

[Shri S. M. Banerjee]

Under Rule 216, I beg to call the attention of the Minister of Labour and Employment to the following matter of urgent public importance and I request that he may make a statement thereon:

"Non-representation of certain Central Trade Union Organisations in the Fourth Session of the I.L.O. Asian Regional Conference."

The Minister of Labour and Employment and Planning (Shri Nanda): Sir, the International Labour Organisation is holding the Fourth Session of the Asian Regional Conference at New Delhi from the 13th to 26th November, 1957. Twenty-one countries and twelve International Organisations are participating in the Conference on the invitation of the I.L.O.

In accordance with the terms of the Constitution of the I.L.O. the employers' and workers' delegates and advisers are nominated in consultation with the industrial organisations, which are the most representative of employers and workers respectively. The nominees of the Indian National Trade Union Congress, which is the most representative organisation of the workers in India, were accepted for the workers' group of the Indian delegation to the fourth Asian Regional Conference according to the Constitution of the I.L.O. The nominees of the Indian National Trade Union Congress have been participating in these International Conferences since 1948. Its credentials were challenged in earlier years by other Central Trade Union Organisations of workers in India. The credentials Committee of the International Labour Organisation after giving due consideration to those challenges accepted the Indian National Trade Union Congress as the most representative organisation of the Indian workers.

Shri Tangamani (Madurai): Sir, may I seek a clarification?

Mr. Speaker: We do not allow any clarification on such statements.

LEAVE OF ABSENCE

Mr. Speaker: We do not allow any absence of Members from the sittings of the House in their third report have recommended that leave of absence may be granted to the following Members for the periods indicated in the Report:

1. Shri S. R. Damani.
2. Shri T. D. Muthukumarasami Nayadu.
3. Sardar Baldev Singh.
4. Shri Mahadeo Prasad.
5. Shri V. N. Swami.
6. Shrimati Lalita Rajya Laxmi.
7. Shri U. Muthuramalinga Thevar.
8. Shri Surendra Mahanty.
9. Shrimati Renuka Ray.

I take it that the House agrees with the recommendations of the Committee.

Hon. Members: Yes.

Mr. Speaker: The Members will be informed accordingly.

MOTION RE: SECOND FIVE YEAR PLAN IN RELATION TO CURRENT ECONOMIC SITUATION

Mr. Speaker: The House will now proceed with the further discussion of the following motion moved by Shri Gulzarilal Nanda on the 13th September, 1957, namely:—

"That the Second Five Year Plan in relation to the current economic situation be taken into consideration."

Both this motion and the other amendments were before the House.

The hon. Minister has to reply. Shri Nanda.

The Minister of Labour and Employment and Planning (Shri Nanda): The Finance Minister is going to reply.

Mr. Speaker: He is replying on his behalf. Very well. The hon. Finance Minister.

The Minister of Finance (Shri T. T. Krishnamacbari): Sir, I am grateful to my colleague for having given me the opportunity of replying to this debate. In one sense the debate suffered from lack of continuity because there was a break. It was not possible for me, as I was reading the report of the proceedings of the 13th September and trying to piece them together with what happened yesterday to ensure that even in replying I could effect continuity between the arguments put forward.

It is undoubtedly difficult in any discussion when 25 speakers have intervened to observed the main them and the break in the discussion has undoubtedly made the position more difficult. The hon. Member opposite, who spoke after my colleague, made some remarks and some suggestions. Part of them were useful and many of them were destructive. In fact, after hearing my colleague who gave in an unvarnished way an account of whatever has happened including all the short-comings of the Plan and the defects that we are now facing, we expected naturally that criticisms that came from the opposite side would help us in resolving those difficulties. Unfortunately, like all hopes of that category, our hopes in that direction were also blasted.

The hon. Leader of the Communist Party mentioned certain things which were perhaps useful. In his speech, while outlining the priorities, he said that there should be no pruning of the Plan in respect of iron and steel and in respect of irrigation. May I say, Sir, that is also our idea? There should be no re-phasing or revising

of the Plan in respect of these categories.

He had suggested that power projects might be dropped for reasons totally different from ours. Speaking on behalf of the Planning Commission and on behalf of the Government I may say that we set a very high premium on power projects, because power projects are the main incentive for industrial development, whether it be in the small-scale or medium industries or in the large industries of the private or public sector. It is power that generates industries. So I am unable to agree with my friend opposite, who is not here, that we could easily let go the power projects.

But, maybe, his wish is being fulfilled from another angle, namely, the lack of foreign exchange facilities, the fact that we have not committed ourselves in regard to the purchase of certain equipment for certain power projects necessarily makes it incumbent on us to drop some of these projects. In fact, if there is any diminution in the Plan of a substantial character in the public sector, I regret to say, it might have to be in the power projects and, perhaps, even in the one, two or three of the fertiliser projects which we have included in the Plan if we do not get any facilities to proceed with these projects.

Well, my hon. friend mentioned about culprits and niggers in the wood-pile and so did other hon. Members, I shall deal with it a little later. I have nothing to say to the various five points that he mentioned as being the main factors. He mentioned about the imperialist policy of the imperialist countries and their monopolies. I fail to see how that has any relation so far as we are concerned. Outside countries give us aid to the extent that is possible, whether they are imperialist or anti-imperialist. Their policies and monopolies have no effect on our economy.

Plan in relation to
Current Economic
Situation

[Shri T. T. Krishnamachari]

He said that our export policy has not been a proper policy. How? I do not know. Of course, you can say export policy is not a proper one. It is easy. I myself could say that. But the question of remedying the defects, well, that has to be the result of some careful thought preceded by certain knowledge. I am afraid both these are absent so far as the hon. Member who made these remarks is concerned. The third question was landlords and monopoly interests. All these combined together, according to him, have brought on the crisis.

Some of the rest of the speeches that were made on the last occasion have been very useful. So far as criticism is concerned, they have been made again during the debate that took place yesterday. The fact that the Prime Minister intervened yesterday early in the debate has somewhat lightened my task, because he has pin-pointed the discussion on one or two salient factors. But I am afraid the guidance given has not been followed. In any event, I do not propose to deal with the question of food policy, nor do I propose to touch on the question of my visit abroad, notwithstanding the fact that my hon. friend Shri Masani has been extremely kind in his references to me, because I do think they will form the subject matter of another discussion in the House and at that moment I should be ready to receive the charges and to answer them to the best of my ability.

In fact, mention was made by my friend Shri Khadilkar, usually a very competent critic, who went off the rails yesterday to a considerable extent and committed himself to a series of statements all of which pieced together would mean almost different things.

I, would like to say a few words about the remarks that fell from my hon. friend Acharya Kripalani. I have said on a previous occasion I

hope he won't mistake me—that he is somewhat allergic to me. I am afraid, apparently it must be an allergy that has been created recently, as according to him I have made to him confessions in regard to my economic ideas. I do not remember, Sir, of having confessed to him what my economic faith is. He said, I mentioned to him that he did not know economics and I was a believer in *laissez faire* economy. Well, if I knew any economics at all, I know this that the *laissez faire* theory disappeared long before I was born, and I realised it almost from the time I started reading elementary economics. If the House will pardon me, I might mention a matter connected with me. In 1952 when my chief asked me to take up the responsibility of Commerce and Industry portfolio I received a deputation of the Federation of Chambers of Commerce two days after I took over. I asked the gentlemen what they came to see me for. They said, it was a courtesy visit. After that the conversation did not proceed. Then I asked them whether there was any other purpose. One of them said to me: "If you won't take offence we will say what we have in our mind". I asked him to say what they had in their minds. They said: "We have heard and seen from all your various pronouncements that you are not in favour of private enterprise, and therefore we are somewhat afraid that this charge that has been given might be operated to our detriment", I had to tell them that my chief had given me a responsibility which I had to discharge in consonance with the principles and policies of my party, and therefore my personal opinion would not stand in the way of their getting justice. That is only by the way. I did not tell my hon. friend opposite that I was a believer in *laissez faire* economy; nor do I think, except perhaps in the heat of the moment, I should have presumed to tell him that he did not know econo-

mics. He knows life and life is economics, and I certainly did not say that he did not know economics. But sometimes, merely because he is in the opposite side, he is out to find fault with us and, may I say, in finding fault with us he has been less than just to us.

Take for instance his criticism about the Rourkela plant. In one sense I am prepared to accept responsibilities for all that has transpired in regard to any shortcomings in respect of the three steel plants from my hon. colleague Sardar Swaran Singh, because the responsibility was entrusted to me and, therefore, anything that goes wrong in these steel plants is my personal and primary responsibility. May I tell my hon. friend opposite that there has been no avoidable delay? So far as the Rourkela Plant is concerned, it is true that we had to call for revised specifications, because the specifications which we originally received were only for 3,50,000 tons of finished steel and the picture we are envisaging is for a total production of somewhere near five million tons. Rourkela as it then was did not fit in. That meant some delay. Undoubtedly, we could have gone on with the 3,50,000 tons and then added later on. That is one way of doing it and, maybe, that would have been the wiser way of doing it, but the cost of doubling the plant later, once you set up all your services, supplies, space and things of that sort for a 3½ lakh tons of steel would cost much more to the Indian public than the delay of six months.

Mention was made of our having terminated the agreement so far as the participation of the consultants is concerned. May I tell him that it was also done after mature consideration. We are short of foreign exchange. And, if it is a question of getting Rs. 5 crores or Rs. 8 crores of additional foreign exchange without having to pay an undue price for them we would not have thrown it away. I found that the price was rather high.

Then he mentioned that the contract was not finalised. I do not know where he got his information from. I do not know; probably somebody in the Iron and Steel Ministry told him about it. Contracts for all the essential things have been finalised.

Acharya Kripalani (Sitamarhi): May I know when they were finalised?

Shri T. T. Krishnamachari: They were mostly finalised before I handed over charge to my colleague Sardar Swaran Singh. That happened sometime in April, 1957. Maybe a few odds and ends here and there have still got to be done but they have to take their own time. Maybe that in the contracts that we have given, one or two things had to be changed. There is some delay in civil engineering. These things happen and if my hon. friend said that we have not chosen our contractors properly, that we have not put in adequate manpower or engineering personnel then, I would have pleaded guilty with him. I would tell him, "yes, it is true," and I would have given an explanation, satisfactory or otherwise. But I do not think the charge that he laid at our door was true.

On the same plane is the charge against Government with regard to the co-operative movement. In countries which he visited, I suppose he found Governments taking an interest in the co-operative movement. So are we. The Government here are taking a deep and abiding interest in the co-operative movement. The Planning Commission has provided a very large sum, I think, Rs. 47 crores, so far as encouragement of co-operative movement is concerned. And the achievement is quite substantial. In the case of membership during the last three years, 1953-54, 1954-55 and 1955-56, the membership has increased by about 52 per cent. paid-up capital of co-operative societies, 70 per cent; working capital, 81 per cent; assets and investments, 90 per cent.

[Shri T. T. Krishnamachari]

I would also like to tell him something in greater detail in regard to what Government have done. As a result of the Rural Credit Survey Committee's report, certain changes have been made in regard to the type of assistance that would be given to rural areas. The Reserve Bank and the Food and Agriculture Ministry were charged with undertaking this task. May I say that in regard to credit societies, the resources that are now provided through the medium of the Reserve Bank, by augmentation of share capital at all stages—primary, district and the apex level—are somewhere about Rs. 5 crores which is the amount of money that the State Bank has given to the State Governments and the State Governments might have added something. Medium-term resources to the State co-operatives, the apex banks and the Central Government are provided by the Reserve Bank to the extent of Rs. 4 crores to Rs. 5 crores. The marketing organisations have also been given assistance by the Reserve Bank for increasing the share capital of the marketing organisations. The co-operative Development Board which is working under the aegis of the Food and Agriculture Ministry has spent more than Rs. 1 crore. For the building of godowns and for subsidising the building of godowns, they have been given a grant of Rs. 1 crore.

The Reserve Bank has taken a personal interest in providing for the training of staff. It has been going on for a number of years in order that these societies might have the services of qualified people, and the subsidies that have been given for that purpose by way of recurring expenditure amount to more than a crore of rupees.

The Reserve Bank have also got training schemes on which over a period of years they have spent very nearly Rs. 50 lakhs, and assistance is

being given to processing societies—raw jute and sugar-cane. This assistance is being directed through the Co-operative Development Board under the Food and Agriculture Ministry and through the State Bank of India.

I might mention also that the Reserve Bank lends what might be called short-term money, which really means 12 months, for production and marketing through co-operatives, and it is about Rs. 40 crores a year now, to which has to be added a sum of Rs. 35 crores a year which the societies themselves are putting up. Maybe that these resources act in a different way, so far as we are concerned, in regard to the price of foodgrains, but to say that the co-operative movement here has not got the leadership or active support of the Government is not right.

Shri Masani made certain points. As I said, his personal reference to me was undoubtedly complimentary; his reference to the Government and the Planning Commission was less so. There is no point now to try to find the parentage for the Plan. I can only tell him that it is not a foundling. It has a proper parentage, very respectable. There is no use saying that this person or that person did it, because the Planning Commission has provided the Plan and the Government, after careful examination, have accepted the Plan. So, the responsibility for the Plan is that of the Government today.

Acharya Kripalani: Foundlings are also recognised in India.

Shri T. T. Krishnamachari: My experience with foundlings; I am afraid, is somewhat meagre. I am sure my hon. friend knows more about it.

The question of ideology was again raised. I would like to tell him that this must be considered closed issue

now. So far as ideology is concerned, what my friend opposite said is not true. Then, they seem to indicate that there must be a reversal of the gear. No. The chariot goes on. Do they want us to go slow? But the wheels go on. The pace will be regulated by the road through which it travels and the amount of man-power that is put behind it. But it will go on. So, there is no question of reversing the gear.

On the question of internal resources, many hon. Members made a reference. It is true oftentimes in the past, when I was speaking, I had given internal resources a somewhat lower priority than to external resources. But that does not mean that internal resources position is such that resources would be picked up and gathered on the wayside. I shall mention something about it before I close.

My friend Shri Tyagi is in a unique position. May I say that I sometimes envy him, his independence.

Shri Tyagi (Dehra Dun): God willing, you will have it soon.

Shri T. T. Krishnamachari: The position is this. I do not know if any hon. Member has experience of a funeral. When a man dies and when there is a funeral, he leaves behind the widow. These widows go and cry, but innately they are glad because their fold has been increased. I do not deny or refuse the pleasure of increasing the number of widowed Ministers that Shri Tyagi wants to augment. When I cease to be a Minister, I shall not be here to criticise the Government; and that, I hope, is a thing which is under my control. As I said, I did not want to refer to this question except to say that Mr. Tyagi knows more about Government than anybody else does here, and knowing about Government, he is free from the inhibition that a person who is in the Government has today. Very possibly I might say the same thing in a private capacity. My Tyagi has

said, "What has the Prime Minister done? What has the former Finance Minister done? What does the present Finance Minister do? What did he do as Commerce and Industry Minister?" They all make mistakes. So did Mr. Tyagi and his knowledge is undoubtedly useful. But his liberty should not be misused.

Mr. Bharucha, I think, must be a little offended because the Prime Minister made a reference to him. Now that he is going to deal with the almost next but one item with which I am concerned, I would like to keep peace with him. But I hope he would not be too offended if I say that I have nothing to add to what the Prime Minister said.

I have not mentioned Mr. Khadilkar. As I told you, I have got a great deal of respect for him and his views. But then he was jumbling up a number of things, what is the position of the Planning Commission and so on. Does he want the Planning Commission to be an independent body, in which case neither the Government nor this House would have anything to do with it? It happens in certain countries. If he wants it to be responsible to the Government, it is responsible to the Government and you can move a vote of censure on the Government for failure to implement the Plan as presented. The Government must find adequate explanation to say why that vote should not be granted.

He mentioned something about private enterprise, something that I said somewhere and so on. So far as we are concerned, we have given a place to private enterprise and private enterprise will have to do the processing of many of the things that we manufacture in the public sector. I do not think there is anything new that he has excepting perhaps to put it slightly more pungently than he normally does.

Therefore, I have tried to cover much ground, but I do not propose to deal with the question of the import policy for which really the former Commerce and Industry Minister is responsible.

[Shri T. T. Krishnamachari]

It has become a parrot slogan. I suppose it is quite nice to be a parrot. Hon. Members opposite can be parrots and might probably have beautiful wings which you can look at. But once they open their mouths, they are like the parrot in the puranic days which repeats things because of what you call *samsarga dosha*. They are in bad company and the parrots must say those things. In spite of the fact that the parrot has been corrected, the parrot will go on repeating. Therefore, there is no need for me again to defend myself or the Government or the previous Commerce and Industry Minister.

Shri Hem Barua (Gauhati): Are there no parrots in the Treasury Benches?

Shri T. T. Krishnamachari: There are no parrots here.

Shri Hem Barua: Perhaps they are eagles and kingfishers.

Shri T. T. Krishnamachari: The hon. Member can let his imagination loose and consider that we might be anything, vultures even, if he likes. But the only trouble about it is we have not got the capacity of the vulture to deal with the people who meddle with it.

12.34 hrs.

[SHRI BARMAN *in the Chair*]

I think the House will certainly expect me to say now something about the Plan. All that I have been saying all along is something outside the Plan. My colleague mentioned the other day about the figure of the Plan that we now envisage. Speaking in terms of possible increase in the financial size of the Plan, the review that has been made by the Planning Commission indicates to us that we have to come back to the Rs. 4,800 crores, which would be the financial limit of the Plan. Forecasts of the resources were attempted in this connection and even for this purpose, the resources, both internal and external, were somewhat inadequate. In

regard to internal resources, there was a gap of about Rs. 400 crores after allowing for deficit financing of Rs. 1,200 crores. On the external side, the balance of payment gap was estimated to be Rs. 1,100 crores. Even filling this gap would not be an easy task; but it will probably be more now.

The original estimates in regard to the Plan requirements were perhaps on the low side. What is really causing us a certain amount of trouble in regard to resources was, is rather that the non-planned expenditure such as defence had to be raised and that impinged very largely on the external side of our resources. It is in the light of this development that the re-orientation of our economic policy had to go on during the last few months. The Planning Commission had an opportunity of reviewing the position as it obtained during the last 18 months, since the Plan began. For 1956-57 the Plan outlay falls a little short of Rs. 700 crores. There have been considerable shortfalls in the States because of their preoccupation with other things, and not the least, States reorganisation.

In 1957-58, as against the Plan target of Rs. 960 crores, the actual outlay may turn out to be smaller. For the two years together, the expenditure on the Plan probably would be in the region of about a third of the Plan outlay. This has been indicated to you by my colleague in making the opening speech.

I have been considering the problem of resources against the target of Rs. 4,800 crores, but I must confess there are still several uncertainties in the situation. The fact is that the critics who have spoken about our estimate of the Plan do not realise that a dynamic plan creates various difficulties in the way merely because of the mutation that the implementation of the Plan brings in its way. To anticipate everything and control everything is very difficult. We can control many things, but that would

mean a plan in which nobody can have any say. It has to be completely authoritarian.

The second fact that one has to recognise, which I think is often not recognised in this House, is this. The House is very powerful. It controls the destinies of this country, but at the same time, by the Constitution a very large segment of normal governmental powers has been given over to the States. And that is a thing that neither the House nor we as representatives or trustees of this House can exercise excepting through methods of persuasion. Mr. Khadilkar will agree with me that there the Planning Commission is very useful. It is useful in the direction of apportioning the resources the Centre gives to the various States in an objective manner, having in mind the totality of the development of the whole country. It is useful in advising the States, which I cannot. Very often, if I give advice to the States, the State Finance Ministers will say, "You are being dictatorial". The Planning Commission, because it has not got the power to enforce the advice, is more palatable and we should not forget the fact that we are planning in a democratic set-up where every act of ours is being magnified and brought on the forum of this House. We are also acting in a federal set-up which adds to our difficulties, and this increases the uncertainties in the situation. Nevertheless, I am reasonably hopeful that with an effort we shall succeed in raising resources to match this target.

Shri Bimal Ghose (Barrackpore): May I ask one question? What relation would this amount of Rs. 4,800 crores bear to the physical targets?

Shri T. T. Krishnamachari: As a matter of fact, I am only dealing with financial targets. The physical targets might suffer certain diminution. The physical target may suffer diminution because of the price recession that is going on in the world, which is unfortunate. I don't think we can provide anything against price recession. It is quite likely that some of our

purchases may become somewhat cheaper, that is, those which we have not already purchased. That might give a small advantage in the overall picture—a very small advantage. But price recession in the world is also going to mean a certain amount of difficulty in our export trade.

But I am only dealing with the financial targets now. About physical targets I shall probably say a word before I close.

Shri Panigrahi (Puri): Are we going to adhere to the target of Rs. 1200 crores of deficit financing?

Shri T. T. Krishnamachari: I think I shall mention a word about it also before I close.

Naturally, the questions that are put by the hon. Members are indicative of the fact that the House is anxious to know how the Plan is to be rephased in the light of both internal and external resources and which physical targets are going to be reduced, which schemes are going to be accorded low priority, what in a word is the size and shape of the streamlined plan. I am afraid, it is not possible for me at this stage to give a clear-cut answer to the question. I hope it would be possible for the Planning Commission and the Government to give a more clear picture or a more precise picture of the position some time towards the middle of the budget session. That is my hope.

One point has been made clear and that is that we want to exert our utmost to see that the projects in the core of the Plan are duly implemented. In other words, every care is taken while re-adjusting the Plan to see that we do not sacrifice the growth potential of the Plan. That is where what my hon. friend, Mr. Dange, has mentioned is perhaps relevant. The question of coal, the question of steel, the question of irrigation, the question of ports and railways, if they are today given the go-by, then the growth potential that is necessary for the Third Plan will not be there

[Shri T. T. Krishnamachari]

The crucial problem at this stage is to secure the foreign exchange required for the core projects on which a considerable sum of money has already been spent. There are outstanding commitments on Government account and in respect of projects in the private sector as well, which have to be met. Altogether, our estimate is that we need external assistance of Rs. 700 crores to enable us to meet these commitments.

I have already told the House the efforts that we are making in this direction. What I would like to tell the House is that there is a "bunching" of external commitments which we require for the next eighteen months. A large part of the deficit of Rs. 700 crores I have mentioned now is expected to arise during this period of 18 months from now on. It is in view of the need meanwhile to utilize our foreign exchange resources as fully as it is consistent with prudence that we are coming up to Parliament with a Bill to amend the relevant sections of the Reserve Bank of India Act.

Broadly speaking, the considerations in terms of which we are proceeding are as follows:

We are trying to provide funds, both internal and external, for carrying forward projects which have already commenced and have moved a considerable step forward.

We are endeavouring to complete, to schedule, the programmes in respect of the core of the Plan which, as I said, happens to be the railways, major ports, steel, coal and, to the extent possible, ancillary power

We are not undertaking any new commitments outside the core except against external assistance, foreign investment or deferred payment terms.

Assuming that the foreign exchange resources for the programme sketched above are available, I should expect that the performance in terms of the achievement of physical targets

and increase in national income and employment will not fall excessively below the original targets. This would almost be true on one assumption, which I consider to be an important assumption, namely, that the increase in food production over the Plan period will be satisfactory. Increase in the aggregate output, expansion of employment and the attainment of high levels of investment without causing economic instability are vitally related to the successful achievement of the target in the matter of food production.

I have already said enough to show that our immediate problems, in respect of resources, special external resources, require all our attention at present. It is, therefore, not particularly profitable at this juncture to attempt to map out the likely position in respect of resources and performance for the remaining period of the Plan. Nevertheless, a broad indication of our course of action or the likely course of development is perhaps necessary. Now I shall do so, provided it is understood that the exercise that I am making is extremely tentative.

At the same time, I would like to underline the position mentioned by the Prime Minister yesterday about food production. Though we recognize the importance of it, we should not fail to recognize the fact that there is a certain amount of inevitability in regard to food production lagging behind other development in countries which are under-developed or which have a large population. I was looking into a book about Soviet economy and I found therein an essay by Professor Colin Clark. He was comparing the growth of the Soviet economy in relation to certain West European countries. He had indicated the point there that while industrial development in the Soviet economy can stand comparison with the development of many of the West European countries, the development

in the total lagged behind, and that is largely because the agricultural sector lagged behind the development in the Soviet economy in other sectors.

12.47 hrs.

[MR. SPEAKER in the Chair]

The Prime Minister mentioned about the difficulty which China is facing in this context. Therefore, we have to recognize the fact that in any country where there is a large population, the agricultural aspects of any Plan could not be underrated. Even continuous striving might perhaps not lead you to realize the expectations that you have in that regard and it may be that because of the lack of progress in the agricultural sector, *pari passu* with the progress in other spheres and the total development has not taken place to the extent that you had figured for if you look only into the industrial development, it might perhaps give you a totally different picture of the situation.

The House is aware of the measures we have taken to augment our tax resources. The measures taken by the Centre add up to an additional tax yield of Rs. 800 crores over the five year period. The tax yields are also expected to increase as the Plan proceeds. Further marginal additions to this effort are perhaps possible. The recommendations of the Finance Commission will mean the transfer to the States of a sum of Rs. 170 crores within the Plan period. Some of the tax measures adopted at the Centre will benefit the States also. For the rest, I think, the ball is now in their court. The States also must raise more resources for their plans, enough and more to match the targets that they had originally expected. Altogether the contribution of additional taxation in the Centre and in the States will cover the gap of Rs. 400 crores that was left initially in the Plan; it can, if, as I said, the States play their part, make a significantly larger contribution. In fact, it is imperative that the States must raise

more resources as they have taken up some of the non-development expenditure works also. They must do more than was envisaged in the Plan. The balance from revenue secured in this manner plus the surpluses of the Railways which, I expect would be larger than we had originally anticipated, should enable us to finance more than 25 per cent. of the Plan outlay.

Realisations of market loans have, unfortunately, fallen below our expectations. So also I am sorry to say, the collections from small savings. There is need to step up substantially the latter. We at the Centre and my colleagues in the States propose to strive our best not only to reach the original targets, but to exceed them. I have every hope that the capital market will improve in course of time. But, I regard our effort on small savings as crucial for the fulfilment of the Plan. There is no doubt that in spite of all our difficulties and upsets, the national income has been increasing steadily. There is a saving potential in the economy sufficient to give us the resources we need, provided effort is made to this end, and that on a national scale. I am sure Members of this House will interest themselves individually and collectively in making this part of the programme of raising resources a success.

I need not go through all the details of the sources that we can tap. Undoubtedly, the foreign exchange gap of the Plan being larger, accretion of resources under this head will have to be larger. The actual outcome is a matter for the future.

There is one aspect of this kind of resources on which some hon. Member asked me to say a word and I will do so, that is the question of deficit financing. The ceiling for deficit financing accepted in the Plan is Rs. 1200 crores. It was never the suggestion that this amount of deficit financing could or would be gone through whatever the economic situa-

[Shri T. T. Krishnamachari]

tion. I think this mode of financing will have to be curtailed to some extent and, I am inclined to regard the figure Rs. 900 crores as a limit under the conditions that have emerged. In fact, we could perhaps have resorted a little more in the direction of deficit financing if we could maintain this level of our foreign exchange gap, the gap in our foreign trade namely of there being a large gap which means mopping up of internal resources to that extent. Since that is not possible on a very large scale unless certain other conditions ensue, I am afraid the limits that we have to put on ourselves in regard to deficit financing have got to be somewhat more rigid.

In the first two years of the Plan, the actual deficit in technical terms would probably be of the order of about Rs. 500 crores. The further limit that is allowed to us is relatively small. I would like to say this that as I see the future, we, probably would not need any deficit financing in the last year of the Plan. We can rule that out. We have to keep an eye on the deficit financing that we indulge in during the third or fourth year of the Plan. Nevertheless, what the Prime Minister said yesterday is relevant, namely, our internal resources have to be stepped up if we are to implement a plan outlay of Rs. 4800 crores.

You might ask why this question of internal resources is under strain. My hon. friends opposite might say, this Plan is ambitious.

Shri M. R. Masani (Ranchi-East): Inflation.

Shri T. T. Krishnamachari: Inflation is a bogey....

Shri M. R. Masani: It is a grim reality.

Shri T. T. Krishnamachari:... Inflation in India is totally different from inflation in other countries. There will be no inflation in India if food price is somewhere near that ruling in

1953-54. Because our ideas of inflation and the effects on our economy by way of inflation is largely in regard to increase in the price spiral of foodgrains. But, from that point of view, I can say that in other European countries which speak of inflation in India as being a potential danger, for a standard of living similar to what we have here, they would have to spend four times. I do not know if Acharya Kripalani has seen it. It may not be so in East European countries to any large extent. I do not know anything about it. But, I do find in the western countries,—you have to spend four rupees there in order to get what we get for a rupee in this country. For anybody outside to speak of inflation in India is not true from that point of view though so far as we are concerned, certainly, in certain parts of India, in the rice consuming areas, any increase in price of rice from Rs. 13 or 14 a maund to Rs. 18 or 20 or 22 is something which is terrific. The capacity, the cushion is so small that any increase does affect us. So, there is no use of speaking in terms of inflation from the point of view of western economic theory.. Our inflation, if it exists, has a different cause and a different effect.

As a matter of fact when you curtail the Plan, when you find that you have to give up this power project and on examination you find that there are hundreds of industries waiting to be started in that area and the dropping of the power project will mean that that particular area will not be developed, it makes it very difficult for us to think in terms of the Plan being ambitious.

In regard to expenditure on social overhead capital, in regard to housing, in regard to slums, in regard to refugees, in regard to provision of employment on a wide scale, we are still far from even the optimum—leave alone the question of the desirable limit. How could anybody in

this country say that this Plan is ambitious, that we have framed an ambitious plan. It is not ambitious enough in my view. The fact that we have framed a Plan of this nature is because of compelling necessities which the resources position imposes on us.

The question of stepping up investment, that is to say, increasing the savings because undoubtedly there has been an increase in the national income is a very important factor to which this House and everybody else has to devote some attention.

I do not propose to deal with pruning or cutting down of the Plan and the elongation of it because the Prime Minister has dealt with it. I cannot understand why the Plan should be elongated. Supposing—it does not help us—some things could not be done, if anything has been taken into account and if it is not done, it will flow into the third Plan. If something is not taken, it naturally gets dropped and begins in the third Plan. I really can't understand the rationale behind the suggestion, make it a six year Plan, make it a seven year Plan. What is the object. Assuming that you cannot do it, it goes into the next plan. For instance, we have recently concluded an agreement in regard to heavy machine building plant being put up with the help of U.S.S.R. Surely, that plant is not going to start production during this Plan, or at any rate, it will just perhaps get started. The ancillaries for that plant will have to be started now. It is really a thing where production will start in the third Plan, not in the Second. There are many projects of that nature which would probably go into the third Plan. I can't quite understand this logic behind people who tell us, elongate the Plan.

Shri Hem Barua: That would be elongation under a different seal.

Shri T. T. Krishnamachari: If it is matter of semantics, my hon. friend

who speaks English with almost a foreign lisp can have the pleasure or satisfaction that what he has said has happened.

Shri Hem Barua: I find the same thing in the Finance Minister's English as well. (Interruption).

Shri T. T. Krishnamachari: My hon. friend evidently thinks that everything is modelled on his own.

Mr. Speaker: This has nothing to do with the Plan.

Shri Hem Barua: He has gone off the track.

Shri T. T. Krishnamachari: I have explained the lines along which we are proceeding, the lines of our thinking in the face of the present situation. As I have stated earlier, it is not possible to state precisely where the Plan will perhaps be cut in consequence of the reviewing that is taking place now. For the core of the Plan itself, we have to make sizeable commitments. Arrangements for this purpose are under way. As I said before, there is a downward trend in prices abroad and that might perhaps help us to some extent. We have included in the core a few of the important power projects in the Plan. We need to complete more even to take on a few new ones. But that must depend upon the resources available. Similarly, in regard to fertiliser projects, we hope to see through one of them as at present and we are trying to secure deferred payment terms for the others.

13 hrs.

The programme of industrial development in the private sector has proceeded fairly satisfactorily, but some of them require further commitments of foreign exchange which we may not be able to spare, unless it be that the national resources are otherwise wasted and the foreign exchange has got to be found.

In these circumstances, I regret to say I am not in a position to present

[Shri T. T. Krishnamachari]

anything like a full picture of the likely outturn during the entire Plan period at the present moment. I would only like to add that we are keeping a close watch on the position and the Planning Commission and we would certainly make an attempt to present a picture of something which is near precise to the House sometime during the Budget session. But we hope, Sir, notwithstanding our present difficulties to adhere to the essential objectives and priorities of the Plan.

I would only like to say a word about the amendments. In the face of what I have stated here, the amendments do not seem to fit in. If it is a question of examination by an outside body that would mean that the Planning Commission itself is incapable of examining it. It is examining it at every stage. The other, like elongation or whatever it is, is a thing which is beside the point after, I presume, what I have stated.

Therefore, while we appreciate the sincerity of the purpose behind some of these, we are not in a position to accept them, as they would not help but hinder the objective which this House, the country and we have before us.

Mr. Speaker: I would like to know if any hon. Member wants any particular amendments to be put to the vote of the House.

I find hon. Members want the following amendments to be put to vote: No. 5, 9, 13, 17 and 23.

The question is:

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

"This House having considered the Second Five Year Plan in relation to the current economic situation, is of the opinion that enough emphasis should be laid on agriculture so as to bring

about a balanced development of industry and agriculture without which the successful implementation of the Plan may not be possible."

The motion was negatived.

Mr. Speaker: The question is:

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

"This House having considered the Second Five Year Plan in relation to the current economic situation, is of the opinion that in the First Five Year Plan—

- (i) prices have risen disproportionately;
- (ii) the investment in the private sector has exceeded the entire plan target and flowed outside the plan;
- (iii) foreign exchange reserves have depleted without prospects of replacement.
- (iv) the Government has shown vacillation and lack of unity of purpose; and
- (v) the living standard of the people has already fallen beyond tolerable level.

In order to correct the situation and to correctly develop an economy, the House is of opinion that the Plan must be basically changed."

The motion was negatived.

Mr. Speaker: The question is:

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

"This House having considered the Second Five Year Plan in relation to the current economic situation, is of the opinion that the Plan should be re-phased in relation to the available resources within the country and to the extent it is feasible to raise credit abroad, and to this end, this

**Second Five Year Plan
in relation to Current
Economic Situation**

House recommends to the Govern-
ment—

- (i) to make a clear-cut category-wise statement as to what projects in various fields are finally to be included in the re-phased Plan and what are to be postponed;
- (ii) to announce by way of a policy statement that a two-year breathing time will be given at the end of the Second Plan to the nation to recover from the stresses and strains of the two Five Year Plans;
- (iii) to announce by way of a policy statement that deficit financing will not be permitted to exceed Rs. 800 crores and that even the core of the Plan, if necessary, would be re-phased to keep within the limits of Rs. 800 crores of deficit finance;
- (iv) to make strenuous efforts to prevent rise in food prices and articles of domestic consumption;
- (v) to give all-out aid to hard-currency earning exports; control credit facilities; encourage flow of foreign investments; and
- (vi) to assure the nation that during the remaining Plan period there will be no fresh major tax imposition on the middle and poor classes."

The motion was negatived.

Mr. Speaker: The question is:

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

"This House having considered the Second Five Year Plan in relation to

the current economic situation, is of the opinion that the failure of the Government to take prompt and adequate measures to check the deteriorating agrarian situation and its vacillating policy in regard to the foreign exchange reserve, has created difficulties for the successful implementation of the Plan."

The motion was negatived.

Mr. Speaker: The question is:

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

"This House having considered the Second Five Year Plan in relation to the current economic situation, is of the opinion that—

- (i) more emphasis should be laid on agriculture;
- (ii) cottage industry should be given priority; and
- (iii) emphasis should be laid on organising village Panchayats."

The motion was negatived.

All the other substitute motions were, by leave, withdrawn.

NAVY BILL

Mr. Speaker: The House will now proceed with the clause-by-clause consideration of the Navy Bill.

The time allotted for this Bill is 10 hours, of which 5 hours and 42 minutes have been taken; so a balance of 4 hours and 18 minutes are left,
Clause 12.—(Validity of enrolment)

Mr. Speaker: I find no amendments tabled to this clause. I shall put it to vote.

The question is:

"Clause 12 stand part of the Bill"

The motion was adopted.

Clause 12 was added to the Bill.

*The following substitute motion moved by the late Shri Tyabji on the 13th September, 1957, was deemed to have been negatived under the direction issued by the Speaker:—

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

"This House having considered the Second Five Year Plan in relation to the current economic situation, is of the opinion that steps be taken to improve the position regarding foreign exchange and to avoid deficit financing."