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Mr. M.R.MASANI'S SPEECH DURING THE GENERAL DISCUSSION ON THE BUDGET IN THE LOK SABHA ON MARCH 7, 1960.

Mr. Deputy Speaker, Sir, I thought I was going to be the first speaker for my Party; but, after listening to the very sapient and thoughtful remarks of Acharya Kripalani, I realise that I am the second speaker for the Swatantra Party on this general debate. I welcome....

Mr. Deputy Speaker: Does he also agree?

Shri M.R.Masani: I do not know, but I agree with him entirely; I entirely subscribe to the very sound proposition that he enunciated. I think he has explained the fundamental confusions and distortions in Government policy in an extremely sound way.

Shri Dange thought that the Finance Minister could have done much worse. He almost seemed disappointed that the Finance Minister had not done his worst! Speaking for a Party which believes in the theory of increasing misery as a means to revolution, that disappointment is easy to understand. On the other hand, Acharya Kripalani who, like me, is a friend of the Finance Minister, felt that he should have done much better. And that is my own feeling.

I think the Finance Minister has been less than fair to himself in subscribing to this Budget, and we all know that he is a prisoner of the Plan, that he is not a free agent. But we do believe that the Finance Minister of this country, like the Chancellor of the Exchequer should assert himself to be in the councils of the nation. No Chancellor in Britain could be over-ruled by a Prime Minister or Cabinet on broad political grounds. So far as finance is concerned, the Chancellor of the Exchequer, a man like Philips Snowden, would resign a hundred times rather than allow the finances and stability of the country to be jockeyed with for purely political ends, and it is therefore a pity that a good Finance Minister should make himself party to a bad Budget.

Now, Sir, we have to consider the additional taxation, indirect taxation that has been levied in this Budget, against the background of what already has been done. May we recall that the Planning Commission when framing the Second Plan estimated that Rs.800 crores of additional taxation, and that alone, could be safely levied during the coming five years? That was the National Planning Commission's estimate. The Economic Survey at the time of the last Budget conceded that at the rate that had already been in force additional taxation would be Rs.900 crores over the period of five years; in other words, even at the then rate prior to the last Budget, the safe limit of the Planning Commission was being exceeded. Since then, there has already been Rs.23 crores of additional taxation last year and somewhere around the same figure this year. Now we are exceeding the safe limit set by the Planning Commission themselves by Rs.146 crores or Rs.147 crores.

Now, Sir, the larger part of this has gone into a colossal rise in civil expenditure which is a wasteful expenditure so far as the development of this country is concerned. In 1955-56, the revenue expenditure was Rs.461 crores and the capital expenditure was Rs.127 crores. In 1960-61, the revenue expenditure has gone up to Rs.980 crores and capital expenditure to Rs.331 crores - thus exceeding in both cases double the civil expenditure of only five years ago. Indeed, if we take the years since Independence the rise in civil expenditure and bureaucracy is many times over, far in excess of what Parkinson has laid down in his well known "law".

The question arises, what is the common man getting, what are the public of

India, the people of India, getting back in return for this higher taxation which is multiplying every year? One way of testing the return would be in the increase of per capita income. Let us take the Government figures themselves. According to them, the figure of per capita income has gone up in terms of 1948-49 prices, from 110.8 in 1955-56 to 117.7 in 1958-59 - a modest increase in per capita income in money terms of 6¼ percent. As against that, the price rise since that year has been 20 per cent or more. So in return for the burden of taxation to which we all are contributing as the people of India, not only are we getting nothing in return, the price rise is almost four times the rise in the per capita income. So the people of India are being drained on the one side year after year by additional taxation, on the other side they are being drained by continuing inflation.

Why, Sir, are these unhelpful policies harmful to the nation being followed? I think the basic reason, apart from the inability to stop wasteful civil expenditure, is the doctrinaire passion for forced industrialisation of the Soviet pattern. My esteemed friend, Acharya Kripalani has already pointed out how this is at the root of the evil. This false God is what is called the rate of growth, never mind what happens to the people. The amount of steel, the amount of capital goods that multiply alone count while people may be in misery or they may die. That does not seem to be of concern to the prophets and exponents of development. This, Sir, is the root of the evil as Acharya Kripalani has pointed out.

Similarly, the passion to build up the State sector, to extort money from the people by taxation and then to invest it in State enterprises.. Sir, here I am disappointed to find that in report of the Ministry of Commerce and Industry, which goes into 180 pages or thereabout, there is no information at all about what the people of India are getting by way of return on the money which is invested on their behalf by the Indian Government. When a man invests in a private enterprise, a joint stock company, he chooses where he invests his money. The tax payers' money is invested by the Government where they choose. The least they can do is to tell the unfortunate shareholder what in return he is getting as a nation for his investment. That information, Sir, is not forthcoming.

But what little we know about State enterprises makes us fear that by and large they are uneconomic, unprofitable and wasteful. I say there are honourable exceptions, but by and large this proposition would be found to be true if the information was made available.

So, Sir, one comes again to the conclusion that the Budget is the prisoner of the Plan, and, certainly, the Finance Minister has our sympathy, but he cannot extort our admiration for giving in to the Plan.

Sir, I mentioned Parkinson's Law. May I just quote one or two sentences from a new book of his which has just been published called The Law and the Profits, which, I make bold to say, will be as well received and well known in a few months as the older book was. This is what Parkinson has to say - one almost feels that he had our Budget in mind when he wrote these passages:

"The power of taxes creates the illusion of limitless income and nations blissfully spend themselves into bankruptcy."

Then, in contrast to the kings of old, he points out how even an austere and simple Finance Minister like ours, very far removed from the monarchs of old, can in a way be a worse tax collector than the autocrats of the past. This is what he says:

"In the old unsophisticated days, kings spent the money on banquets and concubines, but, then, biology, at least, imposed fiscal limits."

There is no biological check to a man as austere as our Finance Minister. Then he says:

> "But the modern bureau with its research analysts and printing presses gobbles up limitless funds - with no fun to show for it."

This shows the tragedy of a simple, austere Finance Minister who can be just as extortionate in his own way or more than the kings of old who spent money on wine, women and song.

Now we come to the nature of additional taxation, It is indirect taxation, but it is not as indirect as all that. We all know that when Parliament imposes an indirect tax, it intends that that tax shall be passed on to the consumer. The excise duty, in fact, is nothing but a sales tax at the first point, the point of production. There is one difference between an income tax or corporation tax and an excise duty. The income tax or the corporation tax is on profit, when a man makes a profit he pays the tax, the excise duty is paid whether you make a profit or not. What then is an excise duty? It is pure/and simply a tax on production, it is a punishment for production.

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Shri C.D.Pande (Naini Tal): But it is a tax on consumption.

Shri M.R.Masani: No, it is a tax on production. I do not agree with the hon. Member. A sales tax is a tax on consumption. I regret I cannot agree with my hon. friend. An excise duty is a tax on production. You may sell at a profit or loss, but whether you sell at a profit or not, you have to pay. That is what I say it is a penalising on production.

An Hon. Member: Is it not passed on to the consumer?

Shri M.R.Masani: It is passed on to the consumer. It is a tax on the purchaser as also a penalty for the producer. Therefore it is a burden on both the producer and the consumer. From a Government that talks all the time of a rise in production, one would expect that the producer should be freed from tax and should be encouraged to produce. But actually excise duty, as we know, acts as a disincentive on production.

Apart from the effect on production and of employment, to which one of the previous speakers has made reference, what is the implication of this taxation on the price level? Whatwill be the effect in terms of inflation of these excise duties? I am glad that three Members of the ruling Party have already pointed the finger at what I was going to say. There are excise duties and excise duties. There are certain excise duties that may not do much harm if they are on liquor and purely luxurious items, but when excise duties are levied, as those two gentlemen and the lady Member have pointed out, on raw materials for industry, on components of industry and on intermediates of industry, then, they add to the price structure of the industrial product, and they lead to inflation.

In the case of our own excise duties, there is the process of diversion of excise duties from amenities and luxuries to industrial raw materials, components and intermediates. May I point out that while the excise duties on luxuries have grown since 1948-49 at an average rate of nine per cent, the excise duty on industrial raw materials and components has gone up at the astounding rate of 59 per cent. We are not taxing luxuries and amenities any more. We are taxing what goes into the product which every man and woman in this country needs. In this latter case, there is another disadvantage. There is double taxation. Take the cess on oil and oilseeds. That is one tax. When the oil and oilseeds get into the form of soap or vanaspati, then there is an excise duty on the finished product. So, the common man's soap and vanaspati are twice taxed before they reach him.

All inflation, as Acharya Kripalani rightly pointed out, is anti-social, regressive and anti-socialist.

Acharya Kripalani: I said pick-pocketing.

Shri M.R.Masani : I do not know; I do not want to use a harsh word. I use softer terms. But I am not quarrelling with that descrption. It is taking money out of the pockets of the people when they are not looking! That is what the Finance Minister is doing. Inflation is anti-socialist and anti-social because it taxes those who can bear the tax the least. It hits the poor out of all proportion to the capacity to bear the tax. In this particular budget, we find that there is definite discrimination against the poorer classes. Tin plate, it has been pointed out, is used in packing many consumer goods. Aluminium is used increasingly for the utensils of the poor who cannot afford brass or copper. Bulbs and batteries are common articles in every home, and pig iron is used not only by agriculturists for their tools but by the humble blacksmith and the carpenter. These are the people on whom the burden of the second Five Year Plan and the third Five Year Plan which is going to come is being thrown.

I would like to pay a compliment and tribute to the Economic Review - I did that last year and I am happy to be able to repeat it now. Thank goodness that in the Finance Ministry there is an honest Finance Minister and honest officials who still allow us to get at the truth. The sad part is that the budget has nothing to do with the Economic Review. The Economic Review points to one set of dangers and the budget pushes the country exactly in that direction. That is a sad thing.

Shri Supakar (Sambalpur) : Both are honest.

Shri M.R.Masani: I do not know. The Economic Review is certainly honest. I cannot say that the budget is honest. There is no doubt in my mind that indirect taxation on wage goods and industrial raw material is going to set inflation at a galloping rate. Up to now, we have had inflation which was bad enough. But there is no doubt in my mind that this budget is going to set in effect cumulative inflation which would increase now in geometrical progression because we are injecting at a sensitive part in the economy the pressures of inflation which will now burst out. In this way, an indirect tax is as much an inflationary weapon as deficit finance, and there is not very much to choose between them.

There is an aggravating factor in this situation and that is the neglect of agriculture to which reference has also been made by Acharya Kripalani, who referred to the obsession with heavy industrialisation. I draw attention to the peculiar co-relation between agricultural prices and the general price level. Normally, when production goes up, prices go down. One would have thought when the foodgrains production increased the prices of foodgrains would have gone down. But, perversely enough, the facts are just the reverse. For the last three years, we have seen foodgrains production going up and the price of foodgrains also going up. In 1956-57, production of foodgrains rose by 5.7 per cent. Prices rose by 18 per cent. In 1958-59, production rose by 14 per cent and the prices went up by 6.2. per cent. Why this perverse behaviour of foodgrain prices for the past three years in succession? This abnormal behaviour is due to the fact that the agricultural sector, for various reasons, into which I have no time to enter now, is getting integrated into the price mechanism. Every year, the foodgrains market is being drawn into the monetary mechanism more and more. The picture that it presents is that of a movement towards high price integration. This means that the general inflationary trends in our economic order are permeating agriculture more and more. Each sector seems to be able to pass the buck of rising prices to the other sector. In a developing economy, income generation, by putting money into the pockets of the people and increasing the purchasing power, inevitably creates a demand for more and better food. People want to eat well before they use manufactured goods. This makes it very important that our agricultural production and productivity should keep ~~pax~~ pace with the demand on the one side of this greater purchasing power and on the other side of our increasing population to which reference was made by a prior speaker.

Acharya Kripalani: Also for the starving population.

Shri M.R.Masani: And those who are underfed. In such a context, it is important and vital that our agricultural sector should not lag behind our general development. Unfortunately, the average rate of growth of our agriculture has been consistently less than that of our real national income.

Let me give the figures. The average annual increase of our real national income, according to official figures, during the past decade is 1.8, based on the 1949-50 level. The corresponding figure for agricultural production is only 1.4. So, agriculture is not even proportionately able to keep pace with our development, much less go ahead, as it should do, and take up the slack. That means there are no shock absorbers left in our economy to meet the inflationary pressure. That is why I said that we are likely to see in the coming months and years, if this pattern is persisted in, inflation of a cumulative type.

Professor Arthur Lewis, who is an eminent economist of development - he belongs to the other camp - has said that even if we make the best effort, if we put all the money that we can sink into our land, he can only envisage an increase in food production of 45 per cent over a period of 25 years. He took the years 1955 to 1980 and said that if India does everything it can to put her capital investment into the land to the maximum measure possible, then we may hope for a 45 per cent increase in food production. This shows how much less progress we are going to make, when we do not even put into the land the capital investment that is necessary. This country has to make up its mind on which field it will concentrate. We seem to be thinking that we can do everything at the same time, and that we can progress simultaneously on all fronts. The choice, with our limited resources, is that either we put our capital investment into industry or in agriculture. What agriculture needs is not merely the administrative ability of which my hon. friend the Food Minister has enough, but capital investment.

Now, if you want to step up our agricultural production by 7 to 8 percent, as is now officially contemplated, I venture to suggest that a very much larger capital outlay will be required than is contemplated in the third Five Year Plan. Let me give the figures so that the general proposition may not be questioned. If we assume the capital output ratio in agriculture to be 1.2 : 1, which is the lesson of the first two Plans, then, to achieve a seven per cent annual increase, a capital investment of Rs.4,000 crores will be required during the period of the Third Five Year Plan. If we are more modest and assume something in our favour and hope that the capital output ratio will be 1 : 1, even then, Rs.2500 crores of investment will be required in agriculture during the Third Five Year Plan.

Assuming that Rs.500 crores out Rs.2500 crores comes from the private sector, from the peasantry, from the farmers, it will still be necessary for Government to invest in its Third Five Year Plan in agriculture Rs.2,000 crores, or one-fifth of the Rs.10,000 crore Plan which is contemplated.

I do not know how far press reports are accurate, but, from what one reads, one gathers that my hon. friend, the hon. Food Minister, is fighting a battle with his back to the wall, not for Rs.4,000 crores, not for Rs.2,000 crores, but for a miserable Rs.1,000 crores out of this Rs.10,000 crore Plan. It is alleged, we hope it is not correct - that the Planning Commission wants to reduce it still further to Rs.600 or Rs.700 crores. (Interruption). Exact figures are being given; I do not know. I am only going by press reports. I hope this is not true but, if it is, I am sure I can say this that the hon. Food Minister is not going to get justice for the demands of food production. He has fixed the demand much too low if he has asked for Rs.1,000. He would be justified in asking for twice as much, and I believe the country will support him if the case were made clear to the country how the needs of the rural population are being shamelessly neglected for the benefit of the urban ruling class.

The National Planning Commission, obsessed as it is with Marxist thinking, naturally has nothing but contempt and neglect for the peasantry. There is no class in society of whom the Marxist thinks less of than the poor peasant. According to the Marxist, he must be liquidated and replaced by cooperative or collective farming. This poison is seeping into our budget and into our administrative policies. Shri Dange tried to accuse the Government of allowing inflation to take place and not giving the common people a return for their money. It was repeatedly pointed out to him - I think by one of the Congress Members - that he neglected what was happening in Soviet Russia. Our National Planning Commission is doing nothing but taking a leaf out of Soviety planning to which Shri Dange is supposed to subscribe in Russia but not in our own country.

The Third Five Year Plan offers this country a grim choice. We can either put our agriculture on its feet or we can go in for this mad race for heavy industrialisation. We cannot do both. As far as I can make out, the present Government has set its feet on the wrong road of allowing agriculture to be destitute and concentrating on giganticism and giant plants.

Acharya Kripalani: Not feet but brain.

Shri M.R.Masani: There is one last point and I have done. Almost every Member who has spoken has referred to the taxes levied on road transport. I find that out of Rs. 23 crores or Rs.24 crores of additional taxation, no less than Rs.13 crores fall in one way or the other on roads and road transport. 60 per cent of the additional taxation this year is thrown on one particular public service, a public service, may I say, of the most vital importance. If I may be permitted to read from the report of the Road Transport Reorganisation Committee to which Acharya Kripalani made a reference - I read it because it says in one sentence what it might take many more sentences for me to say - where road transport comes into our national economy:

> "Good road communications encourage the production and marketing of perishable articles such as fruits, vegetables, milk and eggs, give the cultivators access to the outer world from which to obtain fertilisers, oil engines and know-how about improved methods of agriculture, promote the development of industries, and facilitate the exploitation of mineral and other natural resources."

In other words, road transport is a conveyor-belt along which our economic life has to move. Already, as has been pointed out, road transport is the most heavily taxed industry in this country in terms of world taxation on roads. Already our motor vehicles are costing in this country a higher price than what the same motor vehicles cost in any other part of the world today. No part of the world, no nation today has to pay more for its motor vehicles - whether trucks or cars - than this country. After having achieved this very dubious distinction, we still want this particular industry to break its back. How is this vindictiveness - because there is no other way of explaining it - to be explained?

Acharya Kripalani : Railways.

Shri M. R. Masani: Sir, there was a debate in this Parliament when the report of the Road Transport Reorganisation Committee was presented. It was welcomed by the Minister and by the entire House. There was not one Member who did not agree with the Report that the road transport industry was too heavily taxed and it should be less taxed. In this budget, a complete contempt for the opinion of this House has been shown by ignoring the unanimous wishes of this House, by doing exactly the reverse of what this House wanted. I do not know whether it is the hidden hand of what I have always considered to be the most powerful lobby in this country, the Railway Board, which is behind this; I do not know what it is. But in flagrant defiance of the laws of economics, in flagrant defiance of the unanimous wishes of this House, a particular public service of the most vital interest to our countryside and to our cities is being vindictively persecuted in this manner.

The Prime Minister likes to talk about the jet and atomic age; he looks rather with contempt on the bullock cart and the cow dung age. But what kind of mentality is this which tries to reverse the wheels of progress by penalising dieselisation, a process which is as fundamental to modernism as any other technological process in this world? The whole world is moving from petrol to diesel, because that is where the progress lies. We, like Mrs. Partington with her broom, are trying by this budget to sweep the ocean back with a broom. But we can only hurt ourselves. We cannot hurt diesel oil. Diesel oil is going to have a future, whatever our budget says or does not say. But we hurt the economy of our country by this regressive and reactionary attitude to technological change.

In our Report, we have argued that the foreign exchange necessary to import diesel is well worth spending; rather than spending it on steel plants, let us get more diesel oil into this country. But again, this obsession with steel plants comes in to the detriment of everything else this country needs first. If we insist on turning our backs on progress, we may hurt ourselves, but we are not going to stop the world from moving forward.

Sir, I believe the laws of economics are stronger than even a strong Government and I have no doubt in my mind that, in the years to come, this country is going to reverse these policies towards which it is being pushed at the present time. But if we wait for public opinion to assert itself, if we wait for the electorate to realise the issues, to be educated on them and to change the government of the day - we can do so in a democracy - the damage done to our economy, the harm done to our people, the misery inflicted on them will have been a waste. That is why one likes to appeal to those who are in office today to desist from this path on which they have set their misguided feet.

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