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MR. M.R. MASANI's SPEECH IN THE LOK SABHA
ON 17TH APRIL 1964 ON THE FINANCE BILL.

SHRI M.R. MASANI (Rajkot): Sir, this morning listening to the Finance Minister I thought that he resembled a Doctor who was attending on a patient. Having first taken the pulse and opined that there was no temperature, the Doctor then puts the thermometer into the mouth of the patient. When the termometer reveals that there is high fever, the Doctor throws aside the thermometer and says, 'no, no, it is not the real index; there are more occult ways of finding out whether the man has temperature or not'.

When the Finance Minister introduced his budget six weeks ago, he believed that he was introducing a budget that would restore confidence among investors, that it would tone up the very depressed state of our economy and would give a green signal for the country to go ahead.

Unfortunately, in the last six weeks, the persons and groups concerned have failed to see the beauties of his budget. They have reacted exactly the other way. They have lost heart. The capital market has collapsed. The industrialist is demoralised and no more capital issues need be expected. The Finance Minister says now: 'Don't go by the Stock Exchange; don't go by the prices of shares; I have better ways of knowing that business confidence is being restored'. Well, Sir, he may console himself with this thought. But I may tell him that after listening to him this morning, whatever hopes may have been raised in the last seven or ten days that some major rectifications in the budget were forthcoming, those hopes have now been dashed by him by his announcement this morning. I say that because, although he has tabled 77 amendments and has promised us a few more tomorrow morning to give us more home-work - he is certainly keeping us busy these days - the fact is that, except for one or two of them, they do not change the picture at all.

There are one or two amendments which he indicated this morning which we shall look forward to. May be they represent a little undoing of the damage done by the proposals, but by and large, the picture remains as black and bleak as it was six weeks ago. I may reassure the hon. lady Member, who spoke a little earlier, that there is no need for her to worry about the so-called concessions given and no need to worry about any improvement resulting from them. There are no concessions worth the name and there will be no improvement. She may relax and be content that she can have a little hand in ruining industry and trade in this country.

SHRI T.T. KRISHNAMACHARI: The hon. Member may also reassure the lady on the other side.

SHRI M.R. MASANI:
One lady at a time to reassure is enough!
The fact that 77 amendments had to be tabled yesterday, and a few more have to come by way of amendments to the amendments in 48 hours later, does, however, show something else. It shows with what great care and thought the financial proposals of our Government are presented to Parliament and the country! They are so well worked out that they stand the test of time. They go down like the rocks on which are inscribed edicts that go down through the centuries.

We shall consider these new amendments tomorrow and on Tuesday when they come before us. But I do not mind saying that as the budget, as amended now emerges, the

the cumulative effect of the surtax on profits, the $7\frac{1}{2}$ per cent, equity dividend tax and the imposition of capital gains tax on bonus shares in the hands of shareholders coupled with the expenditure tax and the savage excise duties and gift tax would combine to push even a solvent economy -- and ours was not during the last twelve months -- down the steep slope to insolvency.

Nothing less than the complete dropping of the dividend tax and the capital gains tax on bonus shares could possibly save the situation. Not only has that not been done, but we have not even gone ten per cent in that direction. Therefore, we - those of us who can see a little ahead - must abandon hope for the next twelve months of any improvement in our parlous economic condition. We must reconcile ourselves to the continuance of inflation at a galloping pace.

SHRI T.T. KRISHNAMACHARI: It is virtually Paradise Lost!

SHRI M.R. MASANI: When - let us say in December 1964 - we look back on this budget and the Finance Bill, we shall all have to come to the conclusion that in its own way it is as big a disaster for the country as Shri Morarji Desai's budget was last year.

The sad thing is that this crushing burden of taxation is not even necessary. No additional taxation, direct or indirect, was necessary if the revenues had been properly estimated and outstanding taxes effectively collected. There has been, as we know, a habitual under-estimation of revenues. The Hindustan Times gives figures, which I presume are at least roughly accurate because The Times of India has fairly similar figures which say that in 1960-61, the variation of actuals from estimates of taxes was 7 per cent. In 1961-62, the gap widened to 14 per cent and in 1962-63, it went further to 18 per cent. This shows that the Government machinery for under-estimating tax yields is undoubtedly being perfected from year to year and may reach very much higher levels in the years to come, if the socialist pattern remains in tact!

Similarly, corporate taxes were under-estimated in 1962-63 by about Rs.42 crores or 24 per cent. The excise duty on one item was off the mark by 341%. But the President of the Indian Drugs Manufacturers' Association deserves a prize for having traced one item of excise duty, namely that on patent and proprietory medicines in the Finance Bill of 1963. He points out that the estimate there was Rs.20 lakhs but the collection at the end of the is over Rs.440 lakhs from that one item. Rs.440 lakhs yield, Rs.20 lakhs estimate, a variation of 2200%. I am sure this takes the prize for mis-estimating the revenue throughout the budgets of the whole world. I do not know if any other country can beat this mal-estimate, wrong estimate of 2200% on an excise duty. It will not be unfair to say that this under-estimation is a deliberate policy of this Congress Government for the last few years, that it is a policy of grab worthy of buccaneers and bandits and not of any modern civilised government. I say this because, but for this miscalculation, there would be no need whatsoever for inflicting any more direct or indirect taxes.

I will not spend time, because of lack of it, on the failure to collect taxes, a responsibility of Government.

--- The pending assessments have snowballed from Rs.4.6 lakhs in 1958-59 to over Rs.9 lakhs on the 1st April 1963, that is, they have doubled. The figures of collections outstanding also go on rising, from Rs.272 crores at the end of 1962-63 to Rs.293 crores at the end of 1963-64.

On evasion, the report of our Public Accounts Committee of the Lok Sabha is there. It points out that in spite of evasion of crores of rupees claimed to have been detected, there are no prosecutions. There was one prosecution launched - and even that case was compounded!

Therefore, I say that this failure to collect arrears and this tolerance of evasion only burdens the honest taxpayer. The Finance Ministry takes the easy way out of raising the rates of taxation, instead of collecting what is due to it. Yesterday, the Finance Minister quite rightly told us that it was a fundamental fact of taxation that when you raise the rates of tax, you do not get more; you may get less; and that lowering the rate of taxation does not lose revenue. I only wish that this fundamental fact of taxation was kept in mind when framing this budget. Obviously, it has been completely overlooked.

The Finance Minister, in his reply to the budget debate, stated that he could not give reliefs on excise duties on the needs of the common man such as kerosene, coarse cloth, matches and sugar, because he believed that they would not be passed on to the consumer. Now, there is no warrant whatsoever for this assumption. Just as one increase in existing excise duties is inevitably passed on to the consumer, so normally the relief given in taxation has normally been passed on to the consumer. In any case, that is what Government are there to see to. Therefore, I am afraid I cannot accept as convincing this plea for not restricting or reducing excise duties on the needs of life.

Now, I come to another topic, the inclusion in this Bill of several clauses changing the income-tax law of the land, such as, for instance, the clause about secrecy, the power given to ITOs to decide what expenditure is necessary for a business and what is not. These clauses form no part properly of a Finance Bill. They are changes in substantive law which should be brought in by an amendment of the Income-tax Act. The inclusion of these clauses, I consider to be of doubtful validity and in any case grossly improper. For that statement I have, Sir, the authority of your predecessor in the Chair, the former Speaker of the Lok Sabha. I shall quote from Volume IV, Part II of the Lok Sabha Debates of 1956, page 5922, a ruling of the Speaker of that time, Shri Anathasayanam Ayyangar. He says:

> "A Finance Bill is intended to raise taxes which would subsist only for that year. The main object is to provide funds for the expenditure which had been voted by the House. That is the simple object of the Bill. Therefore, it is reasonable to say that other provisions relating to statutes, which are of a more permanent character, ought not to be clubbed with it but discussed on the floor of the House in a more leisurely manner".

That, Sir, was on 21st April, 1956.

SHRI RANGA: It was a ruling.

SHRI M.R. MASANI: The same ruling was repeated by the hon.Speaker later in the year, on 7th December, 1956. I am quoting from Volume X, Part II of the Lok Sabha Debates of 1956, Pages 2104 and 2105. The Speaker said:

"Last year, it is true that I said--and I still stick to that view--that in a Finance Bill, only provisions relating to the taxation measures to meet the expenditure that has been voted upon by the House ought to be there. Otherwise, there is no meaning in a Finance Bill."

And he goes on to say on the next page:

"I would normally urge upon the Finance Minister, not only he but also all his successors.."

I am sorry, Sir, that his present successor has ignored the advice of the hon. Speaker --

"..not only he but also all his successors, to see to it that only those provisions which relate to the raising of taxation should be included in the Bill"

and so on. Now, Sir, the attention of the hon. Speaker was drawn to this matter on 4th March by the Leaders of all Opposition Parties, and a request was made that these clauses which are objectionable in the Finance Bill should be dropped from the Bill and that the Finance Minister should be advised accordingly. I, Sir, can only express my regret that the hon. Speaker appears to have failed to persuade the Finance Minister to do the right thing by the House and by the ruling of the Speaker. Even the request made that the Bill should be referred to a Select Committ has also been brushed aside, and therefore we shall have the farce tomorrow or on Tuesday of changes in the law being made without proper examination or consideration as should have been done in a Select Committee.

SHRI RANGA: Shame.

SHRI M.R. MASANI: Even now I would appeal to the Minister, he has announced today that he is bringing in an Income-tax Amendment Bill later this session; let him drop these half a dozen clauses which are in question from this Bill, let him transfer them to a new Bill, and let us discuss them a little later separately. That would be proper parliamentary procedure.

SHRI T.T. KRISHNAMACHARI: From whose side would it be proper in your opinion?

SHRI M.R. MASANI: Now I come to an announcement made this morning, namely, about the appointment of a Monoplies Commission, and its terms of reference. I have nothing much to say about the personnel except to say that the fact that it is composed entirely of officials is significant. Not one single non-official, who can be expected to bring any independent judgment to bear on this very interesting economic phenomenon of monopoly, is there: every one of them is an employee or official of the State. I consider that to be a very bad blow struck at the report of this Commission by those who have appointed it. It will lose credibility in the eyes of the people of this country as well as of the rest of the world. And let us look at the terms of reference. It is not an honest anti-monopolies commission. It protects certain monopolies and excludes them from the purview of its inspection, while it points a finger at other monopolies,one monopolist trying to turn the machine at other monopolists. Let me read the terms of reference.

The Commission's terms are: "(a) To enquire into the extent and effect of concentration of economic power in private hands". Why private hands? Why not all hands? Does monopoly become respectable because it is in the hands of Ministers? Then it says: "The Commission may also report on any other matter bearing on any aspect of national economy or functioning of the private sector.." Why private sector? Why not State sector also? We find just as much misuse of power in State enterprises as we find in others. There is just as much nepotism, just as much groupism, just as much casteism, and a lot of politicking that goes on in our State enterprises. That is why they produce the miserable results which are reported to us from time to time. Why should all this misuse of power be protected from the investigations of this Commission? I consider these terms of reference to be a fraud on the public. It is a deliberate attempt to load the scales, to load the dice. The biggest monopolist in this country, the present Cabinet, tries to divert the attention of the watchdogs to much smaller monopolists, if there are any that exist. I must therefore record my strong protest against the way in which what might have been a worth-while investigation is sought to be loaded in a political manner.

On 3rd March, when I was speaking and referring to some good industrialists and some bad ones, somebody from the ruling party benches interjected a question by saying "All are not Tatas, the implication being that there is only one honest concern and that every one else is not. Well, Sir, I would like to take that remark up, because some Congress Members have said "Why could you not give any more names?" Well, I shall give some more names. I shall give only a dozen names, names that come to my mind off-hand; there must be hundreds of others, big and small, honest concerns.

There are the Mafatlals of Bombay; there are the Godrejs; there are the Kirloskars of Maharashtra; there is the Mathurdas Vissenjee group; there is the Indian Iron and Steel Corporation of Bengal; there is the Alembic and Jyoti group of the Amins in Baroda; there are the Ambalal Sarabhais of Ahmedabad; there are the Coimbatore Cotton Mills; there are V.T. Sundaram and Sons, one of the finest enterprises in the South -- I am sure the Finance Minister will accept that one at least. (Interruption). They are my friends and his common friends. There is the Bombay Dyeing Group; there is the Simpson group of Anantaramakrishnan; there are the Khataus; there is the Chidambaram group in the South. And I could go on; if somebody wanted he could make a catalogue of hundreds of honest-to-God industrial concerns in this country.

Sir, I was very glad to read a few days ago the press report -- I have not seen the Report yet, it is being printed regarding the Santhanam Report. Here at least comes a breath of fresh air. There are several findings of the Santhanam Report to which one responds. Time does not permit me to make a review of the Report, but I will mention one which gladdens my heart. And that is the recommendation made in the Santhanam Report that no public joint-stock companies, no enterprises, should be allowed to make contributions to the funds of political parties -- no joint-stock companies should be allowed to make contributions to the funds of political parties.

I was delighted to find this vindication, coming from a Committee led by a Congressman, of something that I said from these benches in 1961 when the Companies (Amendment) Bill was before the House. At that time I tabled an amendment to anticipate this very valuable recommendation of the Santhanam Committee. What happened to it, Sir? Every opposition party of this House including the Communist Party -- and they don't love me--voted for it. There was only one Party in this House that resisted this move to cut out corruption from our political life, and that was the party of that great socialist, Pandit Jawaharlal Nehru. It is with that money that they battled, it is with that money that they won the last General Election. I hope, Sir, that now that one of their own people has made this worthwhile proposal, they will look at it more kindly. I shall look forward to seeing legislation being introduced in this House very shortly by the Congress Government to carry out this recommendation of the Santhanam Committee. We shall live in hope and wait in patience.

If I understand the Budget, it is nothing but an attempt to collect all the investible resources of this country into the hands of that big monopolist, the Government of India.

This Budget is an instrument for putting all competitors of Government out of business. It is not a Budget to bring investment for growth at all. It is a Budget to destroy every competitor in the field of industrial enterprise who faces the Government of India on equal terms. The real choice that this Budget poses before the country is between a demand economy, which the people demand, and a command economy that is dictated to this country by those on the Treasury Benches. This is the broad choice that this Budget offers to the country; is it to be a demand economy, or a command economy? Is it to be an economy of free secretes or the economy of Soviet Russia and Communist China?

Rajaji, with his blood boiling at this age -- one wishes that younger people's blood would boil in this House! -- writes in Swarajya of March 14, and I will quote him:

> "Are people brought up in Indian tradition and culture, our flesh and blood, chosen by popular vote as being the finest specimens of our total
> is personality, ruling over us? Or ~~it~~ a group of foreigners who have descended upon us from Moscow or China or Warsaw or Prague, or somewhere, and seized the throne and palace and are making laws and regulations and governing us like conquerors, unfettered by any bonds of Indian culture or tradition or restraint?"

He would, no doubt, be called a reactionary for saying these things, in reply to which he may very well recall the words of Sir Winston Churchill, who was also often called a great reactionary , and who, on one of those occasions, said:

> "If they indulge in stupidities and crime and you react, they call you a reactionary."

We are reacting to the stupidities and crimes that all being perpetrated on this country.

Why are they doing this? Why are they trying to monopolise all the investible resources of the country into their own hands?

But first let us get this clear; Whose Budget is this? -- because I do not want the hon. Finance Minister to take this personally. On 3rd March, when I was saying that it was not his personal Budget, but the Budget of the Prime Minister and the Government as a whole, he insisted that his shoulders were broad enough and he was the real 'culprit'. I did not accept this admission of guilt. That was on Tuesday, 3rd March. On Saturday, 7th March, the Congress Party met, and this is what the Statesman of the following morning said:

> "Amidst cheers, the Finance Minister declared that the Budget presented by him did not represent his personal credo but the policies of the Prime Minister and the Government as a whole."

On 10th March, which was the next Tuesday, the Finance Minister confirmed this report by saying in the House -- I am quoting from Hansard:

> "The criticisms that my Budget does not represent the views of the party and that it is a personal Budget of mine are, to say the least, infantile, and have been put forward for lack of criticisms of substance."

So, let us get this clear. This is not the Finance Ministers Budget, but the Budget of the Prime Minister and the Government as a whole, and, if I attach any motive, that motivation is not of my hon. friend, but of the Government as a whole.

The question is: why is this policy of deliberately grabbing -- because, grab is the word -- of investible resources indulged in when the budgetary situation does not even require it? My answer is that this is the doctrine of Karl Marx, the outmoded Marxist doctrine of squeezing surplus value out of the peasants and workers and the common people so that the new ruling class can build its so-called socialist, or what I call State Capitalist, society. It is a policy of asking people to tighten their belts for the glory of the State, a policy that was launched on this world by that monstrous Communist dictator, Stalin, whose name is execrated in his own country today. That policy lays down that agriculture and consumer goods must be kept down, the needs of the people must be denied to them, so that steel and heavy capital industries can be raised as the base on which the glory of the dictator rises. It is the policy of exploitation of a mythical future. It is policy of 'pie in the sky when you die, but never today, that the Communist dictators preach; and we ape them.

Look at the list of fourteen industries which are to be favoured, which are called priority industries. Does a single one of them produce something to wear or eat or give more shelter? They all have nothing to do with the common people; not one of them produces anything which a man can consume except tea or coffee, which are meant for export rather than for ourselves. This list of fourteen industries could well have been lifted out of the Soviet Five Year Plan, or the Five Year Plan of Communist China. But even Russia and China have learnt that this was a wrong priority.

Let me quote from Izvestia, which is a Soviet Government paper, of 4th April, 1964. One L. Levin, a Russian engineer in Communist China, now returned, criticises the decision to build the biggest blast furnace at Anshan Works. I quote him:

"Everything was planned for show. Wishing to astound the world with the pace of the 'great leap', they tried to use the blast furnace before it was completed"

The result was destructioon of the blast furnace through explosion. Let us not laugh, because it has happened in our own country for the same reasons. It happened at Rourkela in the State Plant. We were in such a hurry to show at what pace we were going that we blew up the blast furnace for the very same reason that we used it before it was ready to be used'.

That is how we are aping the stupidity of the communist parties, which they themselves have shed. Today, in Communist China, the most reactionary of the communist countries, the new order of priorities laid down by Chou-En-lai last year is: first, agriculture, then, consumer goods industries, and last, steel and heavy industries. How many years will it take our outmoded Marxist Prime Minister and his Government to learn this simple fact of economics? Would I be wrong in quoting someone who said that for a Government to run an industrial enterprise is like a monkey trying to play the violin? They simply are not made for that purpose.

I will be told: you are building up a phantasy, this is a thesis of your own imagination. No. I am going to quote one of the pillars of the present Government, to show that this is exactly what they are doing today. The person I shall quote is my friend, the Deputy Chairman of the Planning Commission, with whom I was very glad that the Finance Minister yesterday expressed his 'fundamental similarity'. Shri Asoka Mehta addressed U.P. legislators in March, presumably in Lucknow, and he said that the coming ten years would be 'crucial', that would be a crucial period when the people would be subjected to'the grinding pressure of prices'. He did not deplore it. He was just telling them what was coming their way. In case anyone should think that this was a loose remark, he moved on to Calcutta and there he spilled a few more beans. On March 21, addressing the West Bengal Business Convention, he said, and I am quoting from the Times of India of 22nd March:

"Mr. Mehta warned the people that there was no escape from an annual increase of Rs.1℃0 crores in taxation. The severest curbs on consupption would be necessary to ensure surpluses."

And then comes this gem of out-dated Marxism:

"The present generation which was a bridge between the stagnant present and a bright future, would get 'trampled upon in the process.' But that could not be helped."

Here you have it from the horse's own mouth. Either you disown Shri Mehta or you stand with him in the dock guilty of this atrocious threat to trample on the present generation for some mythical future which none of us knows about.

This Budget is only an instrument of Prime Minister Nehru and Shri Asoka Mehta in their grand design to trample on this unfortunate generation. All of us here, and the millions of men and women outside, have been created by God so that Shri Nehru and Shri Mehta may trample on them. If you ask who decided this? They will say 'history', because determinism is part of Marxism. Who says so?

The Great God Nehru and his Apostle Asoka Mehta!

Unfortunately, if I may say so, the Indian people are not prepared to be trampled upon. They are not. They are not dumb cattle to be driven to slaughter by my friends. They may well ask, like the Irish M.P. with a sensse of humour, who said in the House of Commons many years ago, when he was asked to make a sacrifice for posterity: "What has posterity done for me that I should sacrifice myself for posterity?"

In any case, the plea aboutposterity is a fraud. Shri Mehta promises relief in ten years. Who decided ten years? Who knows where he will be in ten years or all of us will be? Who is he to promise relief after ten years? There were bigger people before him, Lenin and Trotsky, who also promised the Russian people. They said: 'just endure our communism for ten years, put up with all the hardships, tighten your belts, and then, what will happen? -- The millennium will arise. The State will wither away; the land will flow with milk and honey'. That was the dream of communism of Lenin and Trotsky. Today we are forty-five years away from the time when Lenin and Trotsky asked for a few years sacrifice so that a beautiful future would emerge. Where are they today? The people of Russia do not find the State withering away; they do not find even the dictatorship withering away. Today in Moscow people are without homes; today they are getting on without enough clothes; the bread queues in Moscow are longer than they have been any time since the Revolution. That is the logic of the false method of priorities imposed on this country. Knowing the record of this Congress Government, I do not know if anyone would accuse them of any desire to wither away at any time.

For these reasons, my Party will vote against the Finance Bill as a whole. It will seek to reject this Bill for two reasons: first, because it is a bad, oppressive and immoral Budget which needs to be rejected; and secondly, because we do not believe that this Government deserves to be given any supplies; we want to get it out of office as soon as the Indian people will permit.

(ends).