

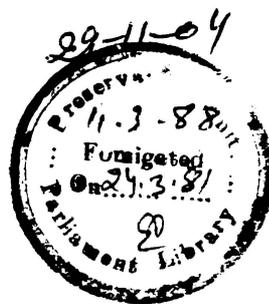
Saturday, 28th February, 1931

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1931

(10th February to 2nd April, 1931)

FIRST SESSION
OF THE
THIRD COUNCIL OF STATE, 1931



CALCUTTA : GOVERNMENT OF INDIA
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COUNCIL OF STATE.

Saturday, 28th February, 1931.

The Council met in the Council Chamber of the Council House at Five of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

NUMBER OF MEDICAL OFFICERS ON STATE-MANAGED RAILWAYS.

59. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghose Moulik): Will Government be pleased to state the number of medical officers on the different State-managed Railways ?

- (a) How many of them are Indians ?
 - (1) The number of Muhammadans.
 - (2) The number of Hindus.
- (b) How many of them are Anglo-Indians ?
- (c) How many of them are Europeans ?

THE HONOURABLE MR. J. A. WOODHEAD: The number of medical officers on State-managed Railways at present is 46. There are 24 Indians and the composition by communities is as follows :

Muslims	3
Hindus	16
Anglo-Indians	2
Other classes of Indians	3
Europeans	22

CRITERION FOR SELECTION FOR THE POST OF CHIEF MEDICAL OFFICERS OF STATE RAILWAYS.

60. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghose Moulik): Will Government be pleased to state (a) the criterion for selection for the post of Chief Medical Officers of State Railways ?

- (b) Whether the post is open to Indians ?
- (c) If the answer to (b) be in the affirmative, the number of Indians holding these posts ?
- (d) Whether Government is contemplating Indianising the railway medical service soon ?

THE HONOURABLE MR. J. A. WOODHEAD: (a) The prescribed rule on State-managed Railways is that the posts of Chief Medical Officers shall

be filled by selection and that in making such selection the claims of senior officers of all the State-managed Railways shall be considered, provided that in case of a short vacancy the choice shall ordinarily be confined to the railway in which the vacancy exists.

(b) Yes : there is no racial or communal discrimination.

(c) At the present moment out of five posts of Chief Medical Officers, one is held by an Indian.

(d) The policy of Indianisation has already been applied, and will continue to be applied, in recruitment to the superior Medical Branch of the State-managed Railways.

INDIANS AT SANDHURST, ETC.

61. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghose Moulik) : Will Government be pleased to state (a) the number of Indians who have secured admission to the Military College at Sandhurst from the time it was thrown open to Indians up till 1930 ?

(b) The number of Indians who have passed out of the Military College at Sandhurst ?

(c) How many of these are Hindus and how many Muhammadans ?

(d) The number of Bengalees who have passed out of the College ?

THE HONOURABLE SIR BROJENDRA MITTER (on behalf of His Excellency the Commander-in-Chief) : With your permission, Sir, I will answer this and the following question on behalf of His Excellency the Commander-in-Chief, who regrets that he is not able to be present here as he has to be in Jhansi to-day where he is presenting Colours to a battalion.

(a) 133 Indians entered Sandhurst before the end of 1930. 22 will be entering this year as the result of examination or nomination in 1930.

(b) 79 Indians were commissioned from Sandhurst up to the end of 1930.

(c) 30 Hindus and 30 Muslims.

(d) 2.

RECRUITMENT TO THE INDIAN TERRITORIAL FORCE, ETC.

62. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghose Moulik) : Will Government be pleased to state (1) whether Government is entirely satisfied with the recruitment to the Indian Territorial Force units in the various provinces ?

(2) The number of persons who have been given senior commissions in the Indian Territorial Force in accordance with the Shea Committee's report.

(3) Whether there has been a demand for the formation of an urban unit in Bengal ?

(4) Whether Government intend to raise an urban unit in Bengal ?

THE HONOURABLE SIR BROJENDRA MITTER (on behalf of His Excellency the Commander-in-Chief) : (1) In the provincial units recruitment has been satisfactory on the whole, but four units are considerably under the sanctioned strength of 725 men.

In the University Training Corps, recruitment is satisfactory in all but three units.

Among the urban units, recruitment to the latest formed battalion, namely, the 4th (United Provinces) Urban Infantry, is proceeding satisfactorily. In the other three urban units, recruitment is, I am afraid, decidedly unsatisfactory.

(2) 130.

(3) Yes.

(4) Government have given much consideration to this question ; but the Honourable Member will realise that financial stringency, coupled with the comparative failure of the three Presidency urban units already in existence, makes Government hesitate before committing themselves to another unit of this kind.

EXPENDITURE ON THE INAUGURATION OF NEW DELHI.

63. THE HONOURABLE MR. G. A. NATESAN (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Moulik): Will Government be pleased to state the amount spent on the inauguration of New Delhi and for the different functions thereat separately ?

THE HONOURABLE SIR JOSEPH BHOORE : I regret that the information is not yet available, as the accounts have not been closed. I may, however, say that the estimated expenditure is Rs. 2,62,000 and there are likely to be some savings on this estimate.

IMPORT OF LIGHTER GAUGES OF GALVANIZED CORRUGATED SHEETS INTO BURMA.

64. THE HONOURABLE MR. A. HAMID : (a) Will Government be pleased to state the total quantity of the lighter gauges (28" and 30") of galvanized corrugated sheets imported into Burma during 1928, 1929 and 1930 ?

(b) Are lighter gauge (28" and 30") corrugated sheets essentially necessary to the rice trade and for building *zayats* and other religious and charitable edifices in Burma ?

(c) Has Government's attention been drawn to the fact that the Tariff Board recommends the increase of duties on the lighter gauges (28" and 30") of galvanized corrugated sheets ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) The information is not in the possession of Government.

(b) Government have no information.

(c) The Government are aware that the Board's recommendations applied to galvanized sheets of all sizes. In this connection I would refer the Honourable Member to paragraph 112 of their Report of 1927 regarding the continuance of protection to the steel industry.

SHARES OF THE TATA IRON AND STEEL COMPANY, LIMITED, HELD BY MESSRS. TATA AND SONS.

65. THE HONOURABLE MR. A. HAMID : Will Government kindly ascertain and lay on the table the total number of Messrs. The Tata Iron and Steel Company shares of all denominations :

- (a) purchased by Messrs. Tata and Sons at the time of the formation of the Steel Company or subsequently ;
- (b) allotted to or acquired by Messrs. Tata and Sons otherwise than by purchase ;
- (c) the total number of such shares now held by Messrs. Tata and Sons ?

THE HONOURABLE MR. J. A. WOODHEAD : The attention of the Honourable Member is invited to the provisions of sections 32, 34, 36 and 248 (5) of the Indian Companies Act, 1913. He will see that he can himself obtain the information by applying to the registered office of the Tata Iron and Steel Company or to the office of the Registrar, Joint Stock Companies, Bombay. I shall, however, take steps to obtain the information if the Honourable Member still desires it.

THE HONOURABLE MR. A. HAMID : Yes, Sir.

TOTAL AMOUNT OF MONEY RECEIVED BY WAY OF COMMISSION, ETC., BY MESSRS. TATA AND SONS FROM THE TATA IRON AND STEEL COMPANY, LIMITED.

66. THE HONOURABLE MR. A. HAMID : Will Government be pleased to place on the table statements showing the total amount of money received by Messrs. Tata and Sons from Messrs. The Tata Iron and Steel Company, Limited, by way of :

- (a) dividends on shares,
- (b) commission on sales and purchase of material,
- (c) remuneration as Managing Agents, and
- (d) interest on overdrafts ?

THE HONOURABLE MR. J. A. WOODHEAD : The Government are unable to furnish the information.

SUPERVISION AND CHECK BY GOVERNMENT ON THE INTERNAL AFFAIRS OF THE TATA IRON AND STEEL COMPANY, LIMITED.

67. THE HONOURABLE MR. A. HAMID : Will Government be pleased to state what steps :

- (a) it took to verify the statements contained in the prospectus of Messrs. The Tata Iron and Steel Company before accepting the recommendations of the Tariff Board ;
- (b) it contemplates taking to safeguard the interest of the public by way of supervision and check on the internal affairs of the industry ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) and (b). None, Sir.

CONSTRUCTION OF QUARTERS FOR THE STAFF OF THE POST OFFICE AT JHARIA, MOTIHARI, DALTONGANJ, PATNA AND JAMSHEDPUR.

68. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :
(a) Will Government be pleased to state whether the Postmaster General, Bihar and Orissa, has recommended the construction of quarters for the Post Office staff at Jharia, Motihari, Daltonganj, Patna and Jamshedpur ?

(b) If the reply to the above be in the affirmative, will Government be pleased to state what is delaying construction of the quarters, and when the work is likely to be taken up ?

THE HONOURABLE SIR JOSEPH BHORE : (a) Yes.

(b) Want of funds. Some quarters have already been constructed and others can be built only when funds permit.

QUARTERS AT PATNA FOR THE STAFF OF THE POST OFFICE.

69. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH
(a) Were certain sets of quarters built for the staff of the Post Office at Patna and the clerks of the Postmaster General, Bihar and Orissa, and allotted to those officials who required them without distinction of rank or post ?

(b) Were the Investigating Inspector of the Postmaster General, Bihar and Orissa, the Inspector of Post Offices, Patna, the Inspector of Post Offices, Patna Town, the Telegraph Inspector, the Telephone Inspector and other postal officials provided with such quarters ?

(c) Are most of them still occupying the same ?

THE HONOURABLE SIR JOSEPH BHORE : (a) Yes.

(b) Yes.

(c) Out of the officials mentioned under (b) only the Investigating Inspector of the Postmaster General's Office is still in occupation of such quarters.

QUARTERS AT PATNA FOR THE STAFF OF THE POST OFFICE.

70. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :
(a) Will Government be pleased to state the number of clerks of the Postmaster General, Bihar and Orissa, at the time when the Government quarters were built at Patna and also their present strength and the number of quarters allotted to the clerks of the Postmaster General when the quarters were built and the number of quarters allotted to them at present ?

(b) Will Government be pleased to state if any additional quarters have been built for the clerks of the Post Office and the Postmaster General's office at Patna in consequence of the increase in their strength ?

THE HONOURABLE SIR JOSEPH BHORE : (a) The number of clerks in the office of the Postmaster General, Bihar and Orissa, at the time when the Government quarters were built at Patna was 44 ; the number at present is 80. The Government have no information as to precisely how many quarters were allotted to the clerks in the office of the Postmaster General when the quarters were built. 40 quarters are now occupied by the clerks.

(b) No.

WORKING HOURS OF THE HEAD OFFICE AT MOTIHARI.

71. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :
 (a) Has the attention of Government been drawn to the correspondence published in the "Indian Post" for November and December, 1930, at page 32 regarding the working hours of the Motihari Head Office ?

(b) If answer to the above question be in the affirmative, do Government propose to assimilate its working hours to those of other Head Offices ?

THE HONOURABLE SIR JOSEPH BHOBE : (a) Government have seen the correspondence in question.

(b) The matter relates to a detail of administration which is within the competence of the Postmaster General, Bihar and Orissa, to whom a copy of the question is being sent.

NUMBER OF INDIANS APPOINTED IN THE SUPERIOR SERVICES IN THE CUSTOMS, POSTS AND TELEGRAPHS, INCOME-TAX AND RAILWAY DEPARTMENT.

72. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :
 Will Government be pleased to state :

(a) the number of Indians that have been appointed in the superior services in the year 1929-30 in (i) Customs, (ii) Posts and Telegraphs, (iii) Income tax and (iv) Railway Department ;

(b) the names and nationalities of such officers ?

THE HONOURABLE SIR ARTHUR MOWATTERS :

(a) (i) Customs	3
(ii) Posts and Telegraphs	8
(iii) Income-tax	5
(iv) Railway Department	36

(b) A statement is placed on the table.

Statement showing the names and nationalities of Indians that have been appointed in the superior services in the year 1929-30 in (i) Customs, (ii) Posts and Telegraphs, (iii) Income-tax and (iv) Railway Department.

Name of officer.	Nationality.
(a) (i) Customs—	
1. Mr. C. G. Taylor	British Indian (Anglo-Indian)
2. „ S. S. Bajpai	„ „ (Hindu).
3. „ E. S. Krishnamoorthy	„ „ (Hindu).
(ii) Post and Telegraphs :—	
1. Mr. H. E. Greene	British Indian (Anglo-Indian).
2. „ G. Augustine	„ „ „
3. „ J. J. Barry	„ „ „
4. „ X. Cordeiro	„ „ „
5. „ H. J. Nicholas	„ „ „
6. „ F. T. Peters	„ „ „
7. „ Kundan Lal	„ „ (Hindu).
8. „ E. J. W. West	„ „ (Anglo-Indian).

Name of officer. Nationality.

(iii) Income-tax :—

1. Mr. O. K. Martin	British Indian (Christian).
2. „ R. Rajagopala Ayyar	„ „ (Hindu).
3. „ F. R. Merchant	„ „ (Parsi).
4. „ S. J. Mirza	„ „ (Muhammadan).
5. Thakur Ram Singh	„ „ (Hindu).

(iv) Railway Department :—

1. Mr. J. N. Rudhra	British Indian (Hindu).
2. „ Des Raj Kholi	„ „ „
3. „ D. C. Baijal	„ „ „
4. „ A. N. Sen Gupta	„ „ „
5. „ A. C. Mukerji	„ „ „
6. „ Shiam Sundar Lal	„ „ „
7. „ T. T. Bhavnani	„ „ „
8. „ Gurdas Mal	„ „ „
9. „ B. N. Kaul Sharga	„ „ „
10. „ Veda Mitra	„ „ „
11. „ P. N. Chandwani	„ „ „
12. „ R. B. Lal	„ „ „
13. „ Des Raj Khanna	„ „ „
14. „ Jagannath Rai	„ „ „
15. „ Kripal Singh	„ „ „
16. „ S. S. Ramasubrahmanyam	„ „ „
17. „ Narinjan Das	„ „ „
18. „ G. P. Dass	„ „ „
19. „ N. C. Kanitkar	„ „ „
20. „ S. L. Saksena	„ „ „
21. „ P. N. Batra	„ „ „
22. „ H. K. Mehra	„ „ „
23. Dr. H. C. Suri	„ „ „
24. Mr. H. B. Deshpande	„ „ „
25. „ M. A. Karim	„ „ (Muhammadan).
26. „ Izhar Ali Abbasi	„ „ „
27. K. S. Moulvi Feroz Din	„ „ „
28. Dr. N. Ahmed	„ „ „
29. Mr. R. N. Goodman	„ „ (Anglo-Indian).
30. „ C. H. DeSousa	„ „ „
31. „ H. C. Palmer	„ „ „
32. „ Iqbal Singh	„ „ (Sikh).
33. „ Ranjit Singh	„ „ „
34. Dr. Harnam Singh Chhachi	„ „ „
35. Mr. F. X. Lobo	„ „ (Indian Christian).
36. „ N. K. Misra	„ „ „

RETRENCHMENT IN GOVERNMENT DEPARTMENTS.

73. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : Will Government be pleased to state :

- (a) the departments, if any, in which Government have been seeking adjustment of their expenditure in the coming year to the shrunken revenue ;
- (b) the details of their retrenchment policy ;
- (c) the savings anticipated therefrom ?

THE HONOURABLE SIR ARTHUR McWATTERS : The Honourable Member will find the answers to his question in the Budget papers which will be in his hands this evening.

REVENUE DERIVED FROM THE TAX ON PETROL FOR ROAD DEVELOPMENT, ETC.

74. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : Will Government be pleased to state :

- (a) the revenue derived from the tax on petrol for Road Development in India in 1929-30 ;
- (b) the revenue that is expected under that head in the next financial year ;
- (c) the year when an allotment from that fund will be made to Bihar and Orissa ?

THE HONOURABLE SIR ARTHUR McWATTERS : (a) The net revenue realised in 1929-30 from the additional duty levied on petrol for road development purposes was Rs. 98,42,801.

(b) The Honourable Member will find this information very soon from the Budget papers.

(c) Grants from the Road Development Fund have to be made to all provinces including Bihar and Orissa in accordance with the terms of the Resolution adopted by this House on the 4th March, 1930. Two such grants aggregating Rs. 4,30,000 have already been provisionally made to the Government of Bihar and Orissa in the current year in respect of the period March, 1929 to September, 1930.

ISSUE OF WEEK-END RETURN TICKETS AT REDUCED RATES ON STATE RAILWAYS.

75. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH : (a) Will Government be pleased to state the names of State Railways which do not issue week-end tickets at reduced rate ?

(b) Does Government intend to instruct those Railways to issue such tickets ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) No week-end return tickets at reduced rates are issued on the North Western Railway and on the Burma Railways.

(b) Government do not consider that this is a matter for their interference. Railway Administrations are in the best position to determine to what extent such facilities may be justified.

ELECTION OF SIX MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT : As the result of the election held on the 26th of February the following Members have been elected to the Central Advisory Council for Railways :—

The Honourable Rai Bahadur Lala Ram Saran Das.
The Honourable Diwan Bahadur G. Narayanaswami Chetti.
The Honourable Major Nawab Sir Mahomed Akbar Khan.
The Honourable Mr. P. H. Browne.
The Honourable Sardar Charanjit Singh.
The Honourable Mr. Syed Atdul Hafeez.

PRESENTATION OF THE GENERAL BUDGET FOR 1931-32.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary) : Sir, I rise to present the statement of the estimated revenue and expenditure of the Governor General in Council for the year 1931-32 in respect of subjects other than Railways.

It is usual, Sir, at the commencement of a budget speech to make a brief reference to the final results of the last year, that is, the year ending the 31st March, 1930, and to compare the audited accounts of that year which we now possess with the revised estimates which we gave to this House a year ago. On this occasion it seems more than ever past history and I think it will be sufficient if I tell the House that, whereas we estimated that we would finish the year with a surplus of 35 lakhs, we have actually realised a surplus of 27 lakhs. I think that that is sufficiently close estimating in a budget of this magnitude.

I wish I could say the same for the estimates of the current year. Every Member of this House must have realised from the statements which we publish from time to time, and particularly from the Customs returns, that this year must end with a heavy deficit. There is little that is novel which I can say about the circumstances which have caused that deficit. They are well known. But I must refer to them very briefly. From the agricultural point of view the year was a fairly good one, so far as the outturn of crops was concerned, and the monsoon rainfall in 1930 has been on the whole adequate. But we have been confronted with circumstances, both of world-wide influence and circumstances peculiar to India, which have upset all calculations. So far as the world-wide influences are concerned, the catastrophe which began in New York in October, 1929 gathered momentum all through the year and we are now in the depths of a trade and industrial depression which is probably without parallel in recent economic history. It is accompanied, as is always the case, with a tremendous fall in commodity prices, with the cost of living falling also, but lagging far behind the fall in commodity prices, with, in consequence, reduced power of consumption in all classes among all peoples; and a catastrophe of this kind falls most heavily and most rapidly upon countries such as India which are dependent mainly upon the export of raw materials and agricultural produce. We see exactly the same phenomenon if we look from Australia to the Argentine or from China—I was going to say to Peru, but I will take a better example—to West Africa.

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In the case of India the House will be able to measure the extent of this catastrophe if we estimate the fall in prices of our exports and of our imports. I am taking the period from September, 1929 to December, 1930. In that period the average price of our exports fell by no less than 36 per cent. The corresponding fall in imports was only 16 per cent. Some people may take some consolation from this in the thought that whereas we may perhaps have felt the full effect of the fall in prices on the articles which we sell, we perhaps have not yet obtained the full benefit of the fall in the things that we buy. Again, if we look at the balance of trade it is perhaps a little curious that the actual visible balance of trade during this last year has not been unfavourable. If we take the first nine months of the financial year we find that the visible balance of trade in India's favour has been no less than 34½ crores, and this, although somewhat less than the balance of trade in our favour in the two preceding years, is actually larger than the balance of trade in India's favour in the year 1927. Furthermore, if we consider the actual volume of our exports, we find that in the calendar year 1930 the volume of exports was only .4 per cent. less than that of the preceding year 1929. But in India we have had our own special difficulties. There are two main causes of our troubles. One, are the internal disturbances, the attempt, quite unsuccessful, on the part of one section of the community to bring Government to a standstill, and the other is the nervousness and uncertainty which is naturally felt by a great many people at the prospects of great constitutional changes, especially—and this is what I want to emphasise—as these changes are taking place at a period of extreme economic depression.

The effect of all the causes which I have mentioned has been felt by us most severely in our Ways and Means and I shall tell the House some more about that later on ; at the moment I am concerned only to show their effect upon the revenue budget of the current year. First of all as regards Customs. Here we have naturally felt the effect of the fall in prices and of the reduced volume of imports and we expect that our customs will be down by no less than 9½ crores, of which 3½ crores is contributed by cotton piece-goods. Secondly, under Income-tax, though here we have not yet felt the full effects of the troubles of the present year, we expect to be short of our estimate by 2 crores 20 lakhs. The third large head under which we have suffered has been in the Post and Telegraph Department. It is inevitable that this Department should have suffered from the reduction in trade activity. You will find exactly the same in the Post and Telegraph Departments of every other country in the world. We expected the Department would work during the current year at a deficit of 48 lakhs. We now expect that the deficit will be 136 lakhs. And finally, there is the large group of heads which I may call our general finance heads, about which I shall have more to say later on. Under these heads we expect to be down by 138 lakhs. The result is that so far as the current year is concerned, we anticipate now, instead of a surplus of 86 lakhs for which we budgeted, a deficit of 13 crores 56 lakhs. That is all that I wish to tell the House about the current revenue budget. Full details will be found in the papers which will shortly be circulated and I will now go on to the subject which is of more vital interest to all of us, the prospects for the coming year.

We have to ask ourselves what those prospects are ? On what basis have our estimates been prepared ? We have to consider the two classes of factors which I mentioned just now, the world factors and the factors peculiar to India. As regards the first, we are still in the depths of economic depression. Whether we are near the bottom of the curve or at the bottom of the

curve may be a matter for dispute ; but I think that every one who is competent to judge would say that recovery must be slow. At any rate it is only prudent to estimate that it will be slow. As regards the factors in India, we may at least hope that they will not be aggravated ; we may perhaps hope that the evil effects will gradually pass away, and therefore, in framing this budget, Sir, we have been cautious, but we have not been unduly pessimistic ; because, on the one hand, while we are determined not to leave an unsound position to our successors, while we are absolutely determined to present a budget which is soundly balanced, at the same time we have to be careful not to impose such taxation upon the tax-payer of to-day as would actually retard the process of improvement when it comes.

I think that I can explain the position most clearly to the House if I take the budget estimates of the current year and compare them with our budget estimates for the next under different heads. That will give the House the measure of the gap which is to be made up on our present level of expenditure and on the present basis of taxation. First of all, as regards Customs, we expect that in the coming year we shall get $1\frac{1}{2}$ crores more from Customs than we anticipate in the current year, but it will still be 8 crores below last year's Budget. As regards Income-tax, unfortunately here the tax is levied upon the profits of the current year and therefore we feel the full effect of the present year's depression. We expect to be down on the current year's Budget by $4\frac{1}{2}$ crores, that is, 2 crores 30 lakhs worse than what we expect to realise this year. Apart from that, we have to allow for the falling off under our Opium receipts under the policy which reduces our opium exports year by year until they are finally extinguished. There are other smaller items, and under our tax revenue as a whole we expect to be down by 13 crores 16 lakhs.

I now turn to the Commercial Departments. Under the Posts and Telegraphs Department, we anticipate that next year will show a deficit of 141 lakhs, or if we include Capital which is charged to Revenue, 152 lakhs. Last year's Budget was bad enough, but this is 80 lakhs worse. As regards Railways, the deterioration under the Railways does not directly affect the revenue budget, but the House will realise very shortly from what I have to say that it has had a most serious effect upon our Ways and Means. So far as the revenue budget is concerned, the railway contribution next year will be 536 lakhs as against 574 lakhs in the current year, that is 38 lakhs less, so that under these two big Commercial Departments as a whole, we shall be worse by 1 crore 18 lakhs. Then there is the large group of heads which I have called general finance heads, that is to say, our interest receipts, our profits from Currency and Mints, our interest payments and the provision for Reduction and Avoidance of Debt. It is necessary to consider all these together for a proper understanding of the position. First and most important, our interest receipts. It is inevitable that there is a heavy fall here, because reduced prices mean reduced currency and our profits therefore from the interest on our Currency Reserve and also from Coinage and Mints are reduced. Under this head, we expect to be down by 2 crores 27 lakhs. Further, the interest on the Gold Standard Reserve, owing to the lower rate of interest prevailing in London, will be down by 54 lakhs. Next, as to our interest payments. Here we have been raising larger loans, raising loans at higher rates of interest, but actually the Budget will only show a loss under this head of 1 lakh. The reason for this mainly is that we have changed the system under which we debit interest charges to the Commercial Departments. The House will find a full explanation in the papers that will be circulated, but it amounts to no more than this, that we are charging the Commercial Departments, especially the Railways, the full rate of interest on the loans

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from which they have actually benefited. Then, there is finally the charge for Reduction and Avoidance of Debt. I think that every Member of the House will agree with me that this is not a year in which we could make a reduction under that head in the interest of our credit. Under the automatic working of the provision under this head, we shall have to allow for 78 lakhs more, so that under the general finance heads taken together we expect to be worse by 3 crores 76 lakhs. The figures which I have given to the House, if added together, 13 crores 16 lakhs under our tax revenue, 1 crore 18 lakhs under Commercial Departments, 3 crores 76 lakhs under our general finance heads, give a total gap of 18 crores 10 lakhs, against which we have to remember that last year's Budget contemplated a surplus of 86 lakhs, so that the gap to be made up is reduced to 17 crores 24 lakhs. This is the first figure which I wish the House to keep in mind. It is obvious that this gap can only be made up by one of two ways, first by reduction in expenditure, and, secondly, by providing new sources of revenue ; and I will take these two heads in turn.

First, in connection with reduction in expenditure, I will deal with the Military Budget. Here, I am glad to be able to inform the House that we have been able to make a reduction of no less than 1 crore 70 lakhs. The Military Budget will now stand at a figure of 52½ crores. The House will remember that when the system of a stabilised Military Budget was introduced, it was to be at a figure of 55 crores for 4 years. Last year, we extended the period by one year and reduced the figure to 54 crores 20 lakhs. This year we propose to extend the same process, extending the period for one year more and reducing the figure to 53 crores 63 lakhs, but in addition to this we have been able to secure economies in the Military Budget of no less than 1 crore 13 lakhs. This has been possible partly from the fall in prices which has enabled the Army Department to buy cheaper a great many of the commodities which they use. In the second place, it is due to the special economy campaign which has been in force in the Army, and, thirdly, it is due to the postponement of certain parts of their ordinary military engineering programme. I think the House should realise that we cannot count on these economies necessarily as recurring, for, in the first place, they depend upon the level of prices ; in the second place, they represent special savings due to the economy campaign ; and in the third place, the retardation of the engineering programme which the military authorities have agreed to, they would not have agreed to for military reasons, but they have done it simply in order to meet us so far as they could in the present emergency, and I hope the House will agree with me that we owe a debt of gratitude to His Excellency the Commander-in-Chief and to all army officers for the help that they have given us this year in reducing the Military Budget. Taking into account also a small reduction in the provision for the Territorial Forces' grant, the total reduction in the Military Budget will be 175 lakhs.

I now turn to civil expenditure. There are two aspects of this. First of all, there are the immediate economies which we are able to make and to bring into force in connection with the present Budget, and, secondly, there is the wider question of a more permanent policy for reducing the cost of Government administration as a whole. I will take the immediate economies first, because they will enable me to complete the Budget picture. I am sure that every head of every Department will agree with me that this year we have been unusually drastic in our economies ; indeed we have been ruthless. We have resisted all new expenditure and we have attempted to cut down wherever we could. We have been able to make some appreciable reductions. First of all, under the head Contingencies and Allowances, a head which the

Honourable Mr. Browne speaking in this House the other day referred to as the most serious head in any Budget—and I agree with him—under that head, we have made a reduction of no less than 26 lakhs, which represents a very large percentage reduction indeed. Secondly, in Frontier Watch and Ward we have made a reduction of 22 lakhs and in other special grants 14 lakhs. I would remind the House, in connection with the item, Frontier Watch and Ward, that we have also instituted a committee, which is now sitting, to enquire into the whole question whether by a better co-ordination of the various arms—irregular troops, regular troops and air force—we cannot make further reductions under this head.

Then I come to the big head—Civil Works. Here we have admitted no new works at all. We have cut down the provision for works in progress and we have made a large reduction under minor works, and the total savings under this head will be 33 lakhs. The total economies in the civil administration which we have been able to make are 1 crore 26 lakhs. Against this unfortunately there are certain unavoidable increases in expenditure. First of all, under the time-scale system there is an automatic increase in the pay of our establishments of 23 lakhs. Secondly, there is the Census, a non-recurring item, for which we have to provide 34 lakhs. Then there is an item of 19 lakhs—a non-recurring item which is unavoidable—for Civil Aviation; unavoidable, that is, if the present policy is to be continued. We have admitted only two items which, I think, might be mentioned to the House: (1) 2½ lakhs for improvement of our economic statistics, and (2) an additional grant of 3 lakhs for the Aligarh University. Fortunately, however, we have also one large non-recurring extraordinary item of receipt. We have quite recently been able to sell to the Imperial Wireless and Communications Company our assets in the Indo-European Telegraph Department. The House knows that that Department has been for some years a deficit Department. On the other hand, it was of advantage to the Wireless and Communications Company to remove it from their path because of the working of the special arrangement for division of profits—what is known as “the pool”. Also it was of advantage to Persia who were anxious themselves to work their internal telegraph system. We shall receive for our assets in that department a sum of £450,000 and the amount which we shall be able to take credit for in the Budget is 54 lakhs. We are entitled to take this credit to revenue because those assets were constructed in all cases out of revenue, and we can legitimately set them against the non-recurring items for Census and Civil Aviation which are of almost exactly the same amount. Taking then our civil expenditure as a whole we are able to make a reduction of 97 lakhs, and if we add to this the 175 lakhs saving on the Military Budget we reduce our figure of 17 crores 24 lakhs to 14 crores 51 lakhs. That is the second figure which I would like the House to keep in mind.

Before however I proceed to explain to the House how we hope to raise this amount of money I have to refer to the second aspect of retrenchment in civil expenditure,—the question of framing a more permanent policy for the reduction in the general level of cost of Government administration. Here we are proposing to the Legislative Assembly that a small retrenchment committee should be formed. We are suggesting that the Assembly should elect five of its Members to this committee and that two Members should be nominated by the Governor General, one of whom will represent the Finance Department. We hope that this committee will get to work immediately. We hope also that it will not go in for indiscriminate retrenchment. Very often indiscriminate retrenchment proves in the long run to be no economy, but we do hope that they will search for true economies right through our civil administration. And in order to help them to do this we have in the course

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of this year prepared very elaborate details in every department of the growth of our expenditure and how it has arisen. The Special Officer, Mr. Jukes, who has been employed on this work has unfortunately been seriously ill for the last few weeks ; otherwise I should have placed his review in your hands to-day. But we expect it to be ready in the next week or two, and in any case before the end of this Session. With regard to the work of this committee, I think it is right to mention one or two points. The position as regards Railways was very clearly explained to the House the other day by the Honourable the Commerce Member. If as a result of next year's working of the Railways it is found necessary to adopt any special method of inquiry, obviously a special committee of a technical kind would be necessary. So that the retrenchment committee which we are now proposing will not include Railways in its scope ; it would require a different kind of committee. Secondly, as regards the Post and Telegraph Department, the House knows that a committee is already sitting, the Chairman of which is a distinguished Member of the other House, to examine the commercial working of that Department. When that committee reports we shall know how far that Department is really working at a deficit or not, and then we shall be able, in consultation with the Legislature, to consider what further steps are necessary in regard to that Department.

There is one other subject connected with retrenchment which ought to be mentioned, which has been a good deal in the air, of making a lump cut in salaries of Government officials. I may say that we are not including in this Budget anything in the nature of an arbitrary lump cut from Government officials. It is a matter which has many important implications and I would invite the attention of the House particularly to what the Honourable the Finance Member is saying on this subject in his Budget speech. But two things I should say. The first is that in the proposals for new taxation, which I shall shortly mention to the House, you will find that some of them fall with full weight upon Government officials and indeed amount practically to a cut in salaries. In the second place, we are proposing to call a conference in Simla, as soon as possible after the Session, to which we have invited representatives of Local Governments to consider the question of reduction in salaries for new entrants to the services. This is an extremely important matter because I have not the slightest doubt that the Indian constitution of the future will find it difficult to work as economically as we are enabled to do and therefore if there is to be any saving from reduction in salaries of new entrants it is all the more necessary that we should begin at once.

After this digression, I now return to the basic figure of 14 crores 51 lakhs which requires to be made up. The first question which has to be considered, Sir, is whether this deficit is a temporary deficit, whether it is one for which purely temporary expedients are suitable, or whether it is more in the nature of a permanent loss of revenue. The situation is in some respects undoubtedly abnormal. But behind that abnormality there is the more permanent necessity of providing increased resources in view of the obligations which will come upon us under the new constitution—and especially the increased needs of Local Governments. Therefore, I think, that the truth lies half-way between the two extremes. And in the proposals which I am going to disclose to the House we have endeavoured to keep that principle in mind. The new sources of revenue will be provided under two heads only—Customs and Taxes on Income. They are indeed the only two heads which are large enough to meet obligations of the kind which we are now facing.

First of all, then, as regards Customs, what we have done is to select certain articles on which an increase in rates seems to us justified. On others we are proposing a system of surcharges. The articles which we have selected for increase in rates are, first of all, imported liquors, sugar, silver, betel-nuts, spices and exposed cinematograph films. The last three will be raised from the 15 per cent. *ad valorem* rate to the present luxury rate of 30 per cent. As regards imported liquors, we are proposing increases on wines and spirits which amount to from 30 to 40 per cent. On beer, which is at present rated more cheaply than the others, we are proposing an increase which amounts to 66 per cent. of the present duty. Under this head we expect to get 61 lakhs. Secondly, as regards sugar, what we are proposing here is an all-round increase of Rs. 1-4-0 a cwt. except on molasses which remains unchanged. This duty is imposed purely for revenue purposes, but when we were actually considering it, we had before us the proposals of the Tariff Board on sugar and the Report of the Tariff Board will be in your hands in a few days' time. The rate which we are proposing, namely, Rs. 1-4-0 a cwt., although we arrived at it purely on revenue considerations, is as a matter of fact the basic rate which the Tariff Board are proposing in their Report as a protective duty. It is true their proposals for protection contemplate an additional eight annas a cwt. in certain circumstances, that is, if the price of sugar falls below the landed price of Rs. 4 per cwt. But we have arrived at our proposals quite independently ; it will be seen that they do not conflict with the proposals of the Tariff Board and it will make it easier to consider their proposals in due course. We expect to get from sugar 116 lakhs.

Then as regards silver, our proposal is to increase the duty on silver by two annas an ounce, that is to say, half of the increase which we made last year. Into this question some very important matters necessarily must enter. But I am not going to deal with the more general aspect of taxation on silver and will refer the House again to the comprehensive statement which the Honourable the Finance Member is making on this subject. I will deal with the matter purely as a revenue tax. We have found by the experience of last year that the increase which we then made of four annas an ounce has had very little effect upon the amount of imports of silver, and indeed, at the present price of silver, it is difficult to say why it should. Secondly, we found that the effect upon the price of silver, although there was a sentimental effect for a day or two, soon passed off. The real causes of the extreme fall in the price of silver are quite different. Thirdly, we think that this tax is justified to some extent because it protects the value of the silver holdings of the people.

I now come to the surcharges. What we propose is this. On articles which are tariffed at 10 per cent. *ad valorem* we propose an increase of $2\frac{1}{2}$ per cent. There are very few of these articles. On articles which are tariffed at 15 per cent. *ad valorem* we propose a surcharge of 5 per cent. That will bring us 263 lakhs. The duty on articles which are tariffed at the luxury rate of 30 per cent. will be increased to 40 per cent. In connection with the articles tariffed at 15 per cent. *ad valorem* I should specially mention that on cotton piece-goods. We propose that the basic *ad valorem* rate of 15 per cent. should also be raised by 5 per cent. which will bring us 90 lakhs. There remain certain articles which are tariffed at specific rates, and the most important of these on which we are suggesting changes I will now mention. First of all, kerosene. We propose that the import and excise on kerosene should be increased by 9 pies per gallon, keeping the existing differentiation between the two rates. On motor spirit we propose an increase of two annas a gallon. On motor cars the original rate of 30 per cent. will be restored instead of 20

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per cent. as at present. We are proposing finally certain changes in the import duties on tobacco, though not on unmanufactured tobacco. The rate on unmanufactured tobacco will remain unchanged. The only important item under tobacco from the revenue point of view is cigarettes. Here we are proposing an increase of Rs. 1-8-0 per thousand.

That, Sir, concludes my remarks about Customs. We expect to get from these changes 982 lakhs, which includes 50 lakhs from the protective duty on galvanized pipes and sheets which is already in force and which was discussed in this House the other day. On our Customs proposals generally I should only like to say that they will undoubtedly impose an increased cost to consumers. But at the same time we have to remember the fall in prices and that fall in prices is both the necessity and the justification for our proposals. I would also like to point out that in spite of the increases which we are proposing, the total amount which we shall be taking from Customs is no greater than we should expect in a normal year from the customs duties at their old rates. And finally we may hope that in some cases at least the increases we are proposing may be of some benefit to Indian industry.

I now come to Taxes on Income. What we are proposing is this. The minimum exemption rate of Rs. 2,000 per annum will not be changed. On the first zone, *i.e.*, from Rs. 2,000 up to Rs. 4,999 we propose an increase of 4 pies in the rupee. On the higher zones we propose increases which vary from 5 to 7 pies in the rupee. The deduction for super-tax will be reduced from Rs. 50,000 to Rs. 30,000 except for undivided Hindu families where the present deduction of Rs. 75,000 will remain, and also for companies where the present deduction of Rs. 50,000 will remain unchanged. On the lowest new zone in super-tax, Rs. 30,000 to Rs. 50,000, we propose a rate of nine pies in the rupee and on all the other zones of super-tax we propose an increase of two pies in the rupee. The flat rate for companies at one anna will remain unchanged. From the papers which will be circulated shortly the House will see that these rates, though they may seem rather arbitrary, do in fact work out to a graduated scale for incomes of various sizes, that they vary from 2 per cent. to 5 per cent. of the income, and the total amount which we expect to get from these increases is 454 lakhs under income-tax and 46 lakhs under super-tax, a total of 5 crores. These increases are undoubtedly heavy. But I may tell the House that we regard these proposals as being essentially of a temporary nature to deal with a temporary emergency. It may be that some parts of our scheme, the changes in graduation of different zones or the reduction of super-tax to Rs. 30,000 may be permanent. But before we can consider how far we can reduce income-tax there are other matters which will come under consideration in the course of the year. First of all, we shall have to decide whether the fall in prices really means a permanent reduction in our revenue. Secondly, we shall have to decide whether we are able in the course of the year to reduce the level of cost of Government administration; and, thirdly, we shall have to devise if we can some alternative methods of taxation which will press less hardly upon trade and industry. As regards income-tax, I should only refer again to what I said just now, that what we are proposing does operate as a direct cut in salaries of Government servants.

There is one other important matter in connection with income-tax. We are proposing, and a Bill will shortly be placed before the Legislature, to introduce the British system of residence as the basis of income-tax. At present our law affords a facility, almost an inducement, for the export of capital from India in order to escape this tax, and as the export of capital has for various reasons become one of the greatest dangers which confront us at

the moment we hope that this change in the law may do something to counteract that tendency. This Bill will be introduced and circulated for the opinion of commercial bodies and others and will probably come up in the September Session.

The net result of what I have told the House is that, if our proposals for taxation are passed by the Legislature, we shall end the year with a surplus of 31 lakhs, and as 88 lakhs of the new taxation will be levied in March, the deficit on the current year will be reduced to 12 crores 68 lakhs.

I now turn to what is the most important part of my speech—the question of Ways and Means. This is always the most important part of the Budget, but in the present year it is not only the most difficult but it is also preponderantly important, because the various circumstances which I mentioned earlier in my speech have affected our Ways and Means far more severely than they have affected our revenue budget. I will explain to the House very briefly some of the ways in which they have affected them. First of all, as the House knows, we are the bankers of the Provincial Governments and of the Railways. During this last year the Provincial Governments have had a very difficult time. They have had large revenue deficits; in most cases they have had to spend much money in relieving agricultural distress. Their drawings upon us as their bankers have increased by $3\frac{1}{2}$ crores. Secondly, the Railways, as the House knows from the figures which have been placed before them recently, have been drawing on their reserves, and therefore they have been drawing on us as their bankers to the extent of $9\frac{1}{2}$ crores. Next, in a year like the present it was probably inevitable that there should be some falling off in our receipts from postal cash certificates and savings banks. Last September we increased the rates on cash certificates to 6 per cent. and since then there has been a gratifying increase, but taking the year as a whole we expect that our Ways and Means will be affected to the extent of $3\frac{3}{4}$ crores under this head. Thirdly, there is the deficit of the current year to be covered; and, fourthly, there is the very important question of contraction of currency. The House will understand that in a period of sharply falling prices it is inevitable that currency must contract. Whatever the ratio had been in September, 1929, the same process which we have had to go through would have had to be gone through, and as Government is the currency authority the contraction of currency directly affects our Ways and Means. That the contraction has not been excessive will I think be evident to any one who compares the amount of it with the actual fall in prices. We have contracted during the year $36\frac{1}{2}$ crores, mostly against rupee securities in the reserve. As against this we have got back from circulation $17\frac{1}{2}$ crores of silver rupees. The net effect of all these drains upon our Ways and Means has been a gap which we have had to make up of no less than $64\frac{1}{2}$ crores during the year. The effect of it will be seen in the increase in the amount of Treasury Bills which are held by the public. The figure at the end of the year will be, we expect, 45 crores, against a figure of 20 crores which we anticipated in the Budget. That is to say, there will be a worseness of 25 crores. Treasury Bills held by the public will have been substituted for Treasury Bills in our reserve. So far as the rest of the gap is concerned, we have made it up through the larger takings from our rupee loan last year and by increased borrowings in London.

Now, as regards the next year, we have taken every step possible to reduce our capital commitments. The railway capital programme has been reduced by 5 crores to $11\frac{3}{4}$ crores; the drawings of Local Governments, although next year too they will have difficulties, will be reduced by 2 crores to $9\frac{1}{2}$ crores, and we expect that we shall require as new money only $7\frac{3}{4}$ crores next year. We have also $7\frac{1}{4}$ crores of 1932 bonds coming due for repayment, so that a total loan, including conversions, of 15 crores should meet all our requirements.

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If we obtain more than this we shall naturally apply it to reducing the burden of our floating debt. As regards borrowings in London, next January we have coming due what remains of the 20 millions loan, which is now reduced owing to the operations of last February to £15 millions. We expect to be able to convert that and, apart from that, we shall if normal remittances can be resumed, require no further borrowing.

But I must warn the House that this question of remittances to which I now come is one of the most difficult items in our Ways and Means operations. During the current year as I pointed out, in nine months we have had a visible balance of trade in India's favour of 34½ crores. Yet, the 5 millions or so which we were able to remit last summer have been almost exactly equalised by the amount of sterling we have sold in recent months. So in point of fact we have met our requirements in London by borrowing, and for this there is only one reason, namely, the export of capital from India. It may be due to various causes, but I can name two. It is due partly to speculation; it is due partly to nervousness as to what the future Constitution is going to bring. The result of it of course is increased sterling borrowings, higher bank rates out here and depreciation of

our securities and it is very much in the hands of Indians themselves if this tendency is to be counteracted. All I can say to the speculators is that they are going to be sadly disappointed. As regards those who are influenced by nervousness, I should say, "Get rid of it". What we want is a little more confidence and a good deal more co-operation. It is not necessary for me to make any appeal to this House, but if all persons in all classes in the midst of their not unnatural political enthusiasms, with which I for one feel great sympathy, if all of them could devote an equal amount of attention to matters which affect the financial stability and the credit of the country, then although the picture which I have drawn may seem gloomy and though some of the remedies we have proposed will undoubtedly be unpalatable, I feel certain that the recovery may be rapid. I also feel certain that, if the conditions for which I have appealed could be realised, India is in a better position than almost any other country to take advantage of improvement in economic conditions when it comes. (Applause.)

STATEMENT OF BUSINESS.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House): Sir, Tuesday, the 10th March, has been set apart for Government business. As already announced, three Government Bills will be taken on that date. It is not, however, anticipated that this business will take up the whole, or even the greater part, of the time available. Government are willing to make available any time left over on that day after the disposal of Government business for a general discussion on the Round Table Conference. The Honourable Sir Sankaran Nair has given notice of a Resolution calling for papers in this connection and on the understanding that this is purely a formal method of initiating a general discussion, Government are prepared to give their consent under Standing Order 57 and rule 6 to its being taken at short notice on a Government day, namely, the 10th March. I understand, Sir, that you have admitted the Resolution and are prepared to permit it to be set down on that date if Government have no objection. It is apparent that more time will be available for the discussion of this subject on the 10th March than on any other date allotted for Resolutions.

The Council then adjourned till Eleven of the Clock on Saturday, the 7th March, 1931.