

[Shri Jagjivan Ram]

tructed that for the present the patrolling of the track of the contiguous areas during the night should be introduced, as a precautionary measure.

I again express my deep regret at the accident and send my sympathy to the injured and to the relations of the deceased.

**Shri T. K. Chaudhuri** (Berhampore): In the morning's papers, the Minister is reported to have stated—I do not know whether he has been correctly quoted—that on *prima facie* evidence he was satisfied that this was due to sabotage. Has he anything to say on that point?

**Shri Jagjivan Ram:** I have nothing to say except what I have said, and at no stage have I expressed any opinion as regards the cause of the accident. I was of course approached by the Press; they wanted to know but I made it clear—that I could not say anything definitely at this stage, I had to make a statement in Parliament and the Government Inspector of Railways was making his inquiries. I told them that even a layman who visited the place would see what might be the cause of the accident.

**Shri Goray** (Poona): In first reports appearing in the Press, it was stated that the casualties were 50 dead and 100 injured. How were these numbers given by the Press?

**Shri Jagjivan Ram:** That was a puzzle for me also. But it so happened that the accident occurred during night time; it was all dark, and as you know, 4 bogies capsized. So naturally people thought that a large number of people might have been there. That was purely guesswork. As I have said, had these bogies been third class, the casualties would have been much larger.

**श्री बाबरामपुरी** (बलरामपुर) : मैं जानना चाहता हूँ कि जो मालगाड़ी बाद में आने वाली थी उसमें क्या सामान या भौंद्र क्या

इससे पहले इस संक्षान पर मालगाड़ी रों को सूटने की घटनाएं हुई हैं ?

**Mr. Chairman:** Order, order. No questions can be allowed on a statement. The hon. Minister has made a very full statement in regard to this particular accident. I do not allow any further questions.

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**RESOLUTION RE: RESERVE BANK OF INDIA (AMENDMENT) ORDINANCE AND RESERVE BANK OF INDIA (SECOND AMENDMENT) BILL** contd.

**Shri Morarka** (Jhunjhunu): Mr. Chairman, Sir, one cannot feel very happy at the prospect of passing or the necessity of passing this Bill which is before the House. It would be quite a different thing if we without any compelling necessity decided not to have any backing for our currency rather than being compelled by circumstances—as we are today—to do away with the backing.

Now, hon. Members who have opposed this Bill have made mainly two points. The first is that once these reserves have been done away with, currency notes would be printed indiscriminately and without any limitation. If I may say so, the hon. Member for Berhampore, who made this suggestion, has really not understood or tried to understand the implications of this Bill. At present, the reserves are the minimum reserves and they have no relationship to the issue of currency at all. You can issue any amount of currency even today without any regard to those reserves. The Act, as it stands today, requires a reserve of Rs. 400 crores which, with the permission of Government, could be reduced to Rs. 300 crores. All that you are required to do is to keep the reserves at Rs. 300 crores, and this

amount of Rs. 300 crores has no relation at all with the amount of currency that you can issue.

It is long ago that we gave up the system of the proportional reserve system or the fixed fiduciary system. Under the proportional reserve system, if you wanted to issue notes worth Rs. 100, you had to keep a reserve of gold or foreign exchange worth Rs. 40. Similarly, under the fixed fiduciary system, you were allowed to do so upto a certain limit, that is to issue notes without any reserve whatsoever, but if you wanted to issue notes over and above that limit, they had to be backed 100 per cent by gold or foreign securities.

Now, what we have today is a type of fixed fiduciary system but in the opposite direction, namely, to have a minimum reserve and over and above that if you want to issue currency, you can go on issuing currency without any respect or regard for the reserves. That being so, we cannot say that to do away with those reserves is going to affect our currency in any way. If the Government wanted to issue currency—I mean if the Reserve Bank wanted to issue currency—they could have done so even today without disturbing the reserves.

The second ground on which this Bill is opposed is that public confidence would be disturbed if we did away with those reserves. Perhaps this argument is true. There is the question of public psychology and public confidence, but may I ask where would this public psychology and public confidence be if we today do not meet our commitments, if we fail in the international market in meeting our commitments? Would the confidence of the people be affected more if we failed in our commitments and more or less declared bankruptcy or would it be affected more if our currency did not have any reserves?

Sir, public psychology has its place, but it cannot be exaggerated to this extent that even emergencies like this cannot be met. But there is one point on which, I think, valid objection could be taken to do away with these reserves, and that is for strategic reasons. Being placed in the conditions in which we are today, if we need some defence stores, if we need some ammunition from other countries and if at that time we do not have any foreign exchange reserves, what would be the position? I think some bare minimum of reserves was necessary and is necessary at least on strategic grounds to meet any emergency that may arise. Foreign help and foreign loan may not be forthcoming at the time we need them. The strategic demands or the military needs cannot await the successful conclusion of any negotiations or making up of the mind by the foreign countries to give us loans. If on no other ground, at least on grounds of our national security, we should have a certain bare minimum available.

Time and again it has been stated here that the foreign exchange difficulties were anticipated even by the planners. It is mentioned in the Plan that this gap is there. It was sometime in 1954. It was anticipated that this was almost a sure problem of our Plan. I wonder why no action was taken either to augment our foreign exchange resources or conserve what we already had. What steps have been taken in that direction? Only recently we find that the Export Promotion Department was set up and a person has been appointed to be in charge of it and reduction in the export duties and things of this nature are given. Is it not a little too late? Why were these actions not taken when our planners foresaw in 1954 this big gap? What were we doing till now? A committee for the purpose of suggesting means to promote our export trade was appointed recently and it has submitted its report. Perhaps the report

[Shri Morarka]

is under the examination of the Government. I do not know when a final decision would be taken. Even problem should be taken up almost on a war-footing. Even now the report is still under consideration and I do not know how much more time this will take.

Secondly, what effective check did the Government exercise on the wasteful expenditure in the sphere of foreign exchange? I submit that such control as was exercised was not strict enough to conserve our foreign exchange. In the year 1950-51, we had a system known as the foreign exchange budgeting. The Import Control Enquiry Committee which was appointed by the Government recommended not only the continuance of that system but suggested certain other steps to better that system. But the entire system of foreign exchange budgeting was given up. It was not revived till January 1957. Why was this system given up and not revived till January 1957? I must, with your permission, read one or two passages from the Report of the Import Control Enquiry Committee. On page 29, it says:

"The Foreign Exchange Budget constitutes, as it were, the key-stone in the arch of import control policy; for it lays down the financial framework within which this policy must function. It is, therefore, of the utmost importance that this budget should be framed not only on the basis of dependable estimates, but also embody in the monetary allocations under different heads, an integrated policy trade and industrial development."

There is another passage on page 33 and it says:

"We suggest however that this strength should be derived not from any such fortuitous combina-

tion of circumstances but from more dependable estimates of our foreign exchange earnings and requirements. We have considered it necessary to draw attention to this matter because we feel that in the next few years much closer stock-taking of the country's foreign exchange resources will be necessary if Government are to succeed in balancing the country's international accounts at a reasonably high level such as will enable us to ensure the balanced development of our agriculture and industry."

This was in the year 1950 when we had enough Sterling balances and at that time the Committee said:

"The 'cushion' provided by the sterling releases is rapidly running out and in the near future the volume of imports will have to depend more and more on our exports, visible and non-visible. We cannot obviously continue to rely on the sterling releases to bridge any persistent gap between our actual imports and exports."

In spite of all this, no action was taken. The only action was the discontinuance of the system that was in vogue.

Now, I would make a few suggestions for augmenting our foreign exchange reserves. My first suggestion is this. Till such time as you actually determine the core of the Plan, and what projects are going to be included, make no further commitments of foreign exchange. On 29th September, 1957 the Finance Minister told this House that our commitments of foreign exchange on that date were about Rs. 990 crores. I do not know what the position today is. But, I would respectfully submit that till such time as our Plan, the core of the Plan is determined and priorities to the different projects are allocated, make no further commitment of the foreign exchange. In other words,

make commitments of foreign exchange only in respect of those projects which are selected by the Planning Commission.

The import of consumer goods with the exception of food and medicines must be completely stopped. During the last five years, I find the imports of consumer goods were Rs. 1185 crores. Today, our total Plan gap for foreign exchange is about Rs. 1100 crores. We imported Rs. 1185 crores worth of consumer goods from 1952 till 1956. So, irrespective of the inconvenience that may be caused at home, the import of consumer goods with the two exceptions should go.

Give maximum facilities for negotiating long-term credits by way of guarantees. I am glad that the Industrial Finance Corporation is going to do that. Sometimes, the foreign exporters insist on a licence being issued in terms of sterling so that any valuation or devaluation of the rupee in terms of sterling may be ensured. If there is no harm, I think the Government may permit the issue of such import licences in sterling.

Then, citizens of this country residing abroad should be allowed to bring in money and for that purpose, if they want any tax concessions, we must not grudge them. We must allow them to bring the money as freely as possible and give them incentives.

So far as our exports are concerned, there should be a positive policy. Give them incentives, rebates, concessions and even tax reliefs. Immediate steps must be taken to implement the recommendations of the Export Promotions Committee. Next I suggest unless a firm commitment is made against a particular import licence or unless an outstanding licence is for the capital goods, cancel it or negotiate to reduce its value.

So far as our specific projects are concerned, if foreign assistance is available—not for general purposes

of development but for specific purposes—we must have foreign assistance even for individual projects, if necessary.

Now I come to one important question, and that is about gold smuggling. We hear a lot of criticism about this gold smuggling. We hear many cases being detected relating to gold smuggling. As we all know, gold smuggling is bad. But worse than gold smuggling into the country is the fact that our currency is going out. What we are preventing today is the smuggling in of the gold. But there is hardly any step taken to prevent the currency going out. Really, why we are bothered to prevent gold smuggling is that our currency is going out. But if we only concentrate on the prevention of gold coming in, and we do not take enough or proper steps to prevent the currency going out then, though the malady would remain only the benefit would not come.

I believe, as compared to the year 1955-56 in the year 1956-57 we had currency notes worth Rs. 25 crores repatriated to this country for encashment. In the previous year it was only about Rs. 10 crores. How this amount of Rs. 25 crores worth of currency notes was smuggled out from here is a question. Therefore, I would beg of the Finance Minister to take more stringent steps not to prevent smuggling of gold in but to prevent the currency going out. After that the smuggling of gold would automatically stop. If without any currency going out the gold still comes in, I would submit, let the gold come in. But it would not come.

An Hon. Member: How can it come?

Shri Morarka: The hon. Member is right. How can it come? Therefore, more attention should be paid to the currency being smuggled out than to gold coming in.

[Shri Morarka]

Finally, the Government, simultaneously with—the scheme of small savings and borrowing from the market, must inaugurate a scheme of borrowing gold from the people. They must issue gold certificates of ten tolas, twenty tolas and hundred tolas. That gold must be returnable only in gold after ten or fifteen years. As our difficulty is supposed to be temporary, mainly for two or three years, if you borrow this gold for ten or fifteen years we should be able to return to the people the actual quantity of gold plus interest, I think the Government may succeed in attracting sufficient quantity of gold through these means.

Before I conclude I would like to make a reference only to one aspect, and that is, inflation. The speaker who preceded me laboured hard to convince this House that there is a lot of inflation in the country, and because of that there is a lot of hardship imposed on the people. With great respect I would disagree with the hon. Member from Berhampore. I have tried to collect some figures and apply five tests to find out whether there is or there is not any inflation in this country.

The first and the foremost test which you can apply is, what is the total quantity of money in circulation today as compared to what it was in the past. If the quantity of money in circulation has increased then only, you can say that there is inflation. If, on the other hand, the quantity of money in circulation has not increased or it has reduced, you cannot very seriously argue that there is inflation. If you apply that test what do you find? Between May 1957 and September 1957 there has been a reduction of Rs. 163,57,00,000 of money in circulation or of the money available to the people. It is true, if you compare the figures in 1952-53 and 1957 there has been a substantial increase. But, then, that sub-

stantial increase is justified by the other factors, namely, the increase in production, the decrease of velocity of circulation and many other things.

The second test which we should apply is whether the value of the rupee has increased or decreased in the international money market. If there is inflation at home, it is quite natural that the value of the rupee will go down even at home, but much more so in the foreign countries. If you apply this test you would find that, taking five main countries like Canada, United States of America, Belgium, France, Switzerland and Germany—I have selected these countries because I think the currency of most these countries today is supposed to be among the strongest in the world—the value of rupee in terms of currencies of these countries is more or less stable, in some cases it has slightly improved.

What about the industrial production? As compared to 1952-53, the overall industrial production has substantially increased. In 1952 it was 103.6 and in June 1957 it has increased to 168.3. Production has increased more than almost 60 per cent in this case. Similarly agricultural production has also slightly increased. It has not increased anything like the industrial production. From 102 in 1952-53 it has gone up to 113.7 in 1955-56—the figures for 1956-57 are not available.

What has been the price level—I am talking here of the working class. According to the consumer price index as published by the Reserve Bank Bulletin in 1952-53 it was 104 and in July 1957 it has gone up to 112. But, then, this is for All India. If you take some individual States you find that in Rajasthan, Uttar Pradesh and Punjab it is actually less than the base year of 1949 or much less than 1952-53, the year which I have taken into account.

The rise in price so far as industrial raw material is concerned is the highest. It has gone to 114.9. Industrial raw material is certainly not a commodity which is purchased by the general public, and it cannot be subject to inflationary pressures. Therefore, if you apply this test you would come to this conclusion that inflationary pressure has very little to do with this rise in prices.

Last but not the least, I would beg of you to apply the test of security prices, how the security prices have behaved over this period. If there has been inflation, naturally the security prices would go up. It is simple economics and even the hon. Member, Shri Bharucha can understand it, that if the value of rupee goes down the value of shares and securities would go up (*Interruption*).

**Mr. Chairman:** Order, order. It would have been better if the hon. Member never used the word 'even'. Then matters would have been more even. What is the meaning of saying that an hon. Member even not understand a simple question? It is not graceful to say so. I would request hon. Members to use graceful language only in respect of one another.

**Shri Morarka:** The security prices in 1956 for government securities were 90.7. Here the base year is 1949-50 when it stood at 100. In 1956 it was 90.7 and in September 1957 it came down to 89. Debentures were 100.3 and it came down to 98. Preference shares were 83.8 and it came down to 74. Variable dividend, that is equity, capital, came down to 99.3 from 126.9.

In view of all these facts, in the face of all these facts, who can seriously suggest that our economy to day is subject to inflationary pressures?

I admit that in certain sectors prices have gone up. But, then, to say that the prices are going up because

of the inflationary pressure would amount to closing our eyes to the realities of the situation. You are looking for causes where they do not exist. The prices of foodstuffs have gone up and the prices of certain raw materials have also gone up. And, to say that these prices have gone up because of the inflationary pressure would not be real diagnosis of the disease. I would say the prices are going up either because there is shortage or because there are other tendencies working, like hoarding or things like that.

**Shri Goray (Poona):** Shortage of what?

**Shri Morarka:** Shortage of foodstuffs or raw material in cases where the prices are going up too much.

I would only conclude with one observation and that is his. It is true our economy has to be developed and developed as fast as we can; but, still, in a country like ours which can hardly afford such vast development, to start 3 steel plants of this magnitude all at one time without any regard to the foreign exchange that would be available, I think, is not very wise to embark upon such a thing. It is not a question of becoming wise in retrospect but it is a question of physical resources and practical wisdom. I, therefore, hope that when we determine the core - the Plan we would have more respect for the realities and we should cut our coat according to the cloth.

**Shri Naushir Bharucha (East Khandesh):** Sir, may I be permitted to reply?

**Mr. Chairman:** Reply to the resolution? Yes.

**Shri Naushir Bharucha:** I shall be extremely brief in my reply. There are three main points which have emerged for which a reply is necessary.

The hon. Finance Minister stated, citing Lord Keynes, that a link bet-

[Shri Naushir Bharucha]

ween the supply of currency and foreign security is not an essential ingredient in the monetary system these days. I do not necessarily connect the two. The point does remain that a minimum amount of foreign securities is necessary for use in an emergency.

For instance, my hon. friend, Shri Morarka just now pointed out that in cases of emergency such as the purchase of munitions abroad it may be necessary to fork out a huge sum and unless you have some money to fall back upon the country would be placed in an extremely awkward predicament.

The second point is: The hon. Finance Minister said that even in the sterling area the reserves held are very small compared to ours. The difference between the two is this. In the sterling area a large number of countries take part. Therefore, there may be some which may have favourable balances of trade, others who may need exchange. Therefore, the demand of exchange is spread over a large area. The demand is not concentrated as in our case. Therefore it is no use saying that because the sterling area does not hold such large amounts of reserves, therefore we also should not hold it. The analogy does not hold good because the nature of the demand for foreign exchange in India is totally different. In the sterling area the demand is spread over a large area and a large number of countries who have different economies and different conditions of balance of payments.

Then, again, the Finance Minister has stated that other countries have little foreign exchange reserves. Why should we go to other countries? Let us look to our own. Have other countries similar Five Year Programmes? Have other countries a similar position with regard to foreign exchange—practically nothing left in the reserves? Have other countries the same cond'

tion as the hon. Finance Minister pointed out, that the foreign exchange demand is punching or what I would call the peak-load? This does not exist in other countries. Whatever the position in other countries, why not we get our house in order? That is my point.

It is also stated that if these reserves are not to be utilised in an emergency when are they at all going to be utilised? What is the purpose of maintaining the reserves? I have said that if our emergency were of a short duration—let us say 4 months or 6 months—one can understand that. It is not a question of emergency expenditure. Ours is regular developmental expenditure. It is not emergency expenditure. It is wrong to call it emergency expenditure. If we finance our Five Year Plans we are not doing it from emergency finance. It is our regular expenditure, a part of the nation's economy. Therefore, to say that these reserves are being utilised for emergency is wrong.

Then, there is no reply yet to my question. The hon. Finance Minister himself has stated that Rs. 700 crores are required and a good part of it within the next 18 months. Let me ask from where, from which resources he is going to meet the demand. That is all my quarrel. If he could point out to me that these are the sources or, for instances, if he could say that our invisible accounts will yield Rs. 250 crores, we expect foreign aid from U.S.A. to such and such an extent or from Britain to such and such an extent, one could understand that he does have reasonable expectations of being able to meet the commitments. He has been avoiding that issue and I appeal to him once again. The country is looking up to him. Where are these Rs. 700 crores to be had from, the bulk of it within the next 18 months? Unless the Finance Minister answers this question straight I do not think the country will be satisfied with the policy either

of the Finance Minister or of this Government.

**The Minister of Finance (Shri T.T. Krishnamachari):** Mr. Chairman, we had some odd experience of a resolution being moved alongside a Bill; one disapproving of the Bill. But, anyway, the resolution did one good so far as I am concerned, in that it got me support from quarters from which I did not expect support. For that I am really and truly grateful to my hon. friend Shri Bharucha. Of course, the support that has come to me is hedged in with various conditions and also criticisms about various acts of Government and of mine in particular. Nevertheless, it is support for the stand which we have taken which is illustrated by this Bill. And, my experience here for a period of six years—and a matter of 15 months as Finance Minister—has made me singularly alive to the need to be grateful for small mercies. I am truly grateful to hon. Members opposite who have supported this Bill. I am particularly grateful to the informed but nevertheless critical support that I have got from the hon. Member, Shri Morarka.

Shri T. K. Chaudhuri has an opposition mentality which is justifiable. After all, many of us have been in the opposition. To be in the opposition is to oppose. The trouble about my hon. friend, Shri Chaudhuri was, he used to be a fairly informed and generous critic in the past but many things have contributed to make him less generous now, and also slightly less informed. Otherwise he would not have brought in the name of the Governor of the Reserve Bank and levelled a criticism against him, supposedly based on certain newspaper reports which he saw.

I would like to say that I have got a copy of his speech here with me because a person who occupies the position of the Governor of the Reserve Bank does not speak lightly. I can give my hon. friend a copy of

it if he would like to see (Shri T. K. Chaudhuri: Yes.) Of course, it was addressed to an American audience and therefore certain explanations have to be furnished. But, nowhere has he said any word which would justify the criticism that the hon. Member has made, even in the report that he has perhaps seen.

I will say this that people who have been brought up in the tradition of office in the Government of India do not lightly discard the policies that Government frame. I know that Mr. Chaudhuri is an extremely fair person in spite of the fact that he might be opposed to the Government and therefore, I would like him to see a copy of the speech. He may completely clear his mind of any idea of the Governor of the Reserve Bank speaking in a foreign country against the policies of this country. All that he had done is merely to explain and expand the basic policies of this country.

With much of what he said, I am not in agreement for the reason that I am afraid he is himself not quite clear as to what he wanted to say. He quoted somebody who was connected with the Bank of International Settlement and somebody who was an adviser to the Central Bank in Belgian-Congo. But, as I did make out fairly clearly in my opening remarks, the bulk of informed opinion is not in favour of a statutory reserve in foreign exchange either as backing for the note issue or as a coverage for foreign exchange operations, because either way it immobilises the resources of a country. Assuming that Government are cautious—we have, of course, to assume that this Government is cautious, even though Mr. Chaudhuri would not believe it—the point is fairly clear that it is not necessary for us to have either a fixed or a proportionate amount as a cover for note issue.

In fact, the point made by some Members is right, namely, that we have gone away from this question of

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any moving equilibrium in regard to our fiduciary backing for our note issue when this House agreed to fix the amount of Rs. 400 crores. Therefore, you can say that you should not do it. I have myself stated that if it is possible later on, we should build up our foreign exchange reserves. But at the present moment, it does seem necessary that we have to do this.

Of course, the other question he raised was he did not like the ordinance. We might have done it earlier. I am singularly aware of this fact. I felt in September it would not be necessary and that we might take it up if necessary in the November session. One or two factors about which we were not quite aware at that time brought down our backing rather rapidly and also there was the fact that this House met one week before the other House. It did not permit us to take any risk. We could have passed an emergency measure in this House, but if the other House was not sitting, we would have to take recourse to an ordinance. That was why the ordinance was adopted.

Various other matters were mentioned, which were relevant undoubtedly to the issue, but not wholly germane. My hon. friend, Shri Morarka, as I said before, gave me valuable support, but it was wrong in two issues. He quoted a committee which, I think, was appointed somewhere in 1950 or 1951 about import control. That committee spoke of an import budget, that is to say, foreign exchange budget. My experience of the Commerce and Industry Ministry is somewhat rusty, but still the foreign exchange point of it is a thing about which I am still aware. Every half year, the foreign exchange budget continues to be made. The budget may not be properly made, but that is a different matter altogether. But the practice of making a foreign exchange budget is more or less obligatory, for the reason that sometimes we have also to indicate to

various missions like the I.M.F. missions about our *pro forma* balance sheet in regard to foreign exchange. It is continued to be made every half year.

The other point he mentioned was about Rs. 1,100 crores and odd of consumer goods. I have never been able to find out where exactly the critics get the figures from and on what they base the figures.

Shri Morarka: These figures were given to this House by the Commerce and Industry Minister, Shri Morarji Desai. I have quoted from his speech.

Shri T. T. Krishnamachari: I have recently found a professor criticising a particular import which undoubtedly classes as consumer goods—hardware, cutlery and electrical goods. Cutlery is not imported at all, excepting for special cases. It is very difficult to say whether hardware and electrical goods are really consumer goods. Some of them also go into particular purposes of trade—semi-capital goods. Undoubtedly, they are durable consumer goods. It is also very difficult to say whether dyes are consumer goods. It does go into consumption and it does not remain; but the colour remains. It is also difficult to say whether art silk is consumer good or not. It goes into industry and produces cloth. The same thing applies to cotton yarn which is imported—80, 120 and 150—which goes into industry.

Then, we have certain things like fruits and vegetables, for which a very large sum is indicated in the budget. I think my friend, Prof. Hiren Mukerjee, often mentioned it. I had the matter examined. Some dates had to be imported both from Afghanistan and from Iraq, because that is the only thing they can export as against very large imports they are taking from us. So far as vegetables are concerned, they are not tinned vegetables. They are imported from Pakistan by areas round about

Pakistan, particularly East Bengal and Assam. To quote a figure and say they are all consumer goods without any relevance to the reciprocal items, items which are part of border trade and items which sustain an industry, but which nevertheless get into consumption and disappear, therefore, is not quite correct. Maybe that we might have exercised greater care. But it is undoubtedly true that in 1955, the foreign exchange needed for the second Five Year Plan was nowhere in the picture. Even with the best will in the world, it was very difficult for anybody to assess that the capital expenditure for the Plan would be of that order in 1955, because up to 1955 the sterling balances were being added on. I think the addition is more than Rs. 100 crores between 1951 and 1955. Except on these two facts, I think my hon. friend, Shri Morarka has given me a fair amount of support.

I did mention this question of inflation the other day not to say that there is no inflation, but inflation under Indian conditions was something totally different from what somebody has understood it. In fact, inflationary symptoms today in the country are more or less the same as they were in 1953. 1954 was a very good year, when we got about 6 million tons more of foodgrains. Foodgrains really brought down the prices to such an extent that the basic figure of 100 came down considerably and the 25 that was mentioned by Mr. Chaudhuri was from the figure which had come down in 1954. What is today approximates to the prices ruling in 1953. When we speak of inflation, undoubtedly foodgrain prices have gone up, but it is not something which has gone up beyond what it was in 1953 and is limited to certain categories and commodities; it is not a general inflation.

Of course, Mr. Chaudhuri was speaking about profit inflation, about 751 companies, how profits went up from 29 crores to 32 crores, how the

dividends were 9 per cent and 10 per cent, all of which seems very impressive and points to a very studious effort, but nevertheless, does not add much to our knowledge with regard to the particular issue before us.

Therefore, I do feel that in the circumstances in which we are placed, what we have done is both necessary and desirable. But so far as exercising caution is concerned, I am very grateful to hon. Members for underlining the need for caution and I can give them the assurance that caution has to be exercised, because we shall probably need more foreign exchange as our exports and imports develop. Our imports have gone up to the extent of a thousand crores now. We hope our exports also will reach that figure before long. In a developing economy, our total trade must go up to two thousand crores and more. For that we shall need a larger coverage of foreign exchange than what we are now contemplating. It is hoped that once this crisis is over, by 1960-61 or thereabouts, we shall be able to add something to the foreign exchange reserves, which would be fairly widely diversified and the danger of the foreign exchange reserves being whittled down by various considerations would be much less than what it is today,

17 hrs.

These are factors which we will bear in mind and I would like to assure the House that whatever caution has been administered to Government will be borne in mind and the Government will certainly see that the country's interests are not jeopardised. In fact, the very object of bringing forward this measure is in order to sustain the credit of the country. And as one hon. Member—I think it was Miss Vedakumari—has mentioned: honour your obligations; that is the best safeguard that you can have for your rupee.

(Amendment) Ordinance  
and Reserve Bank of  
India (Second Amend-  
ment) Bill

Mr. Chairman: The question is:

"This House disapproves of the Reserve Bank of India (Amendment) Ordinance, 1957 (Ordinance No. 6 of 1957) promulgated by the President on the 31st October, 1957."

*The motion was negatived.*

Mr. Chairman: The question is:

"That the Bill further to amend

the Reserve Bank of India Act, 1934, be taken into consideration."

*The motion was adopted.*

Mr. Chairman: We will take up the clause-by-clause consideration tomorrow.

17.02 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, the 26th November 1957.

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