of different communities have joined an opposition party en-bloc. Nowgong has always been the nerve-centre of Congress political life and it is reported that Congress leaders are disturbed by this development. Much of the credit for this achievement must be attributed, continues the report from our Shillong office, to Mr. P. C. Sharma, ex. M.P., ex. M.L.A. who despite his advanced age, is working untiringly for the Party. He is also translating the Party's literature into Assamese.

BIHAR

Addressing a well attended public meeting at Bihta on February 12 Mr. Masani urged the peasants to resist the Paddy Levy Scheme and force the government to rescind the order in its own interest as well as in the larger interest of the country. He pointed out that this scheme along with the zonal system and land ceiling were measures directly against the interest of the agriculturists and were aimed to further cripple the already impoverished peasantry of the country.

Mr. Dahyabhai Patel, M.P., who also spoke at the meeting, said that the taxation policy of the government, apart from hampering production, also eroded the purchasing power of the people.

Meanwhile the Advisory Committee of the Party for Bihar at a meeting in Patna on February 12 decided to intensify its "Anti-Paddy Levy" campaign and continue it for another two months. Nearly 70,000 peasants have already signed a Memorandum against the levy and this has been submitted to the Bihar Governor.

The meeting of the Advisory Committee which was presided over by Mr. Masani, also discussed ways and means to reorganise and strengthen the party in Bihar. Mr. Dahyabhai Patel also attended the meeting.

Mr. Lal Jagadhatri Nath Sah Deo, M.L.A., has denied that he ever applied for Congress membership.

"I had never applied nor I intend to join the Congress. The publication of the news about my joining the Congress is baseless".

A news report on March 1 had stated that Mr. Shah Deo was one of the 11 Legislators who had applied for admission to the Congress and had since been admitted.

GUJARAT

The Gujarat Unit of the Swatantra Party launched on February 14 a peaceful agitation against the State Government's taxation policy, especially the latest 30 per cent increase in the cess on land revenue imposed during the last session of the Assembly. The agitation will last the entire 36 day budget session.

This was the sequel to a decision taken to the effect on February 6 at a meeting of the representatives of the party from the various districts of the State. The meeting decided that two batches of four volunteers from various district units would first submit a memorandum of protest to the government and thereafter sit at the Vidhan Sabha gate for 24 hours. Other batches would subsequently follow.

KERALA

The fact that all parties including the Congress participated in the "Kerala Bandh" of January 28 was a vindication of the stand of the Swatantra Party, pointed out Prof. Ranga speaking at two packed public meetings, one at Ettumanoor and the other at Kottayam, on January 29. Prof. Ranga was in Kerala from January 27 to February 5. He said all parties except Swatantra stood for control, which meant misery for the common man and rampant corruption in administration.

He said that removal of all controls and zonal restrictions in the procurement and distribution of food grains would alone be a permanent solution to the food problem in Kerala. Instead of asking for an increase in ration he asked the people of Kerala to demand the scrapping of controls and zonal system.

The proper role of the Government was to allow the merchants to trade in food-grains and compete with them by bringing in food-grains from surplus states. Instead the Government was fighting shy of this proper role because of the profit it could make under the present controls and also wanted Andhra and Madras Government (Surplus states supplying rice to Kerala) to profiteer.

The absence of a popular ministry was also partly responsible for the acute food situation in the State. It was wrong to have continued President's Rule just because no party could secure an absolute majority.

At the Kottayam meeting Mr. P. D. Thomman presided. Mr. George Isaac and Mr. A. A. Joseph also took part.

The Office of the Ettumanur unit was formally inaugurated by Prof. Ranga on January 29 at Ettumanur. A public meeting was held in connection with the function with Mr. V. V. Mani in the Chair. After Prof. Ranga's inaugural address, Messrs. K. C. Joseph, A. Madhava Wariar, George Joseph, V. C. Emmanuel, V. K. Kurian and P. C. Thomas spoke.

MADRAS

The Madras City Unit of the Party launched its election campaign at a mass meeting in the city on February 26.

Presiding over the meeting, Rajaji said the people had lost confidence in the Congress. Everyone should take a vow to end misrule by the Congress and throw it out of power in the coming election. Rajaji said there was interference by the party in the administration which was against democratic principles. The Congress President had assumed a new role by directing the choice of the Prime Minister, he added. The Congress had won the elections in the past with the help of the rich. Tamilnad should take the lead by ousting the Congress from office.

Mr. Dahyabhai Patel, who inaugurated the campaign, said the Congress had made India go with a begging bowl to other countries. Others who spoke included Professor Ranga, Mr. R. N. Singh Deo, Mr. B. P. Singh, Mr. M. R. Masani and Mr. N. Dandeker.

MYSORE

The Mysore State Unit of the Swatantra Party has called upon the Union Government to abolish food zones immediately and give necessary incentives to the growers to grow more food crops by subsidising the sale of fertilisers, providing of adequate water facilities and removing the threat of compulsory levy.

A joint meeting of the State Executive Committee and the State Council, passing the resolution on February 26 said that the proposal of the Mysore State Government to base its levy on the acreage and not on yield was quite unrealistic and would cause considerable hardship – particularly to the small producers who were the vast majority.

In another resolution the meeting asked the State government to give up the proposal to tax urban land. It is irrequitable to subject urban land which has not been sold to a tax based on its so-called market value. The proposed tax was further obnoxious in view of the already existing property taxes levied by the Corporations or the municipalities.

By another resolution the meeting demanded that the government should reduce the tax burden instead of enhancing it.

The meeting also appointed a sub-committee to take all necessary step to explore and bring about electoral adjustments between the democratic opposition parties.

In view of the improved relations with Pakistan the meeting demanded the immediate revoking of D.I.R. and Emergency regulations.

ORISSA

Mr. Masani and Mr. Dandeker, General and Joint Secretaries of the Party, met workers of the Party from Puri, Cuttack and Ganjam on February 10, to discuss organisational matters relating to the coastal districts. Later in the evening, Mr. Masani addressed the students of Utkal University on "Will Liberalism outlive Socialism?"

The State Executive and Parliamentary Board met in Bhubaneswar on 11th February when Messrs. Masani and Dandeker were present.

The State Assembly met on 21st February for the Budget Session. Mr. R. N. Singh Deo, Leader of the Opposition initiated the debate on the Governor's Address. Mr. Rajballabh Misra initiated the debate on the General Discussion on the Budget.

In Parliament, members of the opposition opposed the introduction of an official bill for the postponment of elections to the State Assembly due this year. The Bill entitled "The Orissa Legislative Assembly (Extension of Duration) Bill relies on the provision in the Constitution that during an emergency Parliament has the power to extend the duration of a State Assembly for a period not exceeding one year at a time and not extending in any case beyond six months after the emergency has been revoked.

Mr. Masani, speaking on behalf of the Swatantra Party, said that the Congress was denying the people their right to choose their Government because it was afraid that the Swatantra Party might come to power.

In the normal course the present Assembly's duration expires on August 20, 1966.

from the General Secretary's desk

Dear Friend:

"A Party with a Difference"

The *Indian Express* of March 17 concluded from the unfortunate developments that led to our inability to sponsor Acharya Kripalani's candidature for the Rajya Sabha that we are a "divided Party". In passing it also mentioned Bihar and said: "The Swatantra Party's dilemma in Bihar and Uttar Pradesh shows that a party which has no firm roots among the masses can at best be an amorphous group whose unity cannot last long."

The conclusion is not only unfair but is based on an inadequate understanding of the reasons which led the Party to nominate Acharya Kripalani and, so far as the editorial's reference to Bihar is concerned, the reasons which led to the surgical operation that resulted in the Bihar State Committee being dissolved and Mr. Kamakhya Narain Singh being expelled.

Why did the Central Parliamentary Board wish to nominate Acharya Kripalani? Was it because it felt that "this gesture would please many other ex-Congressmen and possibly attract them to the Swatantra fold" as the editorial speculates? Nothing could be farther from the truth. The minutes of the Central Parliamentary Board meeting record the following reason for selecting him, namely "the commanding position of Mr. Kripalani in the public life of the country and his long record of service and the desirability of his continued presence in Parliament." There can be no two opinions about the desirability of having Kripalaniji in Parliament. His advanced age makes it difficult for him to go through the rigours of an election campaign. A place in the Rajya Sabha would therefore have ensured his continued presence and been a source of great strength to the Democratic Opposition. It was for these reasons that the Party after considerable deliberation, asked the Party's M.L.A.s to sponsor his candidature, and in the light of an arrangement we have with the Jan Sangh, Kripalaniji would have got elected. Unfortunately, certain vested interests in the State unit proved too strong. The concept of national interests overriding partisan considerations is something which is not easily understood, by everyone. All the same, this act, where we literally sacrificed a Party seat for a non-Party man, was widely welcomed in the country. It opened the eyes of many to the fact that the Swatantra Party *is* different from others.

The reference to Bihar in the editorial is equally misplaced. If we had played ball with Mr. Kamakhya Narain Singh, if we had allowed him and his group to treat the State Unit as their private preserve, if we had ignored the numerous pleas of Party members that the Unit in Bihar was not being run on democratic lines, that even enrolment forms were distributed only to known supporters and enrolment done at meetings of workers who attended by invitation; in short, if we had played the politics of expediency – we would have had no problem. But it was not for this that Rajaji founded the Swatantra Party. Even though the Party realised fully well that drastic action in Bihar would cost the Party dear in the number of its Legislators, the Party placing principles above expediency expelled Mr. Kamakhya Narain Singh and dissolved the State Committee. It was precisely because the rank and file was being ignored, precisely because the membership of the Party at the grass roots was being ignored, that the Party acted.

It is unfortunately true that in post-Independent India clean politics has become a major casualty. The Swatantra Party proclaimed in its *Statement of Policy* adopted as far back as March 1960 that it is a "Party with a Difference". It has tried to live up to its principles and that claim.

Like others, it could easily resort to measures of expediency which would undoubtedly bring in short term benefits. In the long run, however, such policies would not only injure the Party itself, but, also, the democratic fabric of the nation. People would get fed up of politicians and political parties. And once that happens, the day would not be far off when our country too would fall in line with the pattern that is altogether familiar in a number of newly independent States of Asia and Africa including some of our own immediate neighbours.

In upholding standards of political decency and discipline, the Swatantra Party is serving the cause of Democracy in India.

Jai Swatantra!

M. R. Masani

COIMBATORE

A procession through the important areas of the city was organised and later a public meeting was organised. Messrs. G. K. Sundaram, S. Venkata Rao and R. Krishnaswamy Gownder spoke. Public meetings were also held at Erode and Gobichettipalayam.

NAGAPATTINAM

Party workers went from house to house distributing leaflets. Meetings were held in Nagapattinam and the adjoining villages. Messrs. V. S. Ramaswamy Iyengar, S. Murugian and M. S. Hamza spoke at the Nagapattinam meeting. Considerable resentment was expressed by people when informed that in a nearby village the Tehsildar had decided to attach the properties of some cultivators who had refused to pay the land tax.

SALEM

A great deal of publicity was given to the Party's demands by organising a procession, distributing leaflets and later a public meeting. Prominent people of the locality took part in the procession. Among speakers at the public meeting were Messrs. P. T. Raghavan, T. T. Srinivasan, A. Subramanian, MLC R. Arunachalan, P. Dhandapani, P. Narayanswamy and V. Bhaskaran.

CHINGLEPUT

The district unit published a pamphlet detailing the suicidal policies of the Congress Government and describing how the Government's taxation policies were adversely affecting the people.

TANJORE

Public meetings at Kumbakonam, Thiruvarur and Mannargudi were held. Mr. C. L. Sarangapani presided and Messrs. Kulitalai Ramadoss Bharathi, Veeran Ilanchingam, Purasai D. Rajagopal spoke at Kumbakonam. Mr. S. K. Raman spoke at Mannargudi.

MADURAI

Besides distributing pamphlets, a public meeting was held under the presidentship of Saketh Ramaswamy. Messrs. Edaganathan, Viswanatha Sastry, Balagangadharan, Dr. Suryanarayan, S. M. Sheriff, M. Dhanakodi and Allur Krishnamurthy spoke.

A big public meeting was held at Bodinayakunur which was addressed by Messrs. E. M. Muthiah, P. S. Ramasubramaniam, S. K. Pandian, A. K. M. Gulam Mohiddin and M. R. Muthiah Pillai.

MAHARASHTRA

NASIK

Leaflets and cartoon strips were widely distributed on the day.

NAGPUR

A large public meeting addressed by Mr. Sanghvi and Mr. B. Rai Sahib was held under the presidentship of Mr. Ganga Sinhji, M.L.A.

MYSORE

BANGALORE

Besides a press conference, three public meetings were held in Gandhi Bazar, Malleswaram and Cantonment areas of Bangalore City. Among the speakers at these meetings were Messrs. K. H. Srinivasan, P. H. Seshagiri Rao, T. R. Shamanna, Janardhana, K. N. Naganna the former Mayor of Bangalore, T. Subramanya a former Minister, P. Ramadev, K. N. V. Rao, P. H. Krishna Rao, Nathan and Daniel. The campaign was supported by some of the opposition Parties. Mr. Pandyan of the D.M.K. and Mr. A. K. Ananthakrishnan of the P.S.P. spoke at one of the meetings. The Jan Sangh organised a meeting of its own to support our Party's demands.

Towards the evening a procession led by the State leadership and including women wended its way through the main thoroughfares of the City.

MANGALORE

The speakers at a public meeting on the Day were: Mr. J. M. Lobo Prabhu, Mrs. Louella Lobo Prabhu, Mr. L. X. Rego and Mr. Jagannath Rai—a Congressman. Mr. K. B. Jinaraja Hegde, President of the State Unit was in the Chair.

KARKALA

Doctor Jeevandhar presided over a public meeting at which the principal speaker was Mr. K. Jinaraja Madya.

HUBLI AND DHARWAR

A procession was taken in the morning from Hubli to Dharwar. At the public meeting Mr. B. S. Patil presided. The speakers included Messrs. D. R. Kulkarni, H. R. Mysore, K. Ranganna and C. B.Mekannagali.

SRINGERI

A procession in the morning was followed by an evening public meeting under the presidentship of Mr. Hiranyappa. Speakers at the meeting included Messrs. A. Subba Rao, H. N. Lakshmi Narasimha, K. S. Sreenivasa Rao and Kavali Lakshminarayanappa.

CHENNARAYAPATNA

Mr. H. N. Narasanna presided over a public meeting addressed by Messrs. K. K. Ganapaiah, Nuggehalli Shivappa, S. V. Pattabhy, C. V. Guruve Gowde, R. Narasimiah, C. S. Satyanarayana and H. N. Nanje Gowda.

HASSAN

Messrs. H. V. Thimme Gowda, Nuggehalli Shivappa, C. V. Guruve Gowda, Y. Krupadas and Mr. S. V. Pattabhy spoke at a meeting presided over by Mr. N. K. Ganapaiah.

SAKALESPUR

Speakers at the Sakalespur meeting included Messrs. K. M. Seshanna, S. R. Venkatakrishniah, N. K. Ganapaiah, Nuggehalli Shivappa, S. V. Pattabhy, H. N. Nanje Gowda, Y. Krupadas and Shivasbramanian. The meeting was held under Mr. M. Putte Gowda's presidentship.

KAREHALLI

Mr. Ganapaiah presided over the meeting addressed by Messrs. Nuggehalli Shivappa, S. V. Pattabhy, H. N. Nanje Gowda, Y. Krupadas and Satyanarayana.

BELUR

Mr. Ganapaiah presided at the Belur meeting which was addressed by Messrs. Nuggehalli Shivappa, S. V. Pattabhy, C. V. Gurure Gowda and Satyanarayana.

GUBBI

Vice-President of the State Unit K. H. Srinivasan inaugurated a meeting in Gubbi which was held under the Presidentship of Mr. P. H. Krishna Rao. The speakers included Messrs. N. K. Ganapaiah, Nuggehalli Shivappa, H. N. Nanje Gowda, S. Siddalingamani and R. Narasimiah (all Swatantra) and Mr. T. Subramanya one of the founders of the Janatha Paksha. A procession with banners and placards was taken through the main streets of the town before the meeting.

MYSORE CITY

Local leaders addressed a public meeting.

BELGAUM

Leaflets and Cartoon strips were distributed in large numbers in various parts of Belgaum.

UDIPI

A good crowd heard Messrs. K. Varadaraya Pai, B. Vasudeva Rao, P. Prabhakar Rao, Ravindra Nayak and Narayan Bhandari at a public meeting held in Udipi.

PUNJAB

The State Unit organised a public meeting at Patiala under the chairmanship of Sardar Dharshan Singh Pheruman, senior Vice-President of the State Unit. Apart from Mr. S. N. Khosla, Mr. S. S. Mariswamy, M.P., the General Secretary of the Madras Unit also addressed the gathering.

Elsewhere in the State public meetings and processions were held at Muktsar, Jullunder, Hoshiarpur, Gurdaspur, Batala, Ludhiana, Faridkot, Bhatinda, Sangrur Malarkotla, Ferozepur and Yamunanagar.

RAJASTHAN

Vice-President of the Party, Smt. Gayatri Devi of Jaipur was the main speaker at a mass rally in Jaipur attended by over 25,000 people. In her speech she denounced the excessive taxation policies of the Congress Government. Others who spoke included the Chairman of the Jaipur Municipal Council Dr. M. L. Sharma, Messrs. Durga Lal Bahadur MLA, Mr. Hukam Narain and others.

President of the State Unit, Mr. Lakshman Singh of Dungarpur addressed four meetings in Dungarpur.

At Sawai Madhupur, Man Singh Mahar M.L.A. addressed a well attended public meeting. Meetings were also held at Nagaur and Sambhar. Workers meetings were held in the districts of Udaipur, Kota, Jhalawar and Bundi.

ORISSA

SUNDARGARH

Meetings were held at Vedavyas, Birmitrapur and Knarmundh which was addressed by Mr. P. C. Bhagat M.L.A., Group discussions were organised in a number of places in the district when the excessive taxation measures were explained to the people. Party workers collected signatures from the populace demanding reduction in taxes.

BHAWANIPATNA

Two public meetings, one at Khariar and another at Nawapara were held. Mr. Bishvam Patel presided at Khariar and the speakers were Messrs. K. B. Padhi, Narayan Majhi, and Bagwan Bhoi. At Nawapara Mr. K. B. Padhi presided while Messrs. K. Padhi, Ramalal Debangan and C. B. Singh were the speakers. The audience at these meetings comprised mainly of industrial workers, farmers and businessmen.

The Sivarathri Mela which was on was taken advantage of to distribute leaflets and cartoon strips. A public meeting was also held in the centre of Bhawanipatna town. Messrs. Maheswar Nayak MLA, Mr. Jihat Ram Patel MLA and Mr. Niladrinath Panda spoke.

BALASORE

Five public meetings were organised in the Bhadrak Parliamentary Constituency. Mr. K. Das addressed the meeting at Kamargan, Mr. H. P. Mohapatra spoke at Bahanaga, Mr. N. C. Mallick at Kupari, Mr. M. Das at Nilgiri and Mr. B. N. Mohapatra at Soro. Party workers met people individually also to acquaint them with the government's excessive taxation.

BANPUR

Dr. N. C. Samant Sinhar spoke at a public meeting held at Banpur. Mr. Ramanatar Ram presided. An Oriya song specially composed for the ocassion by the well known poet Mr. P. C. Patnaik was also rendered on this ocassion.

MAYURBHANJ

A group of workers visited Bahalda, Badampahar, Rairangpur, Jashipur towns and the Kheching mela and conducted the campaign with the help of microphones simultaneously distributing literature. The impact was favourable and businessmen even asked workers to go to the extent of even picketing Government Offices and assuring them of their co-operation.

BALANGIR

A six-point resolution was passed at a public meeting in Balangir organised to observe the day, urging the Government not to introduce any further taxation and change its policy in this regard. Mr. A. K. Pradhan, a leading advocate of the Balangir bar, presided. Mr. B. K. Sarangi and Mr. Satyanarayan Behara spoke.

UTTAR PRADESH

MORADABAD

A three day convention in Moradabad from Feb. 19 to 21 was the highlight of the campaign in the State. Besides nearly 200 party workers, General Secretary Masani also attended the convention. The conference was inaugurated by Mr. B. P. Singh president of U.P. Unit, on February 19 and a large public meeting was held on the 20th with Mr. Masani as the principal speaker.

BASTI

Party workers in Basti district held a series of public meetings beginning from February 14th and ending on the 20th. Apart from public meetings signatures, were also collected protesting against the land surcharge. A deputation of party workers headed by the party's district president, Mr. Raghav Kumar Pal, met the District Magistrate on the 20th and handed over copies of the resolutions passed earlier. In Nangarh tehsil a procession was also taken. In Sohna several meetings were organised and Dr. Sant Bahadur Singh, among others addressed these Meetings.

BAHRAICH

About half a dozen big public meetings at important places were convened and were addressed by Rani Basant Kunwar Ba, MP, Mr. Ram Singh, MP, Messrs. Munnu Singh, Ch. Abdul Hasheeb Khan, Prem Singh, Mangal Prasad (MLAs) and Mr. R. S. Srivasatava, district secretary. Resolutions against the government's excessive taxation policy were passed.

BADAUN

Public meetings in different parts of the districts were organised. Besides passing resolutions against excessive taxation, the meetings demanded the withdrawal of the land surcharge.

HARDOI

In spite of the party unit being a newly constituted one it was able to organise meetings in various places of the area on the day. A procession consisting of 400 peasants demonstrated before the District Magistrates bungalow and presented a memorandam to him.

AZAMGARH

In Azamgarh City a public meeting was convened to observe the day. Messrs. Syed Adul Hasan, Kamla Kant Singh, Maharaj Singh and Ram Pyare Singh addressed the meeting.

GHAZIPUR

A workers meeting and a press conference were organised and a memorandum was submitted to the district Magistrate which among other things demanded the withdrawal of land surcharges and house taxes. A procession was also taken on the day.

LUCKNOW

Party workers made door to door contact and explained the harshness of the Congress government's excessive taxation measures on the people. The following day a random survey was made to find out the impact of the campaign. The survey revealed appreciation by the people of the party's work.

Pass

VARANASI

Public meetings were held in Chandauli Parliamentary Constituency on February 15, 16 and 17. A press Conference was arranged on February 18 and on February 20 a Public Meeting was convened in Varanasi city. The meeting was addressed by Messrs. Trivikram Narain Singh, Dhramshil Chaturvedi and Gyan Chandra.

Tel. 4122 Ausangarj Palace.

MATHURA

Speakers reiterated the need for reduction in taxes and the withdrawal of land surcharge in a public meeting organised on the day here. In Shikohabad Tehsil also a public meeting was held under the presidentship of Mr. Harish Chandra Paliwal.

KANPUR

Two meetings were held here to observe the day. The speakers asked the Union Government not to increase taxes nor levy new ones.

Dist Sec

57

Say - South ...

Annexure B

The following are extracts from speeches delivered by Mr. N. Dandeker, Dr. R. C. Cooper and Mr. C. R. Irani on the Union Budget for 1966-67.

N. Dandeker

I want to present this budget as the Budget and the Common Man. How does the ordinary intelligent person react to this? I say the ordinary intelligent person because he is that uncommon man who has got common sense which is uncommon in these days in the highest quarters. Looking at this from the standpoint of the common man, it seems to me four questions arise by reference to which one can consider this budget. First, what is the present economic situation? Secondly, in this situation what should have been done by a sensible budget? Thirdly, what does this budget actually do? and fourthly, what are the consequences of the budget as it is framed?

I think these are the sort of questions that an ordinary person is troubled with.

There is a lot of verbosity in a document called the *Economic Survey* presented by the Finance Minister, as well as a considerable amount of the same thing in the first part of his speech. To put it briefly, the present situation can be summarised as one of multiple crises in all sectors of the economy. In the first place there is inflation resulting from extravagant public expenditure under the Central and the State Governments, resulting also from extravagant deficit financing leading to rise in prices, rise in cost of living, rise in demands for wages and dearness allowance, rise in costs generally and the so-called "cost-price spiral".

The second thing is a production crisis. There is a crisis in Agricultural production and in particular in the production of foodgrains, which affects everybody. Thirdly, there is an industrial crisis. Not many know about this, but the fact is that Industries are gradually slowing down the rate of industrial growth in the same way as the rate of growth of foodgrains production. Everybody, particularly in a place like Bombay knows of the capital market crisis. Nobody is interested in buying equity shares, preference shares, debentures or anything at all. The capital market is dead as mutton. Everybody also knows there is a foreign exchange crisis, and quite frankly we are bankcrupt on the foreign exchange front.

Above all there is a crisis of confidence. Lack of confidence in the material prospects of the country, lack of confidence in the political development of the country, lack of confidence in the general moral tone in the country. A total series of crises. People just ask themselves what is happening, what they are heading for, what to do about it, and so on.

The next question is what does the ordinary person—never mind, if he is not an expert in economics or an expert in statistics, or an expert in planning—what sort of things can he expect out of a major policy commitment like the Budget? I suggest that first and foremost everybody expects a lesser burden on the common man, or at any rate a loosening of the grip in which he is caught today, between rising prices on the one hand and an increased tax burden on the other. This is the real crisis of the ordinary common man.

Now what is the character of the budget that is being presented? The first thing that strikes one is the enormous slapping on of some more indirect taxation. It is really a most incredible budget from that point of view.

You know today that all of us are paying in one form or another taxes on the things we buy, on the things on which we spend our monthly income, on, so to speak our monthly spending.

You are in fact paying excise duties on all kinds of things that you consume—soap, kerosene, power, electricity. Everything and anything is subject to excise duties.

They are also subject to a large variety of sales taxes. There is a State sales tax, there is a Central sales tax, there is a special sales tax imposed by the Centre for the benefit of the State, and so on.

On all these things you are going to have excise duties slapped on in this budget, aggregating a burden of another 53 crores of rupees or so. It is going to come on sugar, tobacco, cigarettes, Khandsari sugar, light diesel oil, fine and superfine cloth, higher counts of yarn and on miscellaneous things including a thing called optical bleaching agent, whatever it may be, and also on synthetic detergents. As if the Government is worried about the excessive use of soap and detergents!

Every indirect tax imposed by the Central Government, indirect taxes imposed by the State Governments in due course including the burden of income tax imposed by the Central Government, descends eventually on the heads of the ordinary person. It is he who is actually suffering in terms of the higher price of a thing he buys. But that is not all. They have also added to the Central Sales Tax another one percent which in a full year will slap on 19 crores on the indirect tax burden! That is still not all. They have decided to increase the special Central Sales Tax upon coal, cotton and cotton yarns and all kinds of things by another one per cent! The total burden of the Central Sales Tax in a full year will be 20 crores and the total burden of this special sales tax will be 15 crores.

There is a whole exercise about direct taxes. It begins with a few odd, very desirable reliefs, sounds very good when the Finance Minister said to the small man: 'I am going to increase the allowances for personal relief by 25 rupees in terms of tax. All that has happened in fact by that kind of business is that persons earning upto Rs. 7400 rupees of taxable income get a little relief – a magnificent sum of Rs 24 per annum.

Speaking of the so-called rich people, say somebody with an apparently comfortable income of Rs 70,000 per annum, in 1950-52, 15 years ago, taxation took away about 26 and a half thousand, leaving 43 thousand rupees. Now taxation and annuity deposits take away 30 thousand rupees. The disposable income then was Rs. 43,000 and now it is Rs 39,000. But what is the worth of this disposable income. What has happened to prices in the meanwhile? Compared with 1955-56, the last year of the First Five Year Plan prices rose about 28 per cent in the Second Five Year Plan. In the Third Five Year Plan they have risen another 40 per cent. Today the price level is 70 per cent higher than it was 10 years ago. With the result that this gentleman who is left with less net income after paying his taxes, his income is not in fact 39 thousand.

Indirect taxes in terms of excise duties is 52 crores, indirect taxes in terms of additions to central sales tax 20 crores. Further indirect tax in terms of special Sales Tax 15 crores, increase in income tax 25 crores, increase in corporate tax 43 crores, the total gross additions to taxation is 156 crores.

And it is really here one begins to ask himself: how does this Budget stand up to what the ordinary man expects it to have done for this country in the situation in which we find ourselves today. Will it reduce the burden on the ordinary person. Will it do anything to stimulate agriculture? Will it do any thing to stimulate industrial production? Will it do anything to stimulate savings and investment and capital formation? Will it add to the incentive of the people to work more? I wonder how many of us are feeling better of. How many of us are cheerful about the load of indirect taxation to which we have to suffer and the load of rise in prices we have to suffer and the resultant erosion in income. In particular there are two classes in the population concerning whom I feel highly distressed. First of all the Agricultural Labourer. According to the 1961 census something like 60 million people are agricultural labourers with no land and no capital. A committee was appointed to find out what was happening to this wretched man. It was found that they were worse off in 1964 than they were in 1950. There is no conceivable way by which you can say their standard of living has improved; not only not improved it has not even remained stable but has gone worse.

The other section of the population concerning which I feel most distressed is the middle class population. There are certain characteristics of the middle class population that one has first to consider. Usually there is one earning member in the family, sometimes two. Usually the salary which the white collar man earns is least susceptible to increases along with the increase in cost of living. Salary scales do not change so easily. On the other hand, standards of living of the middle class are inelastic. There is a certain standard below which the middle class person will resist going down. Within a week of the receipt of his pay he has nothing left in his pocket. He is today desperate about how to buy books for his children, how to buy milk for his children, how to pay their school fees, how to buy their exercise books; he is in a desperate position, when it comes to some entertainment or social functions. It is this class from which has grown the entire driving energy of the country, the professional people, the teachers, the doctors, lawyers, those who are working in firms, those who are working in governments. I can only describe them as the catalytic agents in society. Today this middle class is in a terrible state and this budget is going to put him in an even worse condition than he is now.

Let us look at what this budget is going to do to industrial production. Is there anything in it calculated to remove the thousand and one hinderances to industrial activities? Is there anything in this to stimulate savings?

Let us take this question of savings, because it is fundamental. No society, no matter whether it is communist, socialist, capitalist of free enterprise, can progress economically unless there is a continuous volume of savings to be invested in capital formation. But if your taxes are going up and your cost of living is going up so that more and more of your income is spent on consumption, where is the capacity to save? Is this reduction of 25 or 24 rupees in income tax going to increase the saving capacity of the people? Is Rs 2 extra in the pocket of anybody, with the rise in cost of living going to make the slightest impact on savings.

I have said that with reference to the present position the ordinary person expected certain things out of the budget. When I look at the actual budget, I not only cannot see those things, but I feel a contrary thing. I see clearly, that prices are going to rise. I see clearly that agriculture is going to continue to be in the doldrums. You don't get a man increasing his investments in land if suddenly Mr. Asoka Mehta says in Sagaur University that 10 acres ought to be the ceiling on land. That is what he says. Supposing I bought today in the present circumstances 40 acres. Am I in view of that kind of statement going to improve that land by putting in more capital and all kinds of things of a capital nature that is going to improve the productivity of that land? There is the 17th Amendment which enables the State Government to take away your land and pay whatever compensation they think fit. They can say I will give you only one rupee for an acre of your land that they take away. There is nothing you can do about it.

If you had to have all the expenditure that has to be incurred and if the money that you have got is not enough and there is nothing you can do about it, there are, said the Finance Minister and his Secretary Bhoothlingam, only two ways—either you have got to increase taxation or you must resort to deficit financing.

If I am unable to meet my expenditure out of my income and keep on doing it I am bankrupt. Any company that keeps on doing that also goes bankrupt. But somehow a Government succeeds in making finance out of deficit and that is called deficit financing. It is done by the simple process of printing more and more notes. If anyone tries to meet his deficit by printing notes, he goes to jail. It is counterfeiting. But if the Government does it, it has got the polite name of deficit financing. Let me show you the amount of deficit financing over the last five years: Rs 177 crores in 1961-62, 264 crores, in 1962-63, Rs 443 crores in 1963-64, 328 crores in 1964-65 and 278 crores in the year 1965-66. Over the total period an enormous increase of currency from 2868 crores to 4358 crores, nearly 1500 crores. If I say 'no' to deficit financing then says the Finance Minister 'I must tax you'.

There exists in the structure of expenditure both in the Central and State governments an enormous scope for economy. Let me show you how progressive has been the expenditure of the Central Government over the last 15 years. The average annual expenditure for the first Five Year Plan was 735 crores. For the second Five Year Plan was 1494 crores, and during the last five years—here is the astonishing story. In 1961-62, the first year of the Third Five Year Plan it was 866 crores, in 1962-63, 2378 crores, 1963-64, 2997 crores, and then I come to a point at which I am reminded of the advertisement I saw about ten days ago of the Charminar cigarette breaking the 3000 million barrier. The Central Government broke the 3000 crore barrier in 1964-65 with an expenditure of 3201 crores, in 1965-66 it is of the order of 4000 crores and the next year it is going to be 4500 or 4600 crores.

While this is happening to the Central Government, State Governments have run amuck entirely. They have devised a new means of deficit financing. They run up over drafts with the Reserve Bank of India. I wish I had a bank that would allow me overdrafts and no questions asked. My banker would say, look, I am drawing a line; either you pay back this thing or you don't get anything more. But not apparently the Reserve Bank of India.

If one says what about a 5 per cent cut in expenditure you would get a long story about the character of this expenditure. First there is the civil expenditure—the ordinary expenditure to keep government going. This has been leaping and bounding along as the years go. Then they have Plan expenditure; then they say they have got non-plan development expenditure. Then they say they have non-plan, non-development expenditure etc. The real fact is that the Finance Minister dare not do any real slashing down of this expenditure racket because the State Governments and the Central Government have a vested interest in spreading their net far and wide in the context of the general elections next year. They have a lot of political fields to irrigate and a lot of this expenditure is in fact expenditure for political purposes. It is a sad story but nevertheless, a fact. I don't blame the Finance Minister; after all, he is new to this game. But I have no doubt at all that there was no need whatever for this enormous burden of increased taxes.

This budget is a failure both in terms of the test that the Finance Minister himself laid down and also in terms of the test that an ordinary person would apply to it. In fact, at this juncture the only justification for this budget is that it is perhaps of some political value to the Congress Party.

(Based on a speech delivered under the auspices of the Unit of the Party on March 4, 1966)

R. C. Cooper

The emphasis rightly laid by the Finance Minister on the importance of strengthening and maintaining the confidence of the private sector by facilitating a greater flow of private savings to industry in the form of equity participation of a growing number of people drawn from different strata of society does not find any place in the subsequent fiscal proposals contained in the budget.

The failure of the Finance Minister to pursue a realistic and pragmatic polcy to make the economy 'production oriented' and to ensure the growth and dynamism of the Indian economy creates an impression that the Finance Minister, who had been in office only for a few weeks at the time of presenting the budget, has not been properly advised. It appears that those who were intimately connected with framing of the budget proposals lacked practical business experience. This can perhaps be the only explanation for a series of failures, year after year, on the part of successive Finance Ministers in implementing through the budget the very objectives which they seek to stress. This also emphasises the need for greater exchange of views between the business community and Government, in future, to prevent a similar situation.

The resolution seeks to test the budget proposals by the following realistic tests:-

(1) Incentives for increased production.
(2) Capacity to stabilise prices.

(3) Incentives for reviving the Capital Market and ensuring the success of new equity issues of industrial concerns, through promotion of savings and investment.
(4) Ensuring better standard of living for the masses and reduction of unemployment.
(5) Rationalisation of the tax policy and reasonable rates of taxation.
(6) Reduction in the rigours of the credit squeeze.
(7) Restraining of the unproductive and wasteful public expenditure of the Central and State Governments.

It is in the context of these essential features that the budget proposals of the Finance Minister have to be viewed. There can be no doubt that, judged by these standards, the proposals fail to meet with the requirements of the time and are not likely, even to a small extent, to remedy the callous state in which the country's economy has been stagnating for the last few years. On the other hand, there is a distinct danger that any further failure on the part of the Government at this critical juncture to realise its responsibility and rise to the occasion is likely to bring to a halt the economic progress of this country with very severe repercussions on the common man.

In this context, the following conclusions drawn by a recent independent study made by the "Economic & Scientific Research Foundation" deserve careful attention:—

(a) Experience in respect of a number of countries indicate that when the Government's appropriation of national output reaches a level of 20 to 25 per cent of the gross national product, it has an adverse impact on output, employment and incomes. Inflation sets in. Beyond this limit, all Government expenditure is inflationary.
(b) In India, taxation has grown annually at a rate of 15 per cent while the rate of increase of the gross national product has been only about 3.3 per cent per year. Thus, taxation has been increasing more than four times as fast as the total national output. The growth in taxation and Governmental spending has reached such a level that it is precariously close to the limit mentioned in (a) above.
(c) the high rate of Governmental spending and capital accumulation has not led to a high rate of economic growth. In fact, the Indian growth rate is among the lowest in Asia, for the period between 1952-53 and 1962-63. The only other country which has a lower rate of economic growth among *twelve important countries* of Asia is Indonesia. Pakistan has done substantially better than India.
(d) According to a recent United Nations analysis, there is an inverse correlation between changes in the gross national product and the changes in the cost of living. Therefore, the type of fiscal and monetary conditions which breed inflation also inhibit growth. Taxation beyond a certain level also retards growth. Conversely, a fall in taxation must result in growth. The additional capital accumulation through taxation will not lead to higher or more rapid growth. On the other hand, by accentuating inflation, it may undo whatever little has been achieved during the year.

Growth of the Capital Market:

It is interesting to note the following indices regarding the growth of the Capital Market:—

1. Index of the equity prices dropped sharply from 155 in May 1962 to 104 in March 1965.
2. For the same period, the index of equity prices of new issues dropped from 91 to 49.
3. During the last ten years of the completed share under-writing operations of the I.C.I.C.I. of Rs. 11.52 crores, it was left with Rs. 6.10 crores. *Out of the 9 share under-writing operations for* Rs. 1.32 crores completed during 1964, it was obliged to take up as much as 1.22 crores.

Direct Taxation:

The ceiling of 70 per cent which is today applicable in India only to Companies in which public are substantially interested, and not to other companies or individuals, is far too high as compared to 50 per cent in the U.K. and 40 per cent in the Scandinavian countries, both fairly heavily taxed countries.

Multiple taxes at confiscatory rates have reduced the margin of savings in this country to the point of extinction.

Examining the implications of the Union Budget for 1966-67, the Union Finance Secretary, stated that the proposed increases in personal income tax and corporate tax would not affect foreign investment in the country, as foreigners were far more concerned with opportunities to make profits than what they had to pay after they made the profits.

It is not known on what precise data this statement was made. We are yet to learn of any businessman in any part of the Free World who does not take into account the net return, after tax, on his investment.

The Congressional testimony before the Standing Committee on India of the Business Council for International Understanding in the U.S.A., which was recently released to the Press proves quite the opposite. The following observations are worth noting:—

i) "Indian attitude towards foreign investment is ambivalent."
ii) "India accepts foreign capital as a necessary evil. This attitude, whether conscious or subconscious, affects negotiations in India. It is the undercurrent of the investment climate".

iii) "*It is not unusual even today to meet high civil servants who look down on the business community.*"

iv) "The question today is not if India will accept foreign capital, but will foreign private capital accept India."

v) "These views acquire importance from the fact that under the Third Plan, India had estimated an inflow of 125 million dollars a year of foreign capital. The actual inflow has been closer to 70 million dollars. In the Fourth Plan, India is counting on an inflow of 300 million private dollars a year."

These impressions of the Standing Committee on India are contained in the Congressional testimony released to the Press. The committee was selected out of a large group of companies, whose representatives went to India two years ago. They are among the most important in that country. They continuously seek an understanding of India.

The Union Finance Secretary has also lost sight of another very important factor viz. that the foreign investment by itself is not enough. It has to be matched by an almost equivalent amount of rupee finance. Where is this investment going to come from if, on account of heavy taxation and the credit squeeze, the very source of such finance has long dried up?

With the proposed increases in personal and corporate taxation, under the present budget proposals, in India which is the highest taxed Nation in the world.

(a) the maximum corporate taxation has gone up from 74 per cent to 80 per cent

(b) the maximum personal taxation has gone up to 91 per cent, and

(c) the combined rigours of the income tax and wealth tax in the highest brackets continue to rule far above 100 per cent.

Indirect Taxation:

When the common man is harassed by high prices and food shortages and the country is undergoing extensive power shortages due to failure of rains, it is proposed to impose additional excise duty on (a) sugar which is an item of daily consumption; (b) diesel oil which is so badly needed for power generation and mechanised agriculture and (c) cotton textiles where prices are already high and industry is passing through a serious crisis.

To take the case of sugar alone, the proposed increase in excise duty will mean an increase of over 30 per cent. At the present level, taxation constitutes 45 per cent of the cost of production of sugar. With the increased levy it will go up to 55 per cent.

Already there is consumer resistance and non-lifting of quotas by State nominees. The mills have hardly any capacity to absorb additional taxation as revealed by the Reserve Bank study. The study reveals that profitability and return on capital of sugar industry are the lowest and far below those considered fair and reasonable by the Tariff Commission.

As a result the production will go down and marginal units will be forced to close down. These higher duties will not bring in additional revenue. Modernisation and rehabilitation of worn out plant will suffer.

In 1964-65, sugar excise alone brought in a revenue of Rs. 71 crores which constituted 9 per cent of total collection of Union Excise duties. With the increase, the total revenue will go up to Rs. 104 crores.

How much more burden can just one industry producing an essential consumer item for the common man bear?

The answer to the problem of sugar is not additional excise duty, but decontrol which will enable:

(a) the common man to buy sugar at a cheaper rate than at present,

(b) the mills to have more liquid resources due to gradual liquidation of stocks, and

(c) the cultivator to obtain his locked up money for cane supplied during the last crushing season.

Public Expenditure:

In the words of Colin Clarke, "public expenditure does not become productive merely by being described as investment. It can be misdirected and wasted. There is not only a direct waste on projects designed on insuffícent information or mis-managed by bureaucratic over-centralisation or inspired by political calculation and manoeuvre. There is also the indirect waste following from taxation, rise in prices, Government control and other measures intended to stimulate investment, all of which damage the rest of the economy by distorting production, impairing incentives to work or save and erecting a costly apparatus of officialdom". How true are these words in the context of the conditions prevailing in the country today?

Non-development expenditure in India has increased nearly four-fold between 1955-56 and 1964-65 and now accounts for more than 50 per cent of the total Government expenditure. In fact, except during the three year period 1956-1959, Defence and Development expenditure has been *less* than the expenditure on the administration and under non-development categories.

It is perhaps a matter of grave concern to all of us, but not to the Government, that the Central Government and the Reserve Bank have no control whatsoever on the extravagance and wastefulness of the State Governments. There is nothing which the Central Government is obviously able to do to control the State Governments blatantly exceeding the prescribed over-draft limits with the Reserve Bank. The entire credit squeeze is directed only to one sphere, viz. the private enterprise where one is yet to come across a concern which, with impunity, can overdraw its account with a commercial bank.

Instead of dilating any further on the present precarious state of the capital market owing to the unrealistic and faulty fiscal policies pursued by the Government, it would perhaps be better to suggest the following urgent measures which need to be taken immediately to retrieve the situation before it becomes hopeless to:

(1) The entire additional dose of corporate, personal and indirected taxation could be eliminated with a marginal saving of only 5 per cent in the central expenditure of Rs. 2407 crores. If this nominal cut is uniformly applied to the entire revenue and capital expenditure, the percentage will be still lower at roughly 2 per cent of the total disbursement of Rs. 4685 crores. This cut is not likely, in any way, to affect either the efficiency or the development effort of the Government. It will on the contrary, prove its sincerity and bonafide.

(2) The Finance Minister should immediately announce the Government's intention to introduce a reasonable element of certainty in the tax structure, rates of taxation and the fiscal policies, so that public and private enterprises can plan for the future with a reasonable assurance of stability.

(3) A uniform rate of 50% should be applied to all companies, which should be brought down to 45% within a reasonable period of time. This will enable adequate plough-back of corporate profits and lead to increased revenue even during a short-term period without involving any substantial loss to the exchequer.

(4) The unduly high rate of taxation and the requirement of compulsory distribution of dividend by companies in which public are not substantially interested have no justification now with the high rates of Estate Duty and Wealth Tax which adequately take care of the accumulation of wealth, if any, in the hands of such companies. The removal of these inhibitions will also ensure steady and rapid growth of companies formed by middle class businessmen.

(5) The present complicated system of Investment Allowance through tax credit certificates should be replaced immediately by a simple and straight-forward deduction from total income of amounts invested in new issues, subject to prescribed limits. Such investment should also be permitted by purchase of accumulated stocks with financial institutions or other underwriters.

(6) The Annuity Deposit Scheme should be made optional for all assessees. Subscription to new issues of shares or purchase of shares from underwriters should be deemed to be equivalent to payment of annuity deposits, owing to the risk factor involved in such investment.

(7) The administrative complications and procedural defects of the Annuity Deposits Scheme should be eliminated by streamlining and simplification.

(8) Concrete steps should be taken for ensuring financial discipline by the State Governments. By insisting on nominal cuts in expenditure of the State Governments, the proposals for increases in sales tax could be completely eliminated. In any event, the share of the States has gone up this year by Rs. 144 crores, on the basis of the recommendations of the Fourth Finance Commission. Moreover, the States have already overdrawn last year to the extent of Rs. 200 crores. In the Budget there is also provision for additional loan assistance to the States of Rs. 100 crores.

(Based on a speech delivered when seconding the resolution on Fiscal Policy and Capital Market at the 39th Annual session of the F.I.C.C.I. on March 13, 1966)

C. R. Irani

For the first time in many years, the Budget can be examined in a rational manner and without the fear of booby traps which Mr. Krishnamachari was so fond of scattering through his budget proposals. In his speech presenting the Budget, the new Finance Minister, Mr. Sachin Chaudhuri, shows an awareness of what is wrong with the economy. He enumerates four 'difficulties' facing us. They are:—

"inadequate performance of the economy"
"sluggishness of the capital market"
"pressure on the balance of payments" and,
"rise in the prices of essential commodities."

These 'difficulties' are, of course, interrelated, but the one that bears particularly harshly on the vast majority of our people is the last item, and we should consider it before the others.

Rise in the prices of essential commodities

The Finance Minister said, "it was imperative that budgetary and indeed all economic policies, are framed with a view to reversing this adverse trend" in prices. Let us examine how his proposals are likely to affect this steep rise in prices.

The first proposal is to levy an additional Rs. 21.93 crores on sugar and khandsari, — articles of daily necessity for all our people. The second proposal is to increase the rate of duty on diesel oil to bring in an additional Rs. 5.35 crores. This will have two major effects. One will be to put up the cost of public transport, and as you all know, public transport is not used by well-to-do people. The second effect will be to raise the cost of farming. On the 5th March, the Agriculture Minister of Gujerat complained to the Central Food Minister, Mr. Subramaniam, that this increase in duty would bear very heavily on farmers operating oil engines. He feared that the additional levy in Gujerat alone would come to Rs. 1.75 crores. And this at a time when we are supposed to be doing everything we can to encourage more production of foodgrains. Mr. Subramaniam promised to discuss it with the Finance Minister, and I suppose all that the poor Finance Minister can do is to to discuss it with our great Planner, Mr. Asoka Mehta, who will promptly consult his text-books to see whether this increased levy can be withdrawn without giving up socialism!

Then there is the additional levy on cotton yarn and fabrics to bring in another Rs. 14.05 crores,— again an article of common use. The total of these additional levies which will impose a very heavy burden on the poorer sections of our people, will come to Rs. 52.86 crores. It is clear therefore, that the effect of these levies will be a further steep rise in the prices of essential commodities; exactly the opposite of what the Finance Minister intended. This is not all. Included in the Budget proposals is a proprovision to raise the ceiling of Sales Tax on certain specified articles from 2% to 3%. This 50% rise will again be on items used by the bulk of our population, like coal, cotton yarn, oilseeds, sugar, rayon and woolen fabrics. This increase in the case of coal comes at a time when coalfields are finding it difficult to sell most of their products. Again, cotton mills today are choked with fabrics that they cannot sell and this increase in the ceiling of Sales Tax together with the higher excise duty proposed is not going to help them. This increase in the ceiling of Sales Tax will bring in an additional Rs. 34 crores in a full year. Added to the increased contribution extracted from the Railways and the other Budget proposals, they come to a gigantic Rs. 190 crores of additional taxation. I do not think anyone can seriously contend that these proposals will have the affect of reducing prices.

Sluggishness of the capital market

The Finance Minister has removed the tax on Bonus Shares. This was only an irritant to the capital market, and its removal is a concession to commonsense and therefore welcome. The effect, however, will be nominal inasmuch as the loss of revenue will be only Rs. 9 lakhs.

There is another welcome provision made in the taxation of companies. There is to be some reduction in the tax payable by companies on dividends declared, but this is unfortunately off-set by an increase in the tax deductible from the dividends when paid to shareholders. So one will cancel out the other. The total of all the small reliefs given to companies comes to Rs. 7.49 crores, but on the other hand, the total of the additional levies imposed comes to as much as Rs. 50.95 crores.

In any attempt to revive the capital market, the position of the investor is important. Investments come form savings, and savings come largely from the middle and higher income groups. Let us see how these groups have been treated in the new Budget. On the credit side, the Expenditure Tax has been abolished and this is welcome. But this Tax produced hardly any revenue at all and its impact was more psychological than real. Then, some relief has been given at the lower levels of income, which has become necessary because of the inflationary policies persued by the Government. Again the impact is likely to be small, as the total saving in revenue is going to be only Rs. 3.50 crores. A man earning Rs. 500 per month will save Rs. 14 in the year or Rs. 1.15 per month! This saving is likely to be more than used up in paying higher prices for sugar alone.

On the other hand, the middle and higher income groups, whose savings are so vital to the health of the capital market have been savagely taxed. The 10% special surcharge is to produce an unprecedented Rs. 25.60 crores. But then income tax payers are of no political consequence whatsoever, and we must remember that this is the last Budget before the General Elections. "Soak the rich" or who you think are the rich, is still a very profitable election slogan. These proposals will make Mr. Sachin Chaudhuri popular with the irresponsible elements in the Congress Party, but one thing they will not do is to help to revive the capital market.

I would like to go back a few years, and consider what Mr. Sachin Chaudhuri himself had to say on the subject of unduly heavy taxation on the middle and higher income groups. Speaking in Parliament on the 13th June, 1962, Mr. Chaudhuri complained that the then Finance Minister was, "taking away from individuals, particularly those who are taxed heavily to the extent of 83% or 87% (depending on whether it is earned or unearned income) a very high proportion as Income Tax; and I am sure that he must have given consideration to the fact that these are the people, the people of the middle income and the higher income groups who have also the habit of saving and also the habit of ploughing back such extra money as they have for the purpose of advancing the cause of industrialisation, or the purpose of advancing the productive machinery of the country." Now this was only four years ago. I wonder whether since then, or perhaps since taking office as Finance Minister, Mr. Chaudhuri has noticed a change in the saving habits of people in the middle and higher income groups. In 1962, Mr. Chaudhuri was complaining of the rates of Tax being as high as 83% or 87%. He now, himself proposes rates which amount to 84% or 90%. Now why this contradiction?

on the 13th June, 1962, Mr. Sachin Chaudhuri was speaking as an eminent lawyer, with wide experience of running companies. Now he is reduced to the position of an errand-boy, sent out to find the money for Asoka Mehta's Plans!

Planning for "Austerity"

Let us take a brief look at the three Plans we have had so far. In the First Plan, 46.4% of the resources were allotted to the Public Sector, and the majority were allotted to the Private Sector. The Plan was small and practical, with the result that it was a success. It was from the Second Five-Year Plan that the trouble started, because it was then that the communist fellow-traveller Prof. Mahalanobis and that self-confessed "disillusioned socialist" Gulzarilal Nanda began to play around with our economy. In the Second Plan, 54.6% of the resources were allotted to the Public Sector or the State Sector,—the result was failure. In the Third Plan, the share of the State Sector was raised to 60.6%,—the result was a bigger failure. If our planners are to have their way, this percentage will go up to 72.7% in the Fourth Plan. This is the Government's and the Planning Commission's way of rewarding failure and encouraging inefficiency.

The revenues of the Central Government keeps on counting each year. From Rs. 2,229.08 crores in '64/65 they are to amount to Rs. 2,718.62 crores in '66/67. This is an increase of nearly Rs. 490 crores. Government expenditure, in accordance with Parkinson's Law, then rises to meet income. It rose from Rs. 1, 955.18 crores in '64/65 to Rs. 2,116.48 crores in the Budget of '65/67. Compared only to last year, this is an increase of nearly Rs. 290 crores.

Now, we are told that Government must have more and more resources, that revenues must rise, otherwise defence and economic development will suffer. This parrot cry is a gigantic fallacy. Of the additional expenditure proposed of over Rs. 290 crores, Defence will absorb only Rs. 29.88 crores more than last year. For Agriculture and Irrigation, over the Fourth Plan period the increased allocations are only of the order of .6%. Therefore, the bulk of our resources will continue to be put into heavy industry and the priorities in the Fourth Plan will remain unchanged. And here lies the fallacy;—the assumption that industrial development must be left to those who are least qualified and least experienced, the Government and the bureaucrat.

We know some of the results of Government enterprises. Over Rs. 2,000 crores have been invested in them, and so far they have only produced losses. If any company in the private sector were to behave in this fashion, the share-holders would be up in arms and the board of directors would either have to set matters right or resign. Now State enterprises suffer from no such limitations. The Public Accounts Committees of Parliament complain bitterly, year after year, and several times a year, about the incredible inefficiency, the waste, and the scandalous goings-on in these enterprises without making the slightest impression upon anyone in authority.

Recently, that misguided and out-dated socialist, Mr. Asoka Mehta, appeared to have had a slight change of heart. He confessed that it was no longer an evil for State Sector enterprises to make a profit. In fact, he wanted them to make a decent profit, a 12% profit. Now, how does this compare with profits made by companies in the Private Sector. If some of our fire-eating socialists are to be believed companies in the Private Sector are making enormous profits. I have with me the figures based on statistics provided in Reserve Bank of India Bulletins and they show that from 1956 to 1963, the gross profits made by companies in the Private Sector varied from 8% to 10.2%. So Government enterprises are to do better than Private enterprises. Not as you might suppose, by being more efficient and by increasing production. According to Mr. Asoka Mehta, this grand result will be achieved by the simple expedient of adjusting the selling prices! In other words, the consumer, that is you and I, will be forced to pay these higher prices and we will continue to be held to ransom.

Profiteering in P.L. 480 food

Recently, a Member of Parliament asked Government some awkward questions about the prices of P.L.480 wheat charged by the Central Government. He got no satisfactory answer. In the Budget speech however, the Finance Minister was bold enough to admit that, "we depend to such a large extent on the P.L.480 programme (not simply for food, but) for supplementing our budgetary resources". What he should have said was that the Central Government, this Government dedicated to socialism, was profiteering in the people's food supplies, so generously provided by a friendly Government and people. I have compiled some figures based on the Government's own Monthly Statistics of Foreign Trade. They are not accurate to the last paise but they are substantially correct, and I would ask anyone in authority to disprove them, if they can. For the year ended March, 1962, we imported 2,083,857 tons of wheat, and the difference between the price charged by the U.S. Government and the overseas freight on the one hand, and the selling price charged by the Central Government on the other was a modest Rs. 2.95 per ton. For the year ended March, 1966, thanks to the adjustments made in the selling price by the Central Government, this difference rose to Rs. 88.69 per ton. The approximate quantity of wheat imported during the year ended March 1966, is likely to be 7 million tons and because of this tremendous margin, the Central Government pocketed over Rs. 62 crores. In the coming year, because of the drought that we have had, and the continued willingness of our friends to help us, the quantity imported is likely to amount to 12 million tons. At the same rate of profit, the Central Government will pocket Rs. 106 crores. I ask you now, who is the profiteer?

This is not all. Some State Governments, notably West Bengal and Bihar add another Rs. 60 per ton to the Central Government's selling price, and fleece the consumer.

Government must tighten its own belt

So we have seen that Government revenues will continue to rise in the coming year, and Government expenditure will also rise generating further inflation. It is time that Government accepted a little of its own medicine and tightened its own belt. The Finance Minister showed some understanding of this problem of continually rising Government expenditure. In his Budget speech he called for, "a greater *sense of determination in restraining expenditures*, whether revenue or capital, whether Plan or non-Plan, whether by the Centre or by the States". These are brave words; if only they had been translated into effective action!

I have broken down some of the figures of Government expenditure as proposed in the Budget, and they reveal an interesting picture. Administrative Services absorbed Rs. 81.87 crores in '64/65. According to last year's Budget, they were to go up to an all time high of Rs. 110.08 crores. Similarly, expenditure on Social & Development Services, which was Rs. 167.56 crores in '64/65, is to go up to Rs. 195.56 crores in 1966/67. Now, it is true that under Social & Development Services come essential services like Health and Education which should be expanded; but their allocations are almost the same. Increased allocations for Government services are to rise by a total of Rs. 56.17 crores. This could have been avoided if prices had been held in check. If Government expenditure on services had been restricted to the 1964/65 levels, at least one-half of the Finance Minister's new levies would not have been necessary. To be fair to the Finance Minister, these are not matters in which he can act alone. It is the whole Cabinet's policies that are wrong.

What about the expenditure on providing the necessary infra-structure of economic development. How much has been provided for essential services like Roads, Transport & Communications, and other Public Works? Expenditure on these items is to go down from Rs. 147.58 crores in '65/66 to Rs. 119.90 in the coming year. Similarly, expenditure on Posts & Telegraphs is to go down by Rs. 8.58 crores compared to the previous year, and on Railways by nearly Rs. 60 crores. So on services that provide the basic infrastructure of economic development, the expenditure is to be reduced. Only unproductive expenditure is to increase. And this Budget is supposed to be production-oriented!

Diminishing Returns in Taxes

There is another significant point that emerges from a study of the Budget proposals. It is true to say that successive Finance Ministers have made it a habit of underestimating revenue to allow themselves a cushion for unforseen expenditure. The extent of underestimation has often been quite outrageous. Bearing this in mind, it is significant that for the last two years actual collections and revised estimates of Corporation and Income Taxes have been below those in the Budget proposals. The Budget for 1964/65 hoped to collect Rs. 342 crores from corporatons, that is from companies. The actual collections were nearly Rs. 28 crores less. Similarly, the Budget for 1965/66 hoped to collect Rs. 371.60 crores, and the revised Budget estimates had to be scaled down by Rs. 41.60 crores.

It is the same story with Income Tax. The 1964/65 Budget expected to raise Rs. 268.00 crores. The actual collections were less by Rs. 125.23 crores. The Budget for 1965/66 expected to raise Rs. 291.50 crores. The Revised Estimates for the year were reduced by Rs. 31.50 crores. The lesson to be drawn from these figures is that we have long since passed the stage of diminishing returns in our rates of Corporation and Income Taxes. Only higher incomes will now produce higher revenues, and high incomes can arise only out of more production and more prosperity. To create this production and prosperity, it is essential that the present overwhelming burden of taxes on our people should be drastically reduced.

Conclusion

It is clear therefore that as a result of this Budget, prices will continue to rise, if anything, at a faster rate than they have done so far; the capital market will not revive; and therefore, the performance of the economy will continue to be inadequate.

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