A PLEA FOR REALISM

Some speeches delivered in Parliament between May and August 1957

M. R. MASANI, M.P.

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ROMANTICISM IN PLANNING

Speech in the Lok Sabha on May 28, 1957, in the course of the General Discussion on the Budget.

Mr. Speaker, Sir, in the world of legend there is a well-known figure called Sindbad the Sailor. Sindbad travelled widely round the world, visited all kinds of remote spots and once in one place he helped a man by giving a lift on his back —the man who is known as the Old Man of the Sea. The Old Man of the Sea was very helpful to Sindbad. He showed him the way, told him where to go and occasionally he pulled his ear or kicked him to make him go faster. But there was one thing the Old Man of the Sea would not do and that was to get off the back of Sindbad the Sailor.

Sir, for the last few days I have felt a great deal of sympathy for our Finance Minister because it appeared to me that he was in the predicament of Sindbad the Sailor. I am sure many hon. Members have guessed who the Old Man of the Sea is. That is the Second Five Year Plan. The Second Five Year Plan dominates this budget. The budget is a mere concomitant or outflow of the Plan. Therefore, in the few minutes that I shall ask of this House and yourself, I do not propose to take very much time to discuss the specific taxation proposals placed before the House by my honourable friend, the Finance Minister. When the House meets in the next session, we shall have plenty of time to discuss in detail the merits and demerits of these proposals, but I would like to say that I am very happy that the Finance Minister has agreed to refer to the Select Committee the two new forms of taxation that are introduced in the budget.

Before, however, I leave Sindbad the Sailor, and pass on to the Old Man of the Sea, who is much more important in this context, I would like to make just two observations about the pattern of taxation. I would like to refer to the calamitous burden that is being placed on the back of the middle classes in this country. It has been made out that the incidence of excise duties and even of the lowering of the exemption limit on the income-tax is not very heavy. But I think those figures that are adduced in this context lose all relevance when we realise that this is only the climax of a long process which has been going on before and since the achievement of Independence.

The middle classes have been burdened over and over again, and this cumulative burden has now become one which we will do well not to ask them to endure. The excise duties themselves have gone up from a total of Rs. 50 crores in 1948-49 to Rs. 258 crores in the current year—five times as high. But even more onerous than this burden of taxation which has been gradually going up is the fact that the purchasing power of the rupee in the pockets of the salaried and other sections of the middle class has been going down all the time.

Today, Sir, it has been estimated that if you take home, after paying tax, a salary of Rs. 400, it is the equivalent of Rs. 93.5 before the war. If you take Rs. 1,000 home, after paying tax, all that you can buy with it is of the value of Rs. 223 in 1939. It is in this context, where the real cost of living of the middle classes has gone up by as much as 20% in the last two years, that these excise duties and this burden of taxation are sought to be placed on the shoulders of the middle classes and the lower middle classes in this country.

I would urge on the Finance Minister, who has a keen awareness of the politics of economic measures, to consider the political implication of these harsh and unjust imposts. In a democracy such as ours, where a large number of people are illiterate and still unable to play an adequate and active role in our national life, the middle classes have an importance out of all proportion to their numbers. It is those literates who are the actual and the potential leaders of the people. They are the people who man the civil services, the armed forces, the police and other walks of life. I think we should be very careful not to be unjust to that section of the people and to drive them to a state of mind where they may, unlike my friend Professor Ranga, be ready to listen to the siren songs of those who do not believe in the democratic way of life.

The other aspect of the taxation proposals to which I would like to draw the attention of the House for a moment is the duty on petrol and diesel oil. I say this from the point of view of the success of the Second Five Year Plan itself. Transport, Sir, is one of our most crucial bottlenecks. Even the Railways which in their monopoly have so far frowned on the development of road transport have in the last year or two begun to realise that road transport is a very necessary partner in doing the job for the nation. Unfortunately, road transport has already been overburdened with taxation. Let me give one example which may startle hon. Members. The entire cost of carrying freight by rail is 11 pies per ton-mile, everything included. As against that, the pre-budget incidence of taxation on road transport—not the entire cost, but just the tax on road transport—was 15 pies per ton-mile, four pies more than the entire cost of carrying goods by rail. Now, two more pies have been added to this burden. I would like the Finance Minister to consider whether, in doing this, he is not going to hit the Plan more than the additional revenues will justify.

The Finance Minister has asked us to choose between deficit finance and taxation. I would like to congratulate him on having courage and the frankness to face the people of India with a bill at least partly in the form of taxes. A tax is an honest demand in that you come to me and say, I want so much money from you and it is left to me to put my own hand in my pocket and fork out the money. But deficit finance means that you put your hand in my pocket when I am not looking and take away money, pretending you are not doing so. To the extent that the Finance Minister has limited the resort to deficit finance, he deserves the welcome and praise of this House and of the country. But I cannot share his optimism that the combination of taxation and deficit finance with which the Plan is now going to be financed for the next four years is going to avert that inflation which he recognises as the main enemy of the Plan. I am sorry to be a pessimist and I hope the Finance Minister will prove right. But I venture in all humility to express the fear that the result of this taxation, in the context in which it has come, in the context of being imposed alongside a large dose of deficit finance which still will be necessary, as he himself has pointed out, is going to set in process that very vicious spiral of inflation—rising prices, rising wages, rising costs—which he, I and all of us are so keen to avert. I do not believe that the purpose of this budget to avert inflation is going to succeed, and if it does not succeed then we are going to suffer from all those dire consequences which the Finance Minister has talked about in his own speeches.

There is only one fundamental way in which inflation can be checked and that is to increase the sum total of goods and services available to the people of the country to match the amount that is in circulation. There is no other scientific and sound way in economics of checking inflation that is possible in a democracy. I know that the Finance Minister has great regard for the eminent socialist economist, Professor Aurthour Lewis. He has made a remark in his book, *Principles of Economic Planning*, which I shall take the liberty of quoting. He says:

> "Governments frequently take action to reduce demand but are not so good at taking action to increase supply."

I very much fear that our Government today is no exception to this general principle that Professor Lewis has adumbrated in his well-known book. So, in the interest of the Plan itself, I would urge that we go in for a reconsideration of this matter and that we do not assume as cheerfully as is sought to be done that these measures are going to stop inflation.

If I may now leave Sindbad the Sailor, I would like to turn to the Old Man of the Sea. Let me start by saying that this is not a debate between those who believe in planning and those who are against planning. We are all for planning within the four corners of democracy. This is not a debate between those who want to take the country forward fast and those who want to go slow. We all want to advance as fast as the resources and the people will permit. The debate is only about the methods, the details, the balance of the Plan and the direction of the Plan. It is within the four corners of democracy that we all want to go in for economic development through planning. I do hope that neither the Finance Minister nor any cther hon. Member will misquote or misunderstand me as being against the concept of planning. After all, many many years ago, before planning became fashionable, before we even talked about planning, I did my own little bit of pioneering, through a book which some hon. Members may have read in school or college. What I would like to say is, after listening to some speeches in the last few weeks, that it seems to me that the Plan has become some kind of a deity which we would worship, that the Plan is something like the laws of the Medes and Persians, which must not be touched, which must not be discussed, which must not be changed.

It is said that because this Parliament and this country once accepted that Plan, it must be carried out. The Plan which

Parliament accepted is not the Plan that we are discussing today. That Plan was in financial terms a more modest plan. The amount to which the Parliament and the country agreed is not the one with which we are being faced today. We find in the statements of the Finance Minister that the outlay on the Plan will go on increasing in the next four years in order to achieve the same targets. I do not think that when Parliament of the people accepted the Plan, they also accepted the increases in the outlay of the Plan. The amount of the Plan was certainly approved, but now we are going beyond that amount and I think it is not consistent to say that because the people once accepted the Plan, they must pay any price.

It has been said that the Plan must be carried out at any cost. Do we really mean that ? I am sure the Finance Minister does not mean, and none of the leaders of our Government means, that the Plan must be carried out at any cost. They would certainly not want privation, distress and misery to be inflicted on the people even to carry out the Plan. The hon. Finance Minister was quite right in a speech he made recently in saying that the Plan can be phased and pruned, but not cut down. This is a question of semantics. Certainly let us not use the words "cutting down" if they hurt our feeling. After all, elongating the period of a particular project is phasing and that is all I suggest that needs to be done in regard to certain parts of the Plan.

Then, there is also another point. The Plan was made on certain assumptions. Those assumptions have now been proved in the last twelve months to be unfounded at certain points. I will give three examples. There was an assumption about the foreign exchange position ; it is admitted that that assumption has not been justified through developments and events outside our control. There was an assumption about the food situation and food production, that assumption also has been falsified through the unfortunate events of the past few months. Then there was an assumption that our expenditure would be more or less static. We know that there is an unexpected addition to our expenditure of not less than Rs. 50 crores on Defence. Here are three major items where the assumptions on which the predecessor of this House accepted the Plan have gone astray. That may be due to misfortunes beyond our control, but they are there. What can be more consistent with a rational spirit and with the spirit of planning itself than to say: "All right; three of our major assumptions have gone astray; we have to reconsider the Plan"? I am not talking of giving up the Plan. I am talking of an open minded review of the Plan without a dogmatic adherence to saying "The Plan, the whole Plan and nothing but the Plan". The Plan, after all, is a means to an end; we make plans so that our people may be happier and may lead a fuller and richer life. In doing that, we treat the Plan as a means to an end, an instrument for carrying out our social purposes. Surely we are not going to allow that instrument, that means, to become an end in itself, so that the very purpose of giving the people an easier life is defeated if we carry out a Plan which is beyond the resources of our people. It is in this spirit and not in any spirit of controversy that I am putting to the Finance Minister his own statement in the Rajya Sabha that in a democratic country, there can be no "People for the Plan", but only a Plan for the people. What I ask for is flexibility, a more far-reaching acceptance of that thought than is found today.

I suggest that, between this session and the next session, there is opportunity and time to consider whether some of the developmental and non-developmental expenditure included in this budget cannot be pruned and cannot be cut down at certain points. Let me give one example—that of the figures for the collection of income-tax and corporation tax in the last few years. In 1946-47, the total receipts from these items came to Rs. 131 crores; in the current year they are Rs. 136 crores. But the cost of collection, which was Rs. 1.5 crores in 1946-47, has gone up to Rs. 4.6 crores now. Three times as much. This is the kind of item to which I would like, outside the Plan and also inside it, to direct the attention of the hon. Finance Minister.

The common feeling is that there is a tendency towards the prolification of the bureaucracy in this country. As my hon. friend Shri D. C. Sharma said yesterday, every resolution, every Bill that comes before this House results in the creation of a few new officials, a few new bureaus in our Government. Yesterday this House passed the Copyright Bill. There was in the minds of many of us the feeling whether we could not very well have managed without a Copyright Board, a Copyright Office and a Copyright Registrar. Why could not we wait for another 10 or 20 years? Certainly it is more worth while for us to consider shelving these new posts and attending to the creation of the wherewithals of cloth and food for the people of this country. These are tendencies which need to be checked. Otherwise, we are driving in the direction of what Professor Ranga warned against—a kind of bureaucratic State Capitalism as against Private Capitalism. I do want to echo what he said —that if this country wants a prophet, that prophet can be none other than Mahatma Gandhi and we cannot do better than refer back to the Father of the Nation.

I suggest that the time between this and the next session be utilised so that it may be possible for the Finance Minister to come to us and say whether it is possible in the next 12 months to cut down or cut back on some aspects of the expenditure within the Plan and certain non-development expenditure outside.

The hon. Finance Minister may say "Quite right. But what are the directions in which you would like some reductions or pruning or phasing to be done within the Plan?" I think it is fair that I should try to answer that question. It is obvious that if we are going to check inflation, we must help forward with every means in our power the diversion of resources from basic or heavy industries to consumer goods and to agricultural products in this country. We want more consumer goods and we want more food and other raw materials with which to balance the amount of money let loose when this country is embarking on deficit financing even on a limited basis. In other words, the Plan needs to be re-phased.

Let us keep this priority in view to help the people to get their necessities of life in manufacture and agriculture. The amount of money that can be diverted from heavy industry to small, light industry or agriculture will give manifold returns. One example is the experiment in the Uttar Pradesh by the Planning Research and Action Institute of the U.P. Government. Experiments made in certain villages show that even with loans averaging only Rs. 100 per person the yields of important crops like rice, wheat, sugarcane, barley and gram can be easily increased by about 20% in a year and doubled in about five years. By this very small financial outlay of Rs. 100

the peasant can be helped to buy fertilizer, seed, and other things he needs.

Planning Commission surveys also show that the ratio of annual output to capital in light industries varies from 50 to 200 per cent. The people of India need quicker and more easily certain forms of goods and by investing small sums of money for these purposes they would be benefited more than by investing in heavy industries and basic industries.

In the last few years, our economic development has been lopsided. We have advanced too fast in the direction of heavy industry, too slowly towards consumer goods industries. The index number of consumers and producers goods underlines this. If we start with the base of 100 in 1946, the index number of producer goods had shot up to an estimated 305.1 last year. As against that, the index number of consumer goods had lagged painfully behind at 135.9. In other words, the heavy industries have shot forward to three times as much, while the goods the people need have gone up by only 35 per cent more than in 1946. This only shows that, even before the Second Plan comes into existence, we have a somewhat lopsided industrial development. I think that this lopsided pattern of the Second Plan needs to be corrected.

Ours is not the only country which has tried planning or where these plans have got distorted at the cost of the common people. I was in Yugoslavia less than two years ago and I asked our Ambassador there with whom I was driving why there were so many half-finished buildings between the airport and the Indian Embassy. He told me that Marshal Tito had put his foot down a few months earlier and had said that all this wasteful expenditure on big buildings and factories must stop until the people have more food and more clothing. Here was planning in a communist dictatorship which had come to realise that everything cannot be done in one generation. The Government felt that the people had been deprived of the fruits of their labours and their enterprise, through laying too much stress on heavy industries.

In Poland, the communist chief Gomulka has said that the lopsided pattern of concentration on heavy industries must be given up. On 28th April this year, the Polish Parliament accepted a Budget which allocated an increased investment of

20 per cent in agriculture at the expense of engineering, metalulgy and oil.

Then I come to Hungary. I read in a current issue of the *New Statesman*, which I understand is favoured reading with some members of our Government, an interesting letter by Prof. J. D. Bernal, a British scientist, giving his impressions of a recent visit to Hungary. He says that there are two new words which have been added to the communist vocabulary in Kadar Government circles in Hungary. One is the word "romantic" and the other is "dilletante". I shall give the communist definitions of these two words. "Romantic" is a man who wants to build steel works where they are not wanted, and "dilletante" is one who tries to carry out the process of industrialisation in defiance of scientific advice. The main problem in Hungary, according to the learned Professor, is "how to change from an economy which tries to produce everything out of quite inadequate material and human resources to one with more limited aims adapted to local products and traditions". The spirit of Gandhism is travelling even to Budapest.

Then I come to China. Mr. Chai To-Fe, Vice-Chairman of the National Economic Commission, admitted a few weeks ago that the targets for industry had been set too high and that planning was in consequence inefficient and wasteful.

In Russia, Mr. Malenkov has more than once come forward before the Supreme Soviet of the Soviet Union to argue that their planning is top heavy and lopsided and there must be a cut back on heavy industry and a concentration on consumer goods so that the people of Russia should get the benefit of their labour and enterprise. Should we not learn from the experience of these countries ?

Upto this day, numerous Five Year Plans have been put across in Russia. At the end of every Plan the people are told to wait for the completion of the next Plan before they get any relief.

In the Plans that we make the people should have something good in their own life time. Let us save for the future ; but let us not in doing so impoverish the people of this generation. Let us not make them suffer for what may come after

100 years. This is not the human way. It is not the democratic way. It is not the Gandhian way.

I am not saying that is how the Finance Minister thinks because I know that he is a democrat. But I think there is a tendency to over-idealise and glorify heavy industrialisation. I do not want heavy industries to be abandoned, but I believe that if some little adjustments, on the side of heavy industries, are made in the targets of the Plan for the next year or two, nothing will be lost.

Our Plan can succeed only with the co-operation of the people. We should tap the great reservoir of talent and enterprise that exists among our people by rewarding these qualities. Such a policy will pay because, without the enthusiasm of the people, no plan can succeed.

WHAT IS CO-OPERATIVE FARMING ?

Speech on Co-operative Farming in the Lok Sabha on July 30, 1957.

Sir, I crave your leave to speak, in support of my cut motion No. 617 to discuss the policy in regard to co-operative farming. In the last few days, some of us have had the opportunity to read the report of the Indian Delegation to China on Agricultural Co-operatives and I have just finished reading that report—both the majority as well as the minority report of Mr. Patel and Mr. Rana. One of the recommendations made by the Patil report is that free discussion of this very important subject should be encouraged in the country and I thought that, in the absence of any other cut motion on the subject, it would be in the public interest if the policy to be followed in regard to co-operative farming were to be discussed on the floor of this House. I hope that other honourable members will contribute to this discussion.

The term 'co-operative farming' has been used in this country in more than one sense. It is used sometimes to imply a system under which the farmers keep their holdings separate but accept the service of a multi-purpose co-operative society in regard to a wide range of operations such as purchase of seed, supply of tractors and machinery, marketing produce, and so on. The other meaning given to the term is that all the land in a particular area is taken away from the peasantry and is pooled in a farm which becomes a co-operative farm to be jointly cultivated and all that remains to the peasant is a title deed to a certain part of the land in that particular village or area.

It has been said that we should keep an open mind in regard to the particular form in which an agricultural co-operative may obtain in this country. This is a sentiment with which I would be heartily in agreement. May I at this stage say a few words to make it clear that I speak not as an opponent of the co-operative movement but as one who has, throughout his life, been an ardent supporter of co-operative principles ? I was one of the founders of an Industrial Co-operative Association in my own state of Bombay, and my little current account, from my college days till now, has always remained in the

State Co-operative Bank. Therefore, if I raise this question today, it is as a keen co-operator and one who wishes to see the spirit of co-operation properly applied to our agricultural problems.

The Planning Commission, in their Second Plan, make a statement which troubles me a great deal. It says that "co-operative farming necessarily implies pooling of land and joint management". It is true that the Plan then goes on to say that we should approach this problem in a spirit of experimentation and that various forms can be tried. In the next page, it condescends to say that in the first stage of co-operative development, there may be family holdings supplemented by joint work for specific purposes. What is troubling us about this approach is that the form of co-operative farming by which the farmer keeps his land, cultivates it with himself and his family but in other ways merges himself into the co-operative society, is considered to be a lower or an elementary stage of agricultural co-operative and the target put before the country is one by which all the peasants of our country would be denuded of their land and would become members of co-operatives and, from another point of view, landless labourers.

This is not an objective about which, those who believe in the principle of co-operation, can be happy.

I would like to suggest three tests by which we try to ascertain whether it is at all desirable that farming by individual families or peasant farming should be destroyed, whether the boundaries should be eradicated and big co-operative farms produced in this country. The three tests suggested are: first, whether the pooling of land would increase production; secondly, whether it is sociologically desirable; and thirdly, whether this change can, as claimed, be put through voluntarily.

One of the very good features of the Plan is that it insists over and over again that the change-over to co-operative farming should be entirely voluntary and that no coercion or force should be used on the peasantry to carry out this process.

I shall try to observe a self-denying ordinance and, in trying to analyse these three tests, confine myself to the testimony of members of the Congress Party, socialists and communists in general. I shall not quote any evidence outside this charmed circle of progressive opinion, so that the data that I put before the House may come from very choice "progressive" sources and nobody can say that any "reactionary" trends have entered into this analysis.

The first test is whether co-operative farming, by which I understand pooling of land, will increase our food and agricultural production. There is a certain fallacy about that large farms are more efficient than small farms. If that was so, then obviously countries which have big farms would be leading in production of foodgrains compared with countries with small farms.

We know that the Soviet Union and the United States of America are the two countries that have large-scale farming, while countries of Western Europe and Japan and ourselves are among the countries which have small peasant farms, sometimes too small. What are the facts and figures? They show a position just the reverse of our assumption that America and Russia must be leading the rest in the production of rice and wheat per hectare of land. The figure in production in quintals per hectare of land in the United States of America is 12.2, in USSR 9.3, in the UK (with small farms) it is 28.5, in Denmark (with small farms) it is 34.4, in France 27.5, in Germany 26.1, in Switzerland 34.2 and in Japan—whose peasant farms are even smaller than our own, they go down to half an acre per family—the production of wheat is 22.6 quintals per hectare, twice as much as in the USA and 2½ times as much as in the Soviet Union. In the matter of rice again, the same series of figures are to be found—28.3 quintals of rice per hectare of land in USA, 21.5 in USSR and, in Japan, with small peasant farms, 48.5.

These figures show that Denmark and Switzerland raise three to four times and Japan twice as much wheat per hectare as the USA and Russia; and Japan raises twice as much rice per hectare as the Soviet Union with its giant farms. This experience is not one that we can lightly set aside and, when the assumption is made that big farms are more productive than small farms, we have to bear these fundamental facts of life in view.

The example of countries which have tried collective farming on the basis that collective farms are more productive than private small farms is also very relevant. We cannot do better than be guided by the example of the communist countries which have tried this experiment in the last few decades.

We know that the communist state of Yugoslavia has gone back on collective farming and even on co-operative farming. The Yugoslav Parliament, on April 27, passed a resolution abandoning altogether the system of collectivisation. It pointed out that collectivisation had shown negative results—loss of interest on the part of peasants and decrease in production all round. Therefore, Marshal Tito's Government is now committed to what it calls "socialistic co-operation". Between whom, Sir, is this socialistic co-operation in terms of the Yugoslav Parliament? This co-operation is between farmers farming their own private land and co-operative societies dealing with marketing and machinery. In other words, the communist regime of Yugoslavia has turned back to the Danish model, from which all co-operators have drawn inspiration over the last half century.

More detailed evidence comes from Poland, which is still very much a country within the Soviet orbit. In Poland, most collective and co-operative farms have already been dissolved or are being dissolved today. Machine Tractor Stations are being broken up and tractors are sold to peasants. Compulsory deliveries of grain have been abolished. Even tax advantages given to co-operative farms have been abolished on the ground that there must be fair competition between individual peasants and co-operating farming. I quote, Sir, Mr. Gomulka, the great leader of the Polish Communist Party. In October, 1956, giving the figures for 1955, Mr. Gomulka told the Communist Party Congress:

> "Individual peasant production per hectare was 16.7 per cent higher than in co-operative farms and 37.2 per cent higher than in State farms."

He said that it was 16.7 per cent higher than on co-operative farms and 37.2 per cent higher than on collective farms. In May, 1957, only two months ago, Mr. Gomulka returned to the charge and he said that the time had come to restore "peasant autonomy", by which he really means peasant proprietorship. He goes on to point out that most collectives and co-operatives had not stood the test during the last ten years during which they had been tried out. The new policy announced was based on private ownership of land.

China is a country that two of our delegations, official and semi-official, have visited. Having read the Krishnappa and Patil reports I have, I may say in all humility, come to the conclusion that the facts are in dispute, that there is dispute as to the evidence and that it is not possible for those of us who have no better data to judge between the majority and minority reports of the Patil delegation.

One thing, however, does emerge from both the Krishnappa and Patil reports and that is, that if there has been any achievement in increasing production of foodgrains in China, it has not been due to the co-operative principle. It has been due to the fact that the Chinese Communist Government has invested in the land more capital, more money, more resources than we in this country are investing in our agriculture. It is to the *higher capital investment in the land, the better technical* assistance given to the farmers that any credit may be given for the increase in production that is claimed in that country. It is quite arguable, Sir, that if these incentives had been given and land had not been collectivised, you might have even better results in China today.

To quote purely socialist testimony, we had in this country the benefit of a visit from Mr. Aneurin Bevan, the left wing leader of the British Labour Party, who himself had visited communist China as a guest of the communist government. On April 2, at a public meeting in Delhi, Mr. Bevan warned us against following Soviet and Chinese examples. I am quoting, Sir, from the newspaper report in the *Times of India* dated 3rd April. "India could not afford to make the mistake that Russia had committed", said Mr. Bevan, "because she did not possess empty spaces which could be called upon to make for the failures and mistakes in agriculture as in Russia. India has to bring about an economic revolution in harmony with the needs of the countryside". He went on to say : "The application of the principles of collectivisation, mechanisation and centralised control had proved a failure in the field of agriculture in the Soviet Union". Further, "the whole countryside in Russia seethed with discontent. The number of cattle in Russia today was less than before the revolution". "The Russian experience was being repeated in China and the communist states of Eastern and Central Europe". And he warned us against copying that pattern.

In India, our problem is fundamentally different from that in America or Soviet Union. Those two countries have a lot of land and few people. We have too many people and not enough land, and the extensive mechanised agriculture that the USA and Russia need is not what we need. We do not need higher production per man, what we need is higher production per acre of land, because what we are short of is not men but land. The only system that can really give us high production is intensive cultivation by a man who owns land along with members of his family.

This is really the conclusion to which what little evidence we have in this country also drives us. Studies made by the Indian Agricultural Research Institute show that tractor farming decreases production rather than increases it in many cases. I will give only one example. Ploughing by bullocks yielded 410 maunds of sugar as against 361.5 maunds with tractor farming up to six inches and 356 maunds with tractor farming up to ten inches. In other words, the bullocks gave the best return, a little dose of tractor farming gave less and when you increased and intensified the tractor farming you got the least! These figures are from the studies of the Indian Agricultural Research Institute. It is probably evidence of this kind that has led so well-informed a student of co-operative farming as the Chief Minister of the Uttar Pradesh to say recently at Mussoorie:

> "The principle of co-operation is not in dispute; what is disputable is its application to agriculture in conditions obtaining in this country."

He had gone on to say that when people crudely made collectivisation of land an article of religion, it was not possible for many to accept it.

The answer, therefore, to our problem, if we want more food production, which we really do, does not seem to be to go in for collectivising or pooling the land of our peasants, but intensive agriculture.

There is the second test also. Apart from productivity, is it sociologically desirable to take away the land from the peasants? Why at all should we think of destroying peasant proprietorship, if the evidence is that it decreases production and does not increase it? Is it purely doctrinnaire considerations by which we are actuated when we think of pooling land? I do hope that the Minister for Co-operation, who is a practical person, will reassure us on this point. I cannot do better than to quote my esteemed friend, Prof. Ranga, a member of the Congress Party sitting in front of me, whose knowledge on this subject is certainly unequalled in this House. He said quite pertinently in a co-operative journal:

> "It is dangerous to launch any campaign against the non-exploitative peasant family economy, as if it is inimical to socialist ideals or the co-operative commonwealth. For such a campaign will discourage peasants from ploughing back their savings into their land improvements. It will prevent any more investment in land. It will induce the highly educated and more enterprising elements among peasants to give up agriculture. It will set in motion the disintegration of villages, rural life and family economy."

Sir, it is not true that socialist principles call for the destruction of land ownership by small peasants.

I go back several years to the great father of Austrian socialism, Otto Bauer. He said pertinently 25 or 30 years ago:

> "For the capitalist, property is a means of employing his capital; for the proletarian, artisan, the small peasant, property is rather a means of employing his labour."

In other words, to call a small farmer a kulak or the capitalist, to give him a bad name and try to hang him, is not correct. I should like to say that there are many in this House, probably a majority, who in Russia would be called kulaks, because they come from middle-peasant families. What is wrong in being a middle-peasant? Rather it is the instinct of owning land that every democracy should be proud to cherish, foster and encourage. After all, ownership of land, a small plot of land, by a farmer is not exploitation. It is a kind of land-man relationship, which has come down through the centuries and which forms part of our tradition in this country. It is a tenacious sociological fact which cannot be defeated, which defeats the most powerful governments, as the experience of Soviet Russia and East European countries have shown.

Why are we going in the face of something which we should rather mobilise, the love of the peasant for his plot of land, something we can put to very great advantage if we give the peasant the encouragement and co-operation he needs? Why are we trying to destroy that very instinct which would come to our rescue when we want more food and exportable raw materials from our land? The peasant way of life is part of the Indian way of life. It provides shelter; it keeps man close to nature; it offers satisfaction and the immediate enjoyment of the fruits of labour; and above all, it is a corrective to the neurotic tendencies set in motion by large-scale slums and factories set up in big cities throughout the world. It is a corrective which we shall be very unwise to destroy by reproducing factories and slums in villages.

The third question is: can this process be voluntary? To any practical man, the question had only to be put to be answered. Can anyone think that the peasants of this country will voluntarily surrender their land to the so-called co-operative farms and be reduced to landless labourers—because that will ultimately happen, whatever name we may give to it—with a *karta* or manager coming from the city, representing the absentee landlord? This time it may not be a maharaja, but it will be the government in Delhi or the government in Lucknow who will nominate the *karta* to run the co-operative farming, may be the Registrar of Co-operative Societies. Can we imagine our peasants being so foolish as to give up their land without coercion? Has it ever been done in any part of the world? It was only the most brutal coercion that made it possible elsewhere in Russia and China.

The Revenue Minister of the Uttar Pradesh has given, through his experience of the land, very good reasons. He points out that disputes and even murders over boundaries of land are not unknown between brothers and cousins in this country. When people kill others for the sake of shifting the boundary a few feet here or there, is it imagined that without any pressure people are going to donate land to co-operative farms and become landless again? I am quoting the Revenue Minister of the Uttar Pradesh:

"Human nature being what it is, even brothers of the same mother usually separate from one another after the head of the family, the father, has been removed by death or other cause. In the circumstances, it is Utopian to expect that an average householder will, all of a sudden, identify his interest with the interests of those hundreds of persons in the village or neighbourhood, who were total strangers to his life hitherto."

I am bothered by one or two aspects of the Patil report. The Patil majority report very cheerfully sets about deciding predetermined targets—how many co-operatives should be brought into existence within a certain number of years. The target given is that there should be 10,000 co-operative farming societies where the land is pooled, one for each group of 50 villages, by 1960-61. If this process has to be voluntary, how is either the Patil delegation or anyone else in a position to know how many farmers are voluntarily going to give up their land within five years from now? Can we reconcile pre-determined targets with an honest acceptance of the voluntary principle? I suggest that the man who starts setting about targets already starts thinking in terms of compulsion. I am sorry to see that majority report of the Patil delegation says on page 183:—

"Every planned development involves a measure of compulsion."

The cat is out of the bag there. On this point, the best reply to Mr. Patil is provided by Mr. Gomulka. He has made this very point that pre-determined targets and voluntary co-operation are inconsistent. I quote from his October, 1956, speech. He has said:

"Quantitative development of producers' co-operation cannot be planned because, on the basis of voluntary entry to co-operatives, this would mean the planning of growth in human consciousness, and that cannot be planned."

Here is a communist chief who, by his experience of ten years, has come to understand that you cannot plan the mind of the peasant; you cannot plan the pace at which you are going to deprive him of his land. When people talk of so many thousands of farms in so many years and of bringing so many villages under the scope of co-operative farming, they are arrogating to themselves the democratic liberties of the peasantry in this country. How can you decide how many farmers are going to surrender their land voluntarily? That is for the farmer to say, and I believe in his robust intelligence and in his commonsense. I am very glad that in the last two days, evidence of realism has been available from speeches in this House. I was glad to hear Mr. Tangamani, a communist member, say two or three days back last week that the minds of the villagers are not attuned to co-operative farming. Mr. S. K. Dey, the Minister for Community Development, yesterday said that there can be no shortcuts in our rural life. He went on to say—I took down his words, because they were so wise—that shortcuts in educating the rural masses will make education something different from what we had understood by education all these years. In other words, it would be indoctrination.

Therefore, I would suggest to the hon. Minister that there is a lot of work to be done, without taking this false path and moving in that direction. Mr. V. T. Krishnamachari, the Vice-Chairman of the Planning Commission, said at Mussoorie this April:

> "Much progress remains to be made to achieve the idea of having a multi-purpose society for every village."

Is it not enough for our Agriculture Ministry and the Planning Commission to try and see that most of the villages in our country have a multi-purpose co-operative society? Surely there is room for all the enthusiasm for co-operation that they can possibly have; to go beyond that, to try to go beyond that, is to stop being realistic in a matter of this nature.

I suggest, therefore, that we turn to countries like Japan and Denmark for an example. Our Prime Minister recently visited Denmark and I am sure he saw the happy way in which the Danish farmers enjoy having their own plot of land and also practise co-operation.

THE IMPORTANCE OF ROAD TRANSPORT

Speech on the Development of Road Transport and Tourism in the Lok Sabha on August 3, 1957

Sir, I wish to speak in support of two cut motions that I have tabled, Nos. 1146 and 1165, dealing respectively with the development of road transport in India and with the development of tourism. My purpose in making these observations is not to suggest any reduction in the expenditure on either of these services or to criticise the administration of this Ministry. I believe that it will help the functioning of the Ministry and its advocacy of the cause which has been entrusted to it if there is enlightened public opinion behind the Ministry and also the support and understanding of the House. If I raise the discussion on these two aspects of its work, it is in order that the good work that the Ministry is doing should have the active support of Members of this House.

In recent times there have been certain developments that one should welcome. One is the separation of the Transport and the Railway Ministries. I have always felt that the joining of the Transport Ministry with the Railways was inimical to the development of transport in this country. When a public monopoly is also put in charge of the development of its rivals, one can expect only a step-motherly attitude. I am now free from the incubus of the Railway administration whose only objective seemed to be to protect its own inefficiency by retarding the development of alternative forms of transport.

I welcome the amendments to the Motor Vehicles Act. I also welcome the State Bank Amendment Act giving credit facilities that will enable road operators to purchase on credit motor vehicles.

A few days ago, when the Railway Minister replied to the debate on the railway's estimates, we heard from him an abject confession of defeat. He admitted not only that there was overcrowding in the trains ; he said that it would not be lessened ; he even threatened that it would get worse. He also said that he was reducing the speed of our trains, the number of dining cars and air-conditioned coaches. If any businessman or industrialist in this country or any other country of the world were to make such a confession of defeat, he would be subjected to the explosion of an angry public, but because this is a State monopoly we have to tolerate the progress backwards that our railways have been allowed to show.

However, the situation leaves a vacuum which somebody *else has to fill. Since the railways themselves have admitted that* they cannot fill it, this position arises. It has been estimated that by 1960-61, with the growing volume of passenger and freight transport our economic development and our population will lead to, our present facilities would result in a shortfall of 33 million tons of freight per annum and a shortfall of 1.4 lakhs of passengers per day, which shortfall will be in excess of the facilities that are available by 1960-61. Since the railways cannot meet this challenge a great deal of the burden will fall on road transport.

If our Plan has to be carried out and our economic development is not to be retarded, the burden of moving the goods and the people will fall on the shoulders of road operators and transport facilities. *I believe the roads can meet this challenge* if the Government does its job and the Road Ministry is given the support it needs. I believe that the roads of India and those who operate on those roads can take the burden and the steps that I would now suggest are designed to help our road deve*lopment and road transport to meet the challenge in the face* of which the railways have surrendered.

The first line of approach is quicker construction of roads. It has been said by those who can speak about this subject that we pay for our roads whether we have them or not and we pay more for them if we do not have them. It is a very wise observation. The investment in our road construction contemplated is not adequate. The Second Plan postulated an expenditure of Rs. 82 crores on road development for the Plan period—an average of Rs. 16.40 crores per year. The Budget estimates of 1957-58, however, only provide for Rs. 13-14 crores —less than the provision made in the Plan. It is just adequate to meet our existing commitments. It does not provide for the kind of expansion of the road system that is required by the needs of our Plan and our country. I would urge the Transport Ministry to press for larger allocations which are so badly needed.

The second line of development is to increase the number of motor vehicles on the roads that exist. The Planning Commission has fixed a target of 40,000 vehicles to be produced every year during the period between now and 1960-61. That seems to be an inadequate target and this view has been supported both by the Tariff Commission and by the Estimates Committee of this House.

Let me illustrate this point. In 1950-51, there were 1.2 lakhs of commercial vehicles registered in this country. The life of these vehicles can be estimated at seven or eight years, but we may stretch up to ten years. It means that by 1960-61, 1.2 lakhs of commercial vehicles have to be renewed or replaced on the roads. At the rate of 40,000 a year as envisaged by the Planning Commission it would mean three whole years' production. If the production of vehicles in this country will only go to replace the existing vehicles, where is the hope of putting more vehicles on roads to carry greater traffic which our plans of economic development demand ? Obviously the rate of 40,000 vehicles a year is quite inadequate and has to be upgraded.

The third line of approach is to ensure economic cost of operation on the roads. This can be broken up into two or three heads. The first is the carrying capacity of our vehicles. Under the Motor Vehicles Act of 1939, the maximum laden weight of a medium truck has been prescribed at 14,500 lbs. and later 18,000 lbs. We have now sanctioned production in this country of vehicles which can carry up to 27,000 lbs. gross laden weight. It is necessary that this limit of 18,000 should be raised to 27,000 lbs. to enable a larger volume of traffic to be carried by these trucks. On the contrary, one finds that the State of Madras reduced the weight from 20,000 lbs. to 18,000 lbs. on the national highways—a step backwards.

Shri Ranga (Tenali) : Your roads are not strong enough ; they are broken.

Shri M. R. Masani : But there is a way in which the weakness of our road can be met and this is the use of trailers. Instead of piling up additional load on the same axles or the same wheels and thereby on the same portion of the road which cannot stand the strain, what you do is to attach another car—a trailer—with four other wheels and axles so that the burden on the road is distributed in a way that the roads can support. One would have thought that this was an obvious thing which we would all welcome. The cost of a trailer is 30 per cent of a truck because it has no engine, but it can carry 80 per cent of the truck load. This means that the trailer-truck combination costs only 1.3 times as much as a truck but does the work of 1.8 trucks, effecting an economy of 28 per cent. Similarly, the running cost of a trailer-truck is 1.4 times for a payload of 1.8, giving an economy of 23 per cent.

Yet, in spite of this obvious solution, it is sad to see that in many States the Governments are obstructing and impeding the use of trailer-truck combinations, which is obviously a solution for the roads of our country. I am raising it here, because I know the initiative of the Transport Ministry can do a great deal to break down this reactionary and conservative opposition to what is an obvious solution to our problem.

Another aspect is speed. You can only have speedy long distance transport in this country if you have through communications. This is impeded by either missing bridges or weak bridges which we come across on many of our highroads.

Finally, the element of taxation. In my budget speech on 16th May, I had occasion to protest against the increase of taxation on fuel oils and road transport. Every committee that the Government has appointed in the last few years to examine this problem has recommended that road taxation is too high and should be reduced. The Study Group on Transport Planning recommended a reduction of 20 per cent. Yet we find in the present Budget that the burden on the roads has been increased by an increase proposed in the duty on petroleum, motor oils and diesel oils. I wish the Transport Ministry would exert itself against the Finance Ministry and other sections of Government which are in this way doing injustice to the needs of our roads and their developments.

I shall now turn, in the last few minutes of my speech, to tourism. Tourism, Sir, is a very important earner of foreign exchange, and it has now been dinned into our ears that our foreign exchange position is weak, that it is one of the biggest weaknesses in our planning and everything should be done to put it right.

In 1951 tourism brought this country Rs. 2.5 crores worth of foreign exchange. In 1955 the figure rose to Rs. 10.5 crores, and for 1956, in the first half of the year for which figures are available, the income in foreign exchange was Rs. 7.4 crores, from which we may conclude that the total earnings of foreign exchange in 1956 will be about Rs. 15 crores to Rs. 16 crores.

In the Second Plan period, it has been estimated that we shall get Rs. 57 crores foreign exchange by tourism. I myself believe that this is a gross under-estimate and, given a little encouragement, we can get much more.

Even so, accepting the figure, it gives us 2.5 per cent of our total exports. 2.5 per cent of our total exports is what our tourism gets us already. The possibilities are almost unlimited. In the United Kingdom, tourism has jumped up to be the fifth largest earner of foreign exchange in Britain. It gets for Britain as much foreign exchange as the export of motor cars or of films. In Italy today, tourism is the largest single foreign exchange earner. It shows what can be done.

But it is found in our country that what we do for tourism is extremely niggardly. The Planning Commission made a total provision of Rs. 333 lakhs for five years ; not much, but not bad. But what happens ? In the first two years of the period—in the last two Budget allocations—only Rs. 29 lakhs were allocated out of Rs. 333 lakhs. And still worse, out of these 29 lakhs allocated, only 2 lakhs have been spent. I must say that this a sad story and that it calls for a little re-thinking on the part of all concerned.

The result naturally is that facilities for tourism in this country are inadequate and are not keeping pace with the traffic. There is an increasing wish among people in different parts of the world to come to India, see our country and learn a little of our culture. Many go back dissatisfied. I have myself heard bitter complaints from people who come to India full of love and affection for this country and, after the kind of handling they received, going back thoroughly fed up and disappointed that, after all that they heard of the traditions of hospitality in India, they did not find so much evidence of it.

Hotels are lacking outside Delhi. Rest houses are lacking in a great number of places. Rest houses are missing at many places where they are required. Even where they exist, tourists are bitter in their complaints that letters and telegrams sent to those who control these rest houses quite often get no reply. One is reminded of the old complaint about Madras Government "Apply apply, no reply". That seems to be the fate of many tourists who come to this country. They want to visit some of our monuments, some of our great archaeological places and find that no opportunities are given to them to do so. Even when they are given permission to come, when they arrive, they find sometimes that local officials are occupying the space promised to them and they are turned away.

Then, again, there is difficulty with regard to transport. Neither air nor road transport in this country gives the kind of service that tourism requires. The Indian Airlines Corporation have no services to many of the spots in this country which people wish to visit. There is no IAC service to Udaipur, Khajuraho or anything near it, Mandu, Mysore, Madurai, Tanjore and places like that. One can multiply this over and over again. There is none to Ranchi, my own constituency. Even the service to Aurangabad goes on intermittently, being renewed and cancelled every few months. The road transport is even worse. People who want to go to D.V.C., unless they are V.I.P.s and are looked after by Government, can find neither a taxi nor a bus at Asansol railway junction. I am told that an ordinary tourist or citizen who is not known to Government and is not looked after must hire a taxi in Calcutta and motor 120 miles to see our great achievement. This is not the way to sell either our projects or our development.

To go from Delhi to Agra you have to pass through various state boundaries. I am told there are two check-posts at which if you hire an ordinary taxi you are stopped and delayed. In the whole of Delhi there are only 40 taxis which are licensed to enter Uttar Pradesh, and if you are not lucky enough to find one of these 40 taxis, you must either get a special permit before you start or put up with harassment and delay on the way just because you want to see the Taj Mahal or Fatehpur Sikri.

These are only examples. I know that the Minister himself and the Ministry would know of many others. What is necessary, therefore, is to recognise the great importance of tourism.

Even if we forget about our hospitality and international friendship, let us at least remember our foreign exchange requirements. Let us be materialistic, if you like, but even our materialistic requirements demand a greater awareness of the importance of transport and tourism.

Then better co-ordination is required. Today, we have in the Transport Ministry, I understand, a section for tourism with one Deputy Secretary and two Under Secretaries. Can this be considered adequate for tourism in a country of the size of India ? As far back as January 1956, the Government announced the establishment of a Directorate-General of Tourism. I remember reading that in the press and feeling glad that at last somebody had thought of doing the right thing. Almost all countries of the world have separate directorates or organisations for attending to tourism. Even the smallest country has it. Although this was announced in January 1956, and although provision was made in our last budget to the tune of Rs. 1 lakh for a Directorate-General and this provision was passed by the Parliament, a year or more has passed and no Directorate-General is still to be found.

The Estimates Committee considered this matter in December 1956, and in the 34th Report of the Estimates Committee, which went into this matter very thoroughly, we find a very interesting discussion of this problem. The Estimates Committee suggested a slightly different formula. It suggested a separate Corporation being set up in India for developing tourism, with managing directors who would be responsible personally to the Minister of Transport. Whether we have a directorate-general or a separate corporation is a matter of machinery and detail. I have not gone deeply enough in this matter to make up my mind, but it does appear to me, as the Estimates Committee pointed out, that running tourism from the Secretariat is no solution. There must be an autonomous directorate-general or something of that kind which can run tourism, not like the civil service, but in the way that tourism requires to be run. As I said, most countries have separate directorate for this purpose. I hope that although over a year has been wasted, the Ministry will now proceed with creating a separate organisation which is so necessary if tourism is to find its proper place in the scheme of things.

Along with such a directorate, I would also like to recommend the establishment of a Tourist Development Council with official and non-official members interested in the subject with the Minister of Transport himself as the Chairman of that Council. These are some of the suggestions both in regard to road transport and tourism that I would urge earnestly on the attention of the Transport Minister and Government, and I hope that they will receive consideration.

GOVERNMENT EMPLOYEES' RIGHT TO STRIKE

Speech on the Essential Services Maintenance Bill in the Lok Sabha on August 5, 1957

Mr. Speaker, the two speeches that the House has so far heard with interest and keen attention have given a feeling that what we are discussing is the threatened strike of the P. & T. workers and the merits and demerits of that strike. I think it may be useful to recall, when we consider this piece of legislation, specific attention to the merits and demerits of this measure rather than to the economic and political controversies of a wider nature with which this House is not at present concerned. I propose, in the few minutes that I have, to devote my attention to the philosophy and basis of this Bill.

Before doing so, may I say on behalf of the Independent Parliamentary Group for which I speak, that we share the concern and the feelings to which the Home Minister has given expression. We are opposed to the strike. We believe that those who are sponsoring this move have a very heavy responsibility before the country for creating a situation where the normal life of the community is disrupted, where essential communications are smashed and where untold hardship and misery will be caused to a large number of people. If a resolution was introduced by the Home Minister to condemn the strike or to appeal to those who are in it to withdraw the strike, we would whole-heartedly vote for such a resolution. But, as I said, we are not faced with such a situation. We are faced with a legislative measure which is only partly concerned with this strike, which goes very much beyond it.

The Home Minister pointed out that this was a temporary measure. He mentioned a year. Actually the Bill is valid for a year and a half. But I recall several years ago a similar situation with which this House was faced when Sardar Patel, that great statesman for whom we all had such great regard and respect, faced us with the demand that in one day we pass the Preventive Detention Bill. He gave us very good reasons why it should be passed—because, he told us, if it was not passed, a particularly dangerous set of people would be let loose by the Calcutta High Court the next morning. I recall that, with all my sympathy for the motion that the Home Minister then made, I got up and said it was with a very heavy heart that some of us would vote for that measure. I pointed out that that measure was not the real answer to the challenge with which the Home Minister and the country was faced.

I find myself very much in the same position today, of saying to our Home Minister, who is in his own way as eminent as Sardar Patel, that this is not the right answer to the challenge with which the country is faced by these developments.

That Bill, which Sardar Patel in reply assured me would only lost for a year and be replaced by a more considered and principled piece of legislation, still adorns our statute-book, and I am rather afraid that this Bill too may last on our statute-book long after the postal strike is forgotten. Therefore, we must consider this as if it were a permanent measure which we are putting on our statute-book, and consider whether it would grace our statute-book or whether it would be a blot on it.

Is this Bill really necessary? This is a question which I would like to address to the Home Minister. I may be wrong, I am speaking subject to correction because the Home Minister has not given us very much time to consult people or to find out the implications of the existing Act and of the proposed Bill. I find that the Industrial Disputes Act I read in the last two days over the week-end, trying to find out what was wrong with it, says in Section 10(1) that in public utility services, where the Government so desired, they could make a reference to adjudication or to a board of conciliation. And sub-section (3) of that section goes on to say that where an industrial dispute has been referred to a board or tribunal under that section, the appropriate Government may by order prohibit the continuance of any strike or lock-out in connection with such dispute which may be in existence at the time of reference. Section 17(A) gives the Government the power, when it is itself a party to a dispute, to vary an award which might be made by the tribunal, which might be found to be inexpedient in the country's interest. Section 24 says any strike that is prohibited by Government under Section 10(3) shall become an illegal strike, and Sections 26 to 31 lay down the penalties which shall follow in regard to those who take part in or instigate such a strike or even finance it. I believe that these powers are adequate for the Government to deal with the threatened postal strike later this month.

I do not understand at this stage, though I shall learn and we shall wait to learn from the Home Minister, why these powers are not being applied when they are already there on the statute-book, when they flow out of the considered opinion and consideration of this House. The only reason I can suspect, and I would like confirmation on this point, is that the Act makes it necessary for Government to refer a dispute of this nature to a tribunal for adjudication, or even to a board of conciliation for conciliation.

If my understanding is right, then it draws attention to what is the main blemish in this Bill, and that is that it by-passes the valuable right of a worker in this country to see that if he is denied the right to strike, he will at least have the benefit of a judicial or quasi-judicial judgement in a matter on which he feels very strongly. The principle, in other words, on which this Bill is based and which I cannot support is that you may deprive a citizen both of his right to strike and of his right to seek redress in a legal, constitutional manner.

Mahatma Gandhi often argued that collective bargaining in industrial matters when it led to a strike created a primitive situation. He suggested a civilised method, and that was that when collective bargaining ended in failure, when there was a refusal to come to terms across the table, then the rule of law should prevail. And the rule of law was that both parties should submit to the arbitration of a third party in whose judgement they had confidence. An adjudication or arbitration, therefore, is the expression of the rule of law in industrial disputes.

If this Bill is to deny the worker who is frustrated in the pursuit of his demands on the one hand the right to strike on the ground that it disrupts essential services which is a fair ground, and at the same time refuses him the right to go to a tribunal to plead his case and ask for justice, which is in fact what it amounts to in this case, this Bill will make a breach in the democratic liberties of which we are so proud.

That is why I have given notice of an amendment which seeks to make only one major change in this Bill, and that is that it should be prescribed that before Government can declare a strike to be illegal, they shall be under the obligation to refer that particular dispute to adjudication by a tribunal.

I know it is argued that adjudication and arbitration which Mahatma Gandhi preached are very sound principles in the case of private employers, but cannot apply to the State, because the State is sovereign, the State is the people. That is a fallacy. The State is not sovereign, is not the people, when it becomes an employer. The State as the policeman, the State as the keeper of our destinies, is one thing, we bow to it and pay it homage. But when the State starts trading corporations, insurance corporations, air services and all kinds of trades and businesses and industries, then for the State to put itself above the law is to make a claim that is only valid in a totalitarian society. In a democratic society, the State must be prepared to bow to the judgement of a tribunal appointed by itself as much as any citizen on which it inflicts this obligation. If it is right and proper that a private capitalist should go to a tribunal and bow to its decisions, it is just as proper that the Government, when it trades or goes into industry, should also submit to the rule of law. And I believe that for the State to claim that because it is a Government it is above the law is a claim that no democratic Government should make in its capacity as an employer of labour. Otherwise, we shall have this unfortunate phenomenon that, at a time when our Government has become the largest employer of labour in this country, instead of becoming a model employer, instead of showing the way to other employers, which it has every obligation to do, it will lag behind. It will create a feeling among our workers that if private capitalism was an evil, State capitalism is a bigger evil still.

I do sympathise with the Home Minister in the situation in which he finds himself. As Home Minister, it is his duty to see that law and order are maintained, to see that the life of the community, to which he referred, is not disrupted. There we are all with him. We would like to help him the best we can. But can we say the same in regard to the responsibility of Government as a whole?

This situation which the House today is faced with, and which creates this Bill, is the result of two factors, in regard to both of which the Government have failed. This Bill is a confession of the failure of statesmanship on the part of our Government both in regard to their economic policies and their labour policies.

If inflation is let loose on this country, it is the direct product of the Plan Frame and the Second Plan which has emerged from it. Voices were not lacking in this country, and I remember the brave voice that Prof. Shenoy raised in the Panel of Economists when he pointed out that the sure result of sanctioning the Second Five Year Plan in that form would be inflation. Today, with only a year of that accomplished, this inflation is in motion. If Government policies are so lop-sided, if our planning pattern is so defective that through the very process that the Home Minister described, more money must be let loose without a corresponding measure of goods and services; if we are so obsessed with heavy industry that we forget the needs of the consumers; then we must expect this inflation. And having created this inflation, having reduced the purchasing power of the rupee in the pockets of our people and our workers, are we then entitled to ask for generosity on their part when their claims to justice demand that at least the real wages that they take home should not be lessened?

I think that this situation which Government are now facing is the creation of an unfortunately unbalanced pattern of planning, and until this pattern is rectified, year after year we shall find ourselves facing inflation which is even worse than at present.

Secondly, there is the failure of labour policy. There is no perfect solution at this stage. But there was a solution at an earlier stage. If Government policies in regard to labour were as enlightened as the policies that they preach to private industry, then this situation would not have happened. This is a failure of sound industrial relations, of sound personnel management. We talk a great deal these days of human relations. But it cannot be denied that there is nothing that is less human, more impersonal, and more mechanised than the handling of large numbers of our employees by the State itself. This is a failure of industrial relations that is faced by us today in the form of this unfortunately threatened strike. Even joint consultation—leave aside workers' participation about which we are so keen today—does not function effectively among the employees of the large industrial and commercial concerns owned by Government.

It is this inability to get across the barrier, to understand the workers, to get close to them, this inability to take leadership in the industrial corporations and concerns that we run and the services that we carry on, which is at the root cause of this unfortunately led strike.

It has been said that every employer gets the kind of trade union he deserves, just as every country ultimately gets the kind of Government it deserves. Well, who created these trade unions ? Who made it possible for disruptive elements to snatch the leadership of large numbers, of lakhs and lakhs of our patriotic countrymen ? It is the failure of our labour policy as a Government that has resulted in disruptive elements seizing control of strategic services. Therefore, there are more principled ways and more long-term and sound ways in which this problem can be dealt with.

I have suggested that this Bill is defective because it claims that the Government has the right to tell a citizen : "You shall not strike ; you shall not go elsewhere for justice ; you will work on the conditions that I dictate." I do ask, in all humility, the Home Minister whether he contemplates that, in times of peace and normal times such as we live in today, this is a claim that any democratic government has the right to make on the meanest of its citizens. I do not believe it. I believe in a free society. We must give every citizen the right to legal redress, particularly when we take away from him the right to deny his labour, for a strike, after all, is the converse of the right to work. I deny my labour when I feel I cannot work in such conditions. You may limit that right in an essential service. But if you limit that right, then an obligation rests on you to offer an alternative means of redress, to say "I shall bow to the decision of a tribunal as much as you will". Unless you take that position, a Bill of this nature is not one which those who hold individual liberty dear would be in a position to support.

THE BURDEN ON THE MIDDLE CLASSES

Speech on the Finance Bill in the Lok Sabha on August 26, 1957.

Mr. Speaker, I think the House owes its thanks to the previous speaker, speaking as he has done from the ministerial benches, for the manner in which he has reflected, in my view very accurately, the very wide-spread feeling of disquiet, uncertainty and insecurity that has been caused by many features of taxation which have been placed before this House. He said that never before in his recollection did he know of a Finance Bill creating as widespread a feeling of disquiet as this. I think the last one, one can remember from one's experience, is the Liaquat Ali budget, at the time of which some of us were present in this House.

I would like to confine myself to only one part of this Finance Bill and that is the excise duties which fall on the middle classes and wide sections of the poorest classes of our people. The Independent Parliamentary Group, to which I belong, does not find it possible to lend support to the imposition of the new excise duties and we shall vote against them, because we believe them to be an oppressive burden on the common people of this country which is not justified by the needs of the case.

Shri B. S. Murthy : Common ?

Shri M. R. Masani : Yes ; the excise duties fall on the common people, as the hon. Member knows well.

In the speech I made in June during the general discussion on the Budget, I said three things which I can recall. First, I deplored the burden on the middle classes, the lower middle classes and the poorer people in this country represented by these new excise duties. Secondly, I expressed a fear that these duties would aggravate inflation rather than combat it. Thirdly, I had suggested that the remedy was through a cut in the expenditure, both developmental and non-developmental, which was growing at a fantastic rate in this country. I suggested that the time between the last session and this session might be utilised to consider seriously a cut-back in expenditure, both in the Plan and outside, which was possible and which should be undertaken.

I do not want to dilate on the burden of these excise duties. The first speaker has given examples to show how high is the incidence of excise duties on the necessities of life. The excise and customs duties put together have gone up at a fantastic rate over the last five or seven years, out of all proportion to anything that has been known in the budgetary history of this country. This year itself no less than Rs. 49 crores as excise and Rs. 6 crores as customs duties are being levied as fresh burdens on the common man, the consumer. I expressed the apprehension that these duties would aggravate inflation, rather than combat it. The hon. Finance Minister, replying to the discussion in the Rajya Sabha had said that it was wrong to say that we were setting up inflationary tendencies.

The proof of the pudding is always in the eating. Let us see what has happened since the budget was introduced. I have before me figures produced by the office of the Economic Adviser to the Government of India, reproduced in the monthly bulletin of the Reserve Bank of India of July 1957. I shall read out the trend of prices in regard to certain basic commodities used by the common man to show how these duties, even before they are approved by the House, have played an inflationary role.

Sugar and gur were 96 in April 1957, and they rose to 102 in May. In June 1957, they were already 110. The figures for July and August are not available, but I am sure this trend would have continued and is continuing. Edible oils—122 in April, 127 in May and 128 in June. Liquor and tobacco—88 in April, 90 in May and 92 in June. Fuel, power and lubricants —107 in April, 109 in May, and 111 in June. Food articles put together were 104 in April, 107 in May and 109.3 in June. If you put all the commodities together, you get the following indices: 106.5 in April, 109 in May and 110.6 in June. As I see it, there is no evidence that this trend is going to be checked or has been checked. Therefore, it will be fair to say that the fears expressed by some of us, when the budget was first introduced, that these duties were of an inflationary character have already been unfortunately justified by events.

The real cure, as the previous speaker said, is not to rely *too much* on mopping up purchasing power. This concept is being ridden so hard that it is becoming nonsense, in the way it is applied out of context. The only cure for inflation is to increase the volume of goods and services in the country. Inflation very simply is a phenomenon where money in circulation in the country is growing at a faster pace than the volume of goods and serviecs. You can try, as a palliative, to keep down the money in circulation. They were not doing that, since they were going in for deficit financing. Certainly, the only fundamental answer to an inflationary situation is to concentrate on increasing the volume of goods and services. The import of these taxation proposals is to hinder that very process. To add a tax to the value of a commodity is hardly a way of reducing the cost of the commodity, so long as the quantity of that commodity in the market has not increased. Substantially, the tax is added to the price and passed on to the consumer. How, in these circumstances, these duties are supposed to be anti-inflationary baffles my imagination, which is simply not strong enough to understand this. I can only say that the previous speaker has shown its fallacy.

The communist Prime Minister of Poland, Mr. Gomulka, with whom I hope certain Members on this side of the House have got familiar since the last discussion, has made an interesting statement and I think that we in this country should learn a little from these reformed communists. In June 1957, Mr. Gomulka made this statement in connection with how to combat inflation, which is also a phenomenon in his country. He said :

> "In economics, there are no miracles. It is governed by an iron law. Each zloty paid out and put on the market must be covered by an equivalent in goods."

This is economic bedrock. Any policy that does not take into account these economic laws is bound to fail, however well-intentioned it may be.

I may be asked : if you are opposed to Rs. 50 crores of excise duties, where is the money to come from ? Whom are you going to tax ? My answer is I will not tax anyone, because I do not admit that this money is needed. I do not admit that this Rs. 50 crores is necessary for the economic well-being and good governance of our country. Mr. Kaldor has said that outside the corporate sphere Rs. 200 to 300 crores constitute the total tax evasion in this country. This is anything from 22 to 33 per cent of our average tax collection. If this evasion could be stopped, this country would get Rs. 1,000 to Rs. 1,500 crores over the five-year period of the Plan. If any one therefore asks where this money is to come from, I would say: enforce your income-tax and other taxes and see that they are paid, and the money is there. You do not have to have these imposts on the common people if that is what you want. Tax the people honestly and see that they pay their taxes honestly. You will get all that you need. If this cannot be done, I am not prepared to admit that any additional taxation is called for by the economic position of our country.

We cannot invest resources that we do not possess. That is an economic fact which we are trying, by the Plan, to bypass. The more we try, the more this fact will come in our way. We have got so much ; we can invest only so much. It has been said that all our troubles, whether inflation in India or the foreign exchange gap abroad, stem from the fact that we have attempted in the last two years to over-invest in heavy industries and in the railways. These two institutions are trying to eat up an amount of investment that this country does not possess either at home or in credit abroad. This is the root cause of our troubles.

I have heard it said that we are trying to alter the Plan, while others are standing on all fours on the Plan.

Shri Dasappa (Bangalore) : Would the hon. Member indicate in which directions we could have cut down our programme of heavy industries ?

Shri M. R. Masani : This programme should not have been undertaken. When the Plan frame was first published, Prof. Shenoy and many amongst us raised our voice against it and we pointed out that Prof. Mahalonobis's Plan frame was a deceptive, dangerous document which would lead our country into a morass. It was a plan that could never be carried out. It was clear to many eminent economists that it could not be done. Yet, this country was launched on that path. It is not for me to say today, just now, when we are half way through the Second Plan, without knowing all the facts that the Government know, where you can apply the pruning knife. I am quite confident that it can be done if the will to do is there. I am not only referring to the Plan projects. I have also the civil and non-developmental expenditure in mind. I will come to that in a moment.

As I said, we are accused of whittling down the Plan while others stand by it. That is not true. Every one is altering the Plan. *Different people are altering it in different directions.* The figure of the Plan, as originally introduced, was Rs. 3,800 crores. That was the figure to which the previous Parliament agreed. It never agreed to Rs. 4,400 crores which was the next figure or Rs. 5,600 crores or Rs. 6,000 crores which is the basis of the estimate today or Rs. 7,000 crores that some economists fear it is going to commit the country to. Who is altering the Plan? It is the Government that is altering the Plan. It is trying to make the country accept new Plans to which it is not committed, to which this Parliament is not committed. A sum of Rs. 3,800 crores was the Plan.

An Hon. Member: Rs. 4,800 crores.

Shri M. R. Masani: All right. Are we prepared to limit the expenditure to Rs. 4,800 crores? Any one who goes beyond that, as the present government is going, is going beyond the Plan in circumstances where it is not justified. The Planning Commission said that the margin of new taxation which, in their view, was possible over the next five years was of the order of Rs. 45 crores a year. Two or three years ago, it was felt that all that the country could bear was another Rs. 45 crores a year. Yet, in this very Budget, we are being asked in this House to sanction Rs. 78 or Rs. 80 crores of new taxation. . . .

An Hon. Member: Rs. 93 crores.

Shri M. R. Masani: Rs. 93 crores, about twice what the Planning Commission themselves admitted in the Plan that this country could possibly bear. If this breaks the back of the country, is it any surprise? When the Planning Commission's own Plan is being set aside, are we the people to be accused of departing from the Plan? I say that the very people who speak for the Plan are violating this Plan, are exceeding the targets that they themselves have set down in cold blood, and that it is not for them to accuse others of trying to change the Plan while they stand by it.

Turning to non-developmental expenditure, the same cow feeds both the Plan and the civil and military expenditure. Actually, out of the new taxation of Rs. 93 crores or 80 crores or whatever it is, I understand, the Plan will get only Rs. 40 crores and the rest will be frittered away for normal revenue expenditure over this year. Expenditure outside the Plan is going up at a rate which is alarming. In 1950-51, the expenditure outside the Plan was Rs. 301 crores. In 1956-57, it has gone up to Rs. 534 crores, which is an increase of Rs. 183 crores in ordinary revenue expenditure—a rise of 52 per cent in expenditure over a period of six years.

Much of this expenditure goes into the process of the proliferation of the bureaucracy which we are watching but are unable to stop. Under the garb of functioning as a welfare state, this country is being saddled with an inflated, swollen bureaucracy which it does not need. Those who are familiar with the working of the secretariat know perfectly well that today there are two or three or four people doing the job of one. I am not referring to the higher ranks where certainly talent is necessary. If one goes down to the clerical ranks, he would be a brave man who will deny that we are saddled with an army of clerks that we do not need and we should not be saddled with. Two or three persons are doing one man's job. The average amount of work has been estimated variously at 4 or 5 hours' efficient work a day. We have too many holidays in our country. It has been estimated that 151 out of 365 days are spent by Government servants either on leave or on holidays. One hundred and fifty-one out of 365 days are unproductive in the government machinery. This leads me to say that until the Government shows its seriousness by stopping all further recruitment in the civil services, I for one would not be prepared to vote any more money to go into their coffers. I do not suggest retrenchment. I do not suggest that a single clerk should be thrown out of a job. I do suggest that all recruitment should be stopped immediately until we restore a better balance between our incomes and expenditure.

An Hon. Member: What about employment for others?

Shri M. R. Masani: If the hon. Member feels that on the miserable salaries and wages against which our civil servants are rebelling, more people should be brought into the secretariat to provide employment, then, I am afraid, that is not my concept of how fresh employment has to be created. The previous speaker told us how fresh employment could be created. It can be created by giving incentives to work, reward for labour, reward for enterprise, by letting money fructify in the pockets of the people, by letting them earn more money, spend more and save more. These are the policies that we need. To provide a few more miserable jobs and get clerks into the secretariat is no solution for the problem of unemployment in this country.

In this connection also, let us follow the example of a communist country which has turned a new leaf. A few days ago Mr. Gomulka announced that 27,000 civil servants were going to be dispensed with and 12,000 more were to follow in the next few months as a measure of economy, to stop the bureaucracy from attaining unpractical proportions. I have not suggested anything so violent. I am only suggesting that recruitment in the clerical grades in the civil services should be suspended altogether. Those who are surplus can be trained and diverted to new jobs within the services. I am sure that the present army of clerks and civil servants will be adequate for many years without need for fresh recruitment.

Shri Sinhasan Singh: We are appointing Economy Committees.

Shri M. R. Masani: I am not satisfied with the appointment of Economy Committees at this stage. Those who have been in public life long enough know how many Economy Committees have been appointed in this and other countries and how little comes out of their labours. Out of a mountain of effort what emerges is a mouse. I have made a very practical proposal of having a moratorium on recruitment. There are today twice the number of people to do the work and so there will be no need for expansion.

Now, before I sit down, I want to draw attention to what has been happening in a neighbouring country of ours, a very close and good neighbour of ours, a good ally of ours, a country that is ruled by a Government that also is socialist, I refer to the Government of Burma. That country has also been through travails and trials like our own. It is led by a great and brave socialist, U Nu, a great friend of our country, one who is admired by our Government and people, a man who has been a socialist for the bulk of his long life. Recently, Prime Minister U Nu made a speech in Rangoon, which has been printed by the Burmese Government. I am reading from the publication of the Director of Information, Union of Burma, where he admitted all the mistakes that he and his Government have made. They have stated that they are going to undo those mistakes and take a more realistic. . . .

Shri Shree Narayan Das (Darbhanga) : But our Government does not make any mistake at any time.

Shri M. R. Masani : I am not saying any thing about our Government. I am pointing out how that Government, when it realised that it had committed a mistake, had the courage to admit the mistake, a path that other governments may choose to follow. It is not for me to draw parallels here. I leave it to the hon. Members to draw parallels. Let me read a few passages from this excellent address of U Nu :

> "Let me admit that I am mainly responsible for such hasty actions. We have been prompted with an intense desire to achieve national self-sufficiency, to promote living standards and to create a Pyidawtha. In bringing about these results, we adopted hasty methods. We wanted to get a thing done in one month which normally should take one year.
> Now, it is evident that we cannot unduly hasten our plans. Therefore, out of the new economic projects, only those projects which are considered indispensable will be allowed to proceed. All others will be suspended. While these new projects are suspended, measures will be taken in the operation of all existing projects to remedy the deficits I have just enumerated."

He goes on to say :

> "How then shall we utilise these sums (the Japanese reparations) ? Do not spend a single pya out of the Japanese reparations towards the new Government projects not yet started. . . . Spend whatever is considered necessary for the adequate supply of the people's consumer goods."

Then, from practical experience, U Nu says:

> "... I no longer like to see Government's finger in all sorts of economic pies. If it is allowed to go on unchecked, then due to lack of proper supervision and efficient management, the State enterprises will sooner or later only line the pockets of thieves and pilferers."

U Nu ends up with another passage which reads:

> "The plan may be the best that could be devised for the Union, but if it is not in consonance with the financial resources and man-power resources of the country, then it may be likened to a health scheme which prescribes two eggs and one viss of milk a day and a well-ventilated and quiet house for a poor labourer. It will be divorced from reality. The plan may be ideal but it is important to remember that it should be practicable."

There is no better conclusion to which I could come.

PENALISING THE SHAREHOLDERS

Speech on the Wealth Tax Bill in the Lok Sabha on August 28, 1957

Mr. Deputy-Speaker, Sir, a colleague of mine pointed out to me this morning that he had taken the trouble to count the number of times the hon. Finance Minister favoured me with a personal reference yesterday, and that the number was no less than 32. The suggestion was made that I might utilise this occasion to reciprocate. My answer was that, in any event, it is important on the floor of this House that we should be impersonal and discuss issues and not personalities. In a way, even this morning, we have had enough of an exchange of personalities and I think it will suffice for the day. I propose to abide by my principle of avoiding any reference either to the Finance Minister or to any other individual.

What I would like to do is to confine myself to one particular aspect of this Bill.

Mr. Deputy-Speaker: I might intervene here. Those references were very unfortunate. I appreciate the policy of the hon. Member, and I would advise others also to follow the same. But Pandit Thakur Das Bhargava felt it very much that the amendments that he had moved were not even answered by the hon. Finance Minister. The Finance Minister had written to me that because there was no time available he could not refer to them. Otherwise, he did not mean any discourtesy to the hon. Member or to the House. He indeed wanted to reply to them, but there was the guillotine to be applied, and the time was very short. When we ourselves fix a time-limit, there is certainly that helplessness with the speaker, be he on this side or the other. Therefore, that also should be appreciated.

Then, another hon. Member took that point and he gave a hit which was not justified at all. He used the word "impertinence" without knowing whether really it was also the official work in which the hon. Minister was engaged. He might be busy in the other House. So, the hon. Member should first ascertain the cause of the absence of the Minister, and in his absence a representative of the Government is taking down notes.

Shri Supakar: How can we know it?

Mr. Deputy-Speaker: He should write to me. He had raised that point when the Minister was not there. He ought to have enquired into it then, and subsequently he could have had no justification of making any remarks. These things would not add to the dignity of the House. This should not be resorted to without knowing all the facts which are there.

Therefore, I would request the hon. Members to exercise some restraint and, as Shri Masani has said—he said that he would be impersonal—they should all follow the same rule.

Shri Masani may continue his speech.

Shri M. R. Masani: My interest is in *what* is right, as to whether the Bill is right or certain aspects of it are correct, and not *who* is right. The point on which I would like to focus my remarks is one particular topic which I have covered in the Minute of Dissent which I found it necessary to write to the Report of the Select Committee. So far as other points are concerned, they form the subject matter of amendments, important as they are, and they will be placed before the House when we come to the clause by clause consideration of the Bill.

The topic I would refer now is the inclusion in the Bill of a category of institutions which should not form logically or in principle a part of the wealth tax. I refer to the investments made by individuals in joint-stock corporate enterprises. Now it is true that we do not have to go by Mr. Kaldor, as Shri Naushir Bharucha has said, but when we adopt a man's idea, it is just as well to stick to the foundation or the integrated thinking on which certain proposals are based.

The wealth tax is a tax on the personal wealth of individuals. It has no relevance to small investments made by small people in their thousands in joint-stock companies for certain limited purposes. The extension of this tax to companies is, therefore, both illogical and unprincipled. There are, apart from this general objection, many specific reasons why companies should not be brought within this context. The only reason given so far for including companies is that there is something peculiar about the economic structure of India which justifies this departure from sound principle. I have been waiting for the last few weeks to be told what is so peculiar about the economic structure of India that what would not be legitimate in a wealth tax elsewhere becomes legitimate here. I do hope that some reply will be forthcoming to this question as to what is this peculiar phenomenon, which justifies the extension of a tax to a class of organisation to which it cannot legitimately be applied.

What are the specific reasons why I deprecate the inclusion of companies within the wealth tax? Mr. Bharucha has obligingly given a fair summary of those reasons. He pointed out that the first of these reasons was double taxation. He says he believes in it. I do not believe that the same wealth belonging to the same person should be taxed twice in the same context. The position of a man who happens to have Rs. 2 lakhs in the world and who invests it in a joint-stock company is that he not only pays tax on the Rs. 2 lakhs as an individual, but, in addition, so far as his holdings in the company are concerned, he pays another half per cent on that particular investment.

The Bill, as reported by the Select Committee, does give relief. It gives relief to a certain class of moneyed man who has investments in shares, but very oddly, in a socialist pattern of society, that exemption is given to those who possess Rs. 22 lakhs or more, not to those who possess anything from Rs. 22 lakhs down. Part II, rule 2 of the Schedule lays down a ceiling which says that people will not be made to pay more than 1.5 per cent. If one examines the schedule, one realises that this relief from double taxation—I think it is to be welcomed and I suppose people who earn more than Rs. 22 lakhs are also human beings, even though Mr. Murthy does not concede them the right to live in a socialist pattern—I would suggest that it is very odd in a socialist pattern—that relief from double taxation is given to a class of people who are the most wealthy of all the wealthy people. If they are entitled to relief from double taxation, certainly a man, who has Rs. 2 or Rs. 2½ lakhs, in my view, would appear to be a much more eminently desirable subject for relief.

On the other hand, there are small investors who do not possess either Rs. 2 lakhs or Rs. 1 lakh or even Rs. 20,000 in the world. I have got statistics in regard to various categories of companies, published by the Research and Statistics Branch of the Reserve

Bank of India, to show that an analysis made of public limited companies reveals that a large amount of shareholding belongs to very small people. I should like to refer to just one series of figures given by the Reserve Bank in regard to the holdings and shares in *Bombay City*. *They show that 59.51 per cent of* the shareholders were persons whose monthly income is below Rs. 666; 17.5 per cent were persons whose monthly income is between Rs. 600 and Rs. 1,250; 13.2 per cent were persons whose monthly income is between Rs. 1,250 and Rs. 2,500, and only 9.8 per cent of the shareholders were persons whose monthly income is Rs. 2,500 or more.

I will answer the next question about the quantum of the holdings. The survey goes on to point out that more than 73 per cent of the total number of shares, the quantum of the holdings, were held by income groups below Rs. 2,500 per month and only 27 per cent of the shares *in toto* were held by what you may call rich people.

Shri T. T. Krishnamachari: Is he referring to any company?

Shri M. R. Masani: No; this is about shareholders in Bombay. There may be a man having Rs. 10,000. He has the option of buying gold or jewellery or he may put the money in a bank. He may invest it in a plot of land, or buy a few shares in a corporation. I suppose it will be agreed that by investing money in a corporation and producing wealth in this country, about which we are also keen, he has not committed a crime, which he would not commit if he kept the money in a less productive way. On the contrary, I suppose that the citizen who invests his savings in industrial production, rather than in ostentatious living or in buying gold or jewellery, is a worthy citizen whom we should all cherish.

What is the position of a man who has Rs. 10,000 or Rs. 20,000? If he does not put any money in the company, the wealth tax leaves him completely untouched. He does not come anywhere within miles of the wealth tax. But the moment he buys one share of a company, he pays a certain amount under the wealth tax. I must confess that the illogic of this, the injustice of this, the disincentive that this gives to productive saving in this country is something which I consider appalling.

I think it would be a shame if this Bill were to be allowed to pass without this blemish being removed.

I have talked about disincentive to saving. I do not suppose this country ever needed people who can harness their savings and put them into productive use as it does now. I would imagine an enlightened policy would lie in giving every incentive to people to put money into productive enterprises so that this country might thrive. At this juncture, for a disincentive to be given, for a penalty to be imposed, means that, if today I happen to have a share and I sell it and put the money in some other unproductive way, then I escape. But if I put the money in a productive enterprise, so that more wants of the people may be met, I must be punished for this meritorious act!

It is quite obvious that the extension of this tax to companies, to the extent that it applies to those who are outside the purview of the tax, those who do not possess Rs. 2 lakhs or something like that, is definitely a blow to incentives to saving in our country.

I am very glad that shipping companies, banking companies and investment houses have been excluded from the scope of the Bill. To the extent that any relief is given to any class of industrial enterprise, it must be welcome, even if some injustice is done in the process. But there again it is difficult to justify this distinction. I was glad to vote for the exemption of these companies, because I believe that all companies should be exempted and if we cannot secure justice for all, let us have it at least for a favoured few. But what is the ground of distinction between a shipping company, a machine tool factory, a locomotive factory, a cement factory or any other factory producing the needs of this country?

It is said that foreign exchange is being saved by shipping. Certainly, but is not foreign exchange saved by steel companies, cement companies, and other companies which also produce in this country material that otherwise would have to be imported? I think the hon. Finance Minister—I am referring to him in an appreciative way this time—referred a few days ago in this House or in the Select Committee to the saving that is made when a steel plant in this country doubles its production by way of crores and crores of foreign exchange. Surely, if a shipping company saves foreign exchange for this country, every factory which replaces imports, which otherwise would entail foreign exchange expenditure, also serves the country in the same way. I for one do not feel that this distinction between shipping companies on the one hand and the others which serve the country equally vitally in other sectors of our economy is one that can be justified except purely on grounds of sentiments.

An Hon. Member: The question of protection is there.

Shri M. R. Masani: I think that all enterprises that save India from a foreign exchange drain deserve protection to the same measure. The real reason for the extension of this tax to companies is to be found in a remark made by Mr. Bharucha: "We need money for the Plan". He justified it. But I cannot. I cannot understand this policy: "Let us take it where we find it". Let us be quite frank. The policy of applying this Bill to limited companies is a policy of grab. I say that because money that is in the tills of public corporations is money that is kept in proper books, money that cannot be hidden, as money can be hidden by private rich people who are not conforming to the laws of this land. "Since the money is there, let us grab what we can of it". That, Sir, seems to me to be the only justification for this particular aspect of the Bill. Since I do not wish to be a party to such a policy, I would like to record my protest and my opposition to the extension of this Bill to any company whatsoever.

CAN WE AFFORD AUSTERITY?

Speech on the Expenditure Tax in the Lok Sabha on August 31, 1957

Mr. Deputy-Speaker, I suppose it will be agreed that one of the tests by which a taxation measure should be judged would be that it brings in substantial revenues needed for the country without undue inroads into the liberties of the citizen. When I joined the Select Committee, I had an open mind about this particular measure. I had no particular pre-conception whether a tax on expenditure as opposed to tax on income was a good or a bad thing. Having met Prof. Kaldor and appreciated his intelligence, I thought this might be an interesting experiment. But having listened to the evidence laid before the Committee, having studied the Bill and its implications, having read the Kaldor Report, I have reluctantly been dislodged from that position into one of having considerable scepticism as to whether a tax of this nature passes the test which I suggested in the very opening sentence of my speech.

The Finance Minister himself has conceded that not only is he not in a position to estimate the yield, but he also is quite prepared for the eventuality that no revenue whatsoever may be forthcoming from this impost. He says that, in any event, certain other aims will have been achieved, namely, to stop people from conspicuous waste and extravagant expenditure. On that point, therefore, we have to be clear that this tax is not really a necessary tax. It is not a tax which brings in revenue which we need. It is a speculative tax, which may or may not bring any revenue. It will certainly bring along a certain measure of expenditure in the collection of tax, which already has been referred to in the memorandum attached to the Bill. We will hope that the income will exceed that amount.

On the other hand, the psychological dislocation that will be caused by this Bill is considerable. The subject of harrassment has been referred to. Prof. Kaldor, himself, in order to guard against harrassment, had suggested a formula which at least, if the Bill is accepted and the tax applied, is a reasonable one. He has calculated expenditure in the following formula: Cash and bank balances at the beginning of the year, *plus* all receipts including gifts, bequests, etc., *plus* borrowings, *plus* sale proceeds of investments, *minus* loans made the year. He says that having *established the gross* expenditure during the year, the onus should be on the assessee to claim exception for certain categories of expenditure which are allowable under his scheme. If he does not come forward with the claim for exemption, then he will be taxed for the whole amount. Unfortunately, this scheme has not been accepted by *Government* nor by the Select Committee and the door is left wide open, therefore, for the burden of proof to be thrown on the assessee. He will have to keep a complete and detailed itemised account of all expenditure undertaken throughout the year, whether by himself or by the members of his family.

Even middle-class people like ourselves must shudder at the thought of having to prove every single item of expenditure including our daily bazaar, our odd purchases, transport, bus rides and so on. Not only this, but we should be able to prove that this was all the expenditure that we undertook. We must also prove a negative, which is almost impossible to prove in law. We must prove that we did not spend more than Rs. 30,000 in a year. It is very difficult even for ordinary people to be *able to prove that they did not do something.* We *can certainly* prove that we did. The least we should have to do is to show a complete account and say nothing more than this was spent. I would be a bold man if I put on affidavit at the end of the year a statement that I really have not spent a single anna more than this expenditure. We spend odd amounts here and there so often that it is impossible for us really to say at the end of the year that we can swear that nothing else was spent. I had no intention of going into this detail, but I would not like to disappoint my friend Mr. Mukherjee. I was not altogether surprised, though it came from a gentle person like him, that this inquisitorial method should be taken so cheerfully and lightly in this quarter. After all, from those who for 30 years swallowed every misdeed and every crime of one dictator blindly and with adoration and then, when a second dictator came and denounced the first as a monster, equally cheerfully follow him with the greatest amount of complacency and smugness, what can we expect from people like them? We certainly cannot expect any moral indignation at any sort of inquisition.

I am not prepared to agree that having accepted a socialist pattern of society, this country has done anything like accepting the dictatorial methods that certain people would like to see enforced *in this country*. *I do not* believe that the Praja Socialist Party or the Socialist Party of India would for a moment support, in the name of the socialist pattern of society, the inquisitorial methods that would gladden these juvenile delinquents of communist dictatorship. If one reads the book of Mr. Crossland, one of the finest flowers of the British socialist intelligentsia, or another book called *Twentieth Century Socialism* published by the Socialist Union, with which hon. Members on this side are familiar. . . .

Shri Goray (Poona) : Will the hundred flowers be allowed to grow ?

Shri M. R. Masani : They will not be allowed to grow under Prof. Mukherjee's dispensation. The socialist pattern of society the Indian people are going to tolerate is a different kind of socialist pattern, something which we may be proud of, and that socialist pattern will not tolerate the inquisitorial methods that the Communist Party and the others of that kind would like to be enforced in this country. A socialist pattern does not, in the mind of our Prime Minister and the Government, I make bold to say, mean interference, beyond a certain legitimate measure that they might consider reasonable, into the private life and the sacredness of the personality of the individual. I do not for a moment accept this statement that the socialist pattern that this country is prepared to accept has any resemblance to the horrors of the Soviet or Chinese dictatorship.

Apart from harrassment there is the question of administrative efficiency. We have in this country a creaking machinery, a machinery, as the Finance Minister admitted a few days ago, that is unable to combat with evasion, unable to recover crores and crores of rupees of public money which is slipping through their fingers, because they have not developed their efficiency as they should have. He admitted quite frankly that we on this side might preach to him about stopping evasion, but he is frankly unable to do anything very much about it.

Is this the kind of machinery which is now going to be asked to collect a tax much more hard to collect than the income-tax ? Prof. Kaldor himself has described this expenditure tax as "administratively more difficult to handle than the present income-tax". When our administrative machinery is incompetent to collect effectively the income-tax that is due to them, we are now saddling them, for a footling revenue which we hope to get, with the complicated administrative task which has to be undertaken and which they do not seem to be in a position to cope with. When machinery is not up to scratch in dealing with an administrative problem, the possibilities of *corruption and harrassment* increase, because what you cannot do in a scientific way, you are apt to do by third degree methods.

When the police in our country are not capable of having *detecting machinery* that they should have, they beat up a man and extort a confession. If we apply that analogy, if the tax-gathering authorities suspect there is a leakage somewhere, they will be driven to harsh methods and inquisitorial methods, because they have not got the technique by which, without these methods, they can recover the tax that might be escaping. That is why very big names in the economic firmament like Professor Pigou, Professor Keynes and Dr. Dalton at various stages rejected a tax on expenditure or consumption as administratively impossible.

Another reason why I for one find it difficult to accept this measure is that this is not the machinery even its author, Prof. Kaldor, has recommended. Prof. Kaldor is very clear in his report that you cannot have a substantial income-tax at a higher level and a substantial expenditure tax. He has said that if you combine both, you get an intolerable burden of taxation which will kill incentive and hamper production. His argument is that it is much better not to tax income when it gets into a man's pocket, but to tax it when it goes out because, if he puts it in investment, he is performing a constructive function. Unfortunately, his advice that nothing over 7 annas in the rupee need be levied on income has been ignored. We have got 85 per cent of the income as the ceiling and simultaneously we have added to it the expenditure tax flouting completely Prof. Kaldor's own idea that one should replace the other and not be added to the other. Therefore, this failure to reduce the super tax and income tax proportionately makes this tax something that is inadequate, something that, in the words of its own author, would do more harm than good.

Now, Sir, Rs. 30,000 sounds a big amount when one thinks of it in the abstract. But Rs. 30,000 broken down into monthly expenditure for a family of three people—because it is a family unit expenditure and not an individual one—what does it really amount to? What is the rupee worth today? Let me mention just a few indices of wholesale prices that prevail as compared to what they were in 1939. Taking the year ending August 1939 as 100, we get 562 as the index of the price of rice in January 1957; wheat 584; tea 500; coffee 603; tobacco 809. These are some of the ranges of the rise in prices, not in luxuries, but in the daily necessities and comforts of life. If you take an all-round figure—because, I have selected a few items and it is fair that I should give overall indices—it comes out to this:

Food articles all put together	392.1
Textiles	416.0
Manufactured articles	387.1
All commodities put together	422.1

In other words, the rupee today buys less than four annas worth of the 1939 rupee.

It is on the basis of such evidence that Dr. Appleby has made a remark in his report to Government on the administrative services that an official who draws a salary of Rs. 4,000 today is really getting no more than Rs. 750 a month in 1939 terms. On the basis of these statistics, the best equivalent figure I can give for Rs. 30,000 a year today is a pre-war income of Rs. 500 a month. When we talk of these very rich people who indulge in extravagance, we really are beginning to tax people who would be drawing Rs. 500 a month, and spending it on themselves, on their wives and children. I ask whether that is the kind of person about whom we should speak with the animus and envy that some people seem to do. Five hundred rupees before the war was a very middle class income. It was not a very luxurious income; nor was it one of the highest incomes in the country.

Shri Nagi Reddy: Will these figures apply in the case of wages of workers also?

Shri M. R. Masani: Certainly.

Even Mahatma Gandhi with all his concepts of austerity which most of us were unable to follow in our lives, conceded that Rs. 500 per head was a legitimate top income for this country despite all the disparities to which my hon. friend referred.

Now that Rs. 500 per head has become Rs. 500 for a family and we are treating as a potential criminal, an anti-social element, one who spends Rs. 500 of pre-war purchasing power. I am mentioning this to show how we are losing sight of the real purchasing power of money and getting blinded by high figures. We may as well say that, after the war in Germany, a man who spent a million marks was a black marketeer, was living an extravagant life. The purchasing power of one million marks after the war was far less. Yet it was one million. Let us consider what money buys and let us not get involved in high figures. Let us have a little sympathy for the middle class people who work hard, who want to educate their children and who want a little freedom to spend their money in the way they like and not in the way in which Shri H. N. Mukherjee would like them to use their money.

I come to this point in conclusion. The whole philosophy underlying this Bill is wrong. It is wrong from the point of view of the economic development and prosperity of our people. Luxury consumption in our country is already heavily taxed. Import duties on luxury articles are tremendously heavy in this country. On top of that, we have quantitative import controls by which certain things you cannot get at all even if you are prepared to spend a reasonable amount of money. Take a motor car. We know how restricted these luxuries are and how the prices have shot up. For an ordinary car which you could buy for Rs. 9,000 ten years ago, you have now to give Rs. 22,000. Most brands of cars you cannot get at all.

The present ratio of saving in this country without these penal measures is already high. Let us give the figures of fixed deposits and savings in our banks which is a very good evidence of the rate at which those with money are saving in our country today. Economists have held that time deposits and savings in banks are a kind of residual income investment which rich people make after they have bought their shares and securities. They give a good idea of the trend. The Reserve Bank has published a publication called *Trends in the Progress of Banking in India*. On December 31, 1952, the fixed deposits were of the order of Rs. 135 crores. At the same time next year, they rose to Rs. 141 crores, in 1954 to Rs. 153 crores, 1955 to Rs. 174 crores, 1956 to Rs. 201.9 crores.

Savings in banks rose :

1952	..	Rs. 131 crores
1953	..	Rs. 153 crores
1954	..	Rs. 140 crores
1955	..	Rs. 140 crores
1956	..	Rs. 158.4 crores

Here is evidence that those who have the wherewithal to save are in fact diverting their earnings and their capital to productive enterprise and productive investment by putting the money in the hands of the banks so that money can be passed on to constructive and productive purposes. When this process is spontaneously taking place, we are trying to add a bit of harrassment, a bit of irritation, as if a little prodding was necessary for poor beast of burden to push forward. When an animal is performing his function, it is a cruel, stupid owner who goes on hitting it with a stick from behind. It seems to me that the whole concept of bullying people into doing what they are doing voluntarily today is wrong. The only effect will be to put people off, to irritate them, to make them feel corse-grained. If you induce that harrassment mentality and persecution complex in people, you are not going to get out of them what you wish.

(**Shri Mohammed Imam** *in the Chair*)

The entire concept that we should stop the people from spending is a luxury which we in an underdeveloped country cannot afford. We want in this country an expanding economy. We want the people to earn more and enjoy life more. I take it that that is the ultimate purpose of the Second Plan. But the first step towards the ultimate purpose of the Plan is to ask the people to spend less and live an austere life, even without the modest amenities and comforts of life to which they are accustomed. This is not a process which will succeed. It has not succeeded in Soviet Russia. It will not succeed here. People like to see a little bit of what they are going to get in the future. If you are going to ask them to work hard, they want to have at least one anna in the rupee of the comfort that they are going to get in the future at the present time for themselves and for their children. They are not prepared to be told that at the end of the Sixth Plan, may be, you may have a richer life for your grandchild. That is not enough, human psychology being what it is. What does this kind of tax try to do ? It tries. in the interests of long-term prosperity, to aggravate poverty in the immediate future.

On the other hand, what we need in this country is more *purchasing* power to be put into the pockets of the people. We want the people to spend the money in their pockets so that a bigger market is created, fresh employment is created. Because everytime a man spends a rupee to buy something, that something has to be produced and a man has to be put on the job of producing that article. That is how the man who spends gets a more comfortable life and in doing so he creates more employment and more well-being in the country. This is the *process of an expanding economy which we see in the prosperous* countries of the world. We are trying to thwart this process through a false sense of austerity and a false sense of equality.

I have no quarrel with those who are genuine Gandhians. I have great sympathy and respect for the point of view of those like my friend Shri Jayaprakash Narayan or Acharya Vinoba Bhave who want people to lead a simple life. They believe that happiness does not come through material comfort and riches. That philosophy is a sound one for those who can practise it. But that is not the philosophy of the Second Plan. The philosophy of the Second Plan is a pure materialist philosophy, of saying that people become happier when they spend more, when they have more food, more shelter, better clothing, better education and better medical relief. That is another kind of philosophy. I am not quarrelling with it. A materialist philosophy has something to say for itself, although, I believe, it is not complete. Other values have as much importance in making people happy as their physical comforts. But it does not lie in the mouth of those who have made a religion of economic development, whose hearts throb when they see the indices of steel production going up, who measure the country's well-being by how much steel or cement it produces, to preach austerity, denial and less consumption in the same breath. There is a mixture of logic here which falls between the two stools. You neither get the simple life of Gandhiji, nor will you get the prosperity of the United States. You will fall right between the two stools in trying to emulate the prosperity of America when, at the same time, you are trying to squeeze people who will not produce more unless they are given a foretaste of the prosperity. There is a fundamental lack of logic and intellectual confusion in the provisions of this Bill, and it has no place in the economy which is underdeveloped, and which we want to see developed. Gandhiji had a right to challenge us on this, but nobody else has the right, certainly least of all the people who believe in the material advancement of the country.

I was happy in this context to see a speech by Mr. Morarji Desai, the Minister of Commerce and Industry, which he delivered at the Central Advisory Council, while inaugurating that body in July. I think he got hold of the right end of the stick in that speech. He said that a large cut in this consumption was not a possible solution to this country's problem. The problem before the country, said he, was to bridge the gap between production and consumption, not negatively through austerity in consumption, although it was necessary and useful, but positively through greater production. The real and only answer to the problem, said the Minister, lies in greater production. That is an emphasis with which I whole-heartedly agree. But I think the Bill goes against it. This Bill acts as a disincentive to greater production. By taking away consumption, you are taking away more production, which this country needs. You are asking people to work hard, take more risks and earn more. But having earned more, a man wants to have the right to decide how much to spend and how much to save, because nobody is going to earn if you are going to tell him in advance what he is to do with it. When a man earns, he wants to have the freedom to decide what to do with his earnings. That being so, this measure will defeat the very object, production and greater production, which we all desire.

So, Sir, I have very reluctantly come to the conclusion that I, for one, cannot be a party to this measure at all and, in my view in the best interests of the country, this Bill should not be proceeded with further.

APPENDICES

MINUTE OF DISSENT TO REPORT OF SELECT COMMITTEE ON WEALTH TAX BILL

The proposed levy of Wealth Tax on Joint Stock Companies is bad in principle and contrary to the national interest. It is a matter for regret that the Select Committee turned down a proposal to exclude companies from the purview of this Bill.

2. The application of the wealth tax to companies, which represent the interests of thousands of shareholders, rich and poor, is altogether beyond the objectives of the tax. While conceding that the Wealth Tax is intended primarily as a measure of personal taxation, it is said that in the peculiar economic structure of India it is not possible to exclude companies from its purview. What this peculiar structure which justifies this levy has not, however, been made clear. It is worth noting that even Professor Kaldor, who favours the introduction of an annual wealth tax, has not suggested that it be extended to corporate holdings.

3. Perhaps at no stage of our economic development has the need to promote savings been so critical as now, for it is mainly from savings within the country that the bulk of the resources must be found to meet the considerable investment which is required for development and expansion under the Second Five Year Plan. The Wealth Tax on companies is certainly among the most serious disincentives to industrial development outside the State sector. The cumulative effect of this new impost alongside of other existing ones will undoubtedly be to retard capital formation and discourage production which are so badly needed.

4. The Wealth Tax on companies will inevitably mean either double taxation on individuals who are liable to pay Wealth Tax themselves, or imposing the tax on small investors who are otherwise exempt and not liable to pay this tax. In so far as the first category is concerned, the Bill, oddly enough, gives relief from double taxation, by way of a tax ceiling, to those owning Rs. 22 lakhs or more, but none to smaller investors.

5. The importance of the middle class investors in our economy cannot be overemphasised. A survey of the ownership of shares and securities in Bombay City, carried out by the

department of Research and Statistics of the Reserve Bank of India in 1955, should do a great deal to remove the misconceptions on this point that prevail in certain quarters. The survey shows that 59.5% of the shareholders were persons having monthly income below Rs. 666; 17.5% had incomes between 666 and Rs. 1,250; 13.2% between Rs. 1,250 and Rs. 2,500; and only 9.8% over Rs. 2,500. The pattern of distribution also indicated that more than 73% of the total number of shares were held by various income groups below Rs. 2,500 per month and only 27% were held by those with incomes exceeding that figure.

6. A concrete case will help to illustrate the point. The shareholdings of the Associated Cement Companies are distributed as follows:

Holding No. of Rs. 100 Units	*No. of shareholders in each group*	*Percentage*
1- 100	28,747	94.70
101- 200	980	3.23
201- 300	273	0.90
301- 400	107	0.35
401- 500	65	0.21
501- 600	41	0.14
601- 700	19	0.06
701- 800	20	0.07
801- 900	16	0.05
901-1,000	3	0.01
1,001-5,000	70	0.23
5,001 and above	15	0.05
	30,356	100.00

Of the 85 shareholders who own 1,000 shares or more 43 are private individuals, and the remainder are investment trusts, insurance companies (most of them now nationalised), and other public bodies which in their turn are owned by a large number of shareholders. The 43 private shareholders together own 8 per cent of the issued stock. Therefore 92 per cent of the Associated Cement Companies' capital is held by a wide cross section of Indian society consisting of individuals and families, who have invested their savings in this Company.

7. If the present provisions of the Bill are not changed, the effect will be that every rupee invested in a joint-stock company by a small investor will be taxed, while it would have gone scot free if it had not been so productively utilised. The unfortunate implications of this do not need elaboration.

8. The Bill, as amended, exempts a certain class of companies such as those engaged in shipping, banking, insurance and investment. It is difficult to see any justification for restricting exemption to these companies alone. While their exemption is welcome, since they are playing an important role in our country, it is no less true that companies engaged in the production of cement, automobiles, textiles, steel or locomotives, etc., are just as vital to our economy.

9. While I do not wish to ignore the fact that in the Bill, as it has now emerged from the Select Committee, certain concessions have been made in favour of certain classes of companies, I regret my inability to agree to the application of this tax to joint-stock companies at all.

10. There are certain other specific features of the Bill in regard to which I am constrained to express my dissent. One of these is that the Bill, in contra-distinction to the recommendation by Prof. Kaldor, would lead to the over-all taxation in the case of certain individuals being substantially more than 100% of the income. This, in fact, introduces an element which can only be described as a capital levy. In no country of the world, as far as I am aware, has a capital levy been imposed as an annual feature.

11. Another discriminatory feature is the distinction between those who own their homes in towns and those who do so in rural areas. While the latter are exempt, the former are not. I believe it would be sound public policy to encourage citizens to build homes for themselves, wherever they may reside.

12. The Bill also discriminates unfairly between different classes of officers and employees. Some persons on retirement get a pension while others get provident fund benefits and retirement gratuities instead. The Select Committee did not accept a proposal that provident fund monies and retirement gratuities should be exempted. The result is that those who draw pensions

(mainly certain categories of Government officials) spread in small amounts over the years are not affected, while those whose old age benefits are capitalized are prejudiced.

13. Finally, I believe that the limit of Rs. 10,000 on tools and instruments needed for professional and vocational purposes is unfair to surgeons, engineers and others. Investment in such instruments is productive, it advances the public interest and it should not be thus discouraged.

August 14, 1957 (Sd.) M. R. MASANI

MINUTE OF DISSENT TO REPORT OF SELECT COMMITTEE ON EXPENDITURE TAX BILL

Though I had an open mind when appointed to this Select Committee, I now find myself constrained, in the light of the evidence led before the Committee, the discussions in the Committee and study of the implications of the measure, to come to the conclusion that this Bill as it emerges from the Select Committee should not be proceeded with further.

There are several factors that drive one to this conclusion. Perhaps the most pedestrian of these is the likelihood that this tax may not bring in any substantial revenue commensurate with the psychological disturbances, dislocation and harrassment it is bound to cause.

This harrassment is a very real factor to which I would urge that attention be directed. The Bill, as introduced, at least had the merit of restricting its application to small number of persons who were assessed for income-tax at Rs. 60,000 or more. Everyone, both within the category and outside, would therefore, have known where they stood. In view of the change made in the proviso to Clause 3 of the Bill, this definiteness has now given way to a certain measure of obscurity. There will be quite a few people who will not know till the end of an accounting year whether or not they fall within the mischief of the Bill. It is not difficult to visualise the sense of insecurity and harrassment this will cause.

The basis of computing expenditure contemplated in the Bill also aggravates the likelihood of harrassment of assessees. Mr. Kaldor, from whose recommendations this concept of taxing expenditure has been adopted, has himself in his Report suggested a simple formula by which all of a man's outgoings would be taxed except those exempted categories in regard to which he was able to adduce proof. This basis has not been followed in the Bill, with the result that an assessee is likely to be called upon to provide a complete list of all items of expenditure incurred over the period of a year—an impracticable demand—and, what is even worse, to be asked to prove a negative, namely, that he did not spend more than Rs. 30,000.

While the inquisition into one's personal and domestic life that would result is not such as may be contemplated with equanimity in a democracy, it is also for consideration whether the tax collection machinery, which is already failing to perform its function effectively, as evidenced by the large-scale evasion of income-tax which is believed to prevail at present, should be burdened still further with the assessment and collection of a new tax which Mr. Kaldor concedes is "administratively more difficult to handle than the present income-tax". Would not the energies that will have thus to be expended be much more fruitfully and remuneratively directed towards a more effective enforcement of the income-tax?

Mr. Kaldor had contemplated that the expenditure tax would replace the super tax on personal incomes on slabs above seven annas in the rupee. In his Report, he has warned against the cumulative burden of the various taxes being such as to kill enterprise and initiative. The slight reduction made in the income and super taxes is negligible compared to what Mr. Kaldor had recommended. The whole basis of the expenditure tax as a substitute for the present super tax has been thus ignored.

It has been claimed that the expenditure tax, even though the revenue it yields may not be substantial, will have the desirable social purpose of penalising and restricting extravagant and conspicuous waste. Plausibility is lent to this plea by the inflated money values which are quoted. It is necessary therefore to consider what is the real purchasing power of Rs. 30,000, which is the basic annual allowance, in terms of pre-war values. On the basis of such statistical evidence as is available, I believe that the figure would not be very far from Rs. 500 per month. Can it, with any seriousness, be argued that a man who spent Rs. 500 in 1939 on himself and his family could be accused of extravagant expenditure and be sought to be penalised for it? Even Mahatma Gandhi, with his very strict code of austerity, had placed the legitimate maximum income of an individual at Rs. 500.

Last but not least, what is wrong with the Bill is its philosophy. The concept of preventing people from utilising as they think best the fruits of their labours and enterprise and of thus enforcing savings is in my view a luxury that an undeveloped country simply cannot afford. We should on the contrary help to create more purchasing power in the hands of our people so that the market for all sorts of consumers' goods may grow and the people may enjoy fuller employment and a more comfortable life. If, as is often argued by leaders of our Government, the prime need of this country is increased effort and production, then—human nature and psychology being what they are—the freedom of the citizen to spend or not to spend as he likes whatever he may have earned must remain unfettered. To deny him this freedom is to strike a blow at that incentive to increased efficiency, productivity and harder work which is at present most needed. I for one believe that for a country placed as ours a more fruitful philosophy than that which underlies the Bill would be one which would encourage people to work harder, earn more and thus be able to save and spend more.

August 25, 1957 (Sd.) M. R. MASANI