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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 23rd August 1961

Mr. M.R.Masani: Mr. Speaker, Sir, I rise to support the substitute motion disapproving the Plan moved by my hon. friend, Professor Ranga.

An Hon. Member: It was expected.

Mr. M.R.Masani: In considering this Plan, it is useful in the beginning to cast an eye at the situation or the picture that faces us at the end of the Second Five Year Plan. What are the main facts of life with which we are faced today? From these we must start. I suggest that these main facts are three. Firstly, there is the phenomenon of rising prices. That does not need to be established by me because [the Reserve Bank's report on currency and finance for the year 1960-61 and the Economic Adviser's general index of wholesale prices show a net rise of 7.2 per cent during the past year on top of a rise of 5.8 per cent in 1959-60.] The Governor of the Reserve Bank himself in a recent speech has complained that there has been a steady rise, a continuous rise, in prices at the rate of 6 per cent per year during the Second Plan period without any reduction at any point of time. The Plan itself at page 121 concedes that wholesale prices have risen by about 30 per cent.

[The second important fact with which we must start is the stagnant income of the large mass of our people. In so far as the landless labourer is concerned, the Second Agricultural Labour Enquiry Report laid on the Table of this House on 21st December, 1960, shows a material decline in wages and an increase in unemployment and indebtedness on the part of our agricultural labourers between 1950-51 and 1956-57. That process, to those who observe, has been further accentuated during the past four or five years.[In so far as the industrial worker is concerned, my hon. friend the Minister of Planning and Labour said in the House on 11th April 1960:

"Between 1939 and 1947, the standard of living of the workers had declined by 25 per cent. By 1951, they had just covered the lost ground. By 1955, the real wages had increased by 13 per cent. But, since 1956, when again prices started rising, their gains have been to an extent wiped out."

So far as the lower middle classes are concerned, I would say that their standard of life has gone down during the past five years. It is not only a matter of stagnating; there has been a cut back in their standard of life.

Who then has benefited by these Plans? The answer would appear to be that it is the new ruling class who are in power and in office on the one side and their satellites, a few privileged businessmen who have been given private monopolies of a limited kind on the other. It is these classes that are the only beneficiaries of the first two Plans.

The third main fact of life is the bankruptcy of this country. Our [foreign exchange reserves have gone down below the safety point.] The total credits so far obtained as a result of all the agreements signed by this country are, I understand, of the order of Rs.1750 crores. That is the best figure I have been able to ascertain from official quarters. That is the present measure of the credits that we have agreed to take or which have been vouchsafed to us in the aggregate as a result of all the agreements signed with various countries. To this sum of Rs.1750 crores, we now propose to add further foreign indebtedness of Rs.2200 crores. These are figures that make one shiver. Because, it really means that in the effort to repay these amounts and to pay interest and service charges on these loans, the future of this country for many many years is mortgaged. On the other hand, [exports, through which alone we can possibly pay back our foreign intake of loans, are stagnant.] I shall say a little about this later. But, while we go on increasing our loans from the rest of the world, we have shown our inability to repay them. This is the Rake's Progress from which we must now desist. This is the picture.

What are the prime needs of the Third Five Year Plan? The Third Plan itself sets out these needs admirably in certain parts of that long and verbose document. These needs are set out as three: (i) more saving and investment; (ii) greater production and greater productivity - that is, efficient production at low cost; (iii) export. That is an excellent summary of the primary needs of the country which the Third Plan must carry out. I do not think any one can improve on the Plan itself in setting out its needs: more investment, more efficient production at low cost, and export.

How does the Third Plan set about carrying out these three purposes? If my hon. friend the Minister will not mind my saying so, it sets about the purposes by frustrating or denying every one of these three objectives, by sabotaging each of them, if I may use a strong word. I was going back to Bombay on a short visit on Monday. In the plane, I read a book - and it chanced to be on the eve of this debate - 'Indian Economic Policy and Development' by Prof. P.T.Bauer, Professor of Economics and in particular of Under-developed economies and Economic Development at London University, published by George Allen and Unwin. It gladdened my heart to read this book, because I found in it a complete vindication of those of us who have rejected the Second and Third Plans as being disastrous to the interests of the country. Let me read just one passage from this book to illustrate the point I am making that the Plan in its effect, in the measures that it suggests, defeats all the purposes which it itself sets out. I am quoting from this book at pages 97 and 98:

" There is the massive expenditure on heavy industry, when the economic demand for its products is highly problematical; at the same time, there is the neglect of education where the needs are evident and pressing and can only be met by Government. There is the comparatively small expenditure on agriculture, and also the restrictions on movement of agricultural products in the face of the manifest, urgent and desperate need to increase agricultural productivity and to extend production for the market. There are the severe restrictions, or complete prohibitions, on the supply of certain categories of both imported and even locally produced consumer goods, in the face of the urgent need both to raise living standards and to provide incentives to agricultural production for the market. There are restrictions on the extension of efficient industrial capacity in the face of a manifest need to economise resources and satisfy wants at low costs. There is the exclusion of private Indian and foreign enterprise and investment from a wide range of industrial and commercial activity, in the face of the urgent need to encourage viable economic activity."

So he goes on. Here, in a paragraph, he has stated the paradoxes of the Third Plan. On the one hand, it tries to do something; with the other hand, it completes defeats all its purposes by the actual detailed functioning and measures of the Plan.

What are those aspects of the Plan which, in fact, defeat its purpose? I would list them under five heads.

First, persistence in increasing direct and indirect taxation which is already excessive. By that insistence, certain effects are produced. Secondly, persistence with deficit financing to the extent of Rs.550 crores. Thirdly, insistence on or obsession with forced industrialisation irrespective of cost, a kind of recklessness - let us produce; it does not matter at what cost; so long as industrialisation takes place, it is legitimate in itself. Industrialisation for itself without the justification of efficiency; this is the third major aspect.

I would like to document this a little. There is priority for low and slow return heavy industries, the particular high water mark of that being the needless, premature setting up of a fourth steel plant. On each of the three steel plants that have been set up already, we have spent - on each of them - twice the entire expenditure on elementary education in our country. Just think of this. Similarly, the cost of the heavy industrial programme in the public sector exceeds the entire outlay on agriculture. In a country where 70 per cent of our people live on the land and work on the land, we are spending more than half of the total outlay on industrial enterprises in the public sector. That particular State sector of our industrial enterprises takes half of the entire cake, while 70 per cent of our people live in the villages and work on the land. This is the lopsided, top-heavy, unbalanced nature of our Plan.

It finds particular expression in the tendency to giganticism, to talk of big things, striking things. No where is this waste of public resources better embodied than in our fad for Atomic Energy.

Even in the United States, which leads the world in this race for atomic energy, is cutting back. It is realising that so far as industrial purposes are concerned, it is a chimera and a distant prospect. Six years ago, the Atomic Energy Commission of the United States predicted a capacity of 2 million kw. of atomic generated electricity by 1960. That year has passed. Last month, the Commission admitted that the United States would be lucky to have 750,000 kw. of atomic generated power capacity at the end of the year. Similarly, it has now been announced that the cost of nuclear power is prohibitively high and will remain so for a long time.

An Hon. Member: It is not so.

Mr. M.R Masani: The lowest cost of that power is 15 mills per kw-h. Even the most expensive form of present day conventionally produced electricity costs only 9 mills per kw-h. This is a big gulf. The Prime Minister said in this House on the 19th that India should proceed with atomic power "irrespective of the cost factor." He went on to say: "...even if it is not economical, we have to do it for tomorrow and the day after." If I may say, we are living in one world and one part of the world can benefit from technological advances in another country. Every country does not have to go through the same thing on an autarchic basis. This is a fallacy.

Mahatma Gandhi was able to see this flaw in the hon. Prime Minister's economic thinking a long time ago. On 29th June 1939, Gandhiji wrote a letter to Rajkumari Amrit Kaur on the subject of Pandit Nehru's planning. This was what he said. This is the whole letter; it is a three-sentence letter dated 29th June 1939.

Mr.Speaker: Is it published anywhere?

Mr.M.R.Masani: It is published in a Collection of Gandhiji's letters published by the Navjivan Press. It is letter No. 184 in the series.

Shri Ranga : On the eve of the war.

Mr.M.R.Masani: It was written when the National Planning Committee was just being set up by Pandit Nehru.

Shri Ranga : It was being wound up then.

Mr.M.R.Masani: This was what Gandhiji wrote:

> "I have advised you about Jawaharlal's invitation. In my opinion, the whole of his planning is a waste of effort. But he cannot be satisfied with anything that is not big."

Sir, I would hesitate to make such a crushing comment as Mahatma Gandhi has done.

The fourth factor of this Third Plan is the domination of the State sector. We know that the Third Plan tried to force savings or investments away from the people's enterprise into State monopolies. At page 14 of the Plan, it is said:

> "As compared to 1950-51, by the end of the Third Plan, the contribution of the public sector will increase from less than 2 per cent to nearly a fourth in organised manufacturing industries and from less than a tenth to over a third in mineral production."

The Governor of the Reserve Bank has given comparable figures. He says that the percentage of total investment in the State sector was 21 per cent in the First Plan, 53 per cent in the Second Plan, and it will now be 58 per cent in the Third Plan.

Today, the people of India, outside the State sector, produce 90 per cent of the gross national product, but the Third Plan wants to cut this down to 40 per cent, and this in spite of the fact that,while private enterprise has achieved nearly more than 40 per cent of the target set for it in the Second Plan, the public sector or the State sector fell down on its job by a ten per cent shortfall. That part of the economy that functioned better than expected in the Second Plan is to be punished, but that part of the economy that failed to deliver the goods is to be boosted - in spite of the preference of the people.

Finally, there is the persistence with the collectivisation of land mentioned on pages 209 to 211 of the Plan. If hon. Members think that that particular fad has been laid to rest by the Opposition that was voiced in this Parliament and outside, they will be making a mistake. I want to warn the House and the country against any complacency. Let this present Government win the next elections, and the peasants of India will find that a very dangerous attempt will be made to snatch their lands away from them under the deceptive slogan of "joint co-operative farming." This is necessary, because every State Capitalist plan has to collectivise the land, since there is no other known method of squeezing what is called surplus value, what Marx called "surplus value", out of the earnings of the peasantry.

If these are the four main aspects of the Plan, the results are inevitable. If this Plan is passed, I would forecast that the following things are bound to happen. One is that there will be further inflation. The Plan itself concedes further inflation. On page 127, it says: "...it is essential to be prepared for a moderate rise in the price level..." How moderate it will be is still to be seen. At another place, on page 132, it says, in trying to justify this calamity which it is inviting on the country, that: "Price rigidity is incompatible with development and some prices cannot but rise." It all depends on what you do. If you carry out these misguided policies, the prices will rise; there is no good blaming the prices; you must blame yourselves alone.

Secondly, what will follow will be increased unemployment. The Plan concedes that also. It admits at one place that on top of the 9 million unemployed today, there will be another half a million unemployed added as a result of the Third Plan.

Shri Ranga: It is 3 millions.

Mr.M.R.Masani: Half a million; as far as I can recall. 500,000 more will be added to the unemployed force.

Mr.Harish Chandra Mathur: As a result of it or in spite of it?

Mr. M.R.Masani: As a result, in my view, and in spite of it, in my hon. friend's view; and I can see that the Plan would say 'in spite of it.'

Thirdly, what will happen will be increasing misery for our people through the denial of the necessities of life. The Plan is full of repetition about the need to cut down the consumption of the people. This is very comparable to Mr Khrushchev's new programme recently published, where it is said that, at the end of another twenty years, the Soviet people are going to enjoy consumer goods. 1980 is the time when taxes will disappear, and water, electricity and so many other things would be free in the Soviet Union! Pie in the sky when you die. Jam tomorrow, jam the day after, but never jam today. That is the slogan, and that is the model. And what is the result? The mighty Soviet regime can fly their rockets to all parts of space, but they cannot make the simple things of life that the people want for their daily needs.

This was illustrated very well the other day, when Mr Khrushchev was at a dinner party at Moscow only last week. At that dinner party, Mr Khrushchev boasted that the Soviet Union would be able to make hydrogen bombs equal to 100 millions of TNT, with which no doubt West Berlin and other places of the world could be blown up. At the end of the same dinner, a menu was passed to the Soviet dictator, and he was asked for his autograph; along with the menu, a Soviet ball-pen was handed over to him. But the wretched thing did not work. So, Mr. Khrushchev took out his own pen from his own pocket and signed his name, and then said - I am quoting Mr Khruschev's words - "Mine writes. It is American. You have to recognise when a thing is well made." This is Mr. Khruschev's own comment on the state of consumer goods production in Soviet Russia!

Finally, what we shall get is high cost economy.

Mr. Speaker: What about the food?

Mr. M.R.Masani: Food is good, food at Soviet dinners is always good for the ruling class, and for visitors of the ruling classes.

Then again, the effect of this Plan will be a high-cost economy. Today, State and private monopolies are extorting what a professor has called "near ransom prices" from the consumer. Just to give an idea of the gap between the price in the world market and the price in India, let us take penicillin. The import price of penicillin is 10 nP per million units. The cost of production at Pimpri, or the price of the Pimpri penicillin, is Rs.1.25 per million units. So, when we can get penicillin at 10 nP, we have to pay Pimpri penicillin at Rs.1.25 per million units. This is the gap. This is the price that the consumer has to pay for this kind of planning or misapplication of planning.

The result is that large-scale smuggling is going on into this country, because when you create a big gap like this between the import price and the local price, smuggling is inevitable in any part of the world. So we have a high-priced economy.

If you have a high-cost economy, how do you propose to export? Shri Somani, who spoke b[illegible] he has made, and the Plan itself makes, constant reference to the need [illegible] to export. But how can you export when your cost of production is so high? Look at the price of sugar. The price of Indian sugar is Rs.700 per ton. The world price of our sugar is Rs.400 per ton. Not even the ablest Minister can persuade people to buy sugar when it is selling at so much above world prices. Therefore, the export effort, which is so important, will fail.

Mr. Speaker: Is sugar in the public sector or in the private sector?

Mr. M.R.Masani: That does not matter. My point is that the whole economy is being made high cost. I was not saying that the private sector is cheap. On the contrary, I say that limited monopolies created under the barrier of protection are fleecing the consumer, and the private entrepreneur is doing at least as much as the public entrepreneur. That is why you find that...

Mr. H.C.Mathur: May I just ask a question? What happened before the public sector came in? What were the sugar prices much earlier, before the Plans started?

Mr. M.R.Masani: My hon. friend Shri Harish Chandra Mathur is forgetting that I am not speaking on the issue of the public sector or the private sector. I am pointing out that, as a result of the priorities of this Plan, we are producing at high cost. We are producing certain things that we need not produce, and not producing other things that we should produce. I am not trying to judge between the private sector and the public sector. I said earlier that private limited monopolies are holding the consumer up to ransom by charging very high prices. If Pimpri could have been in the private sector, it might have been just as expensive as it is now, because we insist on producing things which should be imported, while not producing food, raw materials and other consumer goods at which we are good.

Now, the question may be asked: Why has the Third Plan on the one hand got such good objectives, and why, on the other, does it by its measures defeat its own purposes? Why this perversity, which Professor Bauer has so well defined? There are two possible reasons. One is that it may be ignorance of the economic science, a lack of understanding of the problem. I have too much regard for the hon. Minister and the gentlemen who sit on the other side to think that they are doing something that is so self-defeating with their eyes open.

Therefore, one has to look at some other factor which must make them behave in this manner, and I cannot help saying that that factor is the factor of doctrine or dogma. I make bold to say that this Third Five Year Plan is not a plan of economic development at all (Interruptions) because its primary interest is not in the development of the economy but in certain political and social objectives which are frankly stated in other parts of the Plan. I go so far as to say that this is not even a Socialist plan of economic development because Socialism implies two things, a rising standard of living for the common people and greater equality. I have shown earlier that far from trying to raise the standard of living of the people, the Second Plan has either depressed it or is making it stagnate and that the Third Plan gives us ample warning that, if one thing has to be cut down, it is the consumption of goods by the people.

Now, at page 26 of this documents, this is what is said:

"As it proceeds, economic development may widen disparities between rural and urban areas, increase differences in levels of development in different parts of the country, and accentuate the problems of economic inequality".

Therefore, I say this is not even a socialist plan of development (Interruptions). Then what kind of plan is it? I would say it is a plan to foist on the people of this country the Soviet pattern of State Capitalism.

Mr. Andrew Schonfield, who is a Liberal and a great friend of this Government - he has visited this country, I think, twice by now, as the guest of our Government to study our institutions - has said about the Second Plan, not the Third, after going back to London after a visit to India: "It is a Soviet type plan...and it is a Soviet type plan which errs towards Khruschev rather than Malenkov" -

This is from the London Observer, and this is very interesting. Mr. Schonfield refers to two types of Soviet plans. As is well known, Malenkov believed in giving the people a little more to eat, more to wear and a little more of consumption goods and comfort, while Khruschev stood for tightening the belt in the interest of heavy industry and militarisation. Mr. Schonfield says: "It is a Soviet type plan which errs towards Khruschev rather than Malenkov; the consumer gets a very small look-in".

I do not want to suggest that my hon. friend, the Minister of Planning, is consciously trying to impose a Communist economy on this country, but I do suggest to him that he is being made a party to that attempt, without his understanding where he is being taken (Interruptions). He may yet open his eyes even now and watch the direction in which the Mahalanobises are taking him, with their undisguised admiration for the Soviet and Chinese dictatorships. After all, Prof. Mahalanobis, who is a communist fellow-traveller, is a member of the Planning Commission, of which our Minister is the Deputy Chairman.

Now, why do I say this? Why does Mr. Schonfield say this? It is because this Plan is obsessed with autarchy. Autarchy is a desire to attain self-sufficiency (Interruptions). If my hon. socialist and communist friends would care to listen, they would learn a little.

Shrimati Parvathi Krishnan : We doubt it.

Mr. M. R. Masani: Then they will be in a better position to reply. Let us put it that way.

Why are we obsessed with autarchy? I tried to count in this document the number of places at which this obsession with autarchy finds its way under the phrases "self-reliant" and "self-generating" economy which is to be attained at some places in ten years and at other places in fifteen years. The Plan is a little inconsistent on that point. But over and over again, it is said that this Plan will make India completely self-dependent and independent of the rest of the world within 10 to 15 years. For reference, I might mention that this claim is made at pages 24, 26, 29, 48, 50, 107, 116 and 138. If somebody goes into it more carefully, I am sure he will find double the number of references I have given)

Now, why this idea of self-sufficiency? Where does it come from? I suggest it comes from the Soviet Union. You will remember that the Soviet Union started its planning at a time when Soviet Russia's hand was turned against the rest of the world and the hand of the rest of the world against Soviet Russia. There are three differences between us and ~~the~~ Soviet Russia.

An. Hon. Member: Only three?

Mr. M.R.Masani: Yes, three big differences. One is that in Russia, there were not enough people, and a great deal of land; in our case, we have too many people and not enough of land. The second big difference was that Soviet Russia started with the zeal of converting the world by force to its own doctrine, while we have no such pretensions or professions. The third is that the rest of the world was hostile to Soviet Russia while, in our case, there is an Aid to India Club which is pouring out its wealth for our benefit. Therefore, there is nothing in common between our position and the position of the Soviet Union in 1919 and 1920. Yet we are blindly copying this obsession with heavy industrialisation which came from the desire in Soviet Russia to strengthen the nation militarily and materially against an onslaught which was expected from the rest of the world. In other words, being a peace-loving power, being the country of Gandhi, without knowing it we are following a track which may make sense for a military power out to conquer the rest of the world but which makes no sense for a power which is not able to defend even its own frontier. The idea of self-sufficiency is at the very root of this Plan.

Mr. Speaker: Does the hon. Member mean to say that without industrialisation the standard of living can be increased? Does he mean to suggest that we should have only an agricultural economy?

Mr. M.R.Masani: No,Sir. We believe in all-sided industrialisation. I used the word 'obsession', because there is concentration on a certain type of heavy industry like steel and not on consumer goods (Interruptions).

I have said before in this House, and I repeat, that the threat to this country's economy today comes not only from Government; it comes from a very unfortunate combination of elements in Government and elements in what you have called the "private sector". I have said earlier that today the vested interests in India of which the Indian people ought to beware are those in office and their satellites in business who are working hand in glove to exploit the masses of our people. This is a combine, this is a cartel, organised by those in office and those in private business for whom certain monopolies are created, certain protected fields of consumer goods are created, where no competition is allowed.

As you know, Sir, I stand for a point of view which believes in competitive enterprise, which believes that there should be no controls, no restrictions, that any one wanting to produce anything should be able to do so without going to the Government for a licence. It is the issue of licences, giving licences to some and denying it to others, that creates monopolies where the private sector is able to exploit the consumer in the manner you have depicted. And I say that the speech that you heard just before mind from the Congress benches, welcoming the Plan in a fulsome manner, gave expression to that alliance between those in office and in private business making the best of the good time provided by this "socialist pattern". I do not stand/that private sector. /for
I think the bulk of the private sector does not deserve a pat on the back for its behaviour any more than the Government does. Therefore, it is an unholy alliance between the State capitalists and some private capitalists against which we have to fight on behalf of the interests of the middle class and the peasantry of this country.

Sr. Tyagi: He repeats "State Capitalists". I cannot understand what he means.

Mr. M.R.Masani: The State Capitalist system has been described extremely well by the Yugoslav Communist leader, Mr. Djilas, in his book The New Class, of which I shall be glad to present my hon. friend with a copy. The whole book is on the phenomenon of State Capitalism. That phenomenon, if I may explain, is that people who talk of "communism" or "socialism", masquerading in those colours, are really creating a society where they and their children and their friends and their clients are able to exploit the common people for the benefit of the new ruling class of the State Capitalists. I will not go further into that. I leave it to Shri Tyagi to study that book. The answer comes from Communist sources. State Capitalism is what the Yugoslav Communists describe as the prevailing state of affairs in the Soviet Union, which we are trying to copy.

I was saying that this obsession with autarchy is completely unintelligent, because we are not in the position of the Soviet Union, because we are not opposed to the world, because every one wants to help us, and we do not want in the next ten years to turn our back on the world. Here is what Shri G.L.Mehta, our former Ambassador to the United States, said at the beginning of this year. He said: "It is now recognised that the need of foreign exchange is not an occasional rescue operation, but a continuing phenomenon necessary to enable emergent countries to have development with stability." This continuing development may well take us half a century. There is nothing to be ashamed about it. Even today in the United States there is more foreign and European capital invested than there is American capital in Western Europe. The Americans do not mind it. It is not a sign of backwardness. We are short of capital. That is not a position that is going to change in the next ten or fifteen years with all our efforts, and I support them, to control our population. That imbalance will remain for many generations to come and, while it remains, we shall want more capital per man, and that capital not being available, we should be able to get it from abroad. Therefore this whole Plan is vitiated by this position that it desires us to become independent of the world in the next ten or fifteen years.

I want to ask the Minister: if we proclaim our desire to become independent of the world, why should they buy our exports? Surely, the corollary of selling our exports is that, when we have balanced our own economy, we shall buy their imports, we shall allow their goods to come into this country. But if we are obsessed with this idea of autarchy, how will the rest of the world be reconciled to it? If we try to dump our goods below cost to the sacrifice of our own people, it is not going to be countenanced by the rest of the world. That is the difficulty.

I therefore feel that this Plan, instead of developing our economy, places it in a strait jacket, ties it hand and foot, and then asks the Indian people to deliver the goods. No people, not even the Indian people, can deliver the goods if their hands and feet are tied in this manner. The danger is this, that by over-centralisation, the States will lose their rights, will become mere glorified municipalities and district and local boards if they do not look out. Secondly, there will be a concentration of political and economic power in a few hands. This will mean that the Fundamental Rights under the Constitution will be endangered. I do not want to say to my friends on the right who are interested in trade unions, that if they think that while other rights will be destroyed, their right to strike and the right of collective bargaining will remain sacred, they are making a mistake. One of the first curbs and blinkers will be on the working class, not to ask for higher wages and not to go on strike in pursuit of their demands.

Therefore, I say this Plan is a threat and a danger to the working class, to the peasantry whose land it wants to take away, and to the middle class who make up the bulk of the nation. The job of those who believe in the real economic development of this country is to educate the bulk of the people to this threat not only to their standard of life, but also to their way of life.

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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 23rd August 1961

Mr. M.R.Masani: Mr. Speaker, Sir, I rise to support the substitute motion disapproving the Plan moved by my hon. friend, Professor Ranga.

An Hon. Member: It was expected.

Mr. M.R.Masani: In considering this Plan, it is useful in the beginning to cast an eye at the situation or the picture that faces us at the end of the Second Five Year Plan. What are the main facts of life with which we are faced today? From these we must start. I suggest that these main facts are three. Firstly, there is the phenomenon of rising prices. That does not need to be established by me because the Reserve Bank's report on currency and finance for the year 1960-61 and the Economic Adviser's general index of wholesale prices show a net rise of 7.2 per cent during the past year on top of a rise of 5.8 per cent in 1959-60. The Governor of the Reserve Bank himself in a recent speech has complained that there has been a steady rise, a continuous rise, in prices at the rate of 6 per cent per year during the Second Plan period without any reduction at any point of time. The Plan itself at page 121 concedes that wholesale prices have risen by about 30 per cent.

The second important fact with which we must start is the stagnant income of the large mass of our people. In so far as the landless labourer is concerned, the Second Agricultural Labour Enquiry Report laid on the Table of this House on 21st December, 1960, shows a material decline in wages and an increase in unemployment and indebtedness on the part of our agricultural labourers between 1950-51 and 1956-57. That process, to those who observe, has been further accentuated during the past four or five years. In so far as the industrial worker is concerned, my hon. friend the Minister of Planning and Labour said in the House on 11th April 1960:

> "Between 1939 and 1947, the standard of living of the workers had declined by 25 per cent. By 1951, they had just covered the lost ground. By 1955, the real wages had increased by 13 per cent. But, since 1956, when again prices started rising, their gains have been to an extent wiped out."

So far as the lower middle classes are concerned, I would say that their standard of life has gone down during the past five years. It is not only a matter of stagnating; there has been a cut back in their standard of life.

Who then has benefited by these Plans? The answer would appear to be that it is the new ruling class who are in power and in office on the one side and their satellites, a few privileged businessmen who have been given private monopolies of a limited kind on the other. It is these classes that are the only beneficiaries of the first two Plans.

The third main fact of life is the bankruptcy of this country. Our foreign exchange reserves have gone down below the safety point. The total credits so far obtained as a result of all the agreements signed by this country are, I understand, of the order of Rs.1750 crores. That is the best figure I have been able to ascertain from official quarters. That is the present measure of the credits that we have agreed to take or which have been vouchsafed to us in the aggregate as a result of all the agreements signed with various countries. To this sum of Rs.1750 crores, we now propose to add further foreign indebtedness of Rs.2200 crores. These are figures that make one shiver. Because, it really means that in the effort to repay these amounts and to pay interest and service charges on these loans, the future of this country for many many years is mortgaged. On the other hand, exports, through which alone we can possibly pay back our foreign intake of loans, are stagnant. I shall say a little about this later. But, while we go on increasing our loans from the rest of the world, we have shown our inability to repay them. This is the Rake's Progress from which we must now desist. This is the picture.

What are the prime needs of the Third Five Year Plan? The Third Plan itself sets out these needs admirably in certain parts of that long and verbose document. These needs are set out as three: (i) more saving and investment; (ii) greater production and greater productivity - that is, efficient production at low cost; (iii) export. That is an excellent summary of the primary needs of the country which the Third Plan must carry out. I do not think any one can improve on the Plan itself in setting out its needs: more investment, more efficient production at low cost, and export.

How does the Third Plan set about carrying out these three purposes? If my hon. friend the Minister will not mind my saying so, it sets about the purposes by frustrating or denying every one of these three objectives, by sabotaging each of them, if I may use a strong word. I was going back to Bombay on a short visit on Monday. In the plane, I read a book - and it chanced to be on the eve of this debate - 'Indian Economic Policy and Development' by Prof. P.T.Bauer, Professor of Economics and in particular of Under-developed economies and Economic Development at London University, published by George Allen and Unwin. It gladdened my heart to read this book, because I found in it a complete vindication of those of us who have rejected the Second and Third Plans as being disastrous to the interests of the country. Let me read just one passage from this book to illustrate the point I am making that the Plan in its effect, in the measures that it suggests, defeats all the purposes which it itself sets out. I am quoting from this book at pages 97 and 98:

" There is the massive expenditure on heavy industry, when the economic demand for its products is highly problematical; at the same time, there is the neglect of education where the needs are evident and pressing and can only be met by Government. There is the comparatively small expenditure on agriculture, and also the restrictions on movement of agricultural products in the face of the manifest, urgent and desperate need to increase agricultural productivity and to extend production for the market. There are the severe restrictions, or complete prohibitions, on the supply of certain categories of both imported and even locally produced consumer goods, in the face of the urgent need both to raise living standards and to provide incentives to agricultural production for the market. There are restrictions on the extension of efficient industrial capacity in the face of a manifest need to economise resources and satisfy wants at low costs. There is the exclusion of private Indian and foreign enterprise and investment from a wide range of industrial and commercial activity, in the face of the urgent need to encourage viable economic activity."

So he goes on. Here, in a paragraph, he has stated the paradoxes of the Third Plan. On the one hand, it tries to do something; with the other hand, it completes defeats all its purposes by the actual detailed functioning and measures of the Plan.

What are those aspects of the Plan which, in fact, defeat its purpose? I would list them under five heads.

First, persistence in increasing direct and indirect taxation which is already excessive. By that insistence, certain effects are produced. Secondly, persistence with deficit financing to the extent of Rs.550 crores. Thirdly, insistence on or obsession with forced industrialisation irrespective of cost, a kind of recklessness - let us produce; it does not matter at what cost; so long as industrialisation takes place, it is legitimate in itself. Industrialisation for itself without the justification of efficiency; this is the third major aspect.

I would like to document this a little. There is priority for low and slow return heavy industries, the particular high water mark of that being the needless, premature setting up of a fourth steel plant. On each of the three steel plants that have been set up already, we have spent - on each of them - twice the entire expenditure on elementary education in our country. Just think of this. Similarly, the cost of the heavy industrial programme in the public sector exceeds the entire outlay on agriculture. In a country where 70 per cent of our people live on the land and work on the land, we are spending more than half of the total outlay on industrial enterprises in the public sector. That particular State sector of our industrial enterprises takes half of the entire cake, while 70 per cent of our people live in the villages and work on the land. This is the lopsided, top-heavy, unbalanced nature of our Plan.

It finds particular expression in the tendency to giganticism, to talk of big things, striking things. No where is this waste of public resources better embodied than in our fad for Atomic Energy.

Even in the United States, which leads the world in this race for atomic energy, is cutting back. It is realising that so far as industrial purposes are concerned, it is a chimera and a distant prospect. Six years ago, the Atomic Energy Commission of the United States predicted a capacity of 2 million kw. of atomic generated electricity by 1960. That year has passed. Last month, the Commission admitted that the United States would be lucky to have 750,000 kw. of atomic generated power capacity at the end of the year. Similarly, it has now been announced that the cost of nuclear power is prohibitively high and will remain so for a long time.

An Hon. Member: It is not so.

Mr. M.R Masani: The lowest cost of that power is 15 mills per kw-h. Even the most expensive form of present day conventionally produced electricity costs only 9 mills per kw-h. This is a big gulf. The Prime Minister said in this House on the 19th that India should proceed with atomic power "irrespective of the cost factor." He went on to say: "...even if it is not economical, we have to do it for tomorrow and the day after." If I may say, we are living in one world and one part of the world can benefit from technological advances in another country. Every country does not have to go through the same thing on an autarchic basis. This is a fallacy.

Mahatma Gandhi was able to see this flaw in the hon. Prime Minister's economic thinking a long time ago. On 29th June 1939, Gandhiji wrote a letter to Rajkumari Amrit Kaur on the subject of Pandit Nehru's planning. This was what he said. This is the whole letter; it is a three-sentence letter dated 29th June 1939.

Mr.Speaker: Is it published anywhere?

Mr.M.R.Masani: It is published in a Collection of Gandhiji's letters published by the Navjivan Press. It is letter No. 184 in the series.

Shri Ranga : On the eve of the war.

Mr.M.R.Masani: It was written when the National Planning Committee was just being set up by Pandit Nehru.

Shri Ranga : It was being wound up then.

Mr.M.R.Masani: This was what Gandhiji wrote:

> "I have advised you about Jawaharlal's invitation. In my opinion, the whole of his planning is a waste of effort. But he cannot be satisfied with anything that is not big."

Sir, I would hesitate to make such a crushing comment as Mahatma Gandhi has done.

The fourth factor of this Third Plan is the domination of the State sector. We know that the Third Plan tried to force savings or investments away from the people's enterprise into State monopolies. At page 14 of the Plan, it is said:

> "As compared to 1950-51, by the end of the Third Plan, the contribution of the public sector will increase from less than 2 per cent to nearly a fourth in organised manufacturing industries and from less than a tenth to over a third in mineral production."

The Governor of the Reserve Bank has given comparable figures. He says that the percentage of total investment in the State sector was 21 per cent in the First Plan, 53 per cent in the Second Plan, and it will now be 58 per cent in the Third Plan.

Today, the people of India, outside the State sector, produce 90 per cent of the gross national product, but the Third Plan wants to cut this down to 40 per cent, and this in spite of the fact that, while private enterprise has achieved nearly more than 40 per cent of the target set for it in the Second Plan, the public sector or the State sector fell down on its job by a ten per cent shortfall. That part of the economy that functioned better than expected in the Second Plan is to be punished, but that part of the economy that failed to deliver the goods is to be boosted - in spite of the preference of the people.

Finally, there is the persistence with the collectivisation of land mentioned on pages 209 to 211 of the Plan. If hon. Members think that that particular fad has been laid to rest by the Opposition that was voiced in this Parliament and outside, they will be making a mistake. I want to warn the House and the country against any complacency. Let this present Government win the next elections, and the peasants of India will find that a very dangerous attempt will be made to snatch their lands away from them under the deceptive slogan of "joint co-operative farming." This is necessary, because every State Capitalist plan has to collectivise the land, since there is no other known method of squeezing what is called surplus value, what Marx called "surplus value", out of the earnings of the peasantry.

If these are the four main aspects of the Plan, the results are inevitable. If this Plan is passed, I would forecast that the following things are bound to happen. One is that there will be further inflation. The Plan itself concedes further inflation. On page 127, it says: "...it is essential to be prepared for a moderate rise in the price level..." How moderate it will be is still to be seen. At another place, on page 132, it says, in trying to justify this calamity which it is inviting on the country, that: "Price rigidity is incompatible with development and some prices cannot but rise." It all depends on what you do. If you carry out these misguided policies, the prices will rise; there is no good blaming the prices; you must blame yourselves alone.

Secondly, what will follow will be increased unemployment. The Plan concedes that also. It admits at one place that on top of the 9 million unemployed today, there will be another half a million unemployed added as a result of the Third Plan.

Shri Ranga: It is 3 millions.

Mr.M.R.Masani: Half a million; as far as I can recall. 500,000 more will be added to the unemployed force.

Mr.Harish Chandra Mathur: As a result of it or in spite of it?

Mr. M.R.Masani: As a result, in my view, and in spite of it, in my hon. friend's view; and I can see that the Plan would say 'in spite of it.'

Thirdly, what will happen will be increasing misery for our people through the denial of the necessities of life. The Plan is full of repetition about the need to cut down the consumption of the people. This is very comparable to Mr Khrushchev's new programme recently published, where it is said that, at the end of another twenty years, the Soviet people are going to enjoy consumer goods. 1980 is the time when taxes will disappear, and water, electricity and so many other things would be free in the Soviet Union! Pie in the sky when you die. Jam tomorrow, jam the day after, but never jam today. That is the slogan, and that is the model. And what is the result? The mighty Soviet regime can fly their rockets to all parts of space, but they cannot make the simple things of life that the people want for their daily needs.

This was illustrated very well the other day, when Mr Khrushchev was at a dinner party at Moscow only last week. At that dinner party, Mr Khrushchev boasted that the Soviet Union would be able to make hydrogen bombs equal to 100 millions of TNT, with which no doubt West Berlin and other places of the world could be blown up. At the end of the same dinner, a menu was passed to the Soviet dictator, and he was asked for his autograph; along with the menu, a Soviet ball-pen was handed over to him. But the wretched thing did not work. So, Mr. Khrushchev took out his own pen from his own pocket and signed his name, and then said - I am quoting Mr Khruschev's words - "Mine writes. It is American. You have to recognise when a thing is well made." This is Mr. Khruschev's own comment on the state of consumer goods production in Soviet Russia!

Finally, what we shall get is high cost economy.

Mr. Speaker: What about the food?

Mr. M.R.Masani: Food is good, food at Soviet dinners is always good for the ruling class, and for visitors of the ruling classes.

Then again, the effect of this Plan will be a high-cost economy. Today, State and private monopolies are extorting what a professor has called "near ransom prices" from the consumer. Just to give an idea of the gap between the price in the world market and the price in India, let us take penicillin. The import price of penicillin is 10 nP per million units. The cost of production at Pimpri, or the price of the Pimpri penicillin, is Rs.1.25 per million units. So, when we can get penicillin at 10 nP, we have to pay Pimpri penicillin at Rs.1.25 per million units. This is the gap. This is the price that the consumer has to pay for this kind of planning or misapplication of planning.

The result is that large-scale smuggling is going on into this country, because when you create a big gap like this between the import price and the local price, smuggling is inevitable in any part of the world. So we have a high-priced economy.

If you have a high-cost economy, how do you propose to export? Shri Somani, who spoke b[illegible] he has made, and the Plan itself makes, constant reference to the need [illegible] to export. But how can you export when your cost of production is so high? Look at the price of sugar. The price of Indian sugar is Rs.700 per ton. The world price of/our sugar is Rs.400 per ton. Not even the ablest Minister can persuade people to buy/sugar when it is selling at so much above world prices. Therefore, the export effort, which is so important, will fail.

Mr. Speaker: Is sugar in the public sector or in the private sector?

Mr. M.R.Masani: That does not matter. My point is that the whole economy is being made high cost. I was not saying that the private sector is cheap. On the contrary, I say that limited monopolies created under the barrier of protection are fleecing the consumer, and the private entrepreneur is doing at least as much as the public entrepreneur. That is why you find that...

Mr. H.C.Mathur: May I just ask a question? What happened before the public sector came in? What were the sugar prices much earlier, before the Plans started?

Mr. M.R.Masani: My hon. friend Shri Harish Chandra Mathur is forgetting that I am not speaking on the issue of the public sedtor or the private sector. I am pointing out that, as a result of the priorities of this Plan, we are producing at high cost. We are producing certain things that we need not produce, and not producing other things that we should produce. I am not trying to judge between the private sector and the public sector. I said earlier that private limited monopolies are holding the consumer up to ransom by charging very high prices. If Pimpri could have been in the private sector, it might have been just as expensive as it is now, because we insist on producing things which should be imported, while not producing food, raw materials and other consumer goods at which we are good.

Now, the question may be asked: Why has the Third Plan on the one hand got such good objectives, and why, on the other, does it by its measures defeat its own purposes? Why this perversity, which Professor Bauer has so well defined? There are two possible reasons. One is that it may be ignorance of the economic science, a lack of understanding of the problem. I have too much regard for the hon. Minister and the gentlemen who sit on the other side to think that they are doing something that is so self-defeating with their eyes open.

Therefore, one has to look at some other factor which must make them behave in this manner, and I cannot help saying that that factor is the factor of doctrine or dogma. I make bold to say that this Third Five Year Plan is not a plan of economic development at all (Interruptions) because its primary interest is not in the development of the economy but in certain political and social objectives which are frankly stated in other parts of the Plan. I go so far as to say that this is not even a Socialist plan of economic development because Socialism implies two things, a rising standard of living for the common people and greater equality. I have shown earlier that far from trying to raise the standard of living of the people, the Second Plan has either depressed it or is making it stagnate and that the Third Plan gives us ample warning that, if one thing has to be cut down, it is the consumption of goods by the people.

Now, at page 26 of this documents, this is what is said:

"As it proceeds, economic development may widen disparities between rural and urban areas, increase differences in levels of development in different parts of the country, and accentuate the problems of economic inequality".

Therefore, I say this is not even a socialist plan of development (Interruptions). Then what kind of plan is it? I would say it is a plan to foist on the people of this country the Soviet pattern of State Capitalism.

Mr. Andrew Schonfield, who is a Liberal and a great friend of this Government - he has visited this country, I think, twice by now, as the guest of our Government to study our institutions - has said about the Second Plan, not the Third, after going back to London after a visit to India: "It is a Soviet type plan...and it is a Soviet type plan which errs towards Khruschev rather than Malenkov" -

This is from the London Observer, and this is very interesting. Mr. Schonfield refers to two types of Soviet plans. As is well known, Malenkov believed in giving the people a little more to eat, more to wear and a little more of consumption goods and comfort, while Khruschev stood for tightening the belt in the interest of heavy industry and militarisation. Mr. Schonfield says: "It is a Soviet type plan which errs towards Khruschev rather than Malenkov; the consumer gets a very small look-in".

I do not want to suggest that my hon. friend, the Minister of Planning, is consciously trying to impose a Communist economy on this country, but I do suggest to him that he is being made a party to that attempt, without his understanding where he is being taken (Interruptions). He may yet open his eyes even now and watch the direction in which the Mahalanobises are taking him, with their undisguised admiration for the Soviet and Chinese dictatorships. After all, Prof. Mahalanobis, who is a communist fellow-traveller, is a member of the Planning Commission, of which our Minister is the Deputy Chairman.

Now, why do I say this? Why does Mr. Schonfield say this? It is because this Plan is obsessed with autarchy. Autarchy is a desire to attain self-sufficiency (Interruptions). If my hon. socialist and communist friends would care to listen, they would learn a little.

Shrimati Parvathi Krishnan : We doubt it.

Mr. M. R. Masani: Then they will be in a better position to reply. Let us put it that way.

Why are we obsessed with autarchy? I tried to count in this document the number of places at which this obsession with autarchy finds its way under the phrases "self-reliant" and "self-generating" economy which is to be attained at some places in ten years and at other places in fifteen years. The Plan is a little inconsistent on that point. But over and over again, it is said that this Plan will make India completely self-dependent and independent of the rest of the world within 10 to 15 years. For reference, I might mention that this claim is made at pages 24, 26, 29, 48, 50, 107, 116 and 138. If somebody goes into it more carefully, I am sure he will find double the number of references I have given)

Now, why this idea of self-sufficiency? Where does it come from? I suggest it comes from the Soviet Union. You will remember that the Soviet Union started its planning at a time when Soviet Russia's hand was turned against the rest of the world and the hand of the rest of the world against Soviet Russia. There are three differences between us and ~~the~~ Soviet Russia.

An. Hon. Member: Only three?

Mr. M.R.Masani: Yes, three big differences. One is that in Russia, there were not enough people, and a great deal of land; in our case, we have too many people and not enough of land. The second big difference was that Soviet Russia started with the zeal of converting the world by force to its own doctrine, while we have no such pretensions or professions. The third is that the rest of the world was hostile to Soviet Russia while, in our case, there is an Aid to India Club which is pouring out its wealth for our benefit. Therefore, there is nothing in common between our position and the position of the Soviet Union in 1919 and 1920. Yet we are blindly copying this obsession with heavy industrialisation which came from the desire in Soviet Russia to strengthen the nation militarily and materially against an onslaught which was expected from the rest of the world. In other words, being a peace-loving power, being the country of Gandhi, without knowing it we are following a track which may make sense for a military power out to conquer the rest of the world but which makes no sense for a power which is not able to defend even its own frontier. The idea of self-sufficiency is at the very root of this Plan.

Mr. Speaker: Does the hon. Member mean to say that without industrialisation the standard of living can be increased? Does he mean to suggest that we should have only an agricultural economy?

Mr. M.R.Masani: No,Sir. We believe in all-sided industrialisation. I used the word 'obsession', because there is concentration on a certain type of heavy industry like steel and not on consumer goods (Interruptions).

I have said before in this House, and I repeat, that the threat to this country's economy today comes not only from Government; it comes from a very unfortunate combination of elements in Government and elements in what you have called the "private sector". I have said earlier that today the vested interests in India of which the Indian people ought to beware are those in office and their satellites in business who are working hand in glove to exploit the masses of our people. This is a cartel, organised by those in office and those in private business for whom certain monopolies are created, certain protected fields of consumer goods are created, where no competition is allowed.

As you know, Sir, I stand for a point of view which believes in competitive enterprise, which believes that there should be no controls, no restrictions, that any one wanting to produce anything should be able to do so without going to the Government for a licence. It is the issue of licences, giving licences to some and denying it to others, that creates monopolies where the private sector is able to exploit the consumer in the manner you have depicted. And I say that the speech that you heard just before mind from the Congress benches, welcoming the Plan in a fulsome manner, gave expression to that alliance between those in office and in private business making the best of the good time provided by this "socialist pattern". I do not stand/for that private sector. I think the bulk of the private sector does not deserve a pat on the back for its behaviour any more than the Government does. Therefore, it is an unholy alliance between the State capitalists and some private capitalists against which we have to fight on behalf of the interests of the middle class and the peasantry of this country.

Sr. Tyagi: He repeats "State Capitalists". I cannot understand what he means.

Mr. M.R.Masani: The State Capitalist system has been described extremely well by the Yugoslav Communist leader, Mr. Djilas, in his book The New Class, of which I shall be glad to present my hon. friend with a copy. The whole book is on the phenomenon of State Capitalism. That phenomenon, if I may explain, is that people who talk of "communism" or "socialism", masquerading in those colours, are really creating a society where they and their children and their friends and their clients are able to exploit the common people for the benefit of the new ruling class of the State Capitalists. I will not go further into that. I leave it to Shri Tyagi to study that book. The answer comes from Communist sources. State Capitalism is what the Yugoslav Communists describe as the prevailing state of affairs in the Soviet Union, which we are trying to copy.

I was saying that this obsession with autarchy is completely unintelligent, because we are not in the position of the Soviet Union, because we are not opposed to the world, because every one wants to help us, and we do not want in the next ten years to turn our back on the world. Here is what Shri G.L.Mehta, our former Ambassador to the United States, said at the beginning of this year. He said: "It is now recognised that the need of foreign exchange is not an occasional rescue operation, but a continuing phenomenon necessary to enable emergent countries to have development with stability." This continuing development may well take us half a century. There is nothing to be ashamed about it. Even today in the United States there is more foreign and European capital invested than there is American capital in Western Europe. The Americans do not mind it. It is not a sign of backwardness. We are short of capital. That is not a position that is going to change in the next ten or fifteen years with all our efforts, and I support them, to control our population. That imbalance will remain for many generations to come and, while it remains, we shall want more capital per man, and that capital not being available, we should be able to get it from abroad. Therefore this whole Plan is vitiated by this position that it desires us to become independent of the world in the next ten or fifteen years.

I want to ask the Minister: if we proclaim our desire to become independent of the world, why should they buy our exports? Surely, the corollary of selling our exports is that, when we have balanced our own economy, we shall buy their imports, we shall allow their goods to come into this country. But if we are obsessed with this idea of autarchy, how will the rest of the world be reconciled to it? If we try to dump our goods below cost to the sacrifice of our own people, it is not going to be countenanced by the rest of the world. That is the difficulty.

I therefore feel that this Plan, instead of developing our economy, places it in a strait jacket, ties it hand and foot, and then asks the Indian people to deliver the goods. No people, not even the Indian people, can deliver the goods if their hands and feet are tied in this manner. The danger is this, that by over-centralisation, the States will lose their rights, will become mere glorified municipalities and district and local boards if they do not look out. Secondly, there will be a concentration of political and economic power in a few hands. This will mean that the Fundamental Rights under the Constitution will be endangered. I do not want to say to my friends on the right who are interested in trade unions, that if they think that while other rights will be destroyed, their right to strike and the right of collective bargaining will remain sacred, they are making a mistake. One of the first curbs and blinkers will be on the working class, not to ask for higher wages and not to go on strike in pursuit of their demands.

Therefore, I say this Plan is a threat and a danger to the working class, to the peasantry whose land it wants to take away, and to the middle class who make up the bulk of the nation. The job of those who believe in the real economic development of this country is to educate the bulk of the people to this threat not only to their standard of life, but also to their way of life.

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