

Thursday
6th October, 1949

THE
CONSTITUENT ASSEMBLY OF INDIA
(LEGISLATIVE) DEBATES
(PART II—PROCEEDINGS OTHER THAN QUESTIONS AND
ANSWERS)
Official Report

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OF THE
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(LEGISLATIVE)
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CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE) DEBATES

(PART II—PROCEEDINGS OTHER THAN QUESTIONS AND ANSWERS)

Thursday, 6th October, 1949.

The Assembly met in the Assembly Chamber of the Council House at Half Past Eleven of the Clock. Mr. Speaker (The Honourable Mr. G. V. Mavalankar) in the Chair.

QUESTIONS AND ANSWERS

(No Questions: Part I not published)

MOTION RE DEVALUATION OF THE RUPEE IN TERMS OF GOLD—contd.

Shri B. Das (Orissa: General): Sir, I support the amendment moved by my friend Pandit Thakur Das Bhargava. I think that is a better stressing of the intentions of the House than the mere consideration which my honourable friend Dr. Matthai wants. Sir, I have to support the attitude which my Government, my Cabinet, has taken and I endorse most of the.....

Maulana Hasrat Mohani (U. P.: Muslim): Is that the only reason?

Shri B. Das: Yes, you wait, you will hear many more things.

Sir, I support the reasoning and I accept the reasonings which my honourable friend Dr. Matthai enunciated over devaluation of the Rupee from Gold, but I don't accept, I don't support his forbearance, his dismissing the British perfidy, the wickedness of Sir Stafford Cripps in the way that he did. Sir, I give him credit that for the first time on behalf of the National Government of India for recognising and admitting that U. K. has not behaved properly, has not behaved squarely with us. We know what happened after partition. We know how all the records of the political archives in various Political agencies were destroyed. We know how the records in the archives of the then Home Department vanished. There is no charge-sheet against my leader Sardar Vallabhbhai Patel. The charge-sheet which the former British raj had against every leader of mine, whether it be Sardar Patel or Maulana Abul Kalam Azad, vanished. We know what part U. K. Officials played: Those British officers played treacherously at every stage of the partition, delayed the police action in Hyderabad and are responsible for the present trouble in Kashmir. And our Government, handicapped as it is, has had to admit for the first time in its history that England has behaved most tyrannically, mischievously, against India. Sir, I do not wish to be severe on Sir Stafford Cripps. But in the *Shanker's Weekly*, that admirable weekly which we enjoy on a Saturday evening or Sunday morning, we saw that unique cartoon where according to devaluation Sir Stafford Cripps is swimming with a gleam of merriment on his face and India is represented by my friend Dr. Matthai with the water almost near his lips—almost sinking under the strain of devaluation. That is my condition, that is India's condition.

We are going to save India from further perfidious action of Britain. I interrupted when my friend Dr. Matthai was speaking. Let us recall our High Commissioner. I have no objection in the present circumstances as we stand, to remain in the sterling area until I feel strong to surmount the sterling area and be independent and stand high; higher than the U.S.A.

[Shri B. Das]

stands in the world of finance. But that will take time. I do not want to have anything to do with the U. K. Of course I will have my stores supply agency, I will have my purchasing agents and consular attaches in U. K. but I do not want my High Commissioner to be there in England. U. K. has not behaved as a gentleman and all canons of diplomacy and gentlemanly honour vanished from U. K. when Sir Stafford Cripps never consulted my Finance Minister on the devaluation issue. Sir Stafford Cripps could have sent a special messenger to consult my friend Dr. John Matthai on the situation. It is not that I am against England and want it to go down further than the fifth rate country that she is today in the hierarchy of European countries. Sir, I was never a party to the linking with the Commonwealth. I was always opposed to the idea of linking with the Commonwealth. I still hold that view and I find it stand substantiated to-day when U. K. is not gentlemanly in its relation with India and wants to exploit our resources still further, as if we are still under its grip.

Sir, the devaluation has come. I wish to warn my Government that they must devalue the number of Ministers that the Cabinet contains. Unless you devalue the number of your Ministers, you cannot bring in any economy, you cannot revive the national credit of India. All talk of economy and all talk of retrenchment will not work if we have a superimposed, expanded, enlarged Cabinet which exists and continues to exist and adding up to the number of Ministries which must have to continue to uphold the dignity and honour of a particular Minister. So, in all humility,—when we are in that mood that we must set our house in order and build up our national credit.—let us first devalue the Ministries. Not only the Ministers, but also the number of Secretaries must be reduced. There are 19 Secretaries who are to be found everywhere. They have replaced the nine Secretaries that the British Government used to have and through whom it ruled this august country.

Sir, I will not touch upon the speeches that have been made but I had the privilege of hearing three eminent Professors—Prof. Ranga, Prof. K. T. Shah and my friend Professor Matthai who spoke on behalf of himself and the Government of the country. When I listened to my friend Prof. Shah, I felt that unless he joins the Socialist Party of Jai Prakash Narain and unless he evolves a proper method of approach on how to govern a country, his method of approach is mere talk, all in the air, all in the stratosphere. He did not show me any way. I was expecting to hear from him. He is an old friend of mine, I listened most attentively to his speech, but I did not find in it any solution by which my honourable friend Dr. Matthai and the Cabinet and the people of India can improve their national credit.

I listened to Prof. Ranga. I found him in a sulky mood yesterday, rather he was trying to criticise the Government but he was afraid to speak. Why was he afraid to speak? What was his solution? My friend Prof. Ranga who is an expert on agriculture, who is the President of the all-India Kisans and who always tries to be on solid earth, was yesterday found floating above the horizon, and he did not add to our knowledge how to save the situation, while my friend Dr. Matthai had his feet on solid earth and tried to take us into his confidence, take the country into his confidence as to how we will solve our problems and maintain our national credit.

How are you going to build the national economy of India? Our great leader Mahatma Gandhi is no more. He advocated self-sufficiency. My friends who are ruling us with my acquiescence and concurrence have failed to take up Mahatma Gandhi's programme of self-sufficiency, be it in a number of villages or in the provinces and throughout India. Yesterday, somebody said that development of industries must be given the first priority. Certainly.

But I think it was Prof. Ranga who asked the question: "What have you done for the development of cottage industries during the last year or year and a half? Can we claim that of whatever money has been spent on development of industries to get out of the clutches of the U. K. or dollar economy, a quarter of it has been spent on the development of cottage industries? I would be glad to hear from my honourable friend Dr. Syama Prasad Mookerjee whether the Rs. 5 crores which he announced to be given for development of cottage industries during the budget session has been distributed, whether he means to distribute and claim from his colleagues, the other Development Ministers, that a quarter of the amount of money spent on development of industries should go to cottage industries which cater for 95 per cent of the people of India and not the manufacturing industries.

I was pleased that my leader, the Honourable the Prime Minister, added another point to the eight points which my honourable friend Dr. John Matthai enunciated. He said we must tighten our belts. While this Parliament started, once I wanted to remind this House what Mahatma Gandhi said that the food problem in India will be solved if we can fast for two days in a month. Had we done that, we would not have to-day to send away Rs. 100 crores per year to the United States. My honourable friend Dr. John Matthai would not have to worry his head to solve the problem of how to buy the Australian wheat and whether the International Monetary Fund will not give certain facilities. The solution lies in our hands. We must fast. India is a country that has been fasting always. My Muslim friends fast for thirty days in a year. My Hindu friends observe *Ekdasi*. I therefore advise the Finance Minister and the Deputy Prime Minister who is the head of the Government at present to introduce national fasting, so that we do not fritter away our little sterling reserves and send away our hard earned dollars.

An Honourable Member: Why not have a Minister of Fasting!

Shri B. Das: I will close my speech with one word of advice about the present position of Pakistan *vis a vis* India. I find Pakistan has been insulting India all the time. Why should we negotiate with Pakistan over devaluation as my friend Mr. Kamath suggested? My Finance Minister was not replied to by Pakistan! Let Pakistan consult my Government at every stage. Then my Government will tell them everything what we are doing. But Pakistan is sulking like a grown up boy, all the time fretting and frowning, so that no sort of negotiation will bring us any result. I do not wish any further negotiation in this matter with Pakistan.

Mr. Speaker: I just want to make one observation. I find a large number of honourable Members are anxious to speak. Unless I crowd them out, the other alternative is to bring down the time-limit to ten minutes.

Shri Biswanath Das (Orissa: General): May I know the method of catching your eye, because I feel it difficult?

Mr. Speaker: There is no special method of catching the eye. It is the parliamentary method of doing it and the same old method continues. But I am trying to give chance to those who have tabled amendments, as much as possible. It is a matter of adjustment. It is not possible to satisfy every one. Some have to go. I can assure the House that nobody is dropped intentionally.

श्री लक्ष्मी नारायण साहू : वाचस्पति जी, जिन व्यक्तियों ने संशोधन दिये हैं क्या

उनको बोलने का मौका दिया जायेगा या नहीं ।

Shri Lakshminarayan Sahu (Orissa: General): Mr. Speaker, may I know, Sir, whether those persons who have given notice of amendments will be given an opportunity to speak?

Mr. Speaker: The honourable Member would remember that the group to which he belongs has got 30 minutes.

Shri Lakshminarayan Sahu: But the group has not been recognised yet.

Mr. Speaker: It has not been recognised, but I find informally, that they do represent one set of people. That is why more time was given to their leader.

Shri M. Ananthasayanam Ayyangar (Madras: General): I hope the time-limit is not retrospective! When I left my house to attend this session, I came making up my mind that I should have a straight fight with the Honourable the Finance Minister. But after what I heard yesterday, I am convinced to a large extent that he could not have done otherwise than what he has done. But anyhow, I do not try to defend him as he himself has been so apologetic in the step that he has taken, which he was obliged to take under circumstances and world conditions over which he had no control. But I would remind him of one or two circumstances where with some greater care many of these things could have been avoided.

He would agree with me that devaluation is only a temporary remedy after all and it would not be a permanent remedy for meeting our balance of payments difficulties. (*An Honourable Member:* "It is not a remedy; it is a calamity!") Very soon, the world prices will adjust themselves in relation to one another and unless we increase our production and reduce our prices the same old disequilibrium in the balance of payments will continue or re-start after a period. It is not therefore a permanent remedy. The permanent remedy is this. Let us see if this Government has addressed itself vigorously to this aspect. When did we discover that there was an adverse balance of trade so far as we were concerned in the whole world? During the five years of the war, we wiped out all our sterling debt and in addition we accumulated sterling balances to the tune of nearly £ 1100 million but unfortunately for us, after the war a large portion of that has been put into a blocked account by the U. K. Government and only a small portion has been released. We built up those reserves with large hopes that we would be able to utilise them. Those resources were accumulated through our blood, sweat and starvation and at the sacrifice of 3 millions of men in Bengal who died of famine conditions artificially created. We hoped that they would be useful for us to build up, restore or replace worn-out machinery and also worn-out workmen in factories which had worked two shifts and three shifts during the war. Unfortunately, England was more anxious to rehabilitate herself before rehabilitating us and America came to her rescue. The dollar loan of \$750 million which England took from America was given the first priority over our needs and the equally big loan that was due to us, namely, our balances, was thrown into the background. That was the position. The creditor had to go as a mendicant to the debtor begging with outstretched hands to release a portion of the balances for multilateral convertibility. Our position after the war was to reduce our adverse balance. Some of our friends have suggested that so far as food is concerned, we must stop import of rice progressively within the course of two years or less and from what we heard from the Prime Minister yesterday even before 1950 food imports should be curtailed or stopped absolutely. I would only wish that we had addressed ourselves to our economy even before the War, i.e., 1939. Then we were importing rice to the tune of 1½ million tons from Burma. Has that situation altered? Has our population come to a stand-still?

Shri R. K. Sidhva (C. P. and Berar: General): We were exporting to Burma also.

Shri M. Ananthasayanam Ayyangar: We were exporting to Burma? Probably we were re-exporting to Burma the quantities the Burmese people

originally did not want. On the whole I assure my friend that we were only importing from Burma rather than exporting to Burma. The Nattukotai Chettians from the South who had invested large amounts in Southern Burma, took over the lands there, took labour from India to Burma, cultivated the lands and sent us the rice. That situation is now altered. Burma is not able to give us anything. The same applies to Indo-China and the other eastern countries. Our trade channels have become altered. We are looking more and more to the West for even our foodgrains, let alone for supplying us capital goods. Neither England nor America to whom we look for the purpose of recouping ourselves, for rehabilitating our industry, has been able to supply us with capital goods. On the other hand we are going to them even for our foodgrains. That is a very big item and affects our balance of trade adversely. Normally, so far as private merchandise is concerned, even to this day, we have no adverse balance of trade. ~~There is this adverse balance of trade because~~ Government is purchasing food on Government account. This situation has been there for years. What steps have this Government taken to meet this situation? There is no co-ordination between the four corners of the Government, between the Finance Minister, the Commerce Minister, the Industries Minister and the Minister of Food. I have been repeatedly urging that there should be a Super-Minister to control all these Ministers, say, a Minister for Economic Affairs, somebody in the nature of a personality like the Honourable the Leader of the House or the Deputy Prime Minister. On behalf of the House and on behalf of the whole of India, I would thank the Deputy Prime Minister for having stopped political disturbances in the country, and for having integrated the 560 odd States. It is now for him to clothe and feed the millions of starving and naked persons in this country. (*Hear, hear*). I suggest that none other than the Deputy Prime Minister will be able to meet the situation and bring about co-ordination.

Shri Brajeshwar Prasad (Bihar: General): The Minister for Agriculture has no powers.

Shri M. Ananthasayanam Ayyangar: I do not know. Ask the Deputy Prime Minister. I am only suggesting this for improving the position. I am not here for making any complaint against any Minister or Ministers, either individually or collectively. All that I say is that there is not that collaboration which is necessary. I will give one instance. When our former Finance Minister went to England and asked for some more release of sterling, he was twitted that even the sterling that had been released to us for that particular year were not utilised. Then it was in the interests of England who was interested in its export drive without which she could not live to twit us that way. I was a member of the Standing Finance Committee then and we said that the Honourable the Finance Minister should have taken facts and figures with him so that he could be in a position to insist on only such of the capital goods as we needed being sent to this country. Instead of that, he came here and was a party to throwing open the floodgates for all types of lipsticks, paints, varnishes, brushes and other things by the system of open general licence. Can any industry flourish in this country under such conditions? Before orders were placed under that licence system, there was another general licence, restricting the old licence and so on. The Honourable the Finance Minister went to the Commonwealth Ministers Conference where he was asked to cut our imports by 25 per cent. which we must have cut down ourselves. With that cut of 25 per cent. our imports are reduced to 75 per cent of the original figure but today the 75 per cent imports, by devaluation, have to be purchased for 106. Therefore he is thinking of a fourth system of licence. Whatever he does, his friends also must agree to. Our Industries Minister ordered cloth from Japan. Even to this day a battle royal is going on as to how to dispose of that. Therefore I want that there should be co-ordination between

[Shri M. Ananthasayanam Ayyangar]

the several sections of the Cabinet and there must be a Minister for Economic Affairs with a plan and a programme. In England, Sir Stafford Cripps is able to say, "Before the end of this week, or before the end of this fortnight, I will do this" and he is able to show that he has done it, but unfortunately there is no Minister here who can say so. For one thing, we have no statistics. These difficulties will be there until we have one world economy and one world currency. Whether you value the rupee in terms of gold or dollar, or sterling, it all comes to the same thing. I would say that so far as devaluation was concerned, there was no hurry to do it immediately. The Finance Minister could have waited for some time. The argument of the Honourable the Finance Minister was that devaluation was inevitable, since 75 per cent of our trade is with the soft currency areas or the sterling areas—I did not hear him say which—, but I have got the latest figures and it is only 51 per cent. and not 75 per cent.

Mr. Hossain Imam (Bihar: Muslim): Does he include Pakistan in the soft currency area or the sterling area?

Shri M. Ananthasayanam Ayyangar: In the soft currency area.

Pandit Lakshmi Kanta Maitra (West Bengal: General): Non-dollar area.

Shri M. Ananthasayanam Ayyangar: If England is to register an export surplus, either it must reduce its prices or it must ask the tariffs in America to be reduced or ask them to build up stockpiles of rubber and other things for which they already have substitutes. My point is that so far as we are concerned, if we had not devalued immediately, the world would not have fallen. Even for these 51 per cent imports, we could have diverted the purchase of these articles elsewhere. Then regarding our imports, now they will cost us more. Take Pakistan for instance. We have no control over Pakistan cotton and jute. On cotton alone we will have to incur a loss of ten crores. We do not know what Egypt or America will do about cotton prices. Then on jute we will be losing about 30 crores. These are the essential commodities. There is an attempt to grow jute in Travancore and Orissa but it will take time. Take again hides and skins on which the South Indian tannery industry depends. Even for this, we have got to go to Pakistan. It has started not merely a political war in Kashmir; but it has also started an economic war. But, unfortunately, we have an unfortunate tendency that if even our cosmetics are stopped, we feel we have lost everything.

My suggestion is this. I have already said that there must be a Minister for Economic Affairs. I would urge upon the Honourable the Minister for Finance to immediately set up a Standing Committee to advise him upon the various matters which he has envisaged. He said he is going to take action on eight points. If the American Dollar has appreciated in value, we can reduce our imports. We can expand our exports. In regard to expanding our exports, on such of the articles over which we have got a monopoly, we can impose an export duty. These are the various suggestions, and I welcome them. These suggestions have been made in the various papers and various journals. He has gathered all of them and has not left any. To that extent it is very good. But, where is the agency which will advise him and insist upon his taking action in these matters. That is what is wanted more than a chronicling of a number of events or items. For this purpose I suggest that he may appoint a Standing Committee of this House with four Ministers including himself, the Minister of Industry and Supply, the Minister of Commerce and the Minister of Food, and in addition seven or eleven members from this House. Let him choose these persons, some from the Standing Finance Committee, some from the Standing Committee for the Ministry of Commerce, some from the Standing Committee for the Ministry of Industry and Supply. The one Committee which is already in existence cannot do all this business. I do not want the

Standing Finance Committee to exclusively deal with this because it does not contain members from the other Committees. As there was a Committee for the Bretton Woods Agreement, for the International Monetary Fund, to decide whether we should be members of that body, what should be the exchange value of the Rupee and all that, let there be a Committee for this purpose. I do not even want this Committee to report to this House. It is enough if they along with the four Ministers look into the matters and advise them on what articles imports should be cut, what articles could be exported and how the prices could be brought down. Unless we take all these steps, I am afraid, we will be forced to devalue the Rupee further. (*Interruption*). I have only one minute more. I am only appealing to the members, that the danger is not yet over. The Honourable the Finance Minister referred yesterday to the insistence of the International Monetary Fund. Whether any particular institution insisted or not, the danger has started and we are going down the sliding scale and unless we keep the value of the Rupee properly, by exporting some more goods, we may be obliged by circumstances to devalue the Rupee further and further, and I do not know where that would lead to. I hope the Honourable the Finance Minister will accept my suggestion in the spirit in which it is offered. We have no intention to quarrel.

Shri Shankarrao Deo (Bombay: General): Sir, this House has been specially summoned to give the members an opportunity to express their views on the situation created by the devaluation of the rupee in terms of Gold. This is a very complicated and confusing subject and from the opinions that have been expressed so far, we find that hardly two experts agree on anything. Therefore, it is very difficult for me—a lay man to understand the subject in all its implications and so it is a kind of venture that I am doing when I stand to speak here. Still, I must say what I feel about it.

The Honourable the Finance Minister has taken the House into his confidence and told us that we had been forced to be on the defensive in this matter. I do not want to go into the question whether it was necessary for us to do so. We must accept the fact that a step has been taken and we are told that it is a defensive step. The very fact that it is a defensive step implies that it cannot be a permanent one. One is forced to take a defensive attitude because he is not prepared for an offensive. The defensive attitude can only be justified if it is made a means to prepare for an attack which will ultimately lead to success.

As a layman, I have been trying to understand why this step has been forced on us. We are told that for the last two years we were doing something which was wrong and which we ought not to have done. We are awake now to the situation. After all, thank God, after two years, our sleep is over. What is the thing which was wrong? We are told that we were spending more than we were earning. If we had not been a spendthrift, if we had not spent more than what we had or what we were able to earn, then, the bad plight in which we find ourselves today would not have been there. Therefore, I feel that the problem is really first to adjust our accounts, our earnings and our expenditure, and we must immediately stop spending more than what we are earning. In other terms, it can be said that we must produce more and we must consume less. The real problem according to me is that the nation must produce more and produce at a reduced cost. There was a period of scarcity and we were told that we must produce more. Today, we find that there is a crisis in which there is a contradiction: there are high prices, there is unemployment and mills and factories are being closed: we must produce more and at the same time reduce the prices.

We are told that this devaluation will not affect to any extent the internal economy of the country. The special purpose or motive for devaluation is

{Shri Shankarrao Deo}

that we want to increase our exports. That is a sound policy. But, we must produce more, not resting on devaluation. If we only rest there, we cannot compete successfully in foreign markets. We are told that if we had not devalued, we could not have any foreign markets for our goods because there will be other countries which would sell their goods at lower prices. We must produce more and reduce the cost. That cannot be only by devaluation. If we only stop at this, and if we do not put extra efforts in the field of production, we will have to devalue again and again and a time will come when the rupee will have no value at all. Therefore, according to me, the main problem is production.

At the same time, let us not give false hopes to the people as the Honourable the Finance Minister has been doing. The Prime Minister has also assured us that the general price level and the cost of living will not increase. We hope that they will succeed this time because this assurance has been coming often from the Government that they are taking measures and that their policy is to reduce the cost of living. After two years or at least one year, we find that the Economic Adviser's index number stands at 392 points, higher than the peak point in the worst days of de-control, after one year of anti-inflation policy of the Government which was declared on 4th October 1948, and in spite of the Finance Minister's assurances in this year's budget debate that soon they will succeed in bringing down that index number.

I do not want people to lose their faith in the policy of this government. Today people find it difficult to understand things. They are given promises, but they find no prospect of those promises being fulfilled. There may be difficulties, I admit there are, but let us tell the people plainly what they are. I am one of those who would tell the people straight and plainly, that this is so and so, and we have to devalue our rupee. The fact is that we find ourselves in a bad plight at present. Let us not say that we will not have to suffer. I would tell the people that they will have to suffer even more. I am sure they will not shirk suffering. But they must be assured that this suffering will be by all and equal. Unfortunately the people have not that amount of confidence and faith in us which I would like them to have. They feel that when they are asked to suffer, there are people, some sections, who have not to suffer to the extent they ought to, or are expected to do. Sometimes they feel that while they fast others feast. Our policy, let me humbly say, has not been psychologically correct. Sometimes we have begun on the wrong side. We have asked the people, the masses, to suffer, but we have not with the same emphasis, asked the rich men, or men who can afford to suffer more than the poor to do so. Our policy regarding compulsory saving is an instance. We have been saying for the last one year or more that we will have to save, and that there should be compulsory saving. Still yesterday the Honourable Finance Minister said that if voluntary attempts do not succeed, then Government will resort to compulsion. One or two years' experience is not still sufficient. They still seem to feel that rich men, men with money to spare, will voluntarily come forward. That has not, unfortunately, been our experience. I would, therefore, like to request the Government that they must ask the people to suffer more equally, and they must spare, as far as possible the poor for whom it is very difficult to save more, because they earn very little. I would like the Government to tell the people and the nation that they will have to suffer. But this suffering will not be a permanent feature. Suffering cannot be an end. Suffering can only be a temporary phase, only for a temporary period, in order that we may enjoy more. Scarcity or austerity can be understood. It can be only gone through willingly if there is a promise and if there is confidence and faith in the Government or the people who lead, that this austerity or scarcity or suffering will come to an end and the freedom that we have won at such a cost will give us plenty and peace.

Then, Sir, I come to my second point, because the time at my disposal is limited. I have said that as far as this crisis is concerned, I am one of those who have been advocating that this crisis though expresses itself acutely in the economic sector, it is really a psychological and a moral crisis. We must make the whole nation feel that if they put forth the maximum effort, then the results will be equally shared by all. They must be told that this economic crisis is a symptom of the moral disrepair. This is nobody's fault. I am not here to blame anybody. I share the blame or the merit or credit whatever it is, equally as one unit of the whole nation. I do not make any difference between the government and the people or the legislators and the Ministers. I share the blame and we must admit that we deserve it. Anyhow, we have failed to enthuse the people to make or put forth the maximum effort for the national recovery. It may be in the economic or in the moral or it may be in the cultural or social field, we find today that that glow of freedom is not there, people do not feel much enthusiasm and they ask, "Why should we work?" The answer must be "You must work, because you will enjoy the fruits of your work." But even if they are told this, they do not believe us. Anyhow that is the condition in this country, and everybody has to realise this. It is the moral regeneration of the nation alone, that can save us and can take us through this crisis. Sir, I started by saying that the real crisis was economic and the question was one of production. When we come to production, there also, I have to say plainly that our approach has not been the correct approach. We have been planning and planning for production, but what do we find? Practically no result. I am sorry, I can share the Prime Minister's sentiments on this subject, and his pangs that one after another, our grand schemes have had to be given up. Why? Because these schemes had no realistic foundation in the economy of this country; they were not based on the wealth that this nation has. We planned and we banked and we relied upon foreign help, not only for machinery, but even for capital and expert knowledge also. If we had planned on the actual and the potential wealth, in men, money and material of this country, then I think the result would have been quite different. Therefore, as the Prime Minister said yesterday, we must change now and we must resort to cottage industries because these will give immediate results. That is what most of us have been advocating. Let me put it in another way, it is Gandhiji's ideology or programme which alone can succeed in this country. What is the Gandhian ideology or programme? It is self-sufficiency and decentralised industries. Let us not use the word cottage industry, it is really village industry, based on co-operative lines. That is what we should adopt. The whole nation paid its homage to Gandhiji on the 2nd of October, and everybody admitted that he was the man who took us to freedom, and it will be his programme which will lead us to the next revolution. But everybody admitted also that we had strayed away from his path. Everybody confessed that we had not followed Gandhiji correctly, and that was our real mistake. Panditji said in his speech at the public meeting on the 2nd that the only substitute for violence and the atom bomb is the Gandhian plan and the Gandhian programme. These words should have meaning and actual reality in our day to day efforts. Otherwise they would be only words. All will agree that the atom bomb has not fallen from heaven. It has grown from below. It is the last bitter fruit of a tree which is the present economic, industrial and social structure. You cannot simply cut the fruit and keep the tree and expect quite different fruit. As you sow, so you reap. Therefore, let us cut the tree at the very bottom, at its roots, and let us build again, and anew. In other words, let us follow Gandhiji; let us have a decentralised economy. That does not mean, Sir, that we do not want help from outside.

The Honourable Shri K. C. Neogy (Minister of Commerce): I seek the indulgence of the House for a few minutes so as to be able to place before it a few submissions dealing with the trade aspects of the matter. The subject matter under discussion is, in the words of the last speaker—for whom I have great respect—admittedly complicated and confusing. It is no wonder, therefore, that even those Honourable Members who have supported the Government's action have been rather critical in their observations. But to my mind, that is not sufficient justification for us to ignore some of the fundamental facts in this connection.

Professor K. T. Shah castigated Government yesterday for having allowed an adverse balance of trade to prevail for the last two successive years. Deeply immersed as he normally is in the study of economic theories, he perhaps forgot a somewhat important event that took place two years ago, namely, the partition of the country and the resulting disturbances in the economic sphere leading to results which are still with us and which have yet to be overcome. There has been a general tendency on the part of speakers to regard India, even divided India, as an agricultural country which depends upon its agricultural products for the purpose of foreign trade. As a matter of fact, on the 15th of August 1947 the divided India ceased to be a primarily agricultural country, at least from the point of view of foreign trade. On the export side we have lost two important raw materials, raw jute and raw cotton. Whereas in the past we used to earn foreign exchange with the help of raw jute and raw cotton as a result of the partition we have become a great importer of raw jute and raw cotton for which we have to find the foreign exchange, because what was internal trade before has become foreign trade with effect from the 15th August 1947.

Now, Sir, as a result of the partition also the food deficit has been accentuated. I am not going to deal with this aspect of the matter because my honourable colleague the Food Minister is surely going to speak this afternoon. While these two sources of drain were operating on our available resources, we deliberately adopted with effect from the date of partition, and even before, a policy for the purpose of nourishing and augmenting our industries, a policy that necessitated the adoption of liberal spending for the importation of capital goods and machinery as also raw materials needed by industry. Now, Sir, is it any wonder that as a result of these different factors that have been operating as a result of the partition, and also as a matter of policy in the case of industrial development, that the resources available to us in the shape of foreign exchange should be extremely strained?

A good deal of comment has been made on our drawing upon the sterling balances. If the sterling balances can be legitimately put to any use, it is for the purpose of meeting an emergency of this character so as to enable us to tide over what I consider to be a mere transitional phase in our economy.

Now, Sir, it is necessary for me to give very briefly an idea about our policy in regard to foreign trade. As the House is already aware, we have already tightened up the controls and re-imposed our import control very severely of late. It is our desire to ensure that the gap in our payments does not exceed the amount we may draw from our sterling balances in the year.

It is a coincidence that just about a couple of days before the decision was taken on devaluation, we published our latest policy regarding more stringent import control. Secondly, that again is a matter of curious coincidence, just about five days before the decision on devaluation was received, we received the report of the Exports Promotion Committee that had been appointed by Government to suggest to us measures that may be needed for the purpose of improving our export trade. It is a very valuable report and is under active consideration of Government. I dare say copies are available

to honourable members in the Library. (*Some Honourable Members*: "It is not available in the Library.") If the copies have not yet reached the Library, I will see that they are made available.

Prof. N. G. Ranga (Madras: General): Why not circulate them to Members?

The Honourable Shri K. O. Neogy: I am not quite sure whether sufficient number of copies have been printed.

The view has been expressed that our adverse balance of trade would now amount to something like Rs. 200 crores every year. This view is based upon figures of balance of trade for the first half of this year, when the effects of our liberal import policy were still being felt. Since May, however, our drawal from the sterling balances has been declining month by month and actually in the month of September we had a favourable balance of payment.

Prof. N. G. Ranga: What was the position in September last year?

The Honourable Shri K. O. Neogy: I could give you the figures later on.

I do not mean to suggest that the balance of payment problem is solved. But I say this to indicate that we are proceeding on the right lines.

Now, Sir, criticism has been made of the liberal import policy followed in the past. I have no time to deal with this question at length, though I should have very much liked to do so. But I must point out that there is some misconception on this subject. The adverse balance of trade in 1948-49 has been estimated at approximately Rs. 215 crores. Our import of food alone during this period amounted to about Rs. 130 crores and that of machinery Rs. 81 crores. Raw jute, which formerly formed a part of the country's internal trade, accounted for Rs. 70 crores. We had to spend nearly Rs. 65 crores again on imports of raw cotton which is a new feature in our foreign trade. To think, therefore, that the adverse balance of trade was due mainly to the import of non-essentials is to be labouring under a serious misapprehension.

Pandit Lakshmi Kanta Maitra: Have you got figures for oil?

The Honourable Shri K. O. Neogy: I am afraid I will not have the time to go into all that.

Now, taking the case of luxury goods, properly so called, the import of luxury goods since November 1948, when for the first time the Open General Licence covering such luxury goods came into full operation, amounted to only 1.5 per cent. In other words, between November 1948 and March 1949 a relatively small sum was spent on luxury goods. In this description I have included motor cars which account for at least half the amount which has been shown under luxury goods.

Shri Suresh Chandra Majumdar (West Bengal: General): What was the amount between November 1948 and March 1949 with regard to luxury goods?

The Honourable Shri K. O. Neogy. I have not the figures here, but I can give you the amount. I can say offhand that half of that is represented by motor cars.

A reference was made yesterday to the importation of cotton piece-goods. It is true that cotton piece goods have all along been imported into this country but in very much larger quantities in the past than has been the case in the recent past. Now the quantity imported was one per cent of the Indian production and this is represented by 47 million yards as against a production of 4,400 million yards in 1948 and an estimated production of 4,000 million yards in 1949. Here again we had the advantage of the recommendations of the Tariff Board that reported in March 1947 when they pointed

[Shri K. C. Neogy]

out that the import of a very much larger quantity of cotton piece-goods was justified because there was absolutely no competition between that type of goods and the goods produced in this country. And may I mention that in the quantity of cotton textiles representing one per cent. as I said of India's production that has come into this country, there are included specialities like umbrella cloths and other things which are not to be disposed of as being non-essentials.

Shri R. K. Sidhva: What about artificial silk?

The Honourable Shri K. C. Neogy: There is a considerable demand for artificial silk yarn and fabrics.

Shri R. K. Sidhva: What is the total amount?

Shri M. Ananthasayanam Ayyangar: What is the value of this one per cent?

The Honourable Shri K. C. Neogy: The value of this one per cent may be Rs. 8 crores or so.

Now that we are tightening up all controls, perhaps in the next few months the honourable Members would thank Government for having adopted a liberal import policy of this kind in the past because otherwise the cost of living, which according to honourable Members is bound to go up, would have further gone up but for the existence in the country of substantial quantities of imported articles, all of which cannot be characterised as non-essentials or luxuries.

Shri R. K. Sidhva: What about Japanese textiles?

The Honourable Shri K. C. Neogy: That is all included.

In the first half of 1949 our exports show a decline of Rs. 20 crores over January/June 1948. Out of this Rs. 14 crores were in respect of hard currency countries. The decline affected jute manufactures, raw jute, cotton, oil and oil-seeds, mica and shellac. Certain commodities, however, showed increases over the 1948 figures. The more important of these were cotton piece-goods. I am glad to say that the export of cotton piece-goods has considerably improved already, and we are expecting a further improvement in hides and skins, manganese, tea and tobacco. The development and promotion of our export trade is a task on which increasing attention is being paid and as a result, as I have already said, there is an upward trend in the monthly value of our exports.

Now, Sir, I may briefly refer to the question as to what effect will devaluation have on our export trade. As the honourable the Finance Minister has pointed out, it was more as a defensive mechanism that we had to accept devaluation. Now about two-thirds of our exports are today the produce of industry and here again I point out that there is even now a general misapprehension that our exports consist mainly of raw materials. Now raw materials feature more and more in our import trade because they are needed for the purpose of manufacture and their importance in our export trade has gone down considerably. Our jute industry holds a unique position in the world because we can produce jute goods more cheaply than any other country. That is the present position and if we had not decided on devaluation, we would have lost the advantage that our jute goods have over those produced in other countries.

Now there is a feeling that if we had not devalued at all, we would have got our supplies of raw jute from Pakistan at the past parity but that would not have been of any help to us because there are other places like Dundee in the United Kingdom and some Continental countries which do manufacture jute goods and which, having devalued their currencies, would have been in a position to compete with us successfully. Even apart from this possibility, jute goods have already yielded some amount of place in the dollar markets to substitutes made of paper and cotton, and it is our hope that in spite of the export duty that has

now been fixed on Hessian, which is the type of jute goods mostly consumed in the United States of America, Hessian would still be available to the U.S.A. at a lower price than before so that this process of substitutes displacing the genuine article will be arrested.

Now, Sir, it is impossible to ignore the situation that has arisen on account of Pakistan's policy in the matter of currency revaluation. As I have said, perhaps more than once in this House, the economy of the two Dominions is complementary and it gives me no pleasure to see this conflict that has arisen between the two Dominions. I have been trying to bring about a long-term understanding with Pakistan so far as jute and cotton are concerned. In April 1949, as a result of informal discussions between Mr. Ghulam Mohammad, Finance Minister of Pakistan and myself at Delhi, an agreement was drawn up, which was published much later after it had been ratified by the Pakistan Government in a very much different form from what it was when we came to that agreement in Delhi. Now this agreement is dated 8th April and bears the signature of a Secretary to the Pakistan Government and a Secretary to the Government of India and it contained the following clause which later disappeared from the agreement as ultimately ratified by the Pakistan Government: and therefore, this is the first time that I am placing it before this House. This is a separate clause after we had dealt with certain of the matters in regard to which certain short-term consultations were found to be necessary. It runs thus:

"The two Governments will enter into negotiations with a view to a more comprehensive agreement being reached with reference to the production, manufacture and sale of jute and cotton. These discussions are intended to deal with long-range problems."

Now, Sir, this clause along with the others was placed by me before the Cabinet within a few days of the signature of this agreement and it was ratified then and there by the Government of India.

It took several weeks for Pakistan to reach a decision, which time was occupied by continued correspondence suggesting alterations here and there. It was after those several weeks that ultimately I was told in a cable sent by Mr. Ghulam Mohammad that he was not in a position to get his Cabinet to agree to this clause being maintained in that agreement and I had that recorded.....

Pandit Lakshmi Kanta Maitra: Their Secretary signed that report already.

The Honourable Shri K. C. Neogy. Of course, the signature is there. The original is in our office. This I have said, because it may be sought to be made out outside this House that we have never tried to settle an economic policy in cooperation with Pakistan or that our attitude has been hostile. This is evidence of our good faith in the matter and indicates an anxiety on the part of the Government of India, which was fully shared, I may say, by the Finance Minister of Pakistan, that there should be a long term agreement in regard to these two commodities and the connected industries.

Shri R. K. Sidha: Did they give any reason for dropping this clause?

The Honourable Shri K. C. Neogy: What I know is that the Pakistan Cabinet was not in a position to agree to the incorporation of this particular clause.

We have therefore perforce to think of becoming self-sufficient in the matter of jute and cotton production and it is our hope—a hope which has been confirmed by the experts of the Agriculture Ministry that it would be possible for us to increase considerably our jute production in the next year without in the least affecting our food production. Likewise with cotton. But here, so far as cotton is concerned, we have alternative sources of supply and when we look into the figures we find that it is a small proportion of Pakistan's cotton that we used last year. Having regard to the very favourable crop that we are expecting this year in India we do think that we will be able to do without Pakistan cotton, if it comes to that.

[Shri K. C. Neogy]

But what about jute? In regard to jute again we have our hopes and we are supported in this hope by the industry that it will be possible for this industry to continue manufacturing, if need be, on a reduced basis but to continue manufacturing jute goods and for that purpose they are prepared to utilise other fibres like *meshta* which is very much like jute and also some kind of hemp.

Maulana Hasrat Mohani: Isn't it wishful thinking only?

An Honourable Member: By you only.

The Honourable Shri K. C. Neogy: I do not know if my honourable friend wants to speak on the subject but I should not think that he is serious in his interruption.

I am placing certain facts—facts which have been agreed to between our experts so far as the possibility of India growing more of these fibres is concerned and facts also based upon discussions with the industries concerned.

As I said once before, it does not give me any pleasure to see such a conflict operating between the two dominions. As a matter of fact I had a despatch only yesterday from Eastern Bengal describing the economic plight there. Eastern Bengal has an entirely agricultural economy, which has for its foundation the jute interests and nothing else. Now the terrible situation that has arisen, because of the complete stoppage in the jute trade, has been graphically described in this despatch. I have no desire to quote from it. It indicates that by the mistaken policy of the Pakistan Government the people in Pakistan are being subjected to very severe disability. They are not in a position to get any money by the sale of jute which is their principal cash crop for the purpose of meeting the cost of living, which is mounting up by leaps and bounds. The cost of rice is in the neighbourhood of Rs. 40 today. The Pakistan Government in the plenitude of their wisdom have imposed this misery on their own people.

Shri Biswanath Das: May I know whether the Honourable Minister has any objection to read out the despatch?

An Honourable Member: No, it is not necessary.

The Honourable Shri K. C. Neogy: Having taken so much time of the House I would like to give an idea about the various measures that have been taken by the Government since the decision on devaluation was taken.

We have had consultations with top-ranking industrialists and businessmen and their general assessment of the position has been in agreement with that of the Government and whatever I have said in regard to the jute and cotton industries is fully borne out by the discussions and the opinion of the businessmen that we consulted.

An ordinance has been issued authorising Government to impose export duties on various commodities. The object is to prevent a speculative rise in prices and also to ensure that if an increase in rupee prices of export commodities is inevitable the quantum of the increase comes to the exchequer and does not in fact profits, wages, etc. A further object is that where both the demand and supply of the commodity is inelastic we should not suffer a loss in foreign exchange on account of the cheapening of our product.

With the same object in view we have decided upon state trading in coal. With changes in exchange rates affecting our different markets differently it is necessary to revise rupee prices and since the distribution of coal is under control, it will be possible for us without any special machinery to carry on state trading making such adjustments in prices as may be necessary from time to time.

Here I should like to pause and inform the House that the proposed committee to consider the question of state trading to which reference was made yesterday would be formally constituted at the earliest possible moment and summoned to consider all the various issues that have arisen particularly out of devaluation.

The jute industry has been very considerably affected by devaluation both in respect of the imports of its raw materials as well as the export of its finished products. Now that the prospects of getting any jute from Pakistan seem remote, our policy for the export of raw jute has been revised after consulting the industry and restrictions have been placed upon them. It would enable us still to maintain our exports to the dollar markets of raw jute although we would be running short of our supplies of that commodity in India. At the same time, special steps have been taken to ensure the speedy movement of all jute in the Indian Union to Calcutta. Government do not wish to see a rise in the price of the Indian raw jute which will affect other agricultural prices and measures to prevent such a rise have been taken.

Discussions similar to those with the jute industry are also scheduled to take place with representatives of the raw cotton and cotton textiles import and export trade and measures to protect our interests will be taken.

The O.G.L. for the import of goods from Pakistan has been cancelled.

The ceiling for the import of certain essential drugs for which we are mainly dependent on the U.S.A. has been more than doubled in order to prevent an undue rise in the price of such drugs or a scarcity in their supplies.

Recommendations of the Export Promotion Committee are being examined urgently and an announcement of Government's decision on the measures calculated to develop our exports will be made shortly.

Shrimati Benka Ray (West Bengal: General): Sir, the Honourable the Finance Minister has explained so clearly the facts and the circumstances in which it became necessary for the Government of India to take the serious decision about devaluation of our currency that I do not wish to enter into this matter.

[At this stage Mr. Speaker vacated the Chair which was then occupied by Mr. Deputy-Speaker (Shri M. Ananthasayanam Ayyangar).]

You, Sir, while you were speaking a little while ago suggested that the Government of India might have waited and brought in devaluation at a later stage. I would like humbly to point out that this might have had a serious repercussion, because as the Honourable Finance Minister explained yesterday though we are not linked to the sterling as such we do belong to the sterling area and it is not only the sterling area countries but also other soft currency areas that have devalued their currencies today. Had India put off this decision off much longer it might have been that instead of the thirty per cent value that has gone down, we might have had to devalue it even further. This is a very important point and I am sure that the honourable the Finance Minister will elaborate on it when he speaks.

There is another point I want to make. There is in this country a feeling amongst certain people, which has been greatly increased because there have been contending viewpoints, that it is because we have remained a member of the Commonwealth that we today have had to devalue the rupee. I do not think that this is true at all. There may be two opinions about that. But I do not think that at the present juncture, given the circumstances and the historical background, it could have been possible for the Government of India—whatever government was in power—to do anything but devalue the rupee.

[Shrimati Renuka Ray]

I am constrained to point out certain other matters. After hearing the Honourable Mr. Neogy's speech I think that perhaps devaluation may be a blessing in disguise—perhaps, at last, we shall wake up to face the issues that we should have faced some time back. This House will remember that last year many experts were called and Government went into the matter in great detail and many viewpoints were taken. As my honourable friend Mr. Khandubhai Desai said yesterday, though many suggestions were made these humble suggestions were not implemented. Perhaps if devaluation does lead to the implementation of those measures that are essential, then it may really be, as I said, a blessing in disguise.

Coming to the subject on which the Honourable Mr. Neogy has spoken just now, that is our foreign trade, in spite of what he has said I cannot but say that this has not been handled in a satisfactory manner. I will not dwell on the details in regard to the import or the unfortunate effects of the Open General Licence policy that has been so disastrous. Many speakers have done so and I do not want to reiterate what they have said. But I would like to point out to the honourable the Commerce Minister as well as the Finance Minister that in spite of all that the figures may show the fact remains that our shops and our markets are crowded today not only with goods from sterling areas—luxury goods of all type—but also with goods from those hard earned dollar areas too. I do not know exactly what the schedules are and what are meant by "luxury goods". The honourable the Commerce Minister has mentioned that motor cars are included amongst the "luxury goods". I do not exactly know what are included under "capital goods". Do they include merely those things which are needed for our production and our future development, or do they include many other things? The presumption is that under "capital goods" are lumped many other things.

I want to dwell at a little length on the export policy because this is going to be very important with devaluation today. Unlike U.K. we are not mainly a manufacturing nation and, as Mr. Neogy has pointed out, though our export goods are not completely raw materials as they were in undivided India they are still not the types of goods for which elasticity of demand will be very great in the dollar countries. Therefore there is this great difference between U. K. and us. We cannot predict here. It may be that the dollar prices for our goods may not go down, or it may be that the dollar prices may go down to such an extent that it will increase the elasticity of the demand for our goods there, and as such the net result may be that there may be a net increase in our actual export. But these things are yet to be seen and the export policy has to be handled with a very great deal of care and scrutiny which has not been given to it hitherto but which must be given to it now.

The Honourable Mr. Neogy has told us the position in regard to jute. Jute exports are sixty to seventy per cent of our dollar exchanges, though they are less in terms of our total exchange. I am very glad to hear from the Honourable Mr. Neogy that at last the Government of India is thinking of increasing the acreage under jute and cotton. But I fail to understand why this could not have been done a year ago.

The Honourable Shri K. C. Neogy: So far as jute is concerned, there has been a considerable increase already this year.

Shrimati Renuka Ray: But the increase is not as great as it could have been. In regard to cotton it has hardly been done. The honourable the Finance Minister mentioned in his speech yesterday that if we cannot have Pakistan raw cotton, as an alternative, we can have Egyptian cotton. Egyptian cotton prices are also fairly high. It is therefore very necessary that we should have raw cotton in sufficient quantities grown in this country. All these suggestions have

been made before. I can remember the past Budget session. I can remember what has been said in the last November session. It is the implementation on which depends our future prosperity or otherwise.

The Honourable Mr. Neogy referred to the report of the Export Promotion Committee. There are many items of this Report which I think should be implemented. For instance, in regard to invisible exports they have referred to tourist traffic. It is an obvious thing that India can considerably increase her invisible export if we provide proper amenities for tourist traffic. It may be said that we would have to go in for some capital outlay. Quite true. But at the same time capital outlay would bring in very quick returns.

On Cottage industries I will not dwell because many other speakers have already spoken in great detail about it. But I would like to say something about the quality of our goods that are exported. It is a very reprehensible fact that from Mexico reports came in that the jute which was sent there brought about cholera and that from the U.S.A. the report came in that certain spices that were sent there were found to have rat excreta in them. We have to see that the quality of our exports sent out is such as will help to increase the demand for our goods in foreign countries. I would respectfully urge that it is not by giving greater benefits to private enterprise or by affording them greater facilities alone that you can achieve it. I would support the suggestion that a state trading corporation of the type of the U.K.C.C. should be brought into being immediately and I do hope that at the end of this debate the honourable the Finance Minister will accept this suggestion.

In regard to internal price level, though I do not want to go into detail as I have so little time at my disposal, I would like to point out that Government has failed to control sugar and wheat. Now we have heard that they ^{1 P. M.} are trying to reduce the price of foodstuffs by 10 per cent. Of course if this can be done without affecting the primary cultivator it may have an effect in bringing down prices. But whatever be the suggestions of Government, I do hope that these suggestions are really implemented because the fact is that we hear of many things but none of them are implemented.

Some Members have spoken about the very great need of balancing our budget and axing so as to balance it. It is very necessary that our budget be balanced, but it is equally necessary to see that axing does not fall upon the nation-building services, those vital services on which actually our increased productivity really depends because unless you can increase the efficiency of the worker, unless you can give him food, education, training, health and housing, how can you increase productivity in this country? These are the services that received step-motherly treatment all along under the foreign regime and I do hope that there will be a planned and co-ordinated axing done in regard to balancing the budget so that these very important development services are not affected. I do not mean to say that administrative costs in these Departments should not be brought down but the essential services should not be axed at all.

Before I close there are just one or two other points which I should like to bring up. On August 15, 1947 the cash balances of India were Rs. 310 crores, in August 1949 they have been reduced to Rs. 100 crores. Therefore Rs. 210 crores have been spent in the course of these two years. If these 210 crores had been spent in development, on increased productivity, I at least for one would not have found fault with it. It may be that as the Honourable Mr. Neogy has pointed out, during transition certain expenses could not be avoided, but I do still maintain that much of this expenditure has been wasted and we cannot afford this wastage.

Shri Hamnath Goenka (Madras: General): Wasted on what?

Shrimati Renuka Ray: This expenditure has gone on items which have not brought any development of productivity. It has gone waste in view of the fact that it has not brought any return at all. You have spent on increasing your departmental expenditure but you have not correspondingly increased the services rendered.

I want to refer to the Standing Finance Committee of this House. The Standing Finance Committee of the House, under the old regime, was I should say almost a farce. But even today there has not been much change. There is no Budget Estimates Committee of this House. I may give just one instance of the way our estimates of revenue go wrong. Last year there was an over-estimate of customs revenue by Rs. 80 crores, this year there was an under-estimate by Rs. 50 crores. The revenue estimates for 1948-49 were Rs. 117.25 crores and this year they were Rs. 107.25 crores. I want to know by what method this reduction by ten crores came about which was falsified two months later. I want to know how this is arrived at. They are all co-ordinated matters and now that we are facing devaluation in this country it is very essential that our revenue and expenditure are so co-ordinated and regulated that we do not go wrong in our estimates, that we do not know much later, and that through the British Chancellor of the Exchequer, that our sterling reserves are being depleted. Sir, while I fully support the devaluation I do say that unless all the things that have been said in the past, all the wonderful suggestions that have been made, all the reports that were made to Government, are implemented, we cannot and we shall not be able to rise out of the economic crisis that faces us.

The Assembly then adjourned for Lunch till Thirty five Minutes Past Two of the Clock.

The Assembly re-assembled after Lunch at Thirty five Minutes Past Two of the Clock, Mr. Speaker (The Honourable Mr. G. V. Mavalankar) in the Chair.

Mr. Hossain Imam: The decision to re-value a country's currency is one of the most momentous decisions which a Government can take and there is no doubt that in the situation in which we were placed the Government had no option but to devalue. The only question which arises is about the time and the quantum. I feel that we should refer to the last occasion when we had a devaluation. On the 21st September 1931, when England went off the gold standard we had no standard for the rupee for one day. The rupee was left hanging in the air. Unfortunately, out of the 125 members of the Central Legislature of that time, there are only three of us left. I represent the Council of State alone and Mr. K. C. Neogy and Mr. B. Das are two of the colleagues of those days in the Legislative Assembly. The condition then was that we were face to face with a very severe depression whereas today we have inflation. The Government in power in those days was irresponsible. Today we have a National Government and naturally we expect something much better than we did from that bureaucratic Government. That Government had to consider only trade and commerce and the Government's budgetary provisions, whereas this Government of the people has to consider in addition to those three items the effect of devaluation on the national savings, on the wages, salaries and other factors which go to make up the composite wealth of the country. Mr. Khandubhai Dessai yesterday referred to the fact that however illogical rise in prices may be, it was bound to come. I wish to stress that point and I regard a rise in price as inevitable, unavoidable and inescapable. I may have my differences with the honourable the Finance Minister, but I have the consolation that in many of my dictums I will be following the principles laid down by Dr. John Matthai, the economist. The prices are bound to rise up. I will just illustrate three causes. Industries in which raw materials are imported from hard currency or over-valued currency countries cannot but have a rise in price there. Also in many of the industries in which new machinery has to be imported at higher cost, the ultimate cost of the products will increase. Then

there is the factor of increased foreign demand. If we devalue a currency, we work for an increased foreign demand and it is natural that with the increased demand and inelastic supply, the prices should rise up. Then again, we have the necessary item that with the rise in cost of living, the wages and salaries will go up. In this connection, I should specially remind the House of the plight of Indian shipping. It will have to buy odd supplies of fuel oil from mostly hard currency countries. It is necessary that the Government should do something to encourage our national shipping. It is in a bad way. The U. K. Mercantile Marine Conference are treating them in a bad manner because there is not sufficient backing from the Government. It is necessary that this should be looked into.

I am glad that the Honourable Mr. Neogy referred to the Export Promotion Committee he had formed. It has given a good deal of support to the idea of devaluation. They did not dare to suggest it, but they suggested that that would have been the best way out; failing that, they suggested certain remedies. But here we are in a position in which with the sterling depreciated as it has been, the need for vigilance is as strong as it was in the past.

I should like to refer in passing to the fact which was criticised by the Lady Member that the customs income had increased very much. That, I think, was a deliberate action of the Government. The Government wanted to bridge the gulf between the expected expenditure and the expected income. They had no way out except to increase the customs income. To condemn the Government that their estimating was wrong is in my opinion due to the fact that she did not know the facts.

I should like to emphasize one fact which has been stressed by the Export Promotion Committee that our internal prices are higher than the world prices. With devaluation we have not ceased to have that problem. We may have ceased to a certain extent *vis-a-vis* the hard currency countries, but even there we have the competition from the sterling countries. We are not alone to have a sheltered market position. I therefore stress that we must take the lesson from what was referred to by the honourable the Finance Minister. I refer to the way of bloating up the export prices of textiles of which we had a sad experience last year. Are we going to follow the same policy of regarding that we are indispensable, that countries will have to buy our goods no matter however we may raise our prices. It is necessary that we should watch every step that we take, so that we may not kill the goose that lays golden egg.

In this connection, I should like to refer to the fact which was stressed by the honourable the Finance Minister that he was not happy at the position as it has emerged. I am unhappier still. I feel that those who preach to others should follow the lessons themselves. If one country in the world had followed the right course, we would not have had to face this situation. The United States has been in chronic unbalance as far as its exports and imports are concerned. It exports much more than it imports and if it had reverted to pre-New Deal gold content of the dollar, we would have had no trouble today but only the gold mining interests would have been hit. We know that when England went off the gold standard, the advantage of that was lost, part of it, because when Mr. Roosevelt came to the helm of affairs in U.S.A., he reduced the gold content of the dollar and thereby he had accumulated a fund of the increased valuation of gold which he spent on the New Deal. It was an unorthodox and unnatural use of the gold valuation and I feel that all the world is suffering because the U.S.A. could not increase the gold content of its dollar.

Had they done so, there would have been no differences between the other countries. We could have maintained whatever ratio we had and be doing our business with one country alone. The world trouble could have been ended. In

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this connection we must not lose sight of the fact that in the United States of America the prices are falling. It is not a sellers' market. It has become a buyers' market. And, had it not been for the artificial grants for Marshall Aid and Aid to Europe in armaments, the prices in America would have crashed. If the prices in America crash, do not forget 1929. The world will have to face a crisis which nothing can avert. It is therefore necessary that costs must be reduced. We must not lose sight of the fact that the current income, as far as its purchasing power is concerned, is on the down-grade.

Sir, before I conclude I would like to refer to two matters about Pakistan. Pakistan and India are charging each other with having done the wrong thing. Personally, I believe that they are both either innocent or both guilty. India had a gold bond and Pakistan had no gold bond, because it was not a member of the International Monetary Fund. India has reduced its gold bond and Pakistan has kept up the non-existing gold bond as far as the sterling areas are concerned. I could not get a copy of the State Bank Act of Pakistan in our library. Therefore I could not get any idea about this. They have linked with the dollar.

Shri T. T. Krishnamachari (Madras: General): Their Act follows our Reserve Bank Act.

Mr. Hossain Imam: We do not know whether any change has been made by them in their Reserve Bank Act in sections 40 and 41. The only means of foreign exchange they had was parity with the sterling. That they have broken. India has no legal or statutory concern with the sterling. It is only by means of a directive of the Central Government that we have linked with the sterling. So I think both the countries have erred.

As far as jute prices are concerned, I commend the recommendations of the Gorwala Committee which has suggested that there should be Centralised purchase. The reason for the increase in prices of Pakistan goods is not so much the internal prices as the number of people who handle the product got from there and secondly the competition among the buyers. As far as I have been able to find out, even today the East Bengal prices of jute are lower than the limit which you have placed at Rs. 35. It is only because of the fact that you have so many people to handle it and buy it that you have increased prices today. This increased price does not go to Pakistan. It is mostly shared by people in India. In this connection I repeat that the recommendation of the Gorwala Committee of having a centralised statutory body to make purchases of jute and cotton is worth considering.

Sir, I would like to refer to one other thing. We had adverse balances in the past. It is worthwhile making enquiries to find out what are the causes of this adverse balance with Pakistan. Mostly it is due to the fact that the supplies were not given to them at the proper time. (*An Honourable Member: "Question"*.) If you question it, I will cite a personal example. I wanted to export some Japanese cloth from India to Pakistan. The Government did not allow it to be exported to Pakistan and it was sold in India at 2 annas less per yard.

Shri B. K. Sidhva: You could have worn it.

Mr. Hossain Imam: I welcome the decision about the decision to tax the income of the black-marketeers. It is a very urgent thing to do. A lot of money is lying with the black-marketeers. The income-tax authorities are like the Spanish Inquisition. Whenever a person invests money in any enterprise, they at once pounce upon him and ask him to account for his possession of that money. That is one of the reasons why investment in industries is so shy. The income-tax authorities think that it is hidden profit that is coming out and should be taxed highly as an income, whereas it is really the capital of the people who have been saving it all these years. I do not hold a brief for the capitalists, but

I do feel that the Indian industrial regeneration cannot come about as long as this process of the taxation by income-tax department exists. It is for this reason that I welcome the suggestion made by the Finance Minister and elaborated by the Prime Minister last night that these people should be made to bring their profits out. I therefore think that this is a wise demand. We should wisely and consciously consider how best to meet the situation which has been created and which has been forced on us by the United Kingdom and the United States of America. The whole wisdom of the House and of the Government must be directed towards arriving at a wise decision.

Shri K. M. Manohi (Bombay: General): Sir, I do not take the tragic view which some of my honourable friends have taken that this devaluation crisis has been a calamity. The honourable the Finance Minister described it as a timely warning. I am afraid I will have to disagree with him. It is not timely because we are already in difficulties and it is not a warning—but if I may put it so—it is a kick given by reality to us who are of a very hopeful nature. We have now been awakened to the fact that we are in an economic crisis.

Sir, many Members of this House repeatedly drew the attention of the Government that about the end of this year the economic structure is going to collapse. Again and again, schemes were made, ponderous conferences were held, beautiful words were spoken; but when the kick came we had to tumble down. We were not ready for it. Therefore, whatever may be the beautiful diagnosis given by my honourable friend and particularly by my honourable friend Mr. Neogy about the causes and the reasons why we fell down, it is a fact that we are on the eve of an economic collapse.

I will not devote more time to this diagnosis, but I will offer a few remarks with regard to the cure which my honourable Friend the Finance Minister proposed to apply to this misfortune of ours. In this connection I share the view of some friends who said that it is impossible to cut away from the sterling areas. All talk about our breaking our relations with the sterling areas may be a matter of hope, may be a matter of aspiration; but as far as realities are concerned, we cannot break away from the sterling area unless we are prepared to court complete economic disaster. That being so, in order to find a cure we should find out why it was that England went under. After the war, England received by way of gifts and loans millions and millions of dollars from America. England could not produce more, but went on consuming what she received. The working hours there became less and less and the result was that she exported less, had to import more and could not pay the difference.

The situation in India is much worse than what it is in England. I do not share the optimism of my honourable friend the Finance Minister that it will be possible to reduce the cost of living, at least the cost of the essential articles. I personally feel that if the present level is maintained, we should thank our stars for it. As he himself pointed out, I am not sure whether our imports from the sterling areas could be had at prices cheaper than what they are now. They are likely to be a little more.

Equally I am not sure that our cost of production will go down fast enough, and perhaps it might happen that the situation might get into such speculative hands that the prices might rise. Therefore, Sir, if we are able to maintain the present level of prices, I think we should have achieved some good result.

That being so, the question that has to be considered is, I submit, how to get the country out of this present difficulty. Some remedies were pointed out by my honourable friends but we must realise one important factor and it is this: that our country is not as crisis-conscious as other countries, for example a country like England, and we have not yet applied

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those real tests by which the country can come out of its difficulties. Take for instance the fact that for these two years members of this House have been shouting at the food crisis. The Prime Minister told us yesterday that he is seeing a silver lining during the last three months. Take for instance this: Everyone knows the position which the Income-Tax Investigation Commission holds in the economic situation in this country. I am not perhaps straining the memory of many of our friends here then. I say that before the 15th August 1947 when a Bill was introduced in this House for the purpose of setting up this Investigation Commission, some merchants from Karachi—then India was not divided—went up to some highly placed persons in the Muslim League and said, "You are ruining our business". Well, they were told. We are setting fire to thousands of enemy houses. Why do you worry about small huts?" We knew that. Again and again it was pointed out to Government that this thing is going to create difficulties for us. But it is only this morning that we read in the papers that we are going to settle this matter amicably. Whatever the fact was, the repercussions of this Commission on the economy of this country, it has taken two long years to realise.

Take for instance some other matters. Take the question of Pakistan. My friend, the Honourable Mr. Neogy, said that we should not use strong language in view of the very delicate negotiations which he set out before us. I also do not like to use any strong word which might upset him in bringing about the agreement which he has set forth before us. My friend, the honourable the Finance Minister called it a "temporary aberration" quoting from some English paper. The sooner the question of trade with Pakistan is handed strongly and firmly, the better for this country. (Hear, hear). I do wish that we set up a Trading Corporation for our trade with Pakistan. I am not in love with such a corporation for the rest of the world, but something the nature of the U. K. C. C. for trade with Pakistan is absolutely essential if we want to trade with Pakistan in a proper manner, and for two reasons: One is the aberration, temporary, perpetual or periodical. The second thing is that we must not forget that it is very difficult to control the avidity of the business community, and it would be very difficult to escape blackmarketing even if we strengthen our controls for our trade with Pakistan. The Government alone can deal with Pakistan strongly and firmly, if they have got a Governmental machinery for this purpose, and I commend the suggestion for whatever it is worth to the honourable the Finance Minister.

The next point, Sir, which I should like to consider is the question of impetus to producers. I think we have been talking too much about production and not taking sufficient action about it. If you want production, then you must forget for the time being your schemes and enunciating every kind of moral or conscientious approach to certain questions and firmly say, "We are going to give every encouragement to production in order to tide over the present crisis." This is not the time to be trifled with. Look at the manner in which Belgium tided over the crisis. It was a war-torn country, whose finances were in a bad way when the war ended, but during the last four years it has become economically a strong country in Europe. By introducing deflationary factors, by giving encouragement to businessmen to produce and sell more and by giving incentive to workmen, in four years it has escaped the considerable ravages of the war. We must not also forget that Belgium was a poor country. Somehow or other, though we were a rich country after the war, though our soil was not run over by foreign armies, curiously we have not been able to get over this difficulty. This is a matter of the greatest importance and unless we do everything in our power for giving an impetus to production, whatever hopes that we may raise I am afraid will be going to pieces.

Shri R. K. Sidhva: What kind of impetus my friend wants?

Shri K. M. Munshi: In the few minutes at my disposal I cannot deal with the subject in the way I could have done if I had longer time. I am only making the point that at any cost, under any circumstances, the utmost impetus must be given to production. How that should be done is for the House to consider and for the experts and the Honourable the Finance Minister and the Honourable the Industries Minister to consider. The question is that we must produce at any cost. The greatest obstacle to production is this Income-tax Investigation Commission. In this connection, I welcome the speech of my honourable friend heartily. I do feel that whatever the morals of it, we cannot allow our sense of righteousness to over-shadow the imminent danger that is before us. We must in some manner or other, consistently with the dignity and prestige of this country, get out of the difficulties that we have got into. I am very glad that my honourable friend, the Finance Minister, has announced that with regard to the assesseees whose cases have not been referred to it, the Government will consider their cases. I feel very strongly for that class of people. They are not the men who made black money during the war. They are people who in the course of their ordinary trade got hold of this money and their position is very difficult. They have only a small amount of black money which they cannot put into their business. They are living on their black money and some remedy must be found to enable these people to develop the natural trade channels which will bring money both to the Government and to the trade.

There is one other point to which I would like to draw the attention of the House and the Honourable the Minister and it is this: You will have to temper down the attitude of the Income-tax Department. The Income-tax Department during the last two years has developed a conquistadore attitude. Unless it is revised, I am afraid it will be very difficult for this country to continue to draw income-tax as it has been drawing to the exchequer so far. I have a fairly good knowledge of the Income-tax Department for almost a generation and the difference I learnt is this:

Shri R. K. Sidhva: If the assesseees are not co-operating?

Shri K. M. Munshi: It is not a question of assessment. It is a question of attitude. There are two ways in which the Income-tax Department can work. One way is the Hindu way of allowing the cow to graze, to feed it and then draw as much milk as you can from the cow, and also leaving something to the calf. There is also the other attitude. You can kill the cow and sell it to the butcher in which case there will be neither any cow nor any milk. (*Interruption*).

It is very easy to get up a sense of righteous indignation. But, these are the facts; the sooner we learn to face the facts, the better for us.

One point more and it is this. My submission to the House and to the Honourable the Finance Minister is, that our economic policy must be placed on a war footing. The speeches that I have heard since yesterday are nothing else but that we are in a very difficult condition, a condition which is more like a sort of a dangerous war: it may be on the economic front. All our policies must be put on a war footing. That implies two things. First, there must be, as my honourable friend Mr. Ananthasayanam Ayyangar said, if I have caught him aright, not merely a Ministry for economic development, but a Supreme Council which should coordinate not only the activities of the different departments of the Government of India, but even of the provinces. Unless this is done, this country is never going to come out of it. However much the Government of India or this House may worry, unless this is driven into the minds of those that govern our provinces that we are not living in a land of riches, that we cannot have schemes of all sorts and

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kinds, that we cannot have reforms of every kind all at the same time, no matter what happens to finances, unless this attitude disappears from the provinces, no effort on the part of the Centre is going to succeed.

I have only one thing to add. In regard to this unitary control of our economic policies, I am sure, the House will support the Honourable Minister if he comes forward with any legislation that is necessary. But, we have not got that economic administration in the country which should be there in a modern India.

I would only give one instance, a recent instance. Had there been that economic awareness, I can assure you that somebody in the Secretariat would have discovered that sugar is already being sold on a large scale and it was going to disappear if there is going to be some control of the commodity. The reports clearly showed to the businessmen that there were large purchases from the mills. It was the Government of India who came to know later and who decided later. In the time lag between the decision and its enforcement in the provinces, sugar disappeared underground. That means that we have not got that kind of economic awareness, that kind of alert economic organisation which keeps the Government day to day, hour to hour in the know about the conditions in the country. Therefore.....

Shri Ramnath Goenka: Did the Government put sugar underground?

Shri K. M. Munshi: My honourable friend has not understood me. The Government issued the order one day. It took two days to reach the provinces. In these two days, the merchants put it underground.

An Honourable Member: What shall be do?

Mr. Speaker: Order, order.

Shri K. M. Munshi: It is the economic unawareness of the administration which is responsible for this. For fifteen days the prices were rising and there were large scale purchases. The reports sent by the Syndicate to the Government of India showed this. I should like to have an explanation why they did not wake up betimes. I am not blaming the Government. These are facts which I know and if I am wrong, I shall stand corrected.

My last appeal to the Honourable the Finance Minister is, let there be unitary control; let there be a drastic control of our economic policy. That is the only way to save this country. I heartily support the proposals, that have been made by my honourable friend that if necessary the Honourable the Finance Minister should invite some members of this House to form a Committee which should not only help him, but popularise these things and help to the best of their ability to see that drastic action is taken in this matter. That is the only way in which we can save the situation. If I can only add, I am just reminded of one phrase of Napoleon: "Let words pass; let deeds answer." I think deeds should answer something on this occasion.

Shri Biswanath Das: Sir, I am thankful to you for having given me an opportunity, and I shall place before the House certain aspects of the question.

Before entering into the subject matter of the question, I must frankly confess that the Radio statement of the Honourable the Prime Minister was responsible for creating a lot of puzzle. I must also confess that the brilliant analysis and the masterly exposition of the Honourable the Finance Minister has dispelled this puzzle. The fact remains that we have been let down and let down severely by the British Cabinet, I mean the British Chancellor. While the Chancellor was making statements after statements in the British House of Commons that he is not going to think of devaluation of the Pound, he was negotiating with America for devaluation with the result that it was thrust upon us unprepared. So, the question is, it is thrust upon us; how well to save ourselves out of this muddle is now the sole concern.

Sir, my honourable friend, as I have already said, has given a masterly analysis of the situation. I should have expected him to give us a balance sheet so far obtainable. Sir Stafford Cripps, in the course of a Press Conference, published in the Statesman and other newspapers two days back, has stated how this devaluation has helped British trade and British finance. He has stated that the drain on the British Dollar has been reduced by ten millions in the course of these 15 days. Not only this, there is a tendency towards stability of prices and the British Chancellor necessarily expects that there may be a fall in the prices very soon. The advices that they have received, and as published in the press, go to show that they are booking more orders from American purchasers. All these present to us a picture very convenient regarding the devaluation of the Sterling so far as British commerce, British economy, British standard of living is concerned. Britain, it is clear, therefore, has gained in the deal.

But, what is our balance sheet? Our balance sheet is very well-known and is being daily realised by our friends. There has been a rise in prices. My honourable friend has stated and the Prime Minister has also stated in his broadcast that this will not touch the internal prices. The fact remains and we see that it has severely touched the internal prices. The wonder is that even in respect of commodities where it was least expected, the price has risen. How to combat this? I must confess in this connection that the Government has so far failed us in so many difficult situations to control the situation. They are bound to fail in this case also. The trade balances, as is apparent from the closing figures of March 1949, show that the adverse balance was about 100 crores. It has gone up very much and if the figures quoted by Professor Ranga are correct, it is about 250 crores or so, a figure which was not contradicted.

The Honourable Shri K. C. Neogy: I have given the official figures.

Shri Biswanath Das: I am glad; I am thankful.

So, whatever it is, the fact remains that we have a heavy adverse trade balance against us. That is the balance sheet of the transactions of my honourable friend so far. That is the benefit that he has conferred on the country as a result of his transactions of these two years.

Sir, while considering the activities of the Ministries of Commerce, as also of Industry and Supplies, I am reminded of the events of forty-five years back. When I was a boy reading in the High School, I used to read in the daily newspapers the message of Swadeshi carried by the late-lamented Bipin Chandra Pal to Madras. I also remember of hundreds of students being rusticated for having taken part in Swadeshi movement and meetings. I am also reminded of the fact that the Honourable Dr. John Matthai was one of those students who suffered. Sir, it pains me very much to know that these very friends from Bengal and Madras are now responsible for giving a decent burial to that, the very notion of Swadeshi. When Mr. Shankar Rao Deo was harping on the Treasury Benches about the need of cottage industries, I was feeling—here is a gentleman who is crying for the moon. When Swadeshi has no place how could cottage industries find such accommodation! At least when the old Government was in power we in India used to get Rs. 7 or 8 lakhs for cottage industries. But under the present administration fate of the cottage industries was sealed for some time. Now my honourable friend has created a Cottage Industries Board. (*An Honourable Member:* "What about khadi?"). Let khadi wait. It is a matter for the provinces. Now this is the balance sheet that we have before us.

If production is the only means of fighting the inflationary tendency or the effects of devaluation and for production you have to look either to the Ministry of Industry and Supplies or to the Department of Agriculture, as I have

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already said in the course of a press statement, so far as the Ministry of Agriculture is concerned, the word 'fallure' is writ large on its forehead. The Ministers of Industry and Supply and Agriculture may quote facts and figures to show that it has produced so much, but the fact remains that we have also equally imported much more.

Mr. Hossain Imam: Our wants have increased.

Shri Biswanath Das: Human wants are bound to increase; but that does not mean that we should go on importing. It only means that an earnest attempt should be made to augment the productive activities of this country so as to increase our wealth. So long as you depend upon imports, you will have to be spoon-fed, you will have to devalue your currency and do many more things.

I would, however, like to stress one matter and that is the purchase of gold from sterling areas. Sir, it is a well known fact that during the British regime India had a gold standard in England and a silver standard in India. Whatever silver there was in India was taken away and disposed of in Britain in a wonderful manner. That wonderful manner being that it was sold to Indians at one price and to Britishers at another price. The Federation of Indian Chambers of Commerce and Industry then loudly protested against this action, but with no result. That explains why prices shot up in 1942 and 43. America also protested. The result was that an agreement was entered into between England and America by which we were given lend-lease gold and lend-lease silver. (*An Honourable Member:* "No gold was ever given"). I am correct and I am sure we owe America large quantities of lend-lease silver, I am not certain about gold. When silver and gold were brought to India and sold here in 1943 and 1944 prices came down, with the result that the prices prevailing in 1944 were certainly lower than the prices that are prevailing today.

Therefore, my suggestion to the Government and to the Honourable Members of this House is that we should utilise part of our sterling resources in purchasing gold from the sterling areas. It may be said that gold may be available in the dollar areas; but it will be impossible for us to purchase it, particularly after devaluation. There is at present little bullion in the country to support paper currency. All that we have is either alloy coins or paper printed in the Nasik Printing Press. Therefore, I suggest in all seriousness that Government should divert a part of our sterling resources available to us for the purchase of gold and sell it in the usual market, keeping portions if necessary, with the Reserve Bank. If England was able to bring down prices in 1943 and 1944 by this means, it is my earnest hope that the same method could be applied with success in India.

Sir, I call this Devaluation Conference that was held in Washington as a great *yagya* in which every diety had its own share. Canada had her share because a part of the Canadian currency is dollar. Canada is benefited to that extent. Even in the matter of devaluation Canada has not gone to the extent of Great Britain. Australia had also her share of the profits. She is a party to the Wheat Conference, and in terms of the international Wheat purchase Australia is to get in dollars. The Union of South Africa has directly been benefited by raising the prices of her gold. England has considerably been benefited by devaluing the pound sterling. Thus, every party, except India has had its share in the *yagya* and it is now up to the Government of India to devise ways and means by which she can save herself without a share. In this connection while devising greater production, fixation of wages and profits I should state and warn Government to see that the industrialists and Labour are not the only parties to be thought of. It looks to me that in any conference on such issues you should call for not only of the representatives

of twenty-four lakhs of labourers that you have in industry as also of the capitalists but also of the representatives of the consumers. I want to impress on Government that there are a class of people who are called the consumers and their interest is the interest of the country. I warn them through you. I warn the Government to safeguard the interest of the consumers as well as of the producers, of labour equally well.

Shri B. P. Jhunjhunwala (Bihar: General): It will be most uncharitable to blame the Honourable the Finance Minister for having taken the decision of devaluing our rupee. The circumstances under which he had to devalue were beyond his control and he could not do it otherwise. He was betrayed, he says, by the British. He says that though talk was going on about devaluation when he had been there in July last, they were asserting again and again that they would not devalue. Even up to the Washington conference he did not know whether it would be devalued: even then. Sir Stafford Cripps up to the last moment went on saying that sterling will not be devalued. In the conference of the Commonwealth Ministers, our Finance Minister says that those Ministers were not taken into confidence about devaluation.

Sir, this is all right. I agree and endorse his view that he was betrayed by the British and by the whole of the Commonwealth Ministers' conference. But the one thing I have not been able to understand is this: Whether our Government and the Finance Minister did not realize independently what the British and the other people would do in the circumstances. This question was not raised only in July last but from the time whenever it was discussed in this House as to how we should get back our sterling balances. Each time Government were asked as to what they would do if the sterling were devalued, that is what would happen to our sterling balances and on what basis we could get our money from the British, the reply given was that if they devalued the sterling, we would devalue the rupee. That is all right. But was it not the duty of this Government, and was it not possible for this Government to think over from that time about the extent to which they would devalue the rupee and what would be the position then. Sir, if you will look to the extent to which other Members of the Commonwealth have devalued, you will find that there are different rates and there are different basis on which they have devalued. Sir, I do not want to read the whole of this extract but it says that Canada has not devalued at the same rate: Australia has not devalued at the same rate: Egypt has not devalued at the same rate. Similarly, there are so many other countries, but I will not enumerate them as I do not want to take up the time of the House, by going into these statistics. But the point which I want to make out from these statistics is that these Members of the Commonwealth were aware that the British were going to devalue their sterling and they have thought out beforehand on what basis they could devalue their currencies. Sir, my enquiry from the Honourable the Finance Minister is that if those countries were in a position to find out the basis on which they would devalue, even when they were not taken into confidence in the Commonwealth Ministers' conference: how was it possible for them to devalue their currencies at different rates on the very same day? I want to say that our Ministry should have the foresight to follow the same course as other Members of the Commonwealth have done. When as the Honourable Minister says they were betrayed by the British I infer that it was only India which was not taken into confidence and as such we are not being treated properly by the British and we should put in a protest against this to find out from the British Government why they did not take India into confidence while other Members devalued their currencies in this way.

The other point which I wish to bring to the notice of our Government is this. This devaluation was apparent. For the last three or four years you will see that there was the Marshall Aid. America had given loans to England

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and in order to step up their production and exports, they were making preparation for devaluation. I do not know whether it has struck our Government to follow the same course and to find out what we should do. So far as our sterling balances are concerned, I want to point out to our Honourable the Finance Minister—this was hinted to by my honourable friend Prof. Shah—that in the sterling balances they have included Rs. 68 crores worth of gold which will amount at the present rate to be worth Rs. 250 crores. In view of the way in which the British have treated us, is it not possible for us to re-open the question as to how our sterling balances should be paid to us? If it is possible I would suggest that our Prime Minister when he is abroad should take it up at the Prime Ministers' level. We should be given back at least in terms of the present price the hard gold which they had converted into sterling.

Apart from this Mr. Churchill has said, as he has been saying all along, that they had defended India and that they should charge us the expenses which they had incurred in defending this country. Our Finance Minister has rightly replied that if any such step is taken by him we shall resist it by all means at our disposal. It is not a question of mere resistance. They cannot demand from us any amount. As our Finance Minister has said every thing has been paid for. But what I would expect from the Finance Minister is that we should reopen the whole question of our sterling balances and we should ask them to return them even at the present rate of the dollar and convert it into dollar so that we can draw against these dollars in order to meet our present difficulties. What I mean is, I may probably be wrong, that our government is not foreseeing as to what is going to happen tomorrow and what steps we should take in advance. At the last moment they come and say that this was inevitable. The Honourable Commerce Minister said that the adverse balance was due to the fact that the country was divided into Hindustan and Pakistan and we had been importing a lot from Pakistan. Was he not aware that the whole of the jute was being grown in Pakistan? Was it not his duty to stop at that time all sorts of imports which were coming. He says that because we imported those things the price levels were maintained, otherwise it would have been impossible. I question it. The articles which we imported had nothing to do with the common man's requirements, the prices of which were not maintained. They rose higher and higher. What does it matter if the price of lipstick is reduced, or the prices of motor cars, perfumeries and other luxuries are reduced. This is the first point which I could make. I wanted to talk on other things in regard to which no proper step has been taken by the Government. We are merely moving in the air. My honourable friend Prof. Ranga said yesterday that Mr. Gadgil while introducing the Damodar Valley Scheme, the Khosi Scheme and the Hirakud Dam Scheme depicted a golden picture. I remember that when the discussion was going on there were thanksgivings. It took an hour and a half in mere reciprocal thanksgiving. At that time I questioned myself and in a way asked the Chair whether I could not postpone my thanksgiving when these things are ready and we reap the fruits of them. There is very significant saying in our language which means, if we have not our own resources, if we have not our own money, if we have not our own intelligence to proceed with a work the result is that it will ruin.

Shri Padampat Singhania (U.P.: General): Sir, we are debating here for the last two days on a very important question, namely the devaluation of the rupee in terms of the American Dollar. In the discussion on this problem I have heard many good speeches by honourable members, and in each speech the speaker had come forward with the accusation that Government was not able to do this or that. If some nation devalues its own currency, how can any other national government stop it? Of course they can take such action by which they can prevent the poverty which may come about due to the

devaluation of the currency of another nation. That is what our government has done. Somebody comes forward and says that Sir Stafford Cripps has not taken our Finance Minister into his confidence. If so what does it matter? After all they were devaluing their own currency and if they do not take our Finance Minister into confidence, we should have no grievance. It is for our nation, for our Minister, for this House and the people of this country to see if any devaluation has been done by another country, if it is going to harm us and if so, how we can resist it. The point for consideration is what Government should have done or has done, and not that somebody has not called us and consulted us. The feeling in the House and in the streets of the cities is that there was no other alternative before the Government but to devalue their money in relation to the sterling.

There are two angles from which to see this problem—whether there was any possibility of devaluing the currency or whether they have done it in the best interests of the country. If we take a stand that we were helpless and because we had no alternative and had to devalue, then the position is very serious. But it is not helplessness: the Government have considered this point. If they have to carry on trade with the world market devaluation of the money will be more in the interests of the country than to leave it as it was. What is the effect of it? Money does not barter with money. It is material that barter with material. Instead of going into a detailed explanation, what I suggest, our Government ought to do is this. Before the devaluation came about, in the world market, supposing Indian jute, other raw material or Indian product in terms of payment bought a certain amount of iron, steel or manufactured goods from outside, the Ministry should index that figure. They should see that our raw material does not buy any less than what it was buying before the devaluation. They should see that no harm is done to the country as a whole. What is necessary today is that the Ministers and the officers of Government should sit down and index the figures by taking as 100 the price of raw materials on the 17th September. In the same manner they should examine the value of the manufactured articles which are imported into this country. They should see whether the goods that are either exported or imported have to bear higher prices. Suppose I have to import certain manufactured articles from America. For the sake of example let me say that for one machine which I have to import I used to pay, in terms of raw materials, 10 maunds of jute. If tomorrow as a result of the devaluation I have to pay for the same machine by sending 15 maunds of jute then there is poverty in the country. But if proper arrangements are made at government level and if they watch the developments carefully and do not sleep over the matter, then I am quite sure that so far as our country is concerned we are not going to lose anything as a result of devaluation.

It is again a question of how far government will be able to manage the affairs. We have had a long debate and various Honourable Members have suggested that for the purpose of keeping a watch over the situation this House should appoint a Committee. I welcome the appointment of such a Committee, but I can say with all the emphasis at my command that the appointment of a Committee will not satisfy the man in the street. It is not the Committee which will satisfy the man in the street: it is only the Government benches that can do so. They must come forward and assure the man in the street "we are your guardians and we will see that none of your agricultural materials is sold in the world market at a cheaper price". If they do so I am sure there will be happiness in the country.

An Honourable Member: For textiles & so,

Shri Padampat Singhani: So far as textiles are concerned many people do not know the position. It is our manufactured article and Government

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have got to sell it abroad at a high price and not at a low price. If the Government is going to sell it at a low price, the country is going to lose the money.

What has happened in the world today? In the world market, England is not in a position to sell its goods in competition with America. So they have made a bid to U.S.A. "let us sell it at a little higher price because we can't otherwise maintain our standard; instead of 1 to 4 let us keep it at 1 to x." And they have acceded to the request. They have brought the dollar at a higher rate in terms of the sterling. What will be the effect of that? The Honourable the Finance Minister has told us that due to this England is going to have more sterling accumulation in her country. How is that going to affect us? I want to analyse this position. Does devaluation mean that there is going to be more production in the world, either in America or in England? If there is going to be more production in the world, how is England going to benefit? It only means that for the same article which England is selling today in the sterling area she will earn more sterling. They have got every right to earn it. We cannot say that they should not do so. But we ourselves should not, as a result of this jugglery of the sterling, lose our raw materials cheaply in terms of their manufactured goods. This is one of the things which our Government should sit down and do immediately without allowing even a single day to be lost by calling conferences and collecting statistics within which time the raw materials of our country might be going out at cheap prices and foreign manufactured articles might be coming in at high prices. That should be stopped.

Pandit Lakshmi Kanta Maitra: What is the raw material the Honourable Member is referring to?

Shri Padampat Singhania: Take oilseeds, jute goods...

Pandit Lakshmi Kanta Maitra: Jute goods are not raw materials.

Shri Padampat Singhania: And we used to export cotton.

Mr. Speaker: Order, order. The Honourable Member will address the Chair, instead of carrying on a conversation.

Shri Padampat Singhania: I am sorry, Sir. In regard to our raw materials that are exported we should see what is the quantity of raw material exported and we should carry on with that export. But so far as the question of earning dollar and sterling by their sale is concerned, we must see that for a similar quantity we do not earn less than what we have been earning till now.

There was a complaint about our import and export policy. I am afraid I see the things from quite a different angle. After all devaluation has only come since a few days. But during the last nine months, or during the last two years—since the National Government came into power—if by mistake, and also by providential help, our Commerce Minister has brought about Rs. 300 crores worth of extra goods into this country, I think it was a good thing. What was wrong in it? Those goods which have come would now have to be bought at higher prices after devaluation. What then is the complaint? I cannot understand why people should complain about the adverse effect of our trade balance. If some goods have been bought and if they have made a mistake, well, they have been bought and they have made a mistake. The fact remains that we have brought the goods already into this country, and thus used some of our balances.

An Honourable Member: They are all useless.

Shri Padampat Singhania: It cannot be said that they are useless. For the Commerce Minister has given a list in which he has explained that they contain Rs. 130 crores worth of food, Rs. 95 crores worth of machinery,

Rs. 70 crores worth of jute, Rs. 50 crores worth of cotton. Are these all useless goods? If the country had not got it we would have found many people in the streets without cloth today. (*An Honourable Member*: "Question"). It cannot be said that we have bought worthless goods. Certainly, if in a country like this, in the course of Rs. 500 crores worth of imports, Rs. 10 or 20 crores of extra goods come in, they cannot be called worthless. They may be worthless to some, but may be useful for the poor people in the streets.

At present there are reports that India has to be rehabilitated by getting a dollar loan.

Shri Raj Bahadur (United State of Matsya): Because you are not coming forward.

Shri Padamat Singhania: The tendency in this country today is that people are ready to criticize. My friend says "you won't come forward". I do not know what he has done for this country. He will find that I have done something for this country—I have not merely made speeches! We do not know what is the trouble of the man in the street today. Otherwise, if they would all come forward as our Prime Minister has said and grow more food and make more cloth, our trouble will be over. Mahatma Gandhi was asking everyone to produce more cloth with the *charkha*. Is there anyone who has followed that? Doing a thing is different from talking about it.

I was speaking on the dollar loan. For the rehabilitation of the country it is necessary that we should get loans from foreign countries, but I would request the Honourable the Finance Minister and the Cabinet as a whole that they should examine this problem from this point of view: What does the dollar loan mean to us today? The dollar loan which we have received up to now, if we have to pay it back in dollars after rehabilitation, would become from 30 million dollars 40 millions in terms of our currency. The rate of interest at 3 per cent. plus 1½ per cent. commission amounts to 4½ per cent. and free of income-tax means a total of 8½ per cent. If you are going to incur an economic loss to the country are you going into economic subjection and remain always a *gulam* (slave) to the foreign loan? Therefore we should weigh this matter very carefully before we decide to borrow and bring greater debt on the country. For if we are not able to pay it back, in order to realise it the U.S.A. and the U.K. may have to send their armies to safeguard their interest! Therefore, I would request the Honourable the Minister of Finance that when they talk about loans they must consider this point very carefully because at any level—Government or private—if any country is a debtor and is under subjugation, what will happen to it? Its position becomes very serious. Sir, with these points, I will close my remarks.

Mr. Speaker: The Honourable Dr. Syama Prasad Mookerjee.

Dr. P. S. Deshmukh (C. P. and Berar: General): Sir, are the Honourable Ministers subject to the same time-limit as we are?

Mr. Speaker: No, I am not submitting any Honourable Minister to any time-limit for the simple reason that he has to give a lot of information, which the House may benefit by.

Shri L. Krishnaswami Bharathi (Madras: General): Not necessarily.

Mr. Speaker: It depends on those who receive it. Some may benefit, some may not benefit.

Now that there is an interruption, I may also state that I propose to call upon the Finance Minister at 4.30 p.m. as I understand he will take about half an hour.

Shri H. V. Kamath (C. P. and Berar: General): May we not sit till 5.30?

Mr. Speaker: No. And before the Honourable the Finance Minister replies, the Honourable the Food Minister has to intervene. So the debate is practically closed, so far as the other Members are concerned.

The Honourable Dr. Syama Prasad Mookerjee (Minister of Industry and Supply): Sir, if I intervene at this stage of the debate it is not for the purpose of saying much on the factors which led to the devaluation because that is a matter which has already been dealt with by the Finance Minister, but I would like to confine my remarks mainly to one aspect of the problem which has been emphasised by more speakers than one, and that is with regard to the effects of devaluation on production in India. Sir, yesterday and today there were many speakers who have criticised Government, although realising that devaluation became almost a "Hobson's choice" with the Government. It was some comfort to find that in some matters at least we had support from strange quarters—I mean my honourable friend the previous speaker who very ably justified the large imports of capital goods which have come to this country in the course of the last year.

So far as the effect of devaluation on production is concerned, let us remember that it is not devaluation alone but two other important factors that have come to play during the last few months. One is our decision to restrict imports which was announced almost a few days before the announcement of devaluation

4 P. M. which had a resultant effect on prices of commodities in India, especially those commodities which were being imported in large bulks during the last one year. Secondly, the rise in cost of production of essential commodities in this country for which reason unfortunately we have not been able to check the rise in the cost of living. Over and above these, devaluation has come.

Now, Sir, the question which has been asked by many speakers is what steps Government proposes to take for the purpose of controlling rise in prices in India and for the purpose of increasing production for, after all, let us not forget that if we want to import less and export more we will have to produce more in India. If we want to import less and at the same time serve the essential economic needs of the people we will have to produce more in India. I am not going to take your time in disclosing the large number of schemes which Government has prepared in the course of the last two years some of which are ready to be implemented. Now, it will be a very serious matter not only for the Government but for the House and the country as well if several of these schemes, as was hinted by the Prime Minister yesterday, have got to be postponed. One of my honourable friends said in the course of the debate today that many of these schemes are developed in a haphazard manner. I join issue there. We have heard a lot about the need for greater co-ordination. I am aware that there is room for greater co-ordination not only amongst the different Ministries but also between the Centre and the Provinces, and if I may say so between the Government and the Members of this House, and if I may add a little further, between the Government and the people of this country. In fact, I feel more and more today that there is considerable cleavage between the Government and the people because of lack of information on the part of the people of the steps which Government has taken in the course of the last two years in spite of tremendous odds and difficulties. Here, if I may say in all humility, is a responsibility which Members of this House, particularly those belonging to the great Congress organisation, have to take upon themselves. (An Honourable Member: "Has the Government got the information?") You have to go to the people and have got to inspire them to the needs of the situation to explain to them what Government has done so that you may get the largest possible response from the people. That gap has come into existence. Let us not throw bouquets at each other and say that Government should do it

should do it and you should not. But the fact remains that the gap is there and the question is how that gap can be filled up and people's enthusiasm can be fully roused.

[At this stage Mr. Speaker vacated the Chair, which was then occupied by Mr. Deputy-Speaker (Shri M. Ananthasayanam Ayyangar).]

So far as Government's schemes are concerned, I might very briefly allude to one or two schemes so that the House will be able to realise how their non-implementation may adversely affect the economic conditions of the country. The House is aware that we have entered into a contract with a well-known Swiss firm for the manufacture of machine tools. It is a big scheme which will cost India nearly Rs. 15 to 18 crores. We are importing today about Rs. 8 crores worth machine tools. The Prime Minister pointed out yesterday, and quite rightly, that this is one of the basic industries which must develop in this country if we are going to progress industrially. How far that scheme will be affected now is more than what I can say because we have to settle the question of priorities and decide which are the schemes with which we will go ahead. The same principle applies with regard to the production of steel. Now, after considerable efforts, we have just completed our labours. We have got the reports of the Consultants and everything is ready. Only the sanction has to emanate from Government. We are producing not even one million tons of steel. We are importing about 200,000 tons of steel. We expect to import perhaps double that quantity this year if we have the necessary foreign exchange facilities at our disposal. If we can manufacture steel that India needs in the course of the next four or five years, we save by less imports to the tune of nearly Rs. 30 crores per year. So this is not a matter which can be looked at unilaterally. These are big projects which cannot be done from a cottage industry standpoint. In these respects, big industries must develop in India for the purpose of supplying the essential needs on which other industries will develop, which may mean the investment of two or three or four hundred crores of rupees in the course of the next few years but which will ultimately mean within a period of five years so much saving of valuable foreign exchange which we may utilise for other essential purposes.

Now, Sir, we have another scheme for which the contract has been signed and that is about the manufacture of cables, which we import today to the tune of about Rs. 1 crore every year. If we spend Rs. 3 crores for the purpose of establishing this factory, we save that foreign exchange and supply India with this essential requirement on which depends the development of our telephone industry.

I need not multiply these items. There are certain other items also coming from other Ministries, but the House will realise the possible far-reaching effects of the present economic condition in which we have been placed on our development schemes. The present Government has been criticised a lot, because of its failure to do what it had promised to do. But we have seen that it is not possible to put into effect large industrial projects unless you go through the preliminary steps in a manner which may not go against the real interests of the country.

Prof. N. G. Ranga: But it takes too long a time.

The Honourable Dr. Syama Prasad Mookerjee: My friend Prof. Ranga says that it takes too long a time. If he could apply his mind to it and devise ways in which it could be done more quickly, none will be happier than myself.

An Honourable Member: Give him a chance.

The Honourable Dr. Syama Prasad Mookerjee: I have given him a chance with regard to the cottage industry. My honourable friend spoke yesterday very vigorously. I have 100 per cent. sympathy with him. He knows my personal attitude towards the need for the development of cottage industry. I do feel

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this, that not only for the purpose of solving our immediate problem but for saving India from the disaster which is bound to come due to social and economic problems arising out of the development of big industries—development in an irrational manner—India must have a well-planned scheme for the development of cottage industries. But you cannot centralise cottage industries. You cannot develop cottage industries by orders issued from the Government of India at Delhi. It must come from the bottom. It must be organised in a way so that it may reach the minds and hearts of the people in the rural areas, and you may be able to attract the artisans and the poorer people who were the pride of this country and whose talents have now decayed or disappeared and they may thereby be absorbed into a new economic structure of which India may well feel proud. Now, the Cottage Industry Board was created about a year ago. One of the biggest cottage industries, as you know, in this country is the Handloom Industry. I appointed a Special Committee for the purpose of looking into the future of the handloom industry and whom could I think of to become the Chairman of that Committee than my honourable friend Prof. Ranga himself? Now, Sir, I am not blaming him either. He has given me one report. He has given me one report with forty eight resolutions and I have got here notes on these forty eight resolutions which he has passed. One practical suggestion which he has made is that I should give him one crore of rupees, which of course has not been possible for me to give. I have not been able to persuade my friend Dr. Matthalai to give me one crore, but I persuaded him to give me ten lakhs which I have placed at the disposal of Prof. Ranga and he has yet to call his meeting for advising me as how that sum of ten lakhs is to be spent. I am not blaming him. He may have hundred and one difficulties for deciding as to how this sum of ten lakhs has to be spent, but I expected yesterday when he was speaking so eloquently on cottage industries that he should at least be fair to me and to the Government and say that with regard to one aspect of cottage industry I have depended on him and on him alone. But there are difficulties of a vital nature.

Acharya J. B. Kripalani (U.P.: General): What have you done to protect cottage industry from the competition of mill industry?

The Honourable Dr. Syama Prasad Mookerjee: I am glad Shri Acharya Kripalani has raised a very important point which I was myself going to raise. Now, this is a serious matter which the rest of the country has to consider. If you want to depend on products of cottage industries and small industries, you may rest assured that in many cases for some time at least the cost of production will be higher than what mill-made products will give you today, which means the consumers such as my friend Shri Biswanath Das who spoke eloquently have to be sacrificed to some extent at any rate.

Acharya J. B. Kripalani: When you protect mill industry, against foreign competition, do you think of the consumer? What is wanted is that you give the same protection to cottage industry as against the mill industry as you gave to mill industry against foreign competition.

The Honourable Dr. Syama Prasad Mookerjee: The best thing that I can do in discussing this very controversial and important question is, I can have two representatives of consumers—one Shri Acharya Kripalani and one Shri Biswanath Das, so that between themselves they can advise Government how far it will be desirable on the part of Government deliberately to cut down the production of mills and of factories for the purpose of artificially keeping up cottage industries and small industries even at the cost of the interests of the consumers.

Some Honourable Members: Absurd!

The Honourable Dr. Syama Prasad Mookerjee: I am not saying it is absurd. This economic problem has to be faced by India and I see no reason

why for a stated period of time India, who could subsidise mill-made industries for the purpose of saving them from the onslaught of foreign goods, should not evolve a national scheme of subsidy for small industries so that these industries also may have time to develop and occupy their appropriate place in the economy of the country. (*Interruption.*) I think the best thing is for my friend the interruptor to speak after me and not to interrupt me so many times. (*An Honourable Member:* "He has no chance now.") The best thing would be for us to settle as to how exactly we want to develop the economy of the country. We are passing through a crisis. We cannot do anything which will result in dropping down of the production. We cannot do anything which will result in raising the cost of production. At the same time, what we want is that there should be a co-ordinated expansion of small industries, so that one may supplement the other for the time being and gradually perhaps replace some of the larger industries and add to the wealth and prosperity of India.

Here some proposals had been made which we have circulated to the provinces. I am expecting that several of the provinces will be able to come forward and go ahead with some of the schemes that we have suggested to them. We sent two of our representatives to Japan. They have come back with very useful suggestions. There is a demand from many provinces. I myself went to U.P. (Lucknow) about a fortnight ago and I found that under the leadership of Pantji they are re-organising their activities for the purpose of revitalizing cottage industries in some important respects. I have promised all possible support from the Government of India in the matter of supply of raw materials or in the matter of supply of necessary tools and machines, so that their production may be able to keep pace with the needs and requirements of the people. But here one difficulty which arises is in connection with marketing and quality of production. In fact this morning we were discussing about one industry in which my friends from the South will be interested—the carpet industry—the quality of carpets going abroad is extremely bad. The result has been that in the course of the last two years we have lost a lot of our exports. Now, if we want to standardise production, then perhaps it may be possible for us to raise the quality and recapture the foreign market. In fact, I have been told, that in this matter if proper steps are taken by Government, then it may be possible for us to earn dollars to the extent of one to two millions in the course of a few months. These are matters on which we want to lay special attention. We would like first to develop those cottage industries which have an exportable market. If we pay special attention to them and if my friend the Finance Minister makes it possible for us to develop this aspect—of course, it will help him also very soon—then I am sure that we will be able to do something which may not be of immediate benefit to the consumers in India but which will have a direct bearing on the devaluation proposals which we are now discussing. Now, so far as the cost of production is concerned, that is rather a serious matter. What is happening today? World prices are going down, but our prices are going up. We are losing our export markets and our consumers are suffering. It is not as if we are ignoring the interests of the consumers. The consumers are present at every meeting, at every board or conference. But this is a matter which we have to decide from a much wider standpoint. It is a matter where capitalists like Mr. Singhania will come in. It is a matter where leaders of labour will come in. The capitalists say that the demand for increased wages is going up and productivity is going down and therefore we cannot push down the cost of production. Labour says that the profits that capitalists are making are too much and there is no reason why it should not have its pound of flesh and why capitalists should not be prepared to make more sacrifices. The result is the consumers' interests are being sacrificed.

An Honourable Member: What about the cost of living?

The Honourable Dr. Syama Prasad Mookerjee: Yes, the cost of living also goes up along with rise in the cost of production of essential goods. The Honourable the Finance Minister announced that it should be possible for us to reduce the cost of essential commodities by at least ten per cent. Now, here the question of reducing the food prices assumes considerable importance. My friend Prof. Ranga wants that the cost of production must be brought down, but the cultivators must get more than what they get now. Even Sreemati Renuka Ray when she spoke eloquently this morning, said, "whatever you may do to reduce the prices, you must not reduce the price at which foodgrains are being procured from the cultivator." If labour says, you must not reduce wages, if the capitalists say you must not reduce profits, and the producer says you must not reduce what he gets for his produce, then by which standard, or by what method is the Government going to reduce the cost of production of the essential commodities? Now, the cost of distribution will have to be reduced. I agree entirely that it is possible for us to reduce the cost of distribution. But at the same time, there should be some proportionate reduction not only in the profits of trade, but of industry and producers also. If there is simultaneous reduction in the price of essential commodities, then we can combine all the different elements to face the sacrifice and thus create an atmosphere which will result in a reduction of the cost of living.

An Honourable Member: Did you advise the Managements to cut down their costs by 15 per cent?

The Honourable Dr. Syama Prasad Mookerjee: That may be one of the suggestions which the advisory committee to be appointed here will make to Government.

Now, the point to-day is, if we want more production, there must be more activity in trade, business and industry. That is a vital matter. How to create that atmosphere? We may go on abusing each other Government may accuse employers. The employers may accuse labour. Labour may accuse both employers and Government, and the consumers may accuse all the three. But that will not lead to any solution. If we are facing a crisis, if we do feel that the real solution lies in the best utilisation of our raw materials for the purpose of producing and producing at a cheaper rate so that we may serve the interests of the consumers as well as capture even the export markets, if we feel that to be our goal, then it must be left to the representatives of all these three units to sit together and evolve a scheme for that purpose and to bring about its early implementation.

Sir, criticisms have been made against Government. I am well aware of the shortcomings of the Government. We are grappling with a problem which is not entirely of our creation. It has been handed over to us from the past. But we cannot take shelter under that plea. Take the Pakistan question. I am not going into the details of the situation which has been created out of the attitude taken by Pakistan. But I do feel convinced that the sooner India is able to stand on her own legs and free herself from being dominated by the economy of Pakistan, the better will it be for India. If we go on running after Pakistan and ask for the blessings of Pakistan, India cannot prosper, and you can take it from me, Pakistan will never be your ally or friend if you take that attitude. It is not as if we are declaring an economic war or adopting a hostile attitude. But if you can make Pakistan feel that you can grow those raw materials in which she thinks India is dependent on Pakistan, then the tables will be turned on Pakistan. Criticism was made and the question was asked. "What has government done with regard to jute?" Here at least, some credit will be given to the Agricultural Ministry for the steps that that Ministry has taken in the last one year or two for the increased production of jute. Today we have got some 28 lakhs bales and it may come up to 30 lakhs. The

varieties we are producing may not be exactly those varieties we import from Pakistan. But our experts are here and with the co-operation of the provinces I have not the least doubt that within three years, India will become completely independent of Pakistan so far as jute is concerned.

So far as cotton is concerned, no doubt, the difficulty is there. But if Pakistan does not take our cloth, even if we do not get cotton from Pakistan we shall have to utilise our own cotton, and if necessary we shall have to grow more cotton here. What do we want? We want that India must be self-sufficient in the matter of food grains. India must be self-sufficient in jute. She must be self-sufficient in cotton, and in so many other agricultural commodities which we want. But I ask you, in all seriousness, is this possible or feasible? Now, the demand has come from every quarter that by 1951 we should be completely self-sufficient with regard to foodgrains. At the same time we must be self-sufficient with regard to the two vital agricultural commodities, namely, jute and cotton. Here we must consider the matter cautiously and carefully, and even if it is necessary for a few years to get a certain amount of food grains from foreign countries, provided we are successful in growing other agricultural produces which we can export and thereby earn valuable foreign exchange, we need not be necessarily swayed by sentimental considerations.

I agree that the time has come when the entire economic structure of the country has got to be surveyed. But it is not the Government of India alone that is concerned. There must be the closest possible co-ordination between the Government of India and the Provincial Governments. After all, what is the Government of India without the provinces? If we can all work together and move together, swayed by the one supreme consideration, namely, to make our country as self-sufficient as possible in essential commodities, and to make her rich and wealthy for the purpose of exporting things which the rest of the world wants, then surely, we will be able to enjoy effectively the political freedom that we have got. For that purpose, there must be general contentment and an atmosphere of stability in the country. It pains me to find that from this House. We hear only criticism and abuses. Criticism there must be. I am not afraid of criticisms. But at the same time, let us all be fully aware of the supreme responsibility which rests on every one of us, not only on those occupying the Treasury Benches—my friend Prof. Ranga may occupy my chair and I shall be quite happy to occupy his chair and address the Ministry of which he will be an ornament. But this is a responsibility which all of us must share together. And let it not be forgotten that you represent here a party which has wrung political freedom from foreign masters. It will be for the members of this great political organisation to go out to the country and explain to the people who are deliberately being misled and misguided. They should be told what the magnitude of the problem is. They must also be told what are the general essential features of the economic policy of Government which it is incumbent upon the people of the country to lend their support to. I hope, Sir, that after the Honourable the Finance Minister has spoken, the House will be willing to give its fullest support and co-operation to the government so that we can go ahead for the purpose of reaching our goal.

The Honourable Shri Jairamdas Doulatram (Minister of Food and Agriculture): Sir, I feel a certain hesitation in taking up the time of the House at the very rag end of the day when the Honourable the Finance Minister is to still follow and reply to the debate. But if the House gives me the indulgence, I propose to detain it for about ten or fifteen minutes. I had promised yesterday to deal with certain statistics which my friend Mr. Sidhva had placed before the House. But before I refer to them I think it necessary to deal with some of the other and larger aspects of the food question which have

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come up before the House. I want to state categorically and definitely—let there be no mistake about it—that there is no difference of opinion between the House and the Government with regard to curtailing the import of food to the maximum extent possible and ending the import of food at the earliest possible date irrespective of the target date of 1951 which was fixed early this year. How this has to be achieved, in what stages it is to be achieved and through what means it has to be achieved are matters which, as the Honourable the Prime Minister indicated, have to be carefully considered. But let us all feel that our approach to that problem is the same, that our realisation of the difficulties facing the Government is commonly shared and that we are in agreement as to the methods of dealing with those difficulties. I can assure you that it is wholly a wrong impression that the Central Government makes certain calculations of the total population of the country sitting here in Delhi and makes certain calculations of the total production in the country and then with a desire to import as much food as possible gives out orders for import of food. I can assure you that the Central Government puts up a most strenuous resistance to the demands of the provincial Governments for help in the matter of food from the Central Government. I propose to take you into confidence as to the demands which the provinces made on the Centre and what the Centre ultimately gave the provinces in spite of the difficulties which some provinces had to face on account of scarcity conditions prevailing there.

Sir, Mr. Sidhva mentioned yesterday that in 1947-48 the provinces and the States required four and odd million tons of food stuffs and that the Central Government imported only 28 lakhs tons. Sir, what does that show? It shows that the Central Government is as keen as anybody can be to reduce the burden on the country consequent upon the investment of large funds in food imports and the large subsidies which had to be given to provinces. Even in 1949, when Bombay was faced with famine conditions in Gujarat and when floods washed away crops in parts of the United Provinces and in Bihar and when cyclone blew from Bombay right across to the Central Provinces and spoiled the jowar crop, after taking into account all possible local procurement, we had to face a demand to import 60 lakhs of tons. We resisted that demand and forced the provinces to cut down to the minimum their needs. Thus Bengal, and the city of Calcutta, where we have got highly inflammable labour, had to be content with a ration of 9 oz. a day. We cut down the import with the sanction of the Cabinet to only 40 lakhs tons. These forty lakhs tons the Food Ministry further cut down to 36 lakhs by spruning here and there. When Madras—I hope my friends will forgive me—put up a demand for 7,60,000 tons we gave them only four lakhs. When famine-stricken Bombay which had to take the burden of Baroda and Kolahpur asked us for 14,36,000 tons we gave them only ten lakhs. From Greater Rajasthan the demand came for 4,00,000 tons and we gave them only 1,33,000 tons. This was the case with every province. We cut down their demands radically including the demand from the Defence Services which wanted 1,50,000 tons and we gave them 1,33,000 tons. Thus, against a total demand for 60,00,000 lakhs tons, by methodical spruning we supplied ultimately about 40,00,000. We further watched the procurement programme from day to day and decreased even that quota. We thanked Bombay for exceeding its own production target and to that extent reduced the supply to them. We are as keen as anybody in the country to lighten the burden on the people and lighten also the burden on ourselves so that we may be able to spare more money for development projects.

Then there is other point regarding statistics. There may be a possibility in another place of a detailed discussion on these statistics. But on this occasion I propose to deal with one or two references just to illustrate that

these statistics need to be interpreted against a certain background. Without that background it is not possible to interpret the statistics properly. I fully realise that this is not the forum where we can resolve these doubts and disputes. Therefore I propose to invite Mr. Sidhva and with him any friends who are interested in Agriculture and Food statistics for a preliminary discussion, as to how these statistics are prepared and what they mean. After that, if they require a further examination of the statistics I would welcome that opportunity also.

I will here give one or two illustration as to how we are liable to misinterpret the statistics. Take the statistics supplied by the Ministry of Agriculture to which my honourable friend Mr. Sidhva referred. He said that the Ministry of Agriculture sent a delegation to the Ooty conference where we had the ECAFFE meeting and that the delegation gave the population of India as 347 millions. Mr. Sidhva said that despite the fact that the Census Commissioner's figure was 337 millions, we gave the Conference a higher figure. I think it is very improper and wholly inexcusable for any Government and for any Ministry which has got the Census Commissioner's figures to give any other figure. So long as that figure was there no Ministry could use any other figure. Sir, when we attended the ECAFFE conference it was June 1948. In June 1948 the Census Commissioner had prepared no figures as to the population of India in 1948. We had a regular enumeration of the population in 1941. There was no estimate by the Census Commissioner of the population of India in 1948 with us until a year after the ECAFFE meeting in June 1948. That means that when the Ministry of Agriculture was asked to prepare for discussion at Ooty a rough estimate of the agricultural and industrial needs of the people of India and their requirements in the matter of food, cloth, etc., we had to work out a figure in the absence of regular census figures.

Shri R. K. Sidhva: I have got the census figure with me in Paper No. 2 of 1949 published by the Commissioner of Census who estimates for 1948 a total population of 337 millions.

The Honourable Shri Jairamdas Doulatram: That was published in the year 1949, almost a year after the ECAFFE session at Ooty. The estimates which we prepared about our population were prepared in the same manner as probably all countries had to prepare. Obviously the officials worked on some principle, a sound scientific principle. I will explain that principle. We found that between the years 1931 and 1941 the population in our country had progressed at a certain rate from year by year. On the basis of that progress, working out the average increase per year and assuming that the conditions continued to be normal, we estimated the population for the succeeding years. Our estimate was a tentative one. And for what purpose did we make that estimate? It was not for the purpose of estimating our ration commitments and fixing the quantities of food to be imported. The Ministry of Agriculture discussing problems at Ooty as to what were the agricultural and industrial requirements of the growing population of India drew up a programme for several years. That was not the basis of our calculating our rationing commitments in India and our import programme for 1948. How do we arrive at our commitments for procurement and rationing and imports? We invite provincial representatives to meet us in Delhi. Sitting in Delhi, we do not calculate the total population and production and the possible amount of foodgrains which each person takes and then decide that this much should be procured and this much should be imported. We ask the provincial government representatives what they have got as carry-over from the previous year, what stocks of food they have got at the commencement of the year. What is the actual rationed population? How many persons are you actually feeding today. How many ration cards have been issued? What has been the off-take from the ration shops in your province during the last year? Are you going to increase your rationing

[Shri Jairamdas Doulatram] commitments? How many people will be covered by your rationing programme for the coming year? What is the procurement which you were able to secure last year, and how much do you expect to procure this year? Then we make our calculation and find out what can be locally procured and what the total deficit is. We try to cut our imports to the minimum possible figure and even after that we try to reduce it still further in the course of the year.

Shri R. K. Sidhva: What is the rationed population?

The Honourable Shri Jairamdas Doulatram: It varies from year to year. Mr. Sidhva gave the statistics issued by the Commerce Ministry in 1948 and said that 22 lakhs tons were being used for rationing, but he forgot to mention that that does not include the people who were being issued rations from relief quota shops as was put down in a footnote. Not only that. That was the year of decontrol. In 1948 we had minimum rationing.

Shri R. K. Sidhva *rose*—

The Honourable Shri Jairamdas Doulatram: I am prepared to meet Mr. Sidhva and any other friends who are interested in this subject for a full discussion. So far as this House is concerned, I may take more time and give another illustration of misinterpretation of statistics.

Mr. Deputy-Speaker: This is not a general food debate. This is a debate on devaluation which affects various departments of government and so there is no need to go into details.

The Honourable Shri Jairamdas Doulatram: I agree that the point raised by Mr. Sidhva is certainly very important. If the country is surplus in food, then there is not only no question of import, but the question arises whether we ought to have any food control. In regard to a commodity in which we are surplus it is not reasonable to have control. We decontrolled in 1947. After the first five or six months there was a steady rise in prices. If a commodity is in short supply, normally there is a rise in prices. Where a commodity is in surplus, prices are low. In C.P. the prices of certain grains are low, because they are surplus there. In the Punjab there are certain other grains which are surplus and so the prices of those grains are low there. The price of grains which are in short supply in any part of India is always high in that area. What I suggest is that Mr. Sidhva and myself and also any other members who are interested should meet and personally discuss these statistics. I do not stand on any prestige. If there are any mistakes in the method of calculation, or the basis of calculation, we should certainly revise it, because I do not want that any mistaken calculation should burden the country and the government treasury with heavy expense and subsidy. I may assure the House that the maximum care is taken in assessing the quantity that we should import on the basis of the actual extent of rationed population irrespective of the total population of the country.

The Honourable Dr. John Matthai (Minister of Finance): The very informing and very useful debate that we have had on the motion has, I am sure, given Government a great deal of food for thought. Many suggestions have been made which I have been thankful to find are very largely in accordance with Government's own ideas on the problems which devaluation has thrown up, and I have no doubt in my mind that, when we set up a suitable machinery for bringing about increased possibilities of consultation between the Government and Parliament in these matters, we should be able to push things forward to a satisfactory stage. I am glad that my honourable colleagues, the Ministers of Food, Industries and Supply and Commerce, have been able to participate in this debate, because most of those issues which have been raised in the course of the debate are issues which are concerned with the Ministries which they represent and they are naturally able to speak with fuller knowledge about

them. I wish in the little time that I have at my disposal this evening to confine myself to certain broad considerations which honourable members have raised in the course of the discussion. I am fully in agreement with the suggestion made by various honourable speakers that what we need today at the stage that we have reached is not so much more proposals as more willingness, ability and readiness to implement proposals. The question of implementation is really the most vital question that we have to face today. The more I think of the economic problems with which the country is faced today, the more I feel that at bottom they are not really economic problems in the sense of technical economics, but they are really problems of administration. You look at any of these problems which are causing us worry and anxiety in these days. You will find that deep down they resolve themselves into problems of efficient and honest administration. (*Hear, hear*). What we are up against today is the gradual slowing down—I had almost said breakdown—of our administrative system, a gradual disintegration just at the point where the administrative system comes into direct contact with the masses of our country. That really is the problem before us, and I feel that if we are to make a better contribution than we have been able to do so far, what is required is not intellectual analysis or more planning of big things. What is required today is to settle down to the drudgery of good, honest administration. (*Hear, hear*). Now the question of administration is bound up very closely with another idea which has been suggested by several honourable speakers, *viz.*, the idea of co-ordination. When honourable members speak of co-ordination, they are thinking apparently only of Government at the highest level that we here represent. I beg to suggest to the House that from the point of view of co-ordination, what is more important is co-operation at a much lower level than the level that we represent. If my proposition is correct that we are up against inability to cope with its tasks on the part of administration at the point where the administration comes into contact with the people. It seems to me that more co-ordination is required at the distant end of our administration than here.

As far as the Centre is concerned, there has been a suggestion made from various quarters of the House that what we seem to be suffering from, as far as the Central Government is concerned, is a lack of co-ordination between the various Ministries. For some months now we have been working with an Economic Committee of the Cabinet in which all the Ministers who are concerned with the economic side of administration meet often, sometimes twice a week, to consider jointly the economic problems that affect them all. And since I am, perhaps, very directly concerned with the working of that Committee, I think I have some right to say that we have made a certain measurable degree of progress in the matter of co-ordination at the Centre. But as my honourable friend Dr. Syama Prasad mentioned, the question of co-ordination is equally important as between the Centre and the provinces. Some of our greatest difficulties arise from the fact that under the kind of constitutional system under which we are working today, policy is laid down by the Centre; but the execution of the policy is in the hands of Provincial Governments. If there is not enough co-ordination, if there is not sufficient attempt on the part of the two agencies of Government to get together and work out their problems jointly, we shall not be able to make the progress that we all desire. I do hope in the days which are immediately ahead of us, as soon as the Constitution has come into force, we probably shall have at our disposal a more effective machinery for this purpose.

Sir, in the speech which I made on the motion before the House I placed before honourable Members the programme that Government have in mind in order to meet the difficulties created by devaluation. If I may take the most

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important of the difficulties that we have to face, the most important directions in which Government have to move, I would mention three particularly. The first is that there is a great call on us all today to bring about economy in public expenditure. There is probably no concrete step which is better calculated to meet the difficulties created by devaluation than a levelling down of public expenditure. I placed some proposals before the House yesterday about which there seemed to be a certain degree of lurking scepticism in various quarters of the House. We are keen about it: we are earnest about it. What I said in my speech was that during the current year, we aimed at making a total saving under revenue and capital, put together, of approximately Rs. 40 crores. I was asked what percentages this meant, that is to say an analysis of the items of expenditure under which we are hoping to make this saving. I do not want to weary the House with the details of this objective, this target, that we have. But I am satisfied that we are going to make a better saving than we expected to do on the basis of the Economy Committee's proposals.

I hope on the revenue side we should be able to make a saving of somewhere about six to seven crores during the current year, as compared with about three and a half crores suggested by the Economy Committee. The rest will be under capital expenditure. As for next year (1950-51) what I said was that we would try and get a saving of at least twice the saving that we propose to achieve during the current year. That I would put forward as our minimum.

The difficulty about our revenue expenditure is that the three chief main items of expenditure today are defence, relief and rehabilitation and food subsidies. They are not items of expenditure that lend themselves to saving in the sense in which the House contemplates it. These are bound up with big issues over which as a humble Finance Minister I have not very much control, nor do I believe have the Cabinet as a whole the control that they would like to have. Unless we are able to bring about substantial reduction under these items, we should not be able to make any perceptible difference in the present difficult position in which we are placed. If you take civil expenditure, that is to say, leaving out standing items, such as interest charges and so on, the scope for reduction out of the Rs. 322 crores that constitute our whole budget, is a great deal less than honourable Members realise. I have gone into this question with a great deal of interest and I believe that the target that I have attempted to place before the House, in the circumstances, must be regarded as a moderate and reasonable target.

The other factor which I think we have got to keep particularly in mind is to reduce the price level, if possible to bring it down. Some honourable Members rightly referred to the fact that in spite of all the anti-inflationary measures adopted by Government there has been no perceptible reduction in the price level. That is a correct statement to make. During the Budget debate I was rash enough to commit myself to a statement that I expected that from April or May onwards there would be a gradual reduction in the prices of essential things. For about six weeks after I made that statement my prophecy seemed to work and then a different trend appeared. I have been watching the situation very carefully. The real position is this. If you take 'food-stuffs' the most essential part of the elements that constitute the price index, it is perhaps true that there has been no perceptible reduction. But if you take food-grains out of that lot, you will find, if you compare it with October 1948 when our anti-inflationary programme was put into operation, there has been quite a considerable reduction, especially in wheat and bajra. You will find that the reduction in wheat has been quite considerable. When I made this forecast last April the House will remember what I had in mind

was that as the procurement programme of Government in respect of food-grains begins to make progress, and as the new harvest comes in March and April, the result of these two factors would be a gradual lowering of prices. As far as foodgrains, particularly wheat, are concerned, I submit to the House that the proposition which I then placed before the House has not proved untrue. Now we must keep in mind the importance of keeping prices down as far as possible in order to obviate the evil effects of devaluation and I have no doubt that with the co-operation of the interests concerned, we should be able to make some progress with that proposal which I have placed before the House.

The third point I think that we have got to keep in mind, to which my honourable friend Dr. Syama Prasad has referred, is the question of increasing the productive capacity of the country. That, of course, goes to the root of all the problems with which we are faced, and in the circumstances in which we are placed, I have no doubt that all the agencies of Government concerned with production would do their best to meet this difficult situation.

Suggestions have been made by honourable Members to the effect that there should be a suitable machinery which would enable Government to take into their confidence representative elements of the House so that the proposals which Government have in hand might be formulated and might be implemented with their assistance. Government have decided to appoint a Committee for this purpose, an *ad hoc* committee, for the purpose of considering what measures should be taken to meet the problems created by devaluation and also to determine whether adequate progress is being made in the matter of implementing these proposals from time to time. Government have accepted the proposal made by honourable Members to that effect and I hope, with the approval of the Deputy Prime Minister to make a very early announcement of the composition and terms of reference to the Committee.

There are just one or two other matters that I want to refer to. There has been a great deal of reference during the debate to the question of our relation to sterling. Although honourable Members, like Prof. Ranga, were prepared to admit that formally now there is no such thing as a link between the rupee and the sterling, circumstances are such that there appears to be a link which we are not able to get away from, and I have no doubt that what he has at the back of his mind is since all this trouble arises from the fact that the greater part of our trade is with the sterling area, it is necessary that we should reorganize our trade in such a manner that the sterling area will not dominate our foreign trade to the extent that it does now. The difficulty about that is this. As Pandit Thakurdas Bhargava said in his speech yesterday, you cannot get away overnight from the commitments which history has made for us. It is a very difficult thing to build up trade connections. It is a fairly easy thing to destroy them. Rightly or wrongly, for purely accidental reasons or by historical developments, it so happens today that most of our trade connections are with the countries in the sterling area, and I think it would be a mistake from the point of view of our own interests to do anything which will destroy these longstanding trade connections which are of very great help to us. What we might do in order to achieve the kind of objective that honourable Members have in mind, is not to reduce or to destroy the trade connections which we have in the sterling area, but to build up new connections in other areas, so that the existing trade connections that we have in the sterling area would not be so large a proportion of our total foreign trade. That is really the direction in which we ought to move

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There is one other point I want to raise. That is a point which Mr. Munshi mentioned that the one circumstance which seems to stand in the way of increasing production in the country, of helping progress on saving and investment, is the way in which the Income-tax administration of the country is doing its job. I have been in very close touch with the subject because of representations I have had from various quarters, and my own feeling is that the officers of our Income-tax administration department, engaged as they are in an extremely thankless job, are trying to do their best in order to bring about a better tradition in this matter. I have for sometime felt that one of the difficulties of our Income-tax administration is that we have not yet been able to establish anything like a satisfactory liaison between the Income-tax administration and the public with whom that administration deals. In other countries, I think there has been a great deal of development by research in the matter of cultivating satisfactory relations between those who collect income-tax and those who pay it. It is one of my objects at present in regard to the question of income-tax that we should have some kind of organization which will give our officers in the Income-tax department the right attitude with regard to the question of dealing with the public.

As far as the general policy of Government with regard to income-tax is concerned, as I have said more than once in recent months, I will sum up our policy briefly in these terms: The policy of Government is as soon as opportunity offers itself to bring down direct taxation to a more reasonable level. I have often expressed my own view, which I have no hesitation in expressing again, that the present levels of taxation which have come so to speak as a projection from war times are levels which are uneconomical from the country's point of view, and if it is possible, I propose to do something to bring that down. That is one aspect of our income-tax policy. The other aspect is, if you are able to bring down the level of taxation to limits which are manageable from an economical point of view, then I think it is the Government's job to see that every pie of the revenue due to Government is collected promptly and effectively.

That to my mind constitutes the twofold policy of Government with regard to income-tax. That is as far as I can go in the matter.

I am grateful to the House for their appreciation of the stand which Government has taken in this matter of devaluation.

Mr. Deputy-Speaker: I shall now put Prof. K. T. Shah's amendment to the House.

The question is:

"That for the original motion, the following be substituted :

'This Assembly, having considered the situation arising out of the devaluation of the rupee in terms of gold, records its profound regret and dissatisfaction with the sudden, sharp, and wholly unwarranted devaluation in the exchange value of the rupee in terms of gold, and calls upon Government immediately and finally to sever any remaining link with the pound sterling; forthwith to adopt all possible measures to maintain the purchasing power and exchange value of the accumulated resources of India, known as the Sterling Balances, without any depreciation in terms of gold, on or before the 15th day of September, 1949; and urges upon Government the extreme importance of maintaining stability of the general price-level without any prejudice to the working class standard of living.'

The motion was negatived.

Mr. Deputy-Speaker: The question is:

"That for the original motion, the following be substituted :

'Having considered the situation arising out of the devaluation of the sterling in terms of gold, this Assembly approves the action taken by the Government in this behalf viz. devaluing the rupee in terms of gold.'

An Honourable Member: The amended motion has now to be put to the House.

Mr. Deputy-Speaker: This is a substitute motion. I do not think there is any particular motion as amended that has to be taken up. This is the main motion. If it were not we would have to put the motion as amended. I do not consider any amended motion is before the House.

The Assembly then adjourned sine die.