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Mr. M.R. Masani's speech in the course of the discussion
on the Third Five Year Plan in the Lok Sabha on Aug. 24, 60.

Mr. M.R. Masani (Ranchi-East): Mr. Chairman, Sir, I rise to support the substitute motion which stands in the name of Shri Ranga, myself and other hon. Members of our group but, before I touch on certain aspects of that motion and the reasons why we invite the House to disapprove of the Third Five Year Plan, I would like to take a little time on the broader issues, largely because they have been raised in earlier speeches particularly the speech of the hon. Prime Minister, my hon. friend Shri Asoka Mehta, Acharya Kripalani and others.

Indeed, recalling the many darts that were shot at these benches both by the Prime Minister and by Shri Asoka Mehta, it becomes necessary to place before the House a more accurate picture of the stand of those who oppose this Plan and the entire pattern of planning than could be gathered from their speeches. I felt distressed that the Prime Minister, in particular, should have sought to caricature the views of his opponents. I do not think that kind of demagogy is worthy of his personality or the high position that he occupies. To describe opponents as those who do not believe in any kind of control, who believe in undiluted laissez faire of a past century or just to describe them as being opposed to cooperation and the principles of cooperation does not do justice to the intelligence of this House, and I do wish that we could have this dialogue of educating our infant democracy on a somewhat higher level than the tone set in the opening speech, in so far as that part of the Prime Minister's remarks is concerned.

I think that all points of view, whatever they are, would be better served if we do not try to put up a bogey and then knock it down.

An Hon. Member: You are unnecessarily sensitive.

Shri M.R. Masani: Let me have my say. Your leader spoke for an hour and quarter. Let me have my few minutes.

Sir, in order to correct this impression, it is necessary to draw attention to three points. The first is cooperation and cooperative farming. My colleague, Shri Ranga, has made it perfectly clear that we in this part of the House believe in every kind of cooperation, every kind of genuine cooperation - multi-purpose, service, industrial, consumers, banks, whatever it is - short only of what is called, or mis-called, joint cooperative farming because in our view it is nothing but Soviet collective farming under a false label.

There are two other points, however, on which the record needs to be put right. One is the particular question of planning and laissez faire. Now, if I might quote briefly from the Statement of Policy of the Swatantra Party, because I think it is necessary to educate the Prime Minister and those who might be under misconceptions like him....

An Hon. Member: About Swatantra?

Shri M.R. Masani: Yes, of course. This is what we say. Our Statement of Policy says:

"The Party does not (repeat not) stand for what is known as laissez faire. It stands for free endeavour regulated by such State action as may be necessary for preventing and punishing anti-social activities and for the protection of the weaker but useful elements of society. The role of the State is a vital one of creating and sustaining an environment in which the genius of the people can fulfil itself. In pursuit of this end, the Party stands for maximum freedom for the individual and minimum interference by the State."

At another point we go on to say:

"While the Party believes in a mixed economy where State and free enterprise work side by side in the service of the community, it stands for the restriction of State enterprise to such heavy industries as are necessary to supplement private enterprise in that field, such national services as railways, and the starting of new enterprises which are difficult for private capital and initiative to establish."

"Wherever the State enters the field of industry or business, the Swatantra

Party is of the view that it should not be given a monopolistic position but should show results facing competition on equal terms." (Interruption)

Lastly, in regard to planning, the Statement says:

"The Swatantra Party will restore the supremacy of the people and Parliament by disbanding the National Planning Commission which has tended to bring into being a non-responsible super-government, and will free Cabinet Ministers and members of the Union and State governments from the extra-constitutional intervention of the National Planning Commission."

It will be admitted that, however wrong-minded or however futile this programme might be, it is not the kind of policy or the thought that the Prime Minister had sought to put into our mouth, and I hope that this is the last time it will be necessary to correct this kind of misrepresentation.

The Prime Minister says: "Do we object to driving on the left side of the road? Is there not a control? Is there not compulsion?" Of course there is. It is a perfectly legitimate one. But let me ask him: "Assuming we all believe that we should drive on the left side of the road or the right side of the road - it does not matter one way or the other - does it not make any difference to him whether he is on the left side of the road as a free man at the steering wheel of his own motor car or whether he is a prisoner in a police van?" It makes all the difference. And so, the issue is not between planning and non-planning. The issue is between one kind of planning and another kind of planning; one kind of regulation and another kind of regulation. We must have regulation. But what are the limits to regulation? What is the nature of the regulation?

The Prime Minister adduced two criteria - maximum production and prevention of concentration of power. I entirely accept both of them. I think those are very sound general statements, but the conclusion that we draw from the two criteria is different from the conclusion to which he comes. We see the biggest danger of the concentration of power in the hands of the State. We see it because, however big the industrialist may be, there is always the Government and the community on top of him to pull him up and bring him to justice or to order, but when the police power is combined with economic power, when the policeman and the judge and the factory-owner become one, then there is no appeal. Then you get a total concentration of power and, if we are against the State Capitalism of the kind that is being sought to be advanced in this country, we are against it, among other reasons, because it would result in precisely the concentration of power that both the Prime Minister and we would wish to prevent. We saw a recent example of that in the Government Employees' strike and my hon. friends on this side had better learn the correct significance and the implications of that situation.

The other point on which it is necessary to correct the record is in regard to heavy industry, light industry and agriculture. A remark was made that some of us do not believe in heavy industrialisation - in rapid industrialisation and in heavy industries. That is completely beside the point. We are for a well-balanced, all-round development. We believe that there should be heavy industry; that there should be industrialisation, but it has to go side by side with the development of the agricultural base and the development of light industries to supply the needs of the people. This is what we say:

"The Swatantra Party therefore stands for a programme of all round rapid industrialisation with a view to develop national resources and provide employment. It believes in a balanced development of capital goods industries, organised consumer goods industries and rural industries that afford supplementary employment in the processing of the products of agriculture."

While not opposed to the development of heavy and basic industries commensurate with the availability of resources, the Swatantra Party rejects the false and lopsided priority given to heavy industry to the neglect of cottage, organised and light industries producing consumer goods."

Yesterday, we had an example of this obsession with heavy industry. The Prime Minister went so far as to say:

"A number of textile mills in Ahmedabad or Bombay or Kanpur is not industrialisation. It is playing with it...Our idea of industrialisation is limited,

cribbed, confined and cabinned by thinking of these ordinary textile mills and plants and calling them industrialisation. Industrialisation is a thing that produces the machines. It is a thing that produces steel."

If I may say so, this is an entirely cock-eyed idea of industrialisation. It seems that anything that meets the wants of the people is not industrialisation! Things such as tooth-brushes or shoes or clothes or those things that go to make up a house are not industrialisation because they have the contemptible purpose of serving the wants of the community! But to make something that you cannot eat, drink or wear - steel, machinery - which are something remote from the people - all these become the core of industrialisation!

If I may say so, there must be an all-sided, balanced development, and this kind of contempt for all industries except steel and heavy industry comes from the Soviet Union and Soviet planning where heavy industry has been glorified. And why? Not to serve the wants of the people, which are still not being served, but for the purpose of warmongering, for building up armaments and for intimidating the rest of the world. But that is not the pattern of planning this country of Gandhi is going to accept.

Let me give an example of where we draw the line. We think that the fourth steel plant included in the Third Plan is superfluous and premature. Here are the reasons for it: these are pragmatic reasons. We are not against building a fourth steel plant. The day will undoubtedly come when India will need a fourth or fifth or sixth steel plant. But is this the time for it? Is this the priority to be given? There are reasons why the fourth steel plant should not have figured in this Plan and why this money, which is now going to be sunk in that plant, would be better used for a hundred other purposes from agriculture upwards.

Our first reason is that steel has the poorest ratio of output and the number of men employed to capital investment. Let us take a million ton steel plant; it costs, I am told, around Rs.180 crores. This Rs.180 crores investment by the country will turn out finished steel worth only Rs.45 crores a year. It employs only 8,000 men. Let us compare with this what would happen if you employ the same capital in engineering industries. In engineering industries, a Rs.180 crores investment would produce Rs.200 crores worth of products in a year as against Rs.45 crores from a steel plant. It would employ a hundred thousand men compared to 8,000 men in a steel plant. I give the example nearest to steel, but if you get further away from it, as you get fertilisers, insecticides and finally to agriculture, you find that the same amount of investment would give multi-fold employment and multi-fold returns to the country. But, pushing all that aside, we come to the one thing where our resources can best be spared.

The second reason for saying that the fourth steel plant will prove to be premature and superfluous and would create problems for us is to compare ourselves with Japan. Japan in 1958-59 used 7.5 million tons of finished steel and yet, we are presuming at the end of our Third Plan, to produce more finished steel than Japan is able to use with a much more diversified and older and well-established base. This shows up the kind of planning - not ambitious planning, for "ambitious" is not the word - but improvident planning into which we are going. (Interruption)

Thirdly, it is said that we might export. The very talk of export shows that a large measure of miscalculation is beginning to be seen. Why export? And where will you export? Our high cost economy will give no room for export because the rest of the world is already self-sufficient and surplus in regard to steel.

For all these reasons we feel that a fourth steel plant which is provided for in this Plan is like one of those white elephants which the old emperors used to maintain at the cost of the community.

Shri C.D.Pande (Naini Tal): May I tell the hon.Member that the steel produced in this country is the cheapest in the world and it is Rs.130 less than in other parts of the world?

Shri M.R.Masani: True, but I am pointing out that the export market does not exist in steel because the rest of the world is saturated with steel production as other countries are competing with us.

An Hon.Member: What about Thailand?

Shri M.R.Masani: This is no time for us to export when there are other things which we must produce for ourselves. I do say that while lip sympathy is given to agriculture, this Plan, because of its obsession with heavy industry, is also anti-agricultural in

bias.

Let us consider two basic things about this Plan. It seeks to draw two-thirds of the resources into the public sector. Of all the total resources in the country, two-thirds are sucked into the public sector. And where does the public sector invest? Three-fourths of the public sector investment is of a non-agricultural nature. So, you get this: that, on the one hand, 70 per cent of our people are toiling on the land and are living on the land, but three-fourths of two-thirds of the total investment goes to non-agricultural pursuits. I think this shows the lack of balance in our planning.

Having criticised this lack of balance, let me say that there is an alternative. We have an alternative by which we believe that this Plan would prove to be pedestrian; that this plan is not ambitious as the Prime Minister says we have criticised it for being. We think it is unambitious. It is wrong-minded and is inappropriate to the needs of the country. We believe that if you try not to drag the savings of the people into the public sector, if you try not to divert them from the pursuit of agriculture and allied industries where you get higher returns on your investments, as I have pointed out, our national income will go up much faster than what the Third Plan contemplates. We are confident that if our plans were followed, if the resources of the people were left in their hands to invest where the returns are higher, namely, light industries and agriculture, our volume of savings in the Third Plan, which are estimated at Rs.7200 crores by the Plan, would be even Rs.8,000 crores or more. So, it is not that we think the Plan is too big; we think it is wrong-minded and it does not advance the country as fast as it should.

What is the real issue? The real issue is the nature of planning and the nature of society. Sir, Shri Jaya Prakash Narayan does not belong to our Party, but he is among those who think that the present pattern of planning is wrong-minded. Day before yesterday's Indian Express, of the 22nd instant, carried a speech of his in Hyderabad, where he says:

"Our people have come to realise that they have no part in the scheme of things. The only part the people played was once in five years when they elected their representatives. Their task was limited. The people had been feeling that the only change in the country after the advent of freedom was that instead of white complexion occupying the seat of power at Delhi now brown complexion occupies itThe people were not allowed to think."

This, coming from someone who is quite apart from our Party, shows that we are not the only people who think that this Statist pattern of planning, which has been lifted from the Soviet countries out of context in a political democracy, is not appropriate for the people of our country.

Shri Jayaprakash Narayan complains that the Indian people vote once in five years. He is right. But there is another vote that they can cast and that is the ballot of the market place. Every day that any of us goes into the market place or our wives go to buy anything in the bazaars, they are casting an economic ballot. They are expressing a choice, as consumers, whether to buy or not to buy and if they buy, what to buy and at what price. This economic democracy supplements political democracy in all free societies. In the market, not once in five years but once, twice or ten times a day, the entire community influences the choice of what shall be produced and what shall not be produced. That, Sir, is our pattern.

As I understand it, the pattern of the Second and Third Plans is a command economy, a group of people sitting in Delhi, calling themselves the National Planning Commission, who arrogate to themselves the right to decide what shall be produced and what shall not be produced. That, Sir, is the Soviet pattern of economy being directed and commanded from above. I am not asking you to take my word for it. We have called it an extra-constitutional body. Let me quote a senior Member of this House, Shri Ajit Prasad Jain. He went to Poona and in the course of a series of academic lectures quoted in the Times of India of 11th May, 1960, he said:

"....the leadership of the Prime Minister as its Chairman gave the Planning Commission a 'position of prestige which rivals the Cabinet'. Secondly, the system gave rise to dual responsibility at the top level with two highly-placed persons tackling the same subject, one as a Minister and the other as a member of the Planning Commission. There are occasions of rivalry and friction and cases are not unknown when the Planning Commission has encroached on an area which by all standards is reserved for the executive. This widening gulf between our policy making and departmental working has already given rise to various types of

Here is a former Minister complaining of this suffocation that comes through the super-allocation of power by the Planning Commission with the Prime Minister as its head.

Acharya Kripalani (Sitamarhi): Therefore he had to go.

Shri M.R. Masani: We do not know. Maybe when other Ministers resign, they will make similar confessions. But the question arises, why this attempt at reconciling Soviet communist economic planning with parliamentary democracy? There is a basic confusion lying at the root of this. You cannot make a communist economy, a command economy, co-exist with a parliamentary democracy. Sooner or later, one or the other will have to go.

I was therefore delighted and gratified to hear the very wise remarks that fell from the lips of Acharya Kripalani from the Socialist benches yesterday. It was in refreshing contrast to the earlier speech made by my friend, Shri Asoka Mehta, more loyal than the King. Acharya Kripalani said something outside which was a key to his statement here, with which at least I find myself in almost complete agreement.

Shri Asoka Mehta: Then why not join the PSP?

Shri M.R. Masani: Certainly if that is its policy, I would consider joining your group. Acharya Kripalani said something outside the House which is even wiser than what he said yesterday. Speaking at Sapru House last December, he asked the question why Socialist parties in the West were breaking up and why there was a Conservative revival and a Liberal revival in Europe? He gave an answer which shows that he is very much more in touch with what is happening abroad than my friend, Shri Asoka Mehta, despite his more frequent visits abroad. Acharya Kripalani said:

"There was a time when people accepted the socialist slogan that State ownership of production means would solve all their problems. But their experience was something entirely different. They now realised that a private employer did have a soul while the Government had only a machinery. People also now realised that all that was managed by the State was not well-managed and private owners definitely managed a factory better than the Government did. It was once feared that private ownership was a monopoly, but now they realised that State ownership was an absolute monopoly."

That is exactly why the rest of the world is turning away from the sterile Soviet method of planning.

It is interesting that the youth of the West is turning away from what some of us think is the latest fashion in economics. I will give the distribution of age groups in the House of Commons, our sister Assembly. Between the age group of 20 to 29 - young people - there were 9 Conservatives and 1 Socialist; between 30 and 39, 62 Conservatives and 18 Labour; between 40 and 49, 140 Conservatives and 55 Labour; between 50 and 59, 118 Conservatives and 106 Labour; between 60 and 69 - older people - 35 Conservatives and 57 Socialists. In the age group 70 and over, there were 3 Conservatives and 20 Socialists. If our Prime Minister had been there, he would have been the twenty-first, because that is the age group of those who are thinking in the past.

Coming to the Plan itself, I shall only devote myself to two aspects - inaccuracy of the statistics, of the estimates, and the inflation that is bound to result from it. The investment outlay is Rs. 11,250 crores, and we all agree - the Plan agrees - that it has to come from domestic savings and foreign aid. But how?

According to them, an annual increase of 5 per cent in national income is estimated. But to some of us it seems a gross over-estimate. Under the wet blanket of Statism, past experience shows that this 5 per cent will not be reached. What is the record of the last ten years? During the last nine years ended 1957-58, the national income increased by 2.5 per cent (compound) and during the last three years that the Second Plan has been in existence by 1.9 per cent (compound). We are told that from 1.9 per cent we suddenly jump to 5 per cent. Why? What is the basis of this prognosis? Is it planning or is it astrology? Our resources are being diverted to low-return projects in the State sector. People are prevented from investing in agriculture and light industries where they can get higher returns. If that were permitted, I can understand that the national income would go up. On the other hand, you prevent the national income from going up by forcing the resources into the wrong pattern and then you make the fantastic estimate of a 5 per cent increase in national income. With all respect, I must say this is the most unlikely thing to happen.

(contd.)...6..

On the basis of 5 per cent national income increase, you peg the increase in savings. The current rate of saving is placed at around 8 per cent. But "when the water of inflation has been squeezed out" of the 8 per cent, 7 per cent is more likely to be the current rate of savings. It is estimated that this will go up to 11 per cent. There again, I see no basis at all for guessing that, from 7 to 8 per cent, the rate of savings will go up to 11 per cent. Why should we make this assumption always in our favour and then find ourselves bankrupt half way through the Plan, as we did in the Second Plan? It is much more likely to be 8 per cent. From 7 per cent, raise it by 1 per cent. 8 per cent is likely to be the rate of saving.

If you take 3.5 per cent as the national income rise and the rise in savings as 8 per cent, you get a total of Rs.5,900 crores as against the estimate of Rs.7,200 in the Plan. If you deduct Rs.5,900 crores out of Rs.11,250 crores, the amount of foreign aid to supplement domestic resources would have to come to Rs.5,350 crores and not Rs.3,200 crores as the Plan envisages. Then again, we have to add Rs.700 crores, because Rs.200 crores will be required for the buffer-stock of foodgrains and Rs.500 crores for the repayment of past loans. Thus, there is a gap between the Plan estimate and what I am putting forward of Rs.2,850 crores. Just a slight over-estimate! This means that the foreign aid that we are counting on is not 31 per cent as we imagined, but 58 per cent. Rs.6,000 crores of foreign aid is what we will require during the next five years. The National Democratic Convention, which is friendly to us, with people like Mr. Kennedy, Mr. Adlai Stevenson and Mr. Chester Bowles, recommended a figure which they thought was generous but which is exactly half of what we are likely to need. This shows how our expectation differs from that of the rest of the world.

Now, when we plan in such a manner, it is inevitable that there should be inflation. The Prime Minister has said that "planning is an exercise of intelligence". But judging by these figures it seems difficult to credit the planners with any intelligence on this occasion. If they were intelligent, I for one would be forced to say that this is a fraud on the country and its people.

Inflation - this is my last point and I hope you will give me 5 or 7 minutes - is a thing that is often referred to, and the quantum of inflation is something that is often played down. Each Finance Minister in the past has shown that our inflation is much less than that of America and some other countries. That is true. But it depends from what you start and also what capacity you have to bear the inflation. Now, may I request Government to see that, when they consider inflation, they do it, not for the last 5 or 10 years, but cumulatively from the beginning of the last war, because the human beings who are bearing this burden are the same set of people? It is no good saying "forget the past inflation before independence; let us start with independence". That is not good enough. If the Indian people had gone through 8 years of inflation before you took to planning, then you have to take that into consideration in making your plan.

Now, what, Sir, is the position? Speaking in this House on May 1957, I had said that the rupee then equalled 23.3 nP. of the 1939 rupee. Since then, there is a further drop of 11.7 per cent in the value of the rupee according to the Plan document itself. This means that today's rupee is worth 20.6 nP in 1939 terms. In other words, the value of the purchasing power of the rupee today in our pocket is one-fifth of what it bought in 1939. The Finance Minister or anyone who replies on behalf of the Govt. may say: "Look at our percentage since 1951 as against America's" But I would ask him to be kind enough to remember that the people on whom you are inflicting this inflation are people who have borne it ten years before you came to power.

The Prime Minister said that in a developing economy there is bound to be inflation, that it is a good thing. That brave man is not frightened of communism; he is not frightened of inflation. But I may say that inflation means misery to the people; inflation means starvation for the people; inflation means that the people are being cheated of their money.

What is inflation? Inflation is too much money chasing too few goods and services. If that is an accident, you cannot help it, you have to control it.

But when you create inflation by your own Plans, then you are actually stealing from the pockets of the people; you are not going to them and levying an extra tax because you think they might rebel, they might resist, but you take away their money when they are not looking. You give them the feeling that the rupee is still in their

pockets but what they find is four annas instead. This, I think, is not anything that a socialist government can possibly contemplate, because inflation is more anti-socialist than any other policy. An honest rupee, a stable currency, alone can be the bed-rock of advance; when that is lacking, everything goes.

My hon. friend, Shri Asoka Mehta, quoted from a book. If I had the time today and if you had not rung the bell, I would have quoted from a book which I now commend to him. I am here referring to Graham Hutton's 'Inflation and Society', where you find Mr Hutton has amazingly enough anticipated our dilemma, our problem. He has pointed out that there are only two ways for a Govt. and a country placed as we are - either we go forward with inflation and then try to impose controls that take us to communism, or we withdraw from inflation and restore a stable currency and let the savings of the people accumulate because they have confidence in the currency. There is no third way. Now the Prime Minister's remedy was the first. The Prime Minister said that we must hold the price line by imposing controls. God help this country, Sir, if this is how the price line is to be kept. Why not hold the price line by not creating inflation, by eliminating deficit financing, by investing in industries and agriculture which will give a higher return, by letting the people have their own way of investment? If you do that, you will get the savings of the people voluntarily and then there will be no inflation. Now, with the right hand you create inflation and with the left hand you say there must be controls.

Let me give an example of what happens under controls. I am told that today, under the guise of keeping down prices and helping the consumer, the Punjab Government, the Congress Government in the Punjab, buys wheat at Rs.14 a maund and sells it at Rs.17 per maund in the Punjab itself and pockets Rs.3 per maund. For what? They say: "For overheads." This is parasitic State Capitalism of the worst kind. The same thing is done in Madhya Pradesh. The Punjab Govt., which has a monopoly under the system of controls today, buy sugar at Rs.38 in Uttar Pradesh and elsewhere and sell it at Rs.43, making a profit of Rs.5, profiteering without giving any service to the consumer in the Punjab or to the producer in Uttar Pradesh or Bihar. When we talk of parasites and profiteering, let us realise where the worse profiteering will be, because police power and economic power will be in the same hands. If I had more time I would have gone further, but I bow to your decision. Let me just conclude.

Sir, we believe that if you want to advance in the future you must make today's prosperity the foundation of tomorrow's growth. Today's adversity, today's misery; today's starvation can never be the foundation on which a nation can grow, develop and flower. You must give the present generation a fair deal. It is no good asking the present generation to starve for generations yet unborn. Our whole system of planning is based on the Soviet pattern which is to deny the present generation for some generations yet unborn. So, the planners are asking the people of India to sacrifice now for the future. The Indian people are not going to show that much of patience. They want to see the fruits of their labours for themselves and their children when they are still alive. Therefore, we want a different kind of plan, a plan that will give back to the people what is the people's. This Plan, as I understand it, will take away not less than 25 per cent or one-fourth of the income of everyone of us during the next five years. That is a sacrifice which we are not entitled to ask the people to make.

Therefore, on this occasion, we shall press our substitute motion. In the past we have been told that Parliament unanimously passed the Second Five Year Plan. But this Parliament is not going to accept unanimously the Third Five Year Plan. However few we may be, we shall record our dissent because, when the time comes, when this Plan fails and when the people call us to account, we shall be able to come forward and show who were the people who warned the Government, though their warning was not listened to.

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