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Mr. M. R. Masani's speech in the course of the General Discussion on the Budget in the Lok Sabha on March 3, 1964

Mr. M.R.Masani: Mr. Deputy-Speaker, Sir, I wonder if the hon. Member who has just finished would permit me to congratulate him...

Mr. Daji: Good company; hear, hear.

Mr. Masani: ...on the ability that he has shown in dealing with Marxist dialectics. I would also like to thank him because he has lightened my burden. I need not spend any of my time answering the leader of the Communist Party and can concentrate on the Budget.

I would like to congratulate the Finance Minister and the Government that he represents on several sound propositions that are to be found in Part A of his speech.

Mr. Nambiar: Cat is out of the bag.

Mr. Vasudevan Nair: And here is socialism.

Mr. Masani: There are several sound propositions which one can honestly welcome, for instance, the emphasis on the inter-relation of growth, prices and the balance of payments on p.5; the futility of price control on p.8; the deploring of the poor performance of the State enterprises and the need for making substantial profits on their part on p.7; the need for incentives to generate savings in order to foster capital formation and growth on p.8 and on p.6 of Part B; and finally the acceptance of the urgent need for incentives for foreign equity capital to come to this country in a big way on p.12. I welcome the fact that even this Government has, as a result of the hard lessons the country has had to learn over the last few years, broken through the crust of dogma and faced the truth. If I had time, I would have drawn from the Statement of Policy of my own Party to show how closely these statements would reflect...

Mr. Daji. Hear, hear.

Mr. Masani:...what we on this side have tried to urge on the Government of this country during the past four years.

Mr. Nambiar: Strange bed-fellows.

Mr. Masani. No doubt, the learning of these lessons has been encouraged by the lessons of bye-elections to this Parliament that followed last year's Budget, bye-elections in Dohad, Amroha, Farrukhabad and Rajkot and the more recent electoral results in Goa, in Jaipur and in Mahuwa.

Having said that, the real question is this: To what extent the contents of Part B, the actual proposals, follow through in action the thinking of Part A? I can assure the hon. Finance Minister that I have tried to examine this question with a very open mind and with every desire to believe that such a follow-through has, in fact, taken place.

To start with, in regard to the additional tax burden of Rs.40 crores, Rs.25 crores on indirect taxation and Rs.15 crores on direct taxes, I must frankly confess that I think that this is unnecessary. The country has been groaning under excessive taxation of the worst kind during the past year and the previous years. The safe margin of taxation, even according to the canons of the Planning Commission, has long since been exceeded. As the hon. Member who spoke before me has quite rightly condemned, there has been gross under-estimation of revenues to an extent that is unforgivable, year after year.

In the light of all that, I think the hon. Finance Minister would have been on perfectly safe ground if he had balanced the budget without any additional taxation, and that could have been done by not accepting this tremendous growth in Civil Expenditure of Rs.191 crores which represents to a large extent the diversion of scarce resources from productive to less productive or unproductive channels and is bound to result, whether we like it or not, in further inflation.

So far as indirect taxation is concerned, these Rs.25 crores of additional revenue have dashed the hopes entertained by people. The only thing this budget could have done for the rural people, who are the big majority of the people and the poorest of our people, would have been to lift the excise levies on the bare necessities of life. One had hoped that the first benefit would have gone neither to business nor even to the middle class income-tax payer but to those who are the hardest oppressed in our country, namely the rural masses. Kerosene, Vanaspati, soap, matches, on which half the price of 6 np. represents the levy of tax, sugar, about one-third of the price of which represents the levy of tax, are the first objects that should have received the attention of Government. It is a great pity that no germ of relief has been given here. On the contrary, Rs.25 more crores are sought to be squeezed out of the consumer, who by and large, is among the poorest of our people.

Then, we come to direct taxation. Rs.15 crores more are to be obtained. The direct taxation proposals in the budget -- and the House, I am sure will agree with me -- are, I think, the most complicated that have come before the House ever since I came here first in 1945. I have tried to wrestle with the score of the major changes which the Finance Minister has embodied in this voluminous Finance Bill. I have wrestled with the Finance Bill and the Surtax Bill for the last two days and worked very hard at them. I must confess that, even now, I feel that this interval of two days was much too short to do justice to a measure of this nature. Therefore, I hope that the hon. Finance Minister will agree to refer both these Bills to a Select Committee of this House. We have got plenty of time between now and the 15th of April when the Finance Bill is due to come before us for consideration, and I do appeal to him, not with a view to any factiousness, but with a view to getting an intelligent examination by all parties in this House -- and his party will be in a majority in the Select Committee -- of just what these taxation proposals really amount to. I do hope he will consider this and give a favourable response when he replies to this debate next week.

Direct taxation can be broken up into two compartments, personal taxation and corporate taxation. Let us first take up the taxation on individuals. I welcome the simplification of the income-tax tariff. I also welcome the lowering of rates and the elimination of the compulsory deposit savings scheme for all assessees with incomes below Rs.15,000 a year. There is no question about it that this is a welcome and material relief. It is a relief for the lower middle class which has been very hard-hit along with other sections of the middle class who have been ground down between the mill-stones of higher prices and higher taxes. For the first time, some little justice has been done to them. I do not think that this is adequate. With the inflation that is bound to proceed under this budget, I am afraid a large part of the few hundred rupees left in their pockets is going to be eaten up again. But let us accept the fact that something good has been done, and people with salaries up to Rs.1000 a month have been let off with some concession. I am very grateful to the Finance Minister that among the many other things that are wrong in this budget, we can certainly welcome this and wish that this relief could have gone further. My own Party has consistently pressed for relief to the middle classes. It is true that this is not the whole middle class, but only those who are with fixed incomes, but even so, let us be grateful.

But once you cross the Rs.15,000 a year limit, there is very little to be said for the direct taxation proposals. The relief given is trifling and indeed illusory. Why is this so? It is because of the Annuity Deposit Scheme. The hon. Finance Minister in his speech has himself admitted that because of this scheme people will take home "slightly lower" retentions. But he would say that this deposit is not a tax, and he might add: 'It is not true that he will have the same amount, but the difference between the old tax and the new tax which I am taking as annuity deposit is your money and you will get it back.' This is misleading.

Mr. Tyagi: How?

Mr. Masani. I shall answer my hon. friend. I am here to try and answer the questions of my hon. friend, Shri Tyagi, which are always most helpful. The difference is this that the old compulsory deposit was tax-free. Both the tax and the interest were free of tax. Unfortunately, the annuity deposit is taxable both on the deposit and the interest it earns. The only difference is this that instead of paying the whole tax today, you will pay the tax on the deposit part of your bill in ten equal instalments over the next ten years.

Mr. A.P.Jain: That is a big concession.

Mr. M.R.Masani: It is not a big concession at all. It is only postponing the day when the tax is paid, and I shall show why it is no concession at all. You will not only pay tax on that deposit and the 4 per cent that you will get back, but you are meanwhile being prevented from using your money for more effective purposes. Which of us who has any intelligence is prepared to accept 4 per cent as an honest return on investment or business risks? Everyone makes more; people get 6 or 8 or 10 or 20 per cent return on capital. So, your money is taken away and you are prevented from using it productively for yourself and the country, and when you get it back you are taxed not only on the deposit but on this measly 4 per cent that Government have earned for you. Therefore, with all respect to Shri A.P.Jain, I would say that it is no concession at all. There is no concession whatsoever to any income-tax payer who has an income of more than Rs.15,000.

On the other hand, there are definite disincentives. The position is aggravated by other features of direct taxation. I may list them very briefly, for lack of time. The first is the lowering of the floor on the wealth Tax from Rs.2 lakhs to Rs. 1 lakh, which brings the middle class people within its scope because if you have Rs. 1 lakh, it is only Rs.20,000 pre-war; and whoever thought of Rs.20,000 in 1940 being a magnificent fortune that must be taxed? So, first of all, there is the lowering of the floor on the wealth tax.

Secondly, there is the re-imposition of the Expenditure Tax which may not cost people very much but which involves harassment.

Thirdly, there is the very savage Estate duty and Gift tax. 'Savage' is the right word to use. I am not concerned with the fact that some millionaires will pay more and as much as 81 per cent on their assets; I could not care less. But the fact remains that these are the people who form capital; whether you like it or not, it is not the middle classes like ourselves who form capital. Capital formation takes place in the hands of those who have lots to spare after they live their own lives, and it is these classes who are going to be hit by the estate duty and the gift tax out of all proportion to what exists in other parts of the world. Compare the gift tax and the estate duty with those in the USA and the U.K. There is not even an exemption for charity here.

Mr.Tyagi: They do not have socialism.

Mr.Masani: In the USSR -- I listened with great amusement to my hon. friend over there -- there is no duty on inheritance. And fortunes of millions of roubles are duly being transmitted in the Soviet Union to children of the ruling class without paying a rouble to the State. They recognise the part of human nature which is this that not only, as the Finance Minister has admitted in his speech, do people want to enjoy the fruits of their labours, but it is part of human nature to make provision for your children and your family.

Then, there is the Capital Gains Tax which is bad in three ways. First, it is bad in principle that the Capital Gains tax should be graduated. It should have some ceiling which has now been removed. There should be some advantage for long-term investment as in the USA where if a man invests in the same security for about ten years, there is practically no capital gains tax. Here, even a stable investor who keeps the same securities for fifteen years, if he gets a little more for them, is considered to have made a capital gain. Lastly, the Capital Gains tax applied to bonus shares is entirely unforgivable. This is objectionable because it is now levied when the bonus share is issued, as if the face value is the real market value -- it may not be. Normally, the gain would accrue when the share is sold. That would have been all right. But to tax a bonus share when it is issued is to tax a gain that has not been realised.

And in this case, there is triple taxation. The reserves of the company are already taxed. The company itself pays 12½ per cent tax on the bonus share. And then the recipient of the bonus share is taxed a third time on the same

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amount.

Whom do the Finance Minister's proposals hit in regard to personal income? With all respect, I suggest that it hits only the salariat and other honest tax payers.

Mr. Sham Lal Saraf: Whose income is known.

Mr. Masani: Mr. Saraf is quite right.

The Finance Minister has expressed the hope that this Budget will reduce evasion. I wish I could share that hope. I am afraid, however, my feeling is -- I hope I will be proved wrong; but we shall be here next year and the year after to watch this -- my fear is that the cumulative effect of the Capital Gains tax and the Expenditure tax in particular will be to encourage cash transactions. A premium has been put on the currency note. And when you put a premium on the currency note and not what you hold in bank honestly or openly, you are in fact, whatever your intentions or desires be, helping and encouraging people, such as they are, to keep more and more transactions out of their books, because of both the Capital Gains tax and the Expenditure tax.

So I come to the conclusion that these particular taxation proposals are going to give an incentive to hidden wealth. The businessman is faced with a dilemma by this Budget. Either he wants to remain honest, in which case he must cease to be rich and cease to operate in business, or he wants to remain in business, in which case he is driven to dishonesty.

The Finance Minister thinks that by abolishing the secrecy of income tax assessments, he will put the fear of God into dishonest people. But the dishonest people do not have income tax assessments. Only those who have fixed incomes and those who disclose their incomes go on paying tax. They can disclose them -- I do not mind at all. But I warn him that for every honest case which is properly disclosed, the income tax officer will now have the right, on the application of any citizen, to disclose information about a particular assessee. Has the Finance Minister considered the dangers of blackmail? Does he not know of yellow journals in this country which abound and which may misuse this facility to blackmail people? Does he not know that if one businessman wants to get at the customers of another, he will only have to pay a little bribe to the income tax officer to get the information so that he may come to know of the customers of his rival, so that he may approach them direct? These things, Sir, are very dangerous. That is why secrecy has been maintained in most parts of the world.

I come back to this - what do you leave the investor with so that he can form capital? I am told -- and this is a real case -- that a man who earned Rs.2.2 lakhs - no doubt a rich man who could form capital -- paid last year in direct taxes Rs.1.79 lakhs. A man who made Rs.2.20 lakhs last year paid total taxes amounting to Rs.1.79 or 1.80 lakhs. That is, he kept Rs.40,000 out of his total earnings of Rs.2.20 lakhs! And the new rates are not going to make very much difference to a man who is bled like this. He will not be allowed to form capital. Therefore, so far as the individual taxation proposals are concerned, I see no hope for believing that these are going to help investment or formation of capital.

I come now to corporate taxation. There is a Surtax in place of the Super Profits Tax. I do not understand -- and I hope the Finance Minister will enlighten us in his reply -- why he has not told us what was the realisation from the Super Profits Tax last year? Again, why has he not told us what the proceeds of the Surtax are going to be next year? I notice that he has lumped them all together under an omnibus clause. This is the first time this unfortunate practice has been followed. Upto now we used to know what each separate tax yielded, and I hope the Finance Minister will have no objection, while giving his reply, to let us know the actual accrual of the Super Profits Tax in these twelve months and the expected accrual under Surtax in the next twelve months. I think it is a perfectly fair request. The House has always had it all these years and we are entitled to this information.

The principle of a graduated tax on corporate profits is a bad principle, because the smallest shareholder and the biggest shareholder pay the same amount. If a company makes big profit, the man who owns a Rs.100 share pays the same tax as one owning Rs.1 lakh investment. This is wrong. Graduation should not be on the company's profit, it should be on the man's own income.

There is no case made out for this tax. A super profits tax or surtax only becomes relevant when the companies in the country are making excessive profits. Is that the Finance Minister's understanding of the picture of the last twelve months? Is it not true that the Reserve Bank of India in its own survey only a few weeks ago had admitted that company profits have dropped and are at a very low level in India today? If that is so, is this the time for levying a surtax at all?

It is true that the incidence of the surtax is lower than that of the super profits tax and the handful of companies that were hard hit by the super profits tax will no doubt be let off more lightly. But the benefit of this for a small number is more than offset by the Dividend Tax which I consider the most pernicious part of this Budget. This is a dividend tax of 7½ per cent on all dividends. This is very unprecedented. In previous Finance Bills before this House, the dividend tax has been levied on all dividends over 6 per cent or some base which is considered reasonable. For the first time, all dividends are to be taxed at 7½ percent. Is this considered fair or reasonable, that a company that announces a dividend of one per cent, or half per cent, or two per cent, should also pay a dividend tax of 7½ percent on that one percent or half percent or two percent? Is not a reasonable dividend a part of the very operation of investment and business? Then why are dividends being penalised? **Is it** suggested that paying a dividend is something wrong?

The Finance Minister in his speech has given an argument. He says: 'These selected list of industries, whose tax is being reduced by 5 per cent from 50 to 45 percent, they should not be allowed to distribute this extra relief we are giving. So in order to make them plough back, I am putting on the Dividend Tax.' But the Finance Minister knows that for every one company in this selected list of industries, to which I shall refer presently, there are 99 companies which will not have this benefit which he is giving. Why is he penalising industries outside the selected list? I can understand a Dividend Tax being put on that selected list. Do that. Modify it even now, if you want to be fair. But why are all the other companies, who neither have any relief under the Surtax given to them nor any relief under the selected list of industries, being penalised now? A tax of this nature is immoral and bad. It discourages the formation of equity capital. It will force companies to go into the market and borrow instead of issuing shares and creating a property-owning democracy which we all want.

There is another evil, the threat to remove the Development Rebate within three years. It is true it is a Damocles' sword hanging over industries. I would like to suggest to the Finance Minister that if he wants industries to develop, let him make up his mind as to how he is going to exercise his discretion. Let him make a statement in the next few weeks or month saying very clearly that such and such industries will get the Development Rebate and such and such industries won't. Otherwise, all of them will stop, paralysed into a fear that this rebate is going to be taken away after three years.

I come now to my conclusion about corporate taxation. My conclusion is this. I would like the hon. Minister to correct me; but I am absolutely clear in my mind about what I am saying. The effect of the substitution of the Super Profits Tax by the Surtax will probably be to reduce the burden of taxation on a very limited number of companies, but the benefit would be more than countervailed when you take the imposition of a 7½ percent Dividend Tax on the private sector as a whole. The effect of the 7½ percent Dividend Tax would be to raise the level of corporate taxation from 50 per cent, which it is today, to an average of over 53 percent.

I have got these figures worked out. According to the dividend you declare, your incidence of dividend tax varies. It varies from about 2 per cent to 3.75 per cent. Taking an average dividend of 4 per cent, you get an average incidence of Dividend Tax at 3 per cent. So companies which were paying 50 percent so far, the large majority, will now pay a corporate tax of 53 percent on an average. In the selected list of industries, the benefit of the reduction from 50 to 45 per cent will be neutralised partially by the imposition of the Dividend Tax and the net rate of taxation would be 45 plus 3 equal to 48 percent against the present 50 percent. Thus the large majority of companies will have less to distribute or less to plough back. The picture becomes worse when we take into account the threat to take away the

Development Rebate.

In fact, the House does not have to accept my statement. The cat was let out of the bag yesterday when a spokesman of the Finance Ministry himself admitted that, as a result of this Budget, the corporate sector would have to pay Rs.11 crores more. This is a very funny way of trying to revive an animal that is dying for lack of food or sustenance. You put a little more burden on it and say that should revive it.

Compare this with what is happening in the United States or Japan today. In Japan, about the same time as this, tax relief is being given of 200 billion yen, and in the United States the relief that is being given to industry and income-tax payers is of the order of 11.5 billion dollars. Corporate taxes are being reduced from 52 to 48 percent. This is what you call a real incentive, a real boost, something that can revive it. Compared to this, the present attempt, I am afraid, is going to fail.

The Finance Minister will say that selective industries are let off. That is true. Selective industries will pay 45 per cent in place of 50 per cent, and by the time they pay the dividend tax, they will come down from 50 to 48 per cent. A small enough concession, but is a concession. Which are these industries? Steel, copper, aluminium, iron ore, coal mining, machinery and machine parts, cement, fertilisers, paper, tractors, equipment for generating electricity, tea, coffee and rubber. I have nothing against these industries. I wish them well, as I wish all other industries well, but why should they be selected out of the whole gamut of production in this country? Who decided that these are more important than twenty other industries which may be equally important? They are important, all industries are important to the country. They give the people the wherewithal of life, they give the consumer what he needs. Why are these selected? Who decides it? This is a command economy at work. The real priority is to be given by the consumer. In a free society the consumer is king. He decides what he wants before something else. Here, quite arbitrarily, some benefit is conferred on some ten industries taken at random, which, in Government's opinion, may be more important, but which, many of us may feel, are just as important as many other industries. I feel that this discrimination is objectionable. There should be an equal measure of justice and taxation for all industries and for all enterprise. Let the people decide by the market mechanism, by consumer preference and demand, which industries they want to reward. Therefore, while I do not grudge these industries the little concession given to them, I think that this arbitrary discrimination is unjustified.

All these industries are capital-intensive as the hon. Minister himself mentioned. Are we sure that capital-intensive industries are what the country needs first? Is it not true that unemployment is one of our biggest problems, that we want to put idle hands to productive work? I would have thought, following Gandhiji's own thinking, that capital-intensive industries can take care of themselves, it is the labour-intensive industries that we want to help in this country first. Yet, a tax preference is given to the very industries which employ the least number of people, where the most capital is eaten up and the least number of people are put to work. I do feel that this is an objectionable principle.

There is one incidental change to which I refer before I leave this topic. It has been said that rules will be framed by which the decision as to what is essential expenditure for business purposes will be left to the income-tax officer. This is a very undesirable thought. Surely, the man who invests his own capital knows what he should spend for his business and what is necessary. An effort was made in the Select Committee on the Income-tax Amendment Bill in 1961. That effort failed. The good sense of this House prevented the then Finance Minister from putting in a clause to this effect, that the income-tax officer can sit in judgement on a business concern, deciding what expenditure is necessary. Now, by the back door, this is sought to be brought back. I think this is an entirely undesirable thing, and one that can be strongly objected to.

The conclusion to which I come is that neither of the two incentives to investment -- a dividend or return on capital, and appreciation of capital -- is anywhere rewarded in this Budget. The dividend is punished by the Dividend Tax; capital appreciation is punished by the Capital Gains Tax. I consider that this Budget fails completely in its purpose, the alleged purpose, the professed purpose, of giving a boost to savings and investment.

Why has the Finance Minister failed to follow through in Part B of his speech the sound thinking of Part A? I have been puzzling over this. I do not know. I can only make a guess. My guess is that, having thought clearly up to a point with the intelligence which undoubtedly is his, the Finance Minister then got intimidated by thought of political pressures and political vilification.

Mr.T.T.Krishnamachari: Let him say that I had a black-out.

Mr. Masani: He was no doubt worried about the criticism that would come from the Communist part of the House, but he should have known that it would come anyhow. Perhaps he was worried about the displeasure of his chief, the Prime Minister, I do not know.

Mr.Krishnamachari: I am sorry, I do not want to interrupt my hon. friend. I am prepared to take whatever stones or other weapons that he is going to hurl at my head. Why bring in my chief at all? I think it is completely unwarranted.

Prof.Ranga: Anyhow, it is the Government's Budget.

Mr.Masani: I was trying to be fair, and not attribute any motives to the Finance Minister. I did not allege that he was trying to hurt, I was not going to allege that this was a mischievous or malicious set of measures. I am trying to point out that there is a contradiction between the sound principles of Part A and the very unfortunate proposals in Part B.

Mr.Krishnamachari: The hon. Member can say this, that the Finance Minister had a black-out. I do not mind taking it. Other people will judge.

Mr. Masani: I see in this contradiction the conflict that is going on in the ruling party between the dead hand of the past, of Marxist principles and dogmas, represented by the Prime Minister and the newer thinking that we are watching with some encouragement.

Mr.Krishnamachari: I have again to tell him that the reference to the Prime Minister and his Marxist principles is completely wrong, and I suggest the hon. Member had better confine his remarks to the chief culprit on the occasion, that is myself.

Prof Ranga: Are we to understand that the Prime Minister is not responsible? It cannot be his sole responsibility. The Government is responsible for the Budget. He is only one of the instruments of the Government.

Mr.Krishnamachari: That is all right. Speak about the Government.

Mr. Masani: I have a right to my own views. The Budget is the budget of the Government. I have a right to consider the various pressures in the Government and to speculate on why the actual proposals do not follow through logically from the statement, and I do feel this that Finance Ministers may come and go, but so long as the dead hand of Marxism represented by the Prime Minister lies on the ruling party, nothing will change...(Interruptions.)

Now I come to another factor, foreign capital. As I said, I welcome the awareness of the need for capital. The reliefs given are good, but I do feel that they are very inadequate for the purpose which the hon. Minister has in view.

Mr.Joachim Alva: May I interrupt the hon. Member? He has been unfair to the hon. Prime Minister, because the hon. Prime Minister has repeatedly said on the floor of the House that Marxism is out of date.

Mr. Masani: I do not think that in this case this particular hon. Member has to announce again his loyalty to the Prime Minister, of which he has given many demonstrations in this House in the past.

What I was saying was, that so far as foreign capital is concerned, I welcome the concessions made, but anyone who has read this very interesting study of foreign investment and tax reforms by the National Council of Applied Economic Research will realise how inadequate this is. India, in all these tables, is a country which is the least attractive of all the under-developed countries or even the developed countries for the investment of foreign capital. It is true the hon. Minister has done something in the right direction, I welcome it, I think he has moved the right way, but I think he also probably must realise that we have a long way to go before we create conditions where we can really have equity capital on a large scale coming into this country. I feel, therefore, that while these concessions are worth while, we have not gone far enough in the right direction.

In this connection, I hope the Finance Minister will not mind my saying that, in the interview that he gave to the London Economist, he was not being very fair when he suggested that the biggest enemy to foreign capital coming to India was not the Government or the politician, but the vested interests which did not want it. If there are any vested interests in India which do not want foreign capital, let us ignore them. They have not been in charge all these years. The same Government that is there today has been in power, and surely we all realise that the blame for not creating conditions which would facilitate foreign capital coming into India is entirely that of the Government which has been in office now for over fifteen years. Therefore, let the real culprit not point a finger at somebody else and try to find a scapegoat.

Now, Sir, I come to concentration of power and monopoly. As one who believes in the fullest competition, may I say that I am delighted at the proposal of the Finance Minister to appoint a commission of enquiry into monopoly and concentration? I think it is a very good thing. It is good for two reasons: One, because if there is any monopoly, it should be stopped, and I would welcome the bringing in of a genuine, honest-to-God anti-monopoly legislation of the kind that exists in the United States, the United Kingdom and West Germany. Therefore, I welcome it. Secondly, I welcome it because I think this commission of enquiry will be highly educative. (Interruptions.) I am very much against monopoly. We believe in competitive free enterprise. We believe in the philosophy of Prof. Erhard, Chancellor of West Germany, in prosperity through competition, and anything that comes in the way of competition is bad.

I welcome this Commission, also for a second reason. I think it will be highly educative. There is a lot of hot air being let loose about monopoly and concentration of power. Let it come out in the open. Let evidence be led before the commission both by those who believe that there is monopoly and concentration and by those who say there is not. Let the facts be put on record and come out in the open. I think it is highly instructive in a democracy, which we all welcome.

But I have two reservations. One is that the terms of enquiry of the commission should be broad enough to include all monopoly, monopoly by private enterprise and monopoly by Government. Let not the S.T.C. and the L.I.C. be excluded from the scope of enquiry of the commission. Because monopoly works in the same way, and monopoly is anti-social, whoever practises it. Profiteering is bad whether it is done by one party or by another. (Interruption.) There should be no monopoly; there should be competition between State enterprises and others, as everywhere else.

Secondly, let the composition of the commission of enquiry not be loaded. Let us not have professors who have gone on record in full support of the politics and economics of Communist China, as Prof. Mahalanobis has done. Let us have people with a somewhat more open mind.

On this point of concentration and control the hon. Minister said that ownership is diffused, it is tru , but there is control. Who has the control today? What can those who are at the head of banks and companies do? Let me just mention that under the Industries (Development and Regulation) Act, a company is not entitled to hire a director without the permission of the Government. Having hired him, the company cannot either dismiss or pay the salary of the director without Government's permission. Any company with a capital investment of more than Rs.25 lakhs cannot come in to existence without the permission of the Government. Having come into existence, it cannot make any product other than one approved by Government. Then, again, this product cannot be sold at a price other than that approved by Government. No capital can be raised without the permission of Government. No machinery can be imported without the permission of Government and foreign exchange given by it. And raw materials from abroad cannot be obtained except at the mercy of Government.

Who has control in this country? Only the people in Delhi who exercise this power. It is not an accident that we find the planes full of senior business executives, who ought to be devoting their time to creating wealth and production for the country, chasing minor officials around the corridors of the Secretariat, trying to get files moving. This humiliating and sickening situation shows where the real control is in this country.

A great deal has been said about the private sector. The private sector is not just one sector; there are lots and lots of kinds of people in the private sector. As in this House or anywhere else, there are good people, there are people who are indifferent, and there are people who are not so good.

Dr. M.S. Aney: You are sure that there are good ones?

Mr. Masani : Human beings being what they are, in every gathering you find people with different standards of behaviour. And it is no good lumping them all together and describing them as if there is one image. There are different images of entrepreneurs in this country. There is a small minority of enlightened practitioners of free enterprise. Many of them are our friends, and we are proud of them. We are proud of their friendship, because their hands are clean; they pay their taxes; they give us a good product; they are proficient; they bring down the cost of production, they take the country forward. It is six or seven years since I was associated with the House of Tatas. But I was very proud when a few weeks ago I read a statement made by Tata Chemicals, a company with which I happened to be associated as far back as 1941 or 1942. And what was it? On the 16th December, 1963, it was announced by the Minister in Parliament that the selling-price control was to be removed over a range of products, and among the products were soda ash and caustic soda, both of which are heavy chemicals playing an important role in our industrial development and both of which are in short supply. This permission to raise the prices was given. I was very proud that on the 17th of January, this old company, with which I had been associated in the distant past, made a public statement announcing that inspite of this permission they would raise neither the price of caustic soda nor that of soda ash. Here, Sir, is an example of the private sector performing its obligations to the country and not just trying to grab a little profit because Government has given permission to them to do so.

An Hon. Member: All are not Tatas.

Mr. Masani: All are not Tatas. I am saying so. We are proud of our friends. But can people on the Treasury Benches say that they are also proud of their business friends? (Interruptions) Contrast this, Sir, with the attitude of the State Trading Corporation, a part of the nationalised sector, nationalised industry.

Mr. Daji: The treasury bench is divided!

Mr. Krishnamachari: And I fall between two stools!

Mr. Masani: Consider the case of the S.T.C. The S.T.C. imports caustic soda, which, as I said, is in short supply. It imports caustic soda at the rate of Rs.470 per ton. And would the House like to know at what price it sells it? It sells caustic soda to the public at a price of Rs.760 per ton. (An Hon. Member: Shame.) Here is a profiteer, if you want it; here is an anti-social element, under the control of this Government.

Mr. Tyagi: It is not profit but tax.

Mr. Masani: It is profiteering. The same is the case with cement also. This S.T.C. does not even distribute the cement. But, like a parasite, it levies a tax on the distribution of cement which is of a very high order. In the very first year of the operation in cement the S.T.C. made a profit of Rs.5.49 crores.

Another point with regard to this S.T.C. is that it also makes exorbitant profits in cars. They corner all the cars brought in by diplomats at cut prices and sell them at a fabulous profits to those who want a posh car, although they make a distinction in favour of officials who belong to the new ruling class along with the politicians in office.

It is thus no good just lumping all businessmen together and talking of the 'private sector.' There is an honest private sector, and there is one that is not honest. And we know who those people are. As I said earlier, I for one am proud of my connections and of my friends in the private sector. I wonder if this Government and its members can claim the same pride in the friendship of their business friends? We all know the kind of people who surround those in office, people who in England are called "Spivs", people in this country who live on the quick rupee made by permits, licences and quotas which they get in return for favours granted, the people who make quick profits, the "comprador capitalists" as the Marxists call them - for whom I have nothing to say. Unfortunately, it is that class of capitalists -- and we saw the alignment between Mr. Malaviya and Mr. Serajuddin; this is the symbolism of the association between the ruling party and its members and the corrupt class of businessmen -- this is the class which is going to benefit from this budget. The honest man will be mulcted and the others will get away because they are not the people who conform to any law.

Therefore, Sir, I come to my conclusion. In so far as the impact on growth and prices and balance of payments is concerned, I am afraid it is not going to be helpful in regard to any of these three. This budget is not going to help industrial growth. And as for agricultural growth, it has no relevance at all. There is nothing in this budget, Sir, that can give a hand up to the agriculturist from whom we expect and require greater production. It is untouched. I do not say that the budget could do everything about it; the other policies of Government, the wrong methods of planning, the Seventeenth Amendment to the Constitution, and so many other things get into it. But certainly this budget does nothing to mitigate that situation.

In regard to inflation, I am afraid it will continue and intensify because of the failure to stimulate production and the lop-sided pattern of capital-intensive industry which is still favoured as against labour-intensive industry. The hon. Minister made a very good speech in Bombay, addressing the Conference of Agricultural Economists. He hinted that the beginning of the Fourth Plan would be the time for consolidating our gains. May I suggest that the time is here and now? We do not have to wait for the beginning of the Fourth Plan to do something good. Let the Minister, following his own principles and premises, put a stop to this huge expenditure of an unproductive kind that is going on -- Rs.191 crores of additional civil expenditure. Let him stop all new projects except those on which a quick and a big return is guaranteed. Let him try and get more out of the money we have already invested in these rather wasteful projects. It is only then that inflation can be stopped. Otherwise I am afraid that, by encouraging money being kept out from account, by encouraging unaccounted money, in its implications this Budget is going to encourage conspicuous consumption and will raise prices still further.

Finally, I mentioned in an earlier speech also, Gandhiji's test and I recall the phrase: the poorest and the weakest man whom we should remember and protect. "Is what you contemplate going to be of any use to him?" I ask hon. Members to think about this. I ask them to tell us, if they can, in what way this Budget will bring comfort or cheer to the poorest and weakest members of our community. This man -- the poorest and weakest man -- I consider the Forgotten Man of this whole Budget.

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