

Saturday, 4th March, 1933

THE
COUNCIL OF STATE DEBATES

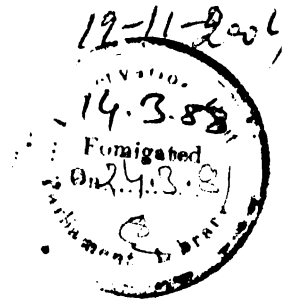
VOLUME I, 1933

(16th February to 15th April, 1933)

FIFTH SESSION

OF THE

THIRD COUNCIL OF STATE, 1933



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COUNCIL OF STATE.

Saturday, 4th March, 1933.

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

QUESTIONS AND ANSWERS.

RELEASE OF MR. GANDHI.

66. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Will Government be pleased to state whether the Government of India or the British Government is standing in the way of the unconditional release of Mahatma Gandhi at this stage ?

THE HONOURABLE MR. M. G. HALLETT : The policy of His Majesty's Government and of the Government of India has frequently been enunciated. As recently stated by the Secretary of State, there can be no question of the release of Mr. Gandhi and other civil disobedience prisoners until Government have convincing reasons to believe that their release will not be followed by a revival of civil disobedience.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : May I know, Sir, if it is the impression of the Government that Mahatma Gandhi will make any statement against the civil disobedience movement for the sake of his release ?

THE HONOURABLE MR. M. G. HALLETT : I am afraid it is impossible to anticipate what Mahatma Gandhi will say in this matter.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Has he got liberty as a prisoner to make any statement on the political situation in India ?

THE HONOURABLE MR. M. G. HALLETT : He could certainly bring his views to the notice of the Government of India.

INVITATION OF MR. GANDHI TO THE JOINT PARLIAMENTARY COMMITTEE ON THE GOVERNMENT OF INDIA BILL.

67. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : 1. Is it the intention of Government to invite Mahatma Gandhi to the Joint Parliamentary Committee on the Government of India Bill ?

2. Has it been represented to Government that the majority of those who belong to non-Congress parties are of opinion that no reforms can be a success without the participation of the National Congress ? If so, what steps does Government propose to ensure participation of Mahatma Gandhi and his followers ?

THE HONOURABLE MR. M. G. HALLETT : 1. There can be no question of Mr. Gandhi attending the Joint Select Committee, so long as he is a State prisoner.

2. The answer to the first part is in the negative. The second part does not arise.

SAVING EFFECTED BY THE AMALGAMATION OF THE APPOINTMENTS OF COMMISSIONERS OF INCOME-TAX, CENTRAL PROVINCES AND UNITED PROVINCES.

68. THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : Will Government be pleased to state :

(a) The amount of saving effected by the amalgamation of the two posts of the Income-tax Commissioners of the Central Provinces and the United Provinces ?

(b) The expenditure incurred in the travelling and daily allowances of the present Income-tax Commissioners of the Central Provinces and the United Provinces during the year 1931-32 ?

THE HONOURABLE MR. J. B. TAYLOR : (a) A recurring annual saving of Rs. 26,000 is anticipated as a result of the amalgamation of the United Provinces and the Central Provinces Income-tax Commissioners' charges.

(b) There were two different Commissioners for the two provinces in 1931-32 and the expenditure on their travelling and daily allowances in that year was :

	Rs.	
Central Provinces	1,046	
United Provinces	3,572	of which half was debited to the " Opium Department " as the Commissioner was also working as the Opium Agent, Ghazipur, during the period.

CONVICTIONS UNDER THE CRIMINAL LAW AMENDMENT ACT IN DECEMBER, 1932 AND JANUARY, 1933.

69. THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : Will Government be pleased to state the number of persons convicted in all the provinces under the Ordinance (Criminal Law Amendment) Act in the month of December, 1932 and January, 1933 ?

THE HONOURABLE MR. M. G. HALLETT : I understand that no action was taken under the Act during the month of December, 1932, as the Ordinance was then in force.

The figure for January, 1933, is 153.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Will Government be pleased to state the different nationalities of the prisoners convicted under the Criminal Law Amendment Act and their respective number, province by province ?

THE HONOURABLE MR. M. G. HALLETT : I have to ask for notice of that question, Sir.

TERRORIST PRISONERS TRANSFERRED TO THE ANDAMANS AND THEIR TREATMENT.

70. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :
(a) Will Government be pleased to state the total number of political prisoners removed to the Andamans, up-to-date, province by province ?

(b) How many of them have been transported for life ?

(c) Is it a fact that persons sentenced to five years' rigorous imprisonment have been transported to the Andamans ?

(d) Do Government keep any information about the condition of the health of political prisoners in the Andamans ? If so, will Government be pleased to make a statement on this ?

(e) What arrangements have been made for the board of the Bengali political prisoners there ?

(f) Have Government made any attempt to reproduce any Bengal conditions as regards diet, ways of living, etc., of the Bengali political prisoners in the Andamans ?

THE HONOURABLE MR. M. G. HALLETT : (a) and (b). The total number of prisoners connected with terrorist crime transferred to the Andamans is 100. I am unable to give any detailed information in regard to these prisoners.

(c) Yes.

(d) No, but I may state for the information of the Honourable Member that there are well equipped hospitals in the Andamans and an adequate medical staff.

(e) and (f). A certain number of Bengali cooks have been transferred to the Andamans to cook the food of the Bengali prisoners. As far as circumstances permit the prisoners will receive the diet and treatment admissible to the class in which they were placed in Bengal. I would observe that the persons sent to the Andamans are convicted prisoners who will serve their sentence as though in other jails in India.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Supplementary (c), Sir. What are their nationalities and number, province by province ?

THE HONOURABLE MR. M. G. HALLETT : The majority of them come from Bengal, Sir. I cannot give more information without notice.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Supplementary (b), Sir. How many for 14 years, how many for 12 years, how many for 10 years and how many for 5 years ? And what occupation do these long term prisoners pursue ?

THE HONOURABLE THE PRESIDENT : Order, order. The Honourable Member must not expect such questions to be answered on the spur of the moment. I think if the Honourable Member requires information on these points it is only fair that he should give notice to the Government Member.

TRANSFER OF WOMEN TERRORIST PRISONERS TO THE ANDAMANS.

71. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :
1. How many lady political prisoners are there in the Andamans ?

2. Is it a fact that Miss Santi Ghose, Miss Suniti Choudhury and Miss Bina Das have been transported to the Andamans ?

3. Will Government be pleased to state what arrangements have been made for their medical treatment in case they fall ill ?

4. Will Government be pleased to make a statement regarding their present health ?

THE HONOURABLE MR. M. G. HALLETT : 1. None.

2. No.

3 and 4. I presume the Honourable Member's questions relate to arrangements for these prisoners if transported to the Andamans. If so, they do not arise.

HEALTH OF WOMEN TERRORIST PRISONERS IN THE ANDAMANS.

72. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :
1. Is the health of the lady political prisoners in the Andamans examined occasionally ? If so, by whom ?

2. Will Government be pleased to state why lady doctors are not employed by them for examining the health of the lady prisoners in the Andamans ?

THE HONOURABLE MR. M. G. HALLETT : 1. The Honourable Member is under a misapprehension. There are no female prisoners connected with terrorist crime at present in the Andamans.

2. There is a lady assistant surgeon employed in the Andamans.

MEDICAL EXAMINATION OF WOMEN DETENUS IN JAILS.

73. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :
By whom are the lady detenues in the Indian jails medically examined off and on ? If by male doctors, will Government be pleased to state why lady doctors have not been employed by Government ?

THE HONOURABLE MR. M. G. HALLETT : There are no women detenues at Deoli and none under Regulation III of 1818. I am making enquiries from the Government of Bengal whether any women are detained under the Bengal Criminal Law Amendment Act, and, if so, what medical arrangements are made, and will communicate the result to the House in due course.

COST OF THE MEERUT CONSPIRACY CASE.

74. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :
1. Will Government be pleased to state the total cost of the Meerut Conspiracy Case ?

2. What amount has been spent for the fees and incidental expenses of the witnesses and what amount has been given to the Crown Prosecutors including District Court Pleaders, Advocates and Member of the English Bar ?

THE HONOURABLE MR. M. G. HALLETT : 1. Rs. 18,13,301 up to the 31st January, 1933.

2. Rs. 60,215 and Rs. 12,97,801-4-3 were paid to witnesses and Prosecuting Counsel, respectively.

CLASSIFICATION OF PRISONERS CONVICTED IN CONNECTION WITH THE MEERUT CONSPIRACY CASE.

75. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Is it a fact that the convicted persons have been placed in " C " class and is it also a fact that they have made a prayer to Government for being placed in higher classes ?

THE HONOURABLE MR. M. G. HALLETT : With your permission, Sir, I should like to answer questions Nos. 75 and 77 together.

The prisoners were recommended for " C " class by the trying Court but they have been placed in " B " class by the United Provinces Government with whom rests the final responsibility for determining the classification. No application has been received in this matter by the Government of India from Gopal Basak.

EUROPEAN UNIVERSITY DEGREES HELD BY ACCUSED IN THE MEERUT CONSPIRACY CASE.

76. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : 1. Are there any accused persons in the Meerut Case who are degree holders of the Universities of London and Cambridge ? If so, who are they ?

2. Is there any Doctor Adhikari, a Ph. D. of a European University ? What is he by nationality ? Is not he entitled to be placed in a higher class than what he is in now ?

THE HONOURABLE MR. M. G. HALLETT : 1. Mr. Philip Spratt is, I understand, a Bachelor of Arts of the Cambridge University. I have no information as to whether there are any others holding degrees of the Universities of London or Cambridge.

2. The answer to the first part is in the affirmative. Dr. Adhikari is an Indian. As regards the last part I would refer the Honourable Member to the reply given by me to his question No. 75.

CLASSIFICATION OF GOPAL CHANDRA BASAK, A PRISONER IN THE MEERUT CONSPIRACY CASE.

77. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : 1. Is it a fact that Mr. Gopal Chandra Basak, a son of the Proprietor of the Albert Library, Dacca, a Meerut Case prisoner has been placed in the " C " class ?

2. Have Government received any application from him for being placed in a higher class ? If so, what have they done on his application ?

(For reply to this question see reply to question No. 75.)

CONTRIBUTION BY PROVINCES TOWARDS THE COST OF THE MEERUT CONSPIRACY CASE.

78. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Have the provinces contributed any sum towards the expense of the Meerut Case ? If so, what are their respective quota ?

THE HONOURABLE MR. M. G. HALLETT: The United Provinces Government have borne a part of the expenditure on the case, amounting to Rs. 1,46,193. The rest has been met from Central revenues.

MAINTENANCE AND CONTROL OF OAKGROVE SCHOOL.

79. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH: 1. Will Government be pleased to state if the Oakgrove European School is maintained and controlled by the East Indian Railway?

2. Are the Indian schools on the Railway also maintained by the East Indian Railway?

3. Will Government be pleased to state separately the expenditure incurred by the East Indian Railway on the Oakgrove School and other European and Indian schools maintained by the said Railway during 1931-32?

THE HONOURABLE SIR GUTHRIE RUSSELL: 1. Oakgrove School is maintained by the East Indian Railway but controlled by a body of governors who are officers selected from the East Indian and North Western Railways.

2. The East Indian Railway maintain 29 Indian schools which are controlled by local committees of which the Divisional Superintendent is *ex-officio* President.

3. Rs. 1,62,847 ; Rs. 54,235 and Rs. 75,356.

INCLUSION OF OAKGROVE SCHOOL WITHIN THE SCOPE OF MR. SMITH'S ENQUIRY.

80. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH: 1. Will Government be pleased to state if the Oakgrove European School was included within the scope of Mr. Smith's enquiry regarding the cost of assistance to Railway employees for the education of their children? If not, why not?

2. Is it a fact that the Oakgrove School was included in the scope of the special enquiry conducted by Mr. Jones in 1927?

3. Is it a fact that according to Mr. Jones the Oakgrove European School was on the same footing as the other schools maintained and controlled by the East Indian Railway?

4. If so, why did Government treat the Oakgrove School differently this time and exclude it from the purview of Mr. Smith's enquiry?

5. Was the Oakgrove School excluded because it caters for the children of European and Anglo-Indian employees and the teachers are Anglo-Indians and Europeans?

THE HONOURABLE SIR GUTHRIE RUSSELL: 1. and 4. No, it was intended to deal with it separately.

2. Yes.

3. It is not quite clear what the Honourable Member means by the expression "on the same footing". If by these words the Honourable Member is referring to the control of the school, the answer is in the negative. Two State Railways are interested in the Oakgrove School, the East Indian and the North Western Railways, and as stated by Mr. Jones in his report, the Governing Body consists of officials of both Railways.

5. No.

NOTIFICATION TO EAST INDIAN RAILWAY SCHOOLS OF THE TERMS OF REFERENCE OF MR. SMITH'S ENQUIRY.

81. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

1. Was the scope of Mr. Smith's enquiry, specially clause 3 of the terms of reference, notified to the East Indian Railway schools either by the Agent or by Mr. Smith, Special Officer ? If so, will Government be pleased to lay on the table copies of the letter issued by each of them to the schools ?

2. Was the enquiry into the status of teachers in the East Indian Railway schools within the terms of reference of Mr. Smith's enquiry ? If so, under which clause does it come ?

3. Was the proposal about transference of Railway schools and the teachers therein who are Railway servants to the control of private committees or bodies an "improvement" within the meaning of clause 3 of the terms of reference ?

THE HONOURABLE SIR GUTHRIE RUSSELL : 1. Government have no precise information on this point, but presumably Mr. Smith in conducting his inspection of these schools, as he did inspect, would have brought to the notice of the school authorities what was the scope of his enquiry.

2. No specific mention was made in the terms of reference to Mr. Smith in regard to the status of teachers in the East Indian Railway schools. Mr. Smith, however, deals with this question in Chapter XIV of his report on the North Western, East Indian and Great Indian Peninsula Railway schools.

3. This is a matter of opinion.

INSTRUCTIONS TO MR. SMITH REGARDING THE STATUS OF EAST INDIAN RAILWAY SCHOOLS.

82. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

1. Was Mr. Smith specially instructed to review the decisions of the Government of India and Railway Board in their behalf and to see whether they were right ?

2. Do Government propose to go back upon their previous decisions and take away from these schools the status of Government schools ?

3. Is it a fact that this part of the enquiry was kept a secret from the teachers and the school committees ?

4. Is it a fact that Mr. Smith, Special Officer, while visiting the schools did not make any enquiry of or have any discussion with the teachers or the school committee on this subject ?

THE HONOURABLE SIR GUTHRIE RUSSELL : 1. No specific mention was made in the terms of reference to Mr. Smith in regard to this.

2. and 4. Government have not yet been able to finish their examination of Mr. Smith's report, and are therefore unable to give a reply to this question at present. The attention of the Honourable Member is invited to paragraph 86, page 158 of Mr. Smith's report on educational facilities on the North Western, East Indian and Great Indian Peninsula Railways.

3. Not that I am aware of.

DISCRIMINATION BY THE AGENT, EAST INDIAN RAILWAY, BETWEEN OAKGROVE SCHOOL AND SCHOOLS ON THE PLAINS.

83. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

1. Will Government be pleased to state the grounds on which the Agent of the East Indian Railway in his letter to the Railway Board referred to on page 153 of Mr. Smith's report makes a discrimination between the Oakgrove School and the other schools in the plains ?

2. Is it not a fact that Mr. Smith has found the Oakgrove School to be on the same footing as the schools in the plains ?

THE HONOURABLE SIR GUTHRIE RUSSELL : 1. The actual quotation from the letter of the Agent of the East Indian Railway which is contained in Mr. Smith's report is as follows :

" All the teachers of the Railway schools are regarded as employees of the Railway for purposes of the Provident Fund and Gratuity Rules. The staff at Oakgrove are for all practical purposes railway servants though they have no definite leave rules due to the fact that they have their annual school holidays. In other respects the teaching staff are not regarded as employees though they are allowed a certain number of passes ".

This is the statement of existing practice on the Railway.

2. No. Mr. Smith states that he sees no reason why Oakgrove School should not be regarded equally with the other East Indian Railway schools as under the management of a private Body of Governors, i.e., of railway servants in their unofficial capacity.

CONSTITUTION OF THE EAST INDIAN RAILWAY SCHOOLS COMMITTEE.

84. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

1. Is it a fact that the Committee of the East Indian Railway Schools in the plains are constituted according to Railway rules, that they exercise delegated functions and that their personnel and their decisions are subject to the confirmation and veto of the Secretary to Agent and Superintendent, East Indian Railway Schools ?

2. Is it a fact that the Secretary to Agent is the Superintendent of the East Indian Railway Schools and that the Divisional Superintendent is according to the rules the *ex-officio* President of all the schools in the division ?

THE HONOURABLE SIR GUTHRIE RUSSELL : 1 and 2. Yes.

RIGHT OF APPEAL OF TEACHERS IN EAST INDIAN RAILWAY SCHOOLS.

85. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

1. Is it a fact that teachers in the East Indian Railway schools have right of appeal to the Agent and to the Railway Board ?

2. Is it a fact that Mr. H. N. Sinha, discharged Head Master of Dinapur East Indian Railway High English Indian School, recently appealed to the Government of India ?

3. Is it a fact that his appeal was duly entertained by the Railway Board ?

THE HONOURABLE SIR GUTHRIE RUSSELL : 1. The teachers in the East Indian Railway schools have the right of appeal to the Agent, the authority next above the Secretary.

2. Yes.

3. Mr. Sinha's appeal was entertained by the Railway Board and orders were issued that he should be re-appointed in a next suitable vacancy. At the time his re-appointment was being considered it was discovered that he was over age and consequently he was not appointed.

ASSIMILATION OF SCALE OF SALARIES OF TEACHERS IN EAST INDIAN RAILWAY SCHOOLS WITH THAT OF TEACHERS IN PROVINCIAL GOVERNMENT SCHOOLS.

86. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

1. Is it a fact that the scale of salaries of the teachers in the East Indian Railway schools were under the orders of Government assimilated to that of teachers in the Provincial Government schools ?

2. Is it a fact that teachers in the East Indian Railway schools were under the order of the Agent subjected to the emergency salary cut like other employees of the Railway ?

3. Is it a fact that the names of teachers in the East Indian Railway schools are shewn in the East Indian Railway Classified List of Subordinate Staff of the corresponding grade ?

THE HONOURABLE SIR GUTHRIE RUSSELL : 1, 2 and 3. Yes.

DECISION ON SUBJECTS DEALT WITH IN MR. SMITH'S REPORT.

87. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

1. Have Government come to any decision on subjects dealt with in chapters xiv, xvi and xvii of Mr. Smith's report ?

2. Will Government consult the Central Advisory Council for Railways and the Assembly before giving effect to their decisions ?

THE HONOURABLE SIR GUTHRIE RUSSELL : 1. No.

2. The matter will be placed before the Central Advisory Council for Railways but Government are unable at present to say whether they will consult the Legislative Assembly before any decisions are arrived at.

MEMBERS OF THE COUNCIL OF STATE WHO WERE INVITED TO THE ROUND TABLE CONFERENCES.

88. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Will Government kindly state the names of Members of the Council of State who were invited to the last three sessions of the Round Table Conference respectively ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : A statement giving the names of gentlemen who were Members of the Council of State when invited to sessions of the Round Table Conference is laid on the table.

1st Round Table Conference	1. The Honourable Sir Phiroze Sethna.
	1. The Honourable Sir Maneckji Dadabhoy, K.C.I.E., Kt.
2nd Round Table Conference	2. The Honourable Nawab Sahibzada Sir Sayed Mohamad Mehr Shah.
	3. The Honourable Saiyed Mohamed Padshah Sahib Bahadur.
3rd Round Table Conference	4. The Honourable Sir Phiroze Sethna.
	Nd.

**REPRESENTATION OF MUSLIMS IN SERVICES UNDER THE CONTROL OF THE
GOVERNMENT OF INDIA.**

89. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ :

(a) Will Government please state the number of Muslims appointed during the years 1931 and 1932 in all departments under the Government of India ?

(b) Is it a fact that the Muslim quota in the Government services is still in a hopeless minority ?

(c) Has Government done anything as yet to give Muslims their due share in Government services with due regard to the minimum qualification for such services ?

THE HONOURABLE MR. M. G. HALLETT : (a) Eighteen Muslims were appointed in 1931 to the clerical staff of the departments of the Government of India and their attached and subordinate offices located at headquarters. The total number of appointments made this year was 82. Similar figures for 1932 are not available at present. They will be furnished to the Honourable Member in due course.

(b) and (c). As explained in the Home Department Office Memorandum No. F.-176/25-Establishments, dated the 5th February, 1926, a copy of which is available in the Library, the policy of the Government of India is to prevent the preponderance of any one class or community in the public service. Instructions were also issued in 1930 for the recognition of the position of Muslims as the most important of the minority communities in the application of this policy. The percentage of Muslims in the Secretariat proper and attached and subordinate offices at headquarters and elsewhere has increased from 15.2 and 8.5 in 1926 to 18.4 and 14.6, respectively. The question whether the orders issued so far require modification is under consideration.

REPRESENTATION OF MUSLIMS ON THE RAILWAYS.

90. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ :

(a) Is it a fact that Muslim representation in Railway services throughout India is much lower in percentage than that of the other communities ?

(b) Has any effort been made by Government to find employment for Muslims in that Department ? If not, why not ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) The percentage of Muslims is lower than that of Hindus, but higher than that of other communities. The figures as on 31st March, 1932, are :

	Per cent.
Hindus	71.2
Muslims	21.6
Anglo-Indians	1.9
Europeans	0.6
Other classes	4.7

(b) My Honourable friend is aware of the policy of Government which is to reserve 33½ per cent. of the vacancies for the redress of marked communal inequalities so far as superior and the subordinate staff is concerned. The recommendations in Mr. Hassan's report are now under consideration of Government.

COMMUNAL REPRESENTATION IN THE DIFFERENT DEPARTMENTS OF THE EASTERN BENGAL RAILWAY.

91. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : Will Government kindly inform the House of the number of Muslims in each Department in the Eastern Bengal Railway and the number of other communities showing their number department by department ?

THE HONOURABLE SIR GUTHRIE RUSSELL : The latest information available with Government on this subject will be found in chapter iii, paragraphs 164—173 of Mr. Hassan's report on the representation of Muslims and other minority communities in the subordinate railway services, a copy of which has already been supplied to the Honourable Member and is in the Library of the House.

APPOINTMENT OF MUSLIM JUDGES IN THE CALCUTTA HIGH COURT.

92. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : (a) Have Government received representations regarding the feelings of the Muslim community of Bengal with regard to the appointment of Muslim Judges in the Calcutta High Court ?

(b) Will Government please state whether at the time of appointment of non-Muslims to that Court no qualified Muslims were available ?

(c) Whether Government tried to obtain qualified Muslims from other provinces ?

(d) Is it not a fact that a Bengal Muslim was appointed to the Madras High Court ?

(e) Will Government kindly state whether they have taken any action in pursuance of my last question in the House on this matter ?

THE HONOURABLE MR. M. G. HALLETT : (a) Some Muslim Members of the Indian Legislature approached Sir James Crerar in 1930 in regard to this matter.

(b) As I stated in reply to the Honourable Member's previous question in this House on the 12th December, 1932, the claims of Muslim candidates receive due consideration along with those of other communities with due regard to the provisions of sub-section (4) of section 101 of the Government of India Act. These appointments are not filled on a communal basis.

(c) No.

(d) Yes.

(e) No permanent vacancy has occurred since the Honourable Member's previous question.

ACTION TAKEN ON THE REPORT OF THE POSTS AND TELEGRAPHS ACCOUNTS ENQUIRY COMMITTEE.

93. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : (a) Will Government be pleased to state whether the recommendations of the Posts and Telegraphs Accounts Enquiry Committee of 1931 have been accepted by Government and put into effect and, if so, to what extent has the profit and loss account of the Posts and Telegraphs Department been affected ?

(b) Has the recommendation of the Committee that separate revenue stamps should be introduced as a temporary measure for two or three years for the purpose of securing a proper basis for determining the amount payable to Local Governments and Administrations as their share of the revenue from unified stamps been carried out? If not, why not?

(c) Has the recommendation of the Committee for the stoppage of the grant of service stamps to the Native States or allocation of the cost thereof to any other department of the Government been given effect to? If not, why not?

(d) Has the investigation of the items mentioned in Appendix I of the Committee's report been carried out? If so, will Government furnish a list of the items which have so far been investigated, with the savings in expenditure effected under each item?

THE HONOURABLE MR. J. A. SHILLIDY : (a) The Government of India have accepted all the principal recommendations of the Committee with the exception of the four referred to in paragraphs 71, 74, 86, 124 and 132 of its report, which they have adopted in a somewhat modified form. The net effect of the recommendations as accepted by Government has been to reduce the loss on the working of the department during 1931-32 by about Rs. 14 lakhs.

(b) It has been decided to abolish unified stamps and re-introduce separate stamps for revenue purposes with effect from the 1st April, 1934.

(c) The Committee made no such recommendation.

(d) Appendix I of the Report of the Posts and Telegraphs Accounts Enquiry Committee relates to the fixation of the lives and residual values of assets. No investigation of the items therein was recommended by the Committee.

SANCTIONED STRENGTH OF THE MADRAS GENERAL POST OFFICE SORTING OFFICE.

94. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : (a) Will Government be pleased to state the sanctioned strength of the clerical staff of the Madras General Post Office Sorting Office including officials in the selection grade?

(b) How many officials are on leave on average pay?

(c) How many clerks (including those in the selection grade) and reserve clerks are actually working at present?

(d) Is it a fact that some of the appointments are kept vacant and, if so, how many?

(e) Is it a fact that leave on average pay has been refused to a large number of officials?

(f) How many applications for leave are pending for over a year, over six months and over three months?

(g) Is it a fact that owing to over-work a large number of officials fall ill and proceed on leave on medical certificate?

(h) Do Government propose to fill the vacant posts at an early date?

THE HONOURABLE MR. J. A. SHILLIDY : Information has been called for and a reply will be placed on the table in due course.

REMOVAL OF THE MADRAS GENERAL POST OFFICE SORTING OFFICE TO THE MADRAS GENERAL POST OFFICE BUILDING.

95. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : (a) Will Government be pleased to state whether they have seen the article " Economy on the wrong side " published in the General Letter of the All-India Postal and Railway Mail Service Union, Madras Circle, for December, 1932, and, if so, how does the question of removal of the Madras General Post Office Sorting Office to the Madras General Post Office buildings stand now ?

(b) Has the Director of Public Health, Madras, been consulted as to the suitability of locating the General Post Office Sorting Office on the ground floor of the Madras General Post Office buildings ? If not, why not ?

(c) Is it a fact that the site known as " Taylors Yard " in Mount Road was purchased in the year 1915 for Rs. 1,31,614 for a building for the accommodation of the Madras General Post Office and other executive and administrative offices ?

(d) Is it a fact that the said site has been let out to the Madras City Mail contractors at a nominal rent of Rs. 219 per mensem which does not work out to two per cent. interest on the heavy capital invested ?

(e) When does the lease of the site to the contractor terminate ?

(f) Is it a fact that many of the departments in the Madras General Post Office are very congested ?

(g) Have Government considered putting up a big building for the Madras General Post Office in the site purchased at Taylors Yard and removing thereto many of the offices including the Madras General Post Office Sorting Office ? If not, why not ?

THE HONOURABLE MR. J. A. SHILLIDY : (a) Government have seen the article referred to. The question is still under consideration.

(b) No occasion has arisen for reference to the health authorities.

(c) Yes, but a portion of the site was subsequently sold to the Madras Corporation.

(d) A portion of the remaining site has been let to the Madras City Mail contractors at Rs. 219 per mensem as assessed by the Public Works Department.

(e) The 12th November, 1933.

(f) No.

(g) The Government of India do not propose to erect a big building for the General Post Office, Madras, until they are convinced that this project should no longer be postponed and funds can be made available.

CONVERSION OF THYAGAROYANAGAR FROM A NO-DELIVERY TO A DELIVERY POST OFFICE.

96. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : (a) Will Government be pleased to state whether they have received any representation from the citizens of Thyagaroyanagar in Madras City for the conversion of Thyagaroyanagar no-delivery office to a delivery post office ?

(b) Is it a fact that the new town extension of Thyagaroyanagar is fast growing in population and importance ?

(c) Is it a fact that Teynampet post office was until recently a no-delivery post office ?

(d) Why was it converted to a delivery post office ?

(e) Do Government propose to convert Thyagaroyanagar post office into a delivery office ?

THE HONOURABLE MR. J. A. SHILLIDY : (a) No.

(b) Government have no information.

(c) to (e). The matter is within the competence of the head of the postal circle concerned to whom a copy of the question is being sent.

REPRESENTATION OF INDIA AT THE WORLD ECONOMIC CONFERENCE.

*97. THE HONOURABLE SIR PHIROZE SETHNA : (a) Will Government be pleased to state the probable date when the World Economic Conference is likely to be held ?

(b) Have the Government of India been invited by His Majesty's Government to send representatives to that Conference ; if the reply is in the affirmative, what steps do they propose to take to secure the personnel of the delegation ; if the reply is in the negative, have they communicated with His Majesty's Government with a view to secure representation on behalf of India at the Conference ?

(c) Have Government received the Agenda for the Conference ; if they have, do they propose to circulate the same to all the leading Chambers of Commerce and Commercial Associations to enable them to formulate their views on the different questions on the Agenda in time to instruct India's representatives before they leave to attend the Conference ?

THE HONOURABLE MR. J. C. B. DRAKE : (a) The Government of India understand that no date has yet been fixed.

(b) No invitation has so far been received, but it is expected that India will be invited in due course to send representatives to the Conference.

(c) The Government of India have received the draft annotated agenda prepared by the Preparatory Commission of Experts, but have not so far heard whether this draft has been accepted as the formal agenda for the Conference, and the question of what action will be taken upon it cannot, therefore, yet be decided. I may add that the draft was published in the London Press at the end of January.

APPOINTMENT OF AN INDIAN TRADE COMMISSIONER AT MILAN.

*98. THE HONOURABLE SIR PHIROZE SETHNA : (a) Will Government be pleased to state whether they have by now appointed an Indian Trade Commissioner at Milan or not ?

(b) Have they received representations regarding the feeling prevailing in the Indian commercial community that there should be Indian Trade Commissioners in all the principal countries and that the proposal adopted some time back by Government regarding the appointment of six Trade Commissioners should not have been dropped ?

(c) If they have not yet appointed an Indian Trade Commissioner at Milan, when are they likely to do so ?

THE HONOURABLE MR. J. C. B. DRAKE : (a) Not yet.

(b) No, Sir. One representation was received in 1931 and one in 1932 from East Africa with regard to the appointment of a Trade Commissioner there.

(c) So long as the present financial stringency continues it is not possible to say when the appointment of an Indian Trade Commissioner at Milan will be made.

INTENTIONS OF GOVERNMENT WITH REGARD TO THE RESERVE BANK.

99. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (on behalf of the Honourable Sir Phiroze Sethna): (a) Will Government be pleased to announce their intentions regarding the Reserve Bank ?

(b) Is it a fact that a Bill with regard to the Reserve Bank is already in course of preparation and is likely to be placed before the Legislature at the Simla session ?

(c) Have Government received representations to the effect that such a Bill should not be placed before the present Legislature but should be placed before the Legislature under the new constitution ?

THE HONOURABLE MR. J. B. TAYLOR : (a) and (b). The intentions of Government regarding the reserve bank will be announced in due course.

(c) Yes, one.

**HINDUS AND MUSLIMS IN THE OFFICE OF THE ACCOUNTANT GENERAL,
CENTRAL REVENUES.**

100. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : (a) Will Government please inform the House of the number of employees—Hindus and Muslims separately—in the Office of the Accountant General, Central Revenues, including his Calcutta office ?

(b) Is it a fact that out of 400 employees in the Calcutta office only about 12 are Muslims ? If so, what steps are being taken by Government to fill up the deficit of the Muslim appointments ?

**HINDUS AND MUSLIMS IN THE OFFICE OF THE ACCOUNTANT GENERAL, POSTS
AND TELEGRAPHS, ETC.**

101. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : Will Government please state separately the number of Hindu and Muslim employees of the following departments under the Government of India : Accountant General, Posts and Telegraphs, Director General, Posts and Telegraphs, Post Master General, Controller of Stationery, Printing and Stamps, Controller of Military Accounts, Commander, Royal Engineers, Collectors of Customs, Manager, Government Printing, India, and Controller of Statistics ?

THE HONOURABLE MR. J. B. TAYLOR : With your permission, Sir, I will deal with questions Nos. 100 and 101 together.

The attention of the Honourable Member is invited to the statements showing the communal strength of the clerical staff of the civil offices of the Central Government which are prepared annually and are in the Library of the House. Information regarding the staffs of the offices of the Commanding,

Royal Engineers, and those of Controllers of Military Accounts is not immediately available. With reference to part (b) of question No. 100 I may add that the orders of Government regarding the redress of communal inequalities are strictly followed when making permanent appointments.

EXAMINERS OF ACCOUNTS, INCOME-TAX DEPARTMENT.

102. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ: Will Government please state why candidates other than Bachelors of Commerce are being taken as Examiners of Accounts in the Income-tax Department superseding the claims of Bachelors of Commerce?

THE HONOURABLE MR. J. B. TAYLOR: Candidates with the best all-round qualifications are wanted, and Bachelors of Commerce are not the only persons who are selected for such posts.

HINDU AND MUSLIM STATION MASTERS, ETC., ON THE EAST INDIAN AND EASTERN BENGAL RAILWAYS.

103. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ: (a) Will Government be pleased to furnish the figures of the station masters, assistant station masters, ministerial officers, travelling ticket examiners and travelling ticket checkers on the East Indian Railway and Eastern Bengal Railway, showing the number of Hindus and Muslims separately?

(b) Will Government please state the total number of appointments made during the last five years and the number of Hindus and Muslims separately?

(c) Will Government be pleased to state whether the required number of Muslims were taken in? If not, why?

THE HONOURABLE SIR GUTHRIE RUSSELL: Government regret that they are unable to supplement the information about the communal composition of staff that is furnished in the annual Administration Reports of Indian Railways with figures of the communal composition of individual offices or classes of staff.

HINDUS AND MUSLIMS IN THE IMPERIAL BANK OF INDIA.

104. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ: (a) Will Government please give statistics of the employees in the Imperial Bank of India for Hindus and Muslims separately?

(b) Is it a fact that the Muslims in the Bank are fewer than the representatives of other communities? If so, why were more Muslims not taken?

THE HONOURABLE MR. J. B. TAYLOR: (a) and (b). Government have no information.

INCOME-TAX OFFICERS IN BENGAL.

105. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: (a) Will Government be pleased to state the number of Income-tax Officers and Additional and Assistant Income-tax Officers in Bengal?

(b) What is the allotment to the minority communities in the matter of their representation in the Income-tax services ?

(c) How many Muhammadan Income-tax Officers, Additional and Assistant Income-tax Officers are there in the Income-tax Department in Bengal ? How many of them are at present stationed in Calcutta ?

(d) Will Government be pleased to state the names of the Income-tax Officers now in charge of the different Calcutta districts together with the numbers of years they have continually been in charge of districts in Calcutta since their last posting to Calcutta ?

COMMUNAL COMPOSITION OF THE STAFF OF ASSISTANT COMMISSIONERS OF INCOME-TAX, EXAMINERS OF ACCOUNTS AND ASSESSORS IN BENGAL.

106. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : What is the communal composition of the staff of Assistant Commissioners in Bengal as also of the Examiners of Accounts and the Assessors ?

SELECTION OF INCOME-TAX OFFICERS FOR CALCUTTA DISTRICTS.

107. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : (a) Is it a fact that the work in most of the Calcutta districts is considerably more important and complicated than that in the mufasil districts of Bengal ? If so, will Government be pleased to state if any special care is taken in the matter of the selection of officers for the districts in Calcutta ?

(b) What is generally the basis for the selection of officers for the Calcutta districts ?

(c) Is any regard paid to the capacity of the officers in selecting them for charge of the different districts in Calcutta ?

IMPORTANT NATURE OF THE WORK OF INCOME-TAX OFFICERS IN CALCUTTA DISTRICTS.

108. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Is it a fact that the work in some of the districts in Calcutta is of such a nature and importance as to call for some special knowledge and training on the part of the officers in charge of these districts ? If so, what are these districts ?

Do the officers in charge of these districts possess the requisite qualifications and experience ?

QUALIFICATIONS OF INCOME-TAX OFFICERS IN CALCUTTA DISTRICTS.

109. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Will Government be pleased to state briefly the special qualifications, if any, and the suitability of the officers now in charge of all the different Calcutta districts for their selection for the same ?

HEAVY WORK FOR INCOME-TAX OFFICERS IN BENGAL.

110. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : (a) Is it a fact that the Income-tax Officers in Bengal, more specially in Calcutta, are under-staffed and that the officers have in consequence very often to work till late hours and on holidays ?

(b) Is it a fact that due to this continuous strain and overwork the health of a good many officers has broken down and that the death rate amongst the officers has also gone up considerably ?

(c) Is it also a fact that in view of the officers having to work till late hours the assesses, the majority of whom have to secure the help of lawyers and firms of accountants to represent their case properly are not only put to a lot of inconvenience and difficulty but to considerable expense also ?

THE HONOURABLE MR. J. B. TAYLOR : With your permission, Sir, I will deal with questions Nos. 105—110 together. I have called for reports and will furnish the required information to the Honourable Member in due course.

GUARDS ON THE EASTERN BENGAL RAILWAY.

111. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK : 1. Will Government be pleased to state the strength of "A" and "B" class guards on the Eastern Bengal Railway ?

2. Will Government be pleased to state if "A" and "B" class guards on the Eastern Bengal Railway are working trains in turn ?

3. Will Government be pleased to state the pay and allowances of "A" and "B" guards on the Eastern Bengal Railway ?

THE HONOURABLE SIR GUTHRIE RUSSELL : I have called for information and will lay a reply on the table in due course.

NEW TYPE OF LOCOMOTIVES PURCHASED BY THE EAST INDIAN RAILWAY.

112. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK : Will Government be pleased to state if any new type powerful and fast locomotives have recently been purchased by the East Indian Railway ? If so, the number of them and for what work they are employed ?

THE HONOURABLE SIR GUTHRIE RUSSELL : During 1930-31 6 XG and 28 XE type engines were received on the East Indian Railway. During 1931-32 10 new XB class engines were put into service. Since then no new motive power has been purchased for the East Indian Railway. These types are all Indian Railway Standard designs. The XB and XG engines are employed on main line fast passenger services and the XE class engines are at work on heavy goods traffic.

RELAYING OF RAIL LINES IN THE B. A. K. SECTION OF THE EAST INDIAN RAILWAY.

113. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK : Will Government be pleased to state after how many years the rails require to be relaid ? Is it a fact that the rail line in the B. A. K. section of the East Indian Railway has not been properly looked after and relaid for a long time ? Is it a fact that in consequence the service in this section cannot be speeded up ?

THE HONOURABLE SIR GUTHRIE RUSSELL : The normal life of new rails has been fixed at 50 years for the purpose of the Depreciation Fund, but the period after which rails require to be relaid varies as it usually depends on other factors besides deterioration of the rails.

It is not clear to which section of the East Indian Railway the Honourable Member is referring, but I shall be glad to look into the matter if he will give me more definite information.

PLATFORMS AT KHAGRAGHAT ROAD STATION, EAST INDIAN RAILWAY.

114. THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK : Will Government be pleased to state if it is a fact that 55-Up and 56-Down of B. A. K. section of the East Indian Railway meet at Khagraghat Road Station ? Is it a fact that Khagraghat Road Station has got no up and down platforms ? Have representations been received that in consequence the passengers, specially women and children, find great inconvenience to entrain and detrain from 55-Up ? Have Government considered the desirability of erecting an up platform at the above station or in the alternative shifting the meeting place of these two trains to some other station which has both up and down platforms ?

THE HONOURABLE SIR GUTHRIE RUSSELL : The current time table of the East Indian Railway shows that No. 55-Up and No. 118-Down (not 56-Down) meet at Khagraghat Road. Government have no information on the other points and cannot take any part in the preparation of time tables. A copy of the Honourable Member's question is, however, being sent to the Agent, East Indian Railway, for such action as may be considered practicable to remove the inconvenience complained of.

COMMUNAL COMPOSITION OF THE STAFF OF THE CENTRAL PUBLIC WORKS DEPARTMENT, NEW DELHI.

115. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : 1. Will Government kindly state the respective number of Muslim, Hindu, Sikh and Christian engineers, subordinates, draftsmen, and clerks serving in the Central Public Works Department, New Delhi, on 1st January, 1931, with the percentage to the total in each case ?

2. Will Government kindly state the number of Muslim, Hindu, Sikh and Christian engineers, subordinates, draftsmen and clerks retrenched during the present retrenchment campaign, *i.e.*, from 1st January, 1931 to the present time with percentage to the total in each case ?

3. Will Government kindly state the present respective number of Muslim, Hindu, Sikh and Christian engineers, subordinates, draftsmen and clerks serving in the Central Public Works Department, New Delhi, with percentage to the total in each case ?

THE HONOURABLE MR. J. A. SHILLIDY : I lay on the table of the House a statement containing the information asked for by the Honourable Member.

Community.	Engineers.		Subordinates.		Clerks.		Draftsmen.	
	Num-ber.	Per-cent-age.	Num-ber.	Per-cent-age.	Num-ber.	Per-cent-age.	Num-ber.	Per-cent-age.
(1) Members of different communities serving in the Central Public Works Department on the 1st January, 1931—								
Christians	11	44	7	6	6	3	1	1
Hindus	7	28	67	52	142	67	35	39
Sikhs	4	16	21	17	2	1	4	4
Muslims	3	12	32	25	56	26	48	53
Other communities . .	..	..	..	..	6	3	3	3
Total .	25		127		212		91	
(2) Members of different communities retrenched from the Central Public Works Department from the 1st January, 1931, to date—								
Christians	1	100	2	7	..	..	..	..
Hindus . . . .	..	..	12	40	15	71	18	43
Sikhs . . . .	..	..	7	23	..	..	2	5
Muslims . . . .	..	..	9	30	6	29	22	52
Total .	1		30		21		42	

N.B.—The figures given exclude the number of persons reverted to their provinces or transferred to the New Delhi Municipal Committee and Civil Administration along with Health and Sanitation and Electrical activities.

(3) Members of different communities at present employed in the Central Public Works Department—								
Christians	8	50	4	5	9	4	1	3
Hindus	3	19	45	54	137	68	16	40
Sikhs	3	19	13	16	1	1	2	5
Muslims	2	12	21	25	50	25	19	49
Other communities . .	..	..	..	..	5	2	1	3
Total .	16		83*		202		39	

N.B.—The figures given exclude the staff recently transferred to the Central Public Works Department from Central India and Rajputana.

* Including five horticultural subordinates.

**PERMANENT CADRE OF THE CENTRAL PUBLIC WORKS DEPARTMENT,
NEW DELHI.**

116. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : (a) Has the permanent cadre of the Central Public Works Department, New Delhi, been prepared and sent to the Government of India for approval ?

(b) If the answer is in the affirmative, will Government be pleased to lay a copy of it on the table ?

(c) If the reply is in the negative, will Government be pleased to state when it is going to be prepared ?

THE HONOURABLE MR. J. A. SHILLIDY : (a) Certain proposals in regard to the formation of a permanent cadre for the Central Public Works Department have been received and are under examination.

(b) As the proposals have not yet been fully examined, it will serve no useful purpose to lay them on the table.

(c) Does not arise.

**CONFIRMATION OF UNQUALIFIED ENGINEERS AND SUBORDINATES IN THE
CENTRAL PUBLIC WORKS DEPARTMENT, NEW DELHI.**

117. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : With reference to reply to question No. 81 asked in the Council of State on 29th February, 1928, will Government kindly state whether the Central Public Works Department, New Delhi, has again proposed to make permanent the unqualified engineers and subordinates serving in the Central Public Works Department, New Delhi, i.e., the engineers and subordinates who have not passed the examinations prescribed for them from the colleges and schools recognised by the Government of India or British Government ?

THE HONOURABLE MR. J. A. SHILLIDY : The number of posts of various classes to be retained permanently in the Central Public Works Department is under consideration at present and the confirmation of any of the present staff against those posts has not yet been taken up. I may however point out that except in the case of gazetted appointments the Chief Engineer has full powers to select and appoint candidates to posts under him.

**RETRENCHMENT OF QUALIFIED ENGINEERS AND SUBORDINATES IN THE CENTRAL
PUBLIC WORKS DEPARTMENT, NEW DELHI.**

118. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Will Government kindly state the following :

(a) What is the number of qualified engineers and subordinates retrenched during the period reckoning from the 1st January, 1931, to the present date ?

(b) What is the present respective number of qualified and unqualified engineers and subordinates serving in the Central Public Works Department, New Delhi ?

THE HONOURABLE MR. J. A. SHILLIDY : (a) One engineer and 30 subordinates.

(b) Sixteen engineers and 78 subordinates are at present employed in the Central Public Works Department. All of them are qualified to hold their respective posts.

**CIVIL SUITS FILED AGAINST THE CENTRAL PUBLIC WORKS DEPARTMENT,
NEW DELHI, BY GOVERNMENT SERVANTS.**

119. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Is it a fact that civil suits have been filed against the Central Public Works Department, New Delhi, by Government servants? If so, how many are they in number and what is the total amount of the claims?

THE HONOURABLE MR. J. A. SHILLIDY: I presume that the Honourable Member refers to pending suits. Two such suits of the aggregate value of Rs. 2,80,000 have been filed against the Secretary of State by two retrenched subordinate officials of the Central Public Works Department.

**MOTION FOR THE ELECTION OF FOUR NON-OFFICIAL MEMBERS
TO THE STANDING COMMITTEE ON EMIGRATION.**

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member): Sir, I move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, four non-official Members to sit on the Standing Committee on Emigration."

The motion was adopted.

**MOTION FOR THE ELECTION OF TWO NON-OFFICIAL MEMBERS
TO THE STANDING COMMITTEE TO ADVISE ON SUBJECTS,
OTHER THAN "INDIANS OVERSEAS—EMIGRATION" AND
"HAJ PILGRIMAGE" DEALT WITH IN THE DEPARTMENT OF
EDUCATION, HEALTH AND LANDS.**

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member): Sir, I move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two non-official Members to serve on the Standing Committee to advise on subjects, other than 'Indians Overseas—Emigration' and 'Haj Pilgrimage,' dealt with in the Department of Education, Health and Lands."

The motion was adopted.

GENERAL DISCUSSION OF THE GENERAL BUDGET.

THE HONOURABLE THE PRESIDENT: Before we proceed with the General Discussion on the Budget, Part II, I have to convey to the House the message of regret which I have received from the Finance Member intimating his great disappointment in not being able to be present this morning here in order to listen to the debate. He is extremely sorry that more urgent work

has prevented him from attending, but he will endeavour his best to be in his seat between 12 Noon and 1 O'Clock. He has asked me also to assure Honourable Members that this does not mean any discourtesy on his part, because he has always held the debates in this House and the Members in the highest esteem.

The debate will now proceed. I do not propose to fix any time limit. I will leave the question of the expenditure of time to the good sense and judgment of Honourable Members.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I cannot congratulate the Honourable the Finance Member and the Finance Department on the Budget that they have presented this year. To me, Sir, it seems that it is the first year in the history of Indian finance that we have had an unfavourable balance of trade and notwithstanding this unfavourable balance of trade we have seen that the Budget has been balanced. We are all for balancing the Budget, but we differ in regard to the way in which such balancing is done. Instead of any decrease in taxation we find that there has been an increase and the increase which has been made I do not think will bring about the result for which the extra taxation has been levied. For instance, I may refer to the increased duty on the import of artificial silk goods. The duty has been raised from 17 pies to 27 pies. It looks like a good addition, but the fact is that the Japanese exchange has gone down so low as to nullify the good effect of this extra taxation. My wish is, Sir, that whenever any protection is given to any commodity the protection must work in a manner in which it might be elastic and be increased or decreased according to the situation. The principle of protection should always really work. Why and how the Budget has been balanced is due mostly to the policy of linking the rupee to sterling and by the enormous export of gold. From what I understand, as soon as the sterling went off the gold the Government of India then decided to link the rupee to gold and after only a few days of their decision the Secretary of State intervened and probably, as he liked British interests to be first protected than Indian interests, upset the decision of the Government of India, with the result that since then rupee has been linked to sterling. Although our balance of trade is adverse we have practically met the cost of imports by capital, i.e., by the export of gold. The Honourable Mr. Taylor while speaking in this House on the day he presented the Budget observed that it was in the interests of India that the enormous export of gold had taken place. I beg to differ from him on this point and I say, Sir, that the export of gold was made under distress and that the national or the potential reserve of the masses has been forced to be sold to meet their daily domestic requirements. The country has become poorer by that and the Honourable the Finance Secretary has not been able to tell us where that amount of 107 crores thus realised has gone. From the figures that are published by the Government we find that there has not been any appreciable increase either in the amount of currency notes issued nor in the silver rupees that were in circulation.

Then, Sir, we find that the military expenditure has not been brought to the pre-war level. No justification has been made to prove the necessity for meeting this enormously heavy expenditure. We wish, Sir, that Government should go back to the pre-war level of army expenditure. In the present state of depression and in the present state of economic distress, we must cut our coat according to our cloth. The saving which has been effected by the Military Department is very meagre and Government should see that a substantial reduction is made in the army expenditure, otherwise,

[Rai Bahadur Lala Ram Saran Das.]

the public will be quite justified in saying that Government is most extravagant in that department. The percentage of our army expenditure to our income is unparalleled. From the figures which I have studied I find that no country in the world bears such a big expenditure on the army as compared to their income.

Sir, in 1931, when the Honourable the Finance Member introduced the Emergency Bill he made a statement that emergency measures are being taken simply for the sake of emergency and that when the time for giving relief came relief will be given equally to the services and to the taxpayer. I am sorry to observe that that pledge of the Honourable the Finance Member has not been fulfilled. The partial restoration of the cut in the salaries of services has not at all been justified. It was not fair for the Government to back out from the promise, that they openly gave in both Houses of the Legislature. The question of the restoration of the cut in salaries, as far as rumour goes, has been done at the dictation of the Secretary of State. Of course we people are not in possession of the real facts, but we have to go by inferences and from the way in which the Government of India is being dictated to by the Secretary of State. We have every reason to believe that our version is correct. We expected that in view of these abnormal times Government will hurry up their decision as regards salaries and allowances of the future entrants to the superior services of India, which is being delayed and delayed and being shelved. When even in these bad times Government does not hurry up with this scheme I do not know when it will do it. As I have already told the House the salaries and allowances which India pays for its superior services are the highest in the world.

Sir, no serious consideration has been really given to the protection of many important industries of India. We expected that in the Budget speech the Finance Department would give some indication as to how they were going to deal with this vital question. It is most essential for the Government of India to safeguard its indigenous industries and the policy which the Government of India is at present pursuing is bound to bring many industries to disaster. Therefore, Sir, the Government of India should soon come to a decision on this matter and take immediate steps in this direction, as other British Dominions have done. Unemployment is increasing and no remedy has been found for the unemployed. The industries were able to employ a good number of people but the indifferent policy of the Government of India is letting many industries shut down and is thereby throwing labour out of employment. We see in the papers that thousands and thousands of people are being thrown out of employment owing to the adversity of the times and owing to the indifferent policy of the Government in regard to the protection of industries. Goods are being dumped from foreign countries and no steps are being taken to stop them. And no indication has been given of any policy in that connection either in the speech of the Finance Member or the Finance Secretary. For the industries we require all sorts of reasonable assistance from Government. We were expecting that industrial banks would be formed with the assistance of the Government so that the industries might thrive by their being cheaply financed by those banks.

Sir, we thought that Government would see its way to impose an export duty on gold. It is admitted by the Finance Department themselves that the people sold gold at very high and profitable prices which they never expected. Their not putting on any duty on the export of gold I think has been a wilful blunder. It is, however, a matter of gratification to find that

the Honourable Finance Member with the concurrence of the Government of India has been able to convert the Indian loans to a cheaper rate of interest. Our congratulations are due to the Finance Department and the Government on that point. But, Sir, I should like to ask why such conversion has not been made in the Indian sterling securities. I hope the Government will be equally zealous as regards those securities and will see that they are also converted. When British authorities themselves have been successful in their reduction of interest in their sterling securities, Sir, the Government would be equally successful in getting the cheaper rate of interest by conversion of the Indian sterling securities as well.

Sir, I find that Government has taken a retrograde step in reimposing the duty on cheques. No case has been made out for this extra taxation. I will quote, Sir, what the Central Banking Inquiry Committee said in paragraph 663 of their Majority Report :

"The recent abolition of the stamp duty on cheques appears to have contributed materially to the use of cheques not only in commercial towns but also in the mofussil. Co-operative banks also record a rise in accounts opened and in cheques issued by them".

In view of this statement by the Central Banking Inquiry Committee, the Government of India had no justification in backing out of their declared policy which they themselves inaugurated a few years ago. They then declared that they wanted to promote the habit of banking among the Indian masses and I am sorry that that policy is now being set back.

I then come, Sir, to the question of a five-year programme. Many countries, and particularly Russia, have set out a five-year programme and by that programme the country has very materially progressed. I raised this question here but Government replied that it was a provincial subject and so could not be considered here. Sir, I do not regard it as a provincial subject. It is an all-India subject and until all the provinces co-operate with each other on this point, success is not certain. I would, therefore, urge on the Government of India to embark on making a five-year programme similar to that of Russia and thus improve the income from agriculture and industry of this big country.

Before I close, Sir, I cannot help saying that the Government is indifferent towards keeping up the prestige of this House. What we find, Sir, is this. I have been a Member of this House from the day of its inauguration. His Excellency the Viceroy used to address both Houses jointly in the early years but now we find that that privilege which we had of an address from His Excellency the Viceroy has now ceased.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : His Excellency addresses the other House.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That is the reason why I say that the other House is being unduly preferred to this House. Another point, Sir, which I want to put before the Government is that in past years some Bills were originated in this Chamber. Since the last few years we find that this practice has ceased. No Bills are now originated in this Chamber. We have to sit here idle for days and it would be in the interest of the Government and a great saving of time for us if some Bills were originated in this House and then sent on to the other House for consideration and revision.

[Rai Bahadur Lala Ram Saran Das.]

Then, Sir, in all the important joint committees, I should say in all joint committees, the representation of this House is totally ignored. Sir, the position of this House demands that such privileges should not be withdrawn from it.

I must say, Sir, that there ought to be a simultaneous decrease in the surcharge and on taxes on salaries. When you have restored half the cut on salaries, you must restore half the surcharge on incomes. It is only just and fair that this ought to be done. The people who pay surcharge on income-tax on incomes of Rs. 1,000 to Rs. 2,000 are in a miserable plight. Government have restored a cut in salaries which amounts to over a crore of rupees, but they do not see their way to help the poor taxpayer who is already very heavily taxed and who cannot bear this unbearable taxation.

Before I sit down, Sir, I want to express my grief on the treatment which those poor coolies who made all these big buildings for Government in New Delhi have received from the Government. I find that those Public Works Department officers who did well in building up this big capital were honoured with Knighthoods and other meritorious orders, but those poor labourers who helped the authorities in the construction of New Delhi were recently ordered to quit the land forthwith where they lived for many years past, so much so that even their supply of drinking water was cut off. That is the honour, that is the reward, which those poor fellows have received. I would request the Government to consider their case favourably. In case Government find that the place where they are stationed is now undesirable, it must shift them elsewhere where they can house. They worked hard here in building up this capital and do not deserve the harsh treatment which has been given to these people who well deserved a reward.

With these remarks, Sir, I resume my seat.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, it is difficult for a layman, unaccustomed to a knowledge of the intricacies of Indian finance, to say very much in appreciation of the Budget which has been unfolded to us. For, what do we find ? On the one side, we are given a highly coloured picture of India's high credit and healthy financial position. On the other side, we are given a story of the high exports of gold and we are faced still with a high level of taxation. Within the last few years tax upon tax has been multiplied and the burden made almost impossible, and yet no attempt has been made on the present occasion to reduce taxation in any form whatsoever. The economic condition of the country, to any one who wishes to gauge properly the soundness of our position financially and otherwise, must be regarded as a proper field for study. From a perusal of the debate on the Budget which has taken place in my own province, from a knowledge of the condition of the various business houses, Indian and European, in the presidency from which I hail, from a thorough, if I may say so, appreciation of the enormous difficulties under which the landlords, *ryots* and the poor are now suffering in the villages, it is impossible to resist the conclusion that things are not as happy as the Government would ask us to believe. On the other hand, they seem to be positively drifting from bad to worse. It is all very well for you to say that India's financial credit is good. But remember, her trade is not only bad, its volume, internally and externally is fantastically inadequate for so large and so potentially rich a country like India. These are not my observations but the observations of the *Statesman* and when I mention that name, I am sure that its authority to speak on this

question will not be doubted. We must also remember that for the first time in the history of India, the country has an unfavourable balance of trade and we are practically financing imports by our gold exports. This amounts to meeting current expenditure from capital. Can any one who has any idea of the sound financial position of a country be happy over a state of things like this? Then again, the surplus is slightly better than anticipated. Quite true indeed. But let us remember that instead of 9 crores and odd being given to the reduction of debt, you have allotted only 4 crores and odd. Then let us remember also that the revenue for the two years gross is less by 10 crores and odd, a serious shrinkage indeed, whereas the expenditure is only by 5 crores and odd and the bulk of this is made up of unforeseen savings due to the fall in interest charges and a non-recurring saving of 150 lakhs owing to the inclusion of two years' debt on credit salt in one year on account of the abolition of the credit system. Is this a satisfactory state of things? And with all this what has happened? Nearly a crore and more has been given away for what is called a 5 per cent. restoration in the cut in salaries. During the debate upon the motion raised by my Honourable friend Mr. Hossain Imam I have already given indication of the feeling of indignation that prevails in the country from one end to the other, among all classes of people, European and Indian, against this extraordinary and, in my opinion, grossly unjust method of handling Indian finance. Sir, numerous European and Indian firms to my knowledge have had to make frightfully large reductions in staff. Some young men, Englishmen, who were imported into the country, have been sent away by the heads of business firms. Some who have been asked to continue in service have been forced to do so upon a great reduction in their salaries. Many allowances have been cut down and I repeat, Sir, from an authoritative source—from the statement of the head of an English firm—that in some cases the reductions in pay, emoluments and allowances has amounted to as much as 50 per cent. If that is so with regard to private firms, men who have invested large capital, perhaps borrowed on heavy rates of interest, who are now languishing, if I may say so, by the slump in trade, is it proper that those who have got the good fortune of getting fixed salaries unaffected by any conditions whatsoever, should now be given this relief? What is the moral justification for this when you know that the business conditions are not as happy as one would expect, and when you realise the fact that on the same day and at the same hour, you announced the reduction of 10 per cent. and also imposed a surcharge of 25 per cent. and almost on the same day and at the same hour 15 months later on you quietly come and tell us that you have given relief to the Government servants and yet no relief to the businessman and the trader who has had large deficits to make up and is perhaps facing difficulties which only he knows, and which perhaps he is unwilling even to allow an enquiring public to get any knowledge of? Surely this is not a satisfactory state of things and I think it is high time that the Government realise that something should be done to reduce this surcharge on income-tax. Not only that, Sir. In the principal towns it so happens that those who own houses are asked to pay a heavy rate to the Corporations of the particular place, and again you are charged income-tax upon the rents you receive from the house; you are charged a profession tax, and in all ways the difficulties of the businessman are being multiplied. With regard to the landlords, agriculturists and *ryots*, their tale is worse. I come from a province where in the Legislative Council a motion was almost unanimously passed asking the Government to give a 12½ per cent. reduction in land tax, and in the plentitude of wisdom which characterises the Madras Government not only in this matter but in others that Resolution has not been given effect to. I heard the other

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day that a motion has been tabled to move an adjournment to protest against this, and I hope something will come out of it. I am only drawing attention to this to show that not only in Madras but throughout the country, landlords, agriculturists and *ryots* are put to the greatest hardship. It is no exaggeration to say that, in many cases, landlords do not get enough even to pay the tax which the Government are levying on them. It seems to me that if the present state of things is allowed to continue, you will have to face a crisis of great magnitude, and it should be the endeavour not only of the Finance Department but of all other Departments concerned to avert this as far as possible.

I now come to another topic to which we are accustomed when we speak on the Indian Budget. I am sorry that His Excellency the Commander-in-Chief is not here in his place. I need hardly say that when I and any of my colleagues speak with reference to what we consider the abnormal expenditure of his department, we have no personal motives. He has inherited a system, a legacy, for which he is held responsible, but strictly speaking he should not be. Since my boyhood, and I think that is the experience of others, there has been no cry more insistent, no wrong upon which greater stress has been laid from time to time, than with reference to the wrong done to the people of India by the enormous expenditure upon the army. From the days of Dadabhoy Naurojee, Indian politicians have tirelessly protested against this abnormal army expenditure. These charges have been the despair of Indian financiers, and if perhaps you were to ask the Honourable the Finance Member to speak freely and frankly in private he would tell you he shares this woe which generations of politicians in this country have felt. The incidence of defence expenditure in this country upon the net revenues has been for years out of all proportion to the requirements of the country. I read the other day with great interest a paper read by a retired Civilian, Mr. F. G. Pratt. He presented in a very cogent paper some statistics which are worth quoting, in regard to the incidence of defence expenditure in the various Colonies. India's share is 33 per cent., the highest ; Great Britain 23·6 ; Australia 3 ; Canada 3 ; New Zealand 5 ; the Union of South Africa 3 ; the Irish Free State 6. Thus India, in spite of her poverty, has to bear a burden relatively higher than that of Great Britain, and, as Mr. Pratt rightly points out, ten times heavier than that of Australia, which has no land frontiers and is protected by the British Navy. Her expenditure on the army has risen from £20 millions before the war to £41 millions at the present day. I make no acknowledgment of the small reduction made in the present Budget. The reason is not far to seek. We have—indeed—India is compelled—to maintain a force not merely for defence purposes but a “ field army ” of 40,000 men “ organized so as to possess the fullest measure of mobility and offensive power with as high a standard as possible of technical equipment”. I submit, in all conscience, this is hardly necessary for the real interests of the defence of India. I regret very much that in this House we miss the figure of a venerable Indian politician who almost from his boyhood protested against this inequity of heavy Indian military expenditure. I refer to our friend Sir Dinshaw Wacha, who unfortunately has resigned his place here. For years, despite the cry of politicians like him, the cost of an army which is maintained purely for Imperial purposes and which should long ago have been borne by the British exchequer, is still being saddled on India. On the ethics of this much has been said and I believe will continue to be said so long as the present iniquitous method of adding the cost to Indian military charges is pursued. I should like to ask the Honourable Mr. Taylor whether at least

on the present occasion he will be in a position to tell us whether as a result of the report of the Capitation Charges Tribunal there is any prospect of any relief for India, whether there is any chance of the huge amounts which have been taken out of the pockets of the Indian exchequer being returned to India in any form at all.

If I have talked of the general policy of military administration and of the way in which the interests of India have been subordinated to the interests of Great Britain, it is time I put before you some actual facts and figures which will show that there are still possible methods of retrenchment in military expenditure. The Army Retrenchment Advisory Committee which was appointed by the Government of India in 1931 was of the opinion that there was no justification or necessity for maintaining separate medical services and separate military hospitals for Indian and British troops with all the necessary staffs. A friend of mine who hails from Madras was a member of this Committee, Mr. Ramaswami Mudaliar. He has said elsewhere, when speaking about the British Military Hospital at Calcutta—perhaps Sir Edward Benthall will be in a position to make some statement about it—that while there was accommodation for 110 patients there were only 17 patients when the Committee visited the hospital, and that even these 17 were able-bodied men able to move about who were reported to be in the convalescent stage. It was sheer waste of money, Mr. Mudaliar said, to maintain such a hospital with a big staff and other equipment. Perhaps the Finance Member will be further interested to learn that at a Supply and Transport Corps Depot at Cawnpore the Superintendent in charge was a Colonel drawing Rs. 1,500 a month, and that all the assistants, with the exception of an assistant store-keeper, were Europeans. We could cite other instances of depots, bakeries, and other administrative services staffed by the costly British King's Commissioned officer. I have no animus against any British officer, as such, if his services were essential, if his knowledge were of a technical character that could not be given by any other officer, by all means let him continue in charge. But surely it is impossible to conceive of a state of things when for doing duties such as those described it is essential to have highly paid European officials.

I now come to another department of army administration where there is considerable room for reduction of expenditure to which effect has not been given. In the report of the Stores Retrenchment Committee, over which I had the honour to preside, it is pointed out that the Military Department does not make use of the Stores Department to the fullest possible extent. I am not such a theorist or idealist as to expect that by a stroke of an order by the Governor General in Council the Army Department could be expected to make all its purchases through the Stores Department. But there is room and enough even now for the Army Department to move in this matter and see to it that purchases are so made of articles which are not purely of a technical character and which can easily be made through the Stores Department. Here is a passage from the report of the Committee which I trust the House will allow me to read :

“ Besides handling themselves their requirements of food-stuffs and special military stores the Army Department still continue their own purchases of several classes of general stores for branches other than the Military Engineering Service which are by no means of a special military character, like locks, paints, pigments and varnishes, lubricating and fuel oils, petrol and kerosene, hand tools, miscellaneous hardware, electrical stores, etc. So far as inspection is concerned, the Army authorities do not utilize the Indian Stores Department to any great extent and even the inspection of clothing and general stores is carried out by their own inspecting agency ”.

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I would repeat, Sir, that I am sorry I have to make these observations in the absence of His Excellency the Commander-in-Chief, but as it was my intention to ventilate these drawbacks and draw the attention of the department concerned to them I have made these remarks.

I do not think any useful purpose will be served by prolonging my remarks upon the Indian Budget. But I feel once more what I have felt so often and what I am sure is uppermost in the minds of many, that the way in which this Budget has been framed, the way in which the 5 per cent. cut in the salaries has been restored, all this shows that the Government of India is not allowed to do things which perhaps left to themselves they would like to do. There is a pressure from outside to which it is being subjected from time to time much to the detriment of the welfare of India, and I trust that the time will not be long when this domination of an outside body over the Government of India will soon cease and that among other things we shall get not only self-government in some really appreciable form but autonomy in our finances which is an absolute necessity for the good government of any country.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan) : Sir, before I throw out some general hints as to the directions in which some efforts seems to be necessary to move towards a true prosperity budget, I desire to congratulate the Finance Member on the budgetary position which has been revealed by his statement, and which has been so ably presented by the Honourable the Finance Secretary, Mr. Taylor, in this House. Sir, India is in the happy position of being able to show a little surplus. One cannot belittle a surplus budget in these days of great deficits.

At the same time, Sir, there is no question that India is not yet out of the woods. To some extent her surplus budget is the result of her good fortune, as for instance, the windfall of Rs. 150 lakhs on account of salt revenue. One looks forward, hopefully, thanks to Sir George Schuster's overwhelming optimism, to the future. But, Sir, it would be folly to act like the ostrich and not admit that conditions are menacing, particularly in the rural areas, and ours is an agricultural country.

Sir, unless the miracle happens of a demand arising for our agricultural produce, I as an elected representative of Bengal think that there is not a shred of hope of any tangible improvement in our financial position.

I find a fault in the Finance Member's policy, and that is that it does not seem consciously to be directed towards financial measures calculated to create a demand for our agricultural produce. Whatever the conditions abroad, in India itself it should be possible to create that healthy circulation of money which may increase the purchasing power of our people.

We have been railing against the hoarding habit in India, but I do not see much difference between hoarding gold and silver underground and locking up capital in Government loans—unless these loans are for productive purposes or for projects which would give employment to our industrialists or work for our people in the villages more than in Government offices.

Without these measures, Indian gold will be continued to be offered at the altar of the Moloch of exports and Indian supply of gold is not inexhaustible, and I strongly differ also from the Finance Member in the view that in all circumstances large exports of gold from the country are beneficial.

Other countries in the world are now straining every nerve to possess gold. We cannot afford to denude ourselves of all the gold which the foresight and thrift of our ancestors have placed at our disposal to the advantage of the whole country.

Sir, the Finance Member, in almost a tone of pique, insisted that the Government will maintain, for instance, the present policy covering Government loans. The trend of the market shows that large borrowings by the Government are not going to bring in the millenium. We want capital freed from many of the present restrictions and investment in trade and industry made more attractive than it is by the lowering of the bank rate and by a judicious restraint on Government loans. We want industries carefully selected to suit the economic needs of our people in the villages in order to increase their purchasing power, and we want industries in our cities.

Sir, it would not help the people much if the Government kept up its spectacular performances in the loan market. An active policy to stimulate the purchasing power of the people and liberation of capital can only save us from disaster.

Sir, apart from these general considerations of the Budget, there is one point to which I beg to draw the attention of this House. It refers to political pensions. In Bengal, Sir, we have three great Houses whose history is still the history of the country's achievements in the past. I mean the Nizamat, the Oudh and the Mysore families. None of us in this House, I am sure, will confess to a feeling of satisfaction when it is realised that these great families of India are passing through times of desperate financial need. The children of those.....

THE HONOURABLE THE PRESIDENT : Order, order. The Honourable Member should not refer in detail to the history of these princely families.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Very well, Sir. The children of those who once ruled over large dominions are now practically breadless, and almost all of them are certainly not in a position to obtain that education and training which alone in the future can safeguard their identity. Sir, the Mysore and Nizamat families in particular deserve the most sympathetic consideration from the Government. I must say it to the credit of the Government that it has taken measures to improve the prospects of the Oudh family. I appeal to the Government to extend their helping hand also to the Mysore and Nizamat families.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce) : Sir, whatever may be our views in regard to some of the individual items in this year's proposals, I feel sure all will agree that the Finance Member is to be congratulated on being able to present a balanced Budget. It is reassuring to feel that the Government can show a vast improvement in credit, a reduction in the floating debt with a strengthening of reserves and a favourable balance in trade.

This, however, has only been achieved at great personal sacrifice by all of us and it is more than disappointing to learn that it has been found impossible to grant any form of relief in taxation.

I have already expressed my views in regard to the partial restoration of the "cut" in Government pay in my remarks on the Railway Budget and in view of the fact that the services have been put on an equal basis with

[Mr. E. Miller.]

others in regard to income-tax, I do not think there is much cause for adverse comment. I cannot agree with the Honourable Sir George Schuster, however, when he says

“ that Government officials are still subject to a very *special* burden ”,

for I am sure that the minimum sacrifice that those outside Government service have to bear is considerably more than 5 per cent. and most of this class have no pension on which to rely on retirement. I do not want to enlarge on this subject, but I do feel that this statement of the Honourable Finance Member cannot be allowed to pass unchallenged. I sympathise with those in Government service who have to continue to bear a partial “ cut ” in pay, but I should like some sympathy from them for those of us who are certainly in a similar if not worse predicament. We are grateful to Sir George Schuster for his promise that the present high tax on incomes will not be continued longer than is necessary, but we should like something more than that, namely, the assurance that no further restoration in the cut in pay will be considered until such time as, simultaneously, substantial relief in the income-tax surcharge can be given to all. I do not think it is unreasonable to ask for that and I would urge the Government to remember that this is a universal demand throughout the country. If a tax on exports of gold had been levied during the past year it would have gone a long way towards making possible a *total* restoration of the cut and also relief in the income-tax surcharge being granted.

With regard to increments may I again just repeat what I said in this House a fortnight ago that until such time as conditions improve all increments should be held in abeyance. If pay can be cut, so can increments be deferred and in view of the Honourable the Finance Member's assurance that all efforts will be made to keep down expenditure, I feel that Government cannot reasonably quarrel with such a request.

Then there is the question of new entrants into the services. Sir George Schuster stated in this House just a year ago that this question had been occupying the Government since the previous autumn and that at the close of that session the Government were going to tackle the question of making a permanent revision in the scales of pay for future entrants. A year has passed but the matter seems to have made no progress.

The next point I should like to make is in regard to motor taxation which to my mind is one of the most important measures requiring revision. There is no industry which bears such a load of taxation as that levied on motor transport and the accessories connected with it. A tax can so easily be levied on imports of petrol and lubricants as collection is simple and evasion impossible while the same may be said of the tax on motor vehicles. Very little reference to the consumption of petrol is made but I venture to suggest, quite regardless of what the imports may be, that the consumption is down by about 18 lakhs of gallons and at 10 annas a gallon import or excise duty, it will be appreciated what the ultimate loss will be in revenue to the Government. Before going further I should like to protest very strongly at the Honourable Sir George Schuster's action in classifying motor cars as a luxury. Motor vehicles are an essential of modern life and in consequence the Government of almost every country has turned to them whenever a gap in its revenues is required to be filled and there has been little evidence of imagination as to the potential consequences on its revenues. It is quite fair to make motor transport a source of revenue to Government, but it is neither fair nor prudent to tax it so heavily.

that it cannot function efficiently. *That stage has been reached and the Government's own figures prove this.* Then again, Sir, I am at a loss to understand Sir George Schuster when, not only does he describe motor vehicles as a luxury, but he suggests that the number on the road before the slump was probably excessive ! If we are to open up communications in order to assist the Railways, something *must* be done to encourage motor transport into the interior and I would commend this to the very serious consideration of Government.

The Honourable the Finance Member has mentioned that he has received various representations in regard to the heavy taxation on motor transport but that in spite of the facts and figures presented to him, he is still unconvinced that the point where the law of diminishing returns comes in has been reached. It is very easy to dispose of the matter in this way but I submit that the facts and figures having been compiled by representatives and experienced organisations, deserve a more reasoned and detailed reply supported by arguments, when the subject is of such all-India importance and affecting the development of the country. However, I understand that the Government of India propose to provide this information at the Road-Rail Conference next month and so I will not take up the further time of the House now, but I may say the figures submitted are most convincing and in my opinion the figures compiled by Dr. Meek and now before you support the claims put forward. There is no doubt whatever that the heavy drop in imports is mainly due to high taxation, and not to economic depression and to there having been more vehicles previously on the roads than was necessary for actual requirements. If this was the case why was it a common complaint that buses in rural areas were nearly always overcrowded ? That this was the case is common knowledge.

Some relief has been afforded by the reduction resulting from the Ottawa Conference which should benefit British cars but what is really required is a further all-round reduction of 10 per cent. both for motor cars and lorries. This might mean a drop in revenue in the first instance from imports of motors but I believe the impetus given to trade generally would very shortly compensate Government for this temporary sacrifice.

I agree with Sir George Schuster that outlets for capital expenditure must be carefully chosen and also possibly that there is no urgent need for railway extension. That, however, can be decided at the Road-Rail Conference to which Sir George Schuster refers, and it was because of this pending Conference that in my remarks during the Railway Budget debate, I expressed satisfaction at there being no schemes for construction of new lines, as obviously it would be wrong to take up new schemes when such a Conference was imminent.

But I am all in favour of launching out on new carefully chosen schemes of development as soon as possible for the time seems favourable in every way.

It has been customary in the past during times of boom or slump to refer to the "trade cycle". During the present trade depression, one has been inclined perhaps to feel that the slump like other slumps will in due course automatically come to an end and give place to a fresh forward movement. On the basis of this theory, the depression ought now to show clear signs of lifting, but the present slump is like no other slump which has preceded it, for it is active in every line of trade throughout the world. We must not therefore

[Mr. E. Miller.]

just carry on hoping for the best, but we should take some definite line of action to assist in lifting us out of this Slough of Despond. *We must be courageous and take strong and definite action.* The first step is to economise to such an extent as is compatible with efficiency, bringing down overhead expenses to the absolute minimum. Then having satisfied ourselves to that extent, we should spend, but spend wisely on schemes of development. To make this possible the first step obviously is for Government to reduce taxation to a level which will enable business organisations to feel justified in launching out on progressive schemes and *Government too must have a policy of development.* Never was the time more opportune than now for development. Money, labour and materials are cheap, and if we have any confidence in the future, now is the time to take our courage in both hands and, by a combined policy of retrenchment, efficient organisation and wise spending, prepare for the future when conditions will at least be normal, if not actually reaching a boom period.

The great revivals of the past have been generally associated with fortunate events that have sufficed to overcome the accumulative tendencies of trade depression. I can see no indication of such fortunate events happening at this time without some active effort on our part. The obvious thing seems to be to encourage the opening up of undeveloped areas and this can best be done by making roads into the interior, linking up with the Railways and by encouraging the development of virgin and fallow areas of land by means of mechanical cultivation. It has been suggested that mechanical cultivation, if adopted on a large scale, will lead to increased unemployment, but one has only got to consider this for a moment to realise how mischievous a suggestion this is. Obviously if undeveloped areas are made productive, it must not only increase agricultural employment, but increased employment in other industries must follow. Neither, however, can develop under the existing heavy taxation and Government must, therefore, be bold and reduce taxation to a reasonable level, while at the same time they should encourage all sound development schemes raising loans for such if this is found absolutely necessary. I feel certain that this is the only sound policy at this stage and I commend my observations to the serious consideration of Government.

I am not forgetting that, at present, prices of produce are low and markets unfavourable, but mechanical cultivation in India is only in its infancy and much ground has to be covered before such development can have any effect on markets or lead to over-production. A start, however, should be made and I know that this matter is receiving the personal attention of my friend the Vice-Chairman of the Imperial Council of Agricultural Research. I hope Government will give all the encouragement necessary to any schemes that may be put forward in the not too distant future. I repeat again that we cannot wait for the end of the present trade cycle, but we must try and anticipate it by careful planning on sound business lines. It is necessary, therefore, not only to consider the question of organised and improved transport facilities, but similar action in other directions should be taken. Any good business organization seizes the opportunity of lean years to reorganize and develop on sound lines and I feel very strongly that the time is ripe for the adoption of such a policy by Government. I am sure that if the Government of India will adopt such a line of policy, they will have the full support of this House.

Those Honourable Members of this House who read *Punch* every week will no doubt have seen in the one received by last week's mail, the cartoon by Raven Hill depicting a member of a mythical constituency in the House of Commons who addressed the Speaker with the following words :

"Sir, I move that the only important business before the House is the Relief of Taxation for the Country's recovery. The Government must take this risk. (Loud and prolonged cheers from every quarter of the House) ".

It is here* if any Honourable Member wants to see it.

The Honourable the Finance Member has referred to the maintenance of consumption, in spite of increased duties, of the main necessities of the masses and in doing so I presume he is basing his remarks on the table appearing on page 8 of the printed copy of his speech which gives the averages of 10 years and the 1932 percentages.

When reading this table, however, it should be borne in mind that :

(1) the last census in 1931 showed a very large increase in the population since that of 1921 (actually some 33 millions) ;

(2) there will have been the normal population increase in 1932 ;

and, therefore, it is not so much a matter of maintenance of total consumption but of a dwindling purchasing power being transformed into an artificially satisfactory one by an increase in population. Indeed, the figures lead one to infer that the situation is better than is actually the case.

Sir, these are the only points which I wish to make but before resuming my seat I should like to add one word more. The Honourable the Finance Member has referred in another place to the fact that this was his last Budget statement. During an unprecedented period of depression he has been in charge of India's finances and, although, being only human, criticism has been justifiable from time to time, I feel sure this House will agree with me that the whole country should be grateful that it has had in control a man of Sir George's attainments. Personally I could consider it a matter for general congratulation if Sir George Schuster's tenure of office were extended for a further period of at least two years so that he could finally hand over to his successor not merely a promise, but the fruits of his hard endeavours.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal : Nominated Non-Official) : Sir, I do not share the undiluted pessimism of my friend Mr. Natesan ; so I feel that I must congratulate Sir George Schuster on the marvellous transformation that has been effected on the budgetary position of the Government of India and also on having presented what has been described by the Honourable the Finance Secretary as " an honestly balanced Budget ".

It is undoubtedly a great relief for the Government to find that this year they have a surplus budget which they have not had for the last few years. But this relief should have been, I venture to think, allowed to be shared, if even in a very small degree, by the taxpayer. But when we turn to the proposals of the Honourable the Finance Member of continuing the burden of taxation in the old way, I feel, we hear the continuing groans of the taxpayer.

I should have thought that the Honourable the Finance Member could have with perfect ease and safety raised the taxable limit for income-tax to the old figure of Rs. 2,000 instead of keeping it at Rs. 1,000.

* The Honourable Member held up a copy of *Punch*.

[Mr. Bijay Kumar Pasu.]

Perhaps my friend the Finance Member does not realise, as we do, that the income-tax on incomes between Rs. 1,000 and Rs. 2,000 has played havoc with millions of homes in this country and that people with these incomes can ill-afford to pay even a rupee or two a month towards this tax without the utmost hardship.

I have very little to say about the restoration of the 5 per cent. cut in the salaries of Government servants, for, when we find that they have to forego the exemption of the income-tax surcharge, this restoration would be more or less illusory as far as their pockets are concerned. But certainly I should have thought that the case of these people with small incomes between Rs. 1,000 and Rs. 2,000 was entitled to first consideration and before restoring this 5 per cent. cut, the Honourable the Finance Member should have considered the case of these poor people. May I now implore the Honourable the Finance Member to take the earliest opportunity of doing bare justice to this class of people by raising the taxable limit for income-tax ?

The export of gold from India, which really has been the biggest weight in the scales which has restored equilibrium in the budgetary position of the Government has made great improvement in Government credit and has the effect of creating cheap money conditions. Comments have been made that Government should have imposed a small export duty on gold so that a large revenue might have been easily obtained which could have afforded relief to the taxpayers. I, Sir, do not profess to be an expert or to have expert knowledge, but knowing the psychology of the mind of our own countrymen, I feel almost sure, that any imposition of the character suggested might have had the effect of checking the export of gold and would have prevented the recovery of the budgetary position in so short a time as has been achieved.

I do not share the Honourable the Finance Member's pessimism that "the future is still dark with uncertainty". I think we have indications enough to feel that we have reached the lowest level, and if any change comes at all, it is bound to be for the better.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Not much gold is left in the country now.

THE HONOURABLE MR. BIJAY KUMAR BASU : There is still enough left here to give us a good position.

The principal omission in the Budget, in my opinion, is, that the Government have failed to take the opportunity of setting right one of the principal industries of the country, *viz.*, the textile industry. The Tariff Board report on this subject has been shelved for the time being, though the consistent rumour is, that the Tariff Board has made out a strong case for the passing of anti-dumping legislation. No doubt, a communiqué has been issued that the protection to the industry would be continued for the next six months. I venture to say that it is a wholly inadequate compensation or consolation to one of the main industries of the country. I think the House will agree with me that protective duties are in nature entirely different from anti-dumping duties. We should not forget that the Fiscal Commission has tied the hands of the Government so far as protective duties are concerned. Proposals for protective duties should come first under examination of the Tariff Board and should be supported by their recommendations before the duties can be imposed. And let me direct your attention to the fact that the Fiscal Commission was dealing with normal times and not with abnormal

and emergent times through which we are now passing. Anti-dumping legislation, it is my belief, forms a part of the duty of the Government and the Finance Member, in my opinion, has not only lost a splendid opportunity of obtaining an additional revenue but has unfortunately jeopardised the interest of the industry concerned.

The revenue from customs, I believe, has been underestimated. It is unnecessary for me to repeat that there had been windfalls in customs revenue, but I venture to ask the Finance Member, if they were not the natural consequence of the excessive general duties coupled with the high tariff wall now existing, which are having an adverse influence upon the general trade of the country.

I now turn, Sir, to the defence budget, where the estimates have now come down to 46.20 crores. In this connection, Sir, I endorse the opinion of my friend Mr. Natesan that there is considerable room for reduction in this particular estimate. Even at the risk of being called an "ungenerous critic," I say, that the military expenditure can be still considerably reduced. I am not an old Member of this Council, but I remember the debates on military expenditure that have taken place in previous years. When the Retrenchment Committee presided over by the late Lord Inchcape suggested that on no account should the military expenditure exceed 50 crores, the then Commander-in-Chief protested that it was impossible to bring it down to anything less than 55 crores. We find that it has now been brought down to 46 crores and odd. The general fall in prices of commodities cannot account for this big difference. It shows that the estimates prepared by the Army Department are not always accurate. There is still considerable room for curtailment without loss of efficiency. The military expenditure should not, in my opinion, exceed, under any circumstances, the sum of 40 crores. We are anxiously awaiting the decision of the Tribunal which sat the other day in London to settle the capitation grant question. If that decision be in our favour there is every prospect of making a further saving in our military expenditure.

There is one other point, Sir, to which I would desire to refer. I am very sorry to find that the duty on cheques has been re-imposed. The duty was removed in July, 1927 on the unanimous recommendation of the Currency Commission, which was presided over by such an eminent financier, Sir Hilton Young. As is well known, this step was taken to encourage the banking habit in the people and as a natural consequence to make the nation thrifty, to enable savings to be effected and deposited in banks and indirectly thereby to improve the position of the banks by increasing their deposits. The Honourable the Finance Member in his speech said that the results have not been encouraging and the remission of the duty has not had much effect. But to change the habits of the people of a country as extensive as India, I say, that an experiment of this nature for five years is much too short to pronounce a judgment. The Finance Member said that it was through pressure put upon him by the various Provincial Governments that he had, "somewhat reluctantly", proposed to re-impose the duty for the next three years. The estimated income which this duty will bring in would be somewhere about Rs. 7 lakhs a year, and if the proceeds are to be distributed amongst the Provincial Governments the relief that will be afforded them will be almost nominal.

The funding of a portion of the floating debt has had a very stimulating effect on the Budget. It is a course which I have advocated more than once as one of the best ways of improving the budgetary position.

[Mr. Bijay Kumar Basu.]

Sir, the manner in which Sir George Schuster has taken courage in both hands to choose what he himself calls "the harder path", than the pleasanter one of relaxing the burden of taxation, and the way in which he has taken the fullest advantage of the circumstances that have happened, leaves nothing but the greatest admiration for his skilful, technical and scientific knowledge of public finance.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan): Sir, in the words of the Honourable Sir George Schuster himself the Budget that has been presented to us is not of a nature to stir enthusiasm. No doubt, for the time being, the credit of the Government stands high, their financial position is strong and the position of the investing public is safe. But barring these aspects, there is nothing in the Budget from the standpoint of the public in general whereon the Finance Department could be congratulated. When the reduction in salary cut was announced, it was expected that there would also be a reduction in taxation and at least in the income-tax surcharge. Not only has this expectation of the public not been realized, but it has been announced for the future also that if financial conditions improve next year then again the claims of the services for the full restoration of their salaries will be given priority and after that a start will be made in reducing the burdens of taxation. This evidently means that according to Government the public is for the services and not the services for the public, because the claims of Government servants are to come first and those of the public are to be subordinated. I doubt if the Government realise that if any class of persons have been comparatively better off in the midst of the present unprecedented depression, it is the Government servants; because, while the income of landlords and tenants, traders and businessmen, industrialists and commercial men, lawyers and doctors and people following other professions, has sunk to the neighbourhood of one-half, and that too is coupled with uncertainty as a result of the slump, Government servants have escaped with a cut of 10 per cent. only in their salaries for a year, and will henceforth go with a still smaller percentage of cut, the withdrawal of the exemption from the surcharge included. Then, Sir, apart from their being comparatively so better off, there is no uncertainty of income in their case as in the case of independent professional men. But the maxim of Government seems to be :

"To him that hath, give more and from him who hath less, more shall be taken".

For, in the case of the public, not only is the unbearable taxation not going to be reduced, but some more imposts are going to be levied, which have been described by Sir George Schuster as revenue measures with a protective significance. These relate to changes in the import duties on boots and shoes and artificial silk goods. Then, Sir, the stamp duty on cheques which was abolished with effect from the 1st July, 1927, is to be re-imposed. In spite of the arguments advanced by the Finance Member in support of this proposal, I feel that the re-imposition of this duty by the Government is inconsistent with their pious wish of encouraging the banking habit. Sir, the greatest need to my mind was that some relief should have been given to the poor taxpayer from the crushing burden of taxation. The reduction in the limit of taxable income from Rs. 2,000 to Rs. 1,000 is telling heavily upon the middle classes, and it is high time that the minimum of exemption should be again raised to Rs. 2,000. Then, the increased postal rates are hitting the poor

people hard. They should have been reduced to the level of at least one anna in the case of letters and to half an anna in the case of postcards, if not to the previous level of half an anna and a quarter of an anna, respectively, in the interests of the poor masses. Before leaving the subject of income-tax, I venture to ventilate here a grievance of the income-tax paying public. And it is this. In assessing income-tax, if the income-tax officer finds that an assessee has filed accounts which the income-tax officer has reason to believe are not genuine, the income-tax officer not only assesses that person on any fantastical income he likes, but the poor man is also sometimes run in in a criminal court. And my information is that the assessee is not unoften given the option to choose between the two evils of either accepting the fantastical assessment of income-tax without demur or running the risk of a criminal prosecution. Or to describe it graphically, the high assessment of income-tax is forced down his throat at the point of the bayonet. The result naturally is that in such cases the poor assessee has sometimes to put up with the lesser evil of submitting to the idiosyncrasies of the income-tax officer in order to escape criminal prosecution. This, Sir, is, in my opinion, very hard. It may be said that a man who has filed unguenuine accounts deserves no sympathy. I admit that. But my submission is that the penalty of such a person being assessed on a fantastical income should be enough and he should not be subjected to the double penalty of being criminally run in at the same time.

Sir, I have carefully gone into the learned arguments that have been advanced by the Honourable the Finance Member in justification of the export of gold from India to the tune of 107 and odd crores. Although Sir George Schuster would have us believe that this export has been to the good of the masses of India as well as to the Government—and there is no doubt that it has stood the Government in good stead—but he will pardon me if I fail to agree with him when he thinks that the gold exported does not represent a drawing on reserves, for there can be no gainsaying the fact that the flight of this precious metal has resulted in the depletion of the potential reserves of the masses of the country.

Now, coming to the civil and military expenditure, although it is gratifying to note that so far as civil expenditure is concerned the Government have achieved economies to the extent of nearly 87 per cent. of what was recommended by the Civil Retrenchment Sub-Committees, and the military expenditure has been reduced from 55·10 crores in 1929-30 to 46·20 crores in 1933-34, I venture to suggest that the country cannot bear even the reduced burden of expenditure, and especially, as was remarked by my Honourable friend Rai Bahadur Lala Ram Saran Das, when prices have fallen below the pre-war level there is no justification whatsoever for retaining the expenditure at a figure higher than that level. As regards military expenditure, my Honourable friend Mr. Natesan has just shown how it can be further reduced.

It is regrettable to observe that even the costly Lee concessions have not been withdrawn. And although the Finance Member has promised that all efforts will be directed to keeping down expenditure and to preparing in other ways for a lightening of the burden of taxes, this assurance, vague and indefinite as it is, will afford no consolation to the victims of taxation which is the heaviest the country has known, unless and until there are further drastic reductions in expenditure. The world has been so hard hit by the economic blizzard that the process of recovery, even when it sets in, will be extremely slow. The Government cannot, therefore, expect increased revenue in the near future from a return to normal conditions of price levels and trade and business. And one of the greatest impediments to the economic recovery

[Rai Bahadur Lala Jagdish Prasad.]

of India is the heavy burden of taxation which is necessitated by the high cost of administration. It follows, therefore, that unless the Government further cuts down its expenditure there can be no relief from taxation and consequently not much of economic recovery.

Sir, having dealt briefly with the general features of the Budget, let me now come nearer home before I conclude and say a few words in regard to the treatment that is accorded to this House by the Government, to which a reference has already been made by the Leader of my Party. It is the general belief of non-official Members at any rate on these Benches that this House is not treated by the Government in the manner it should be. And the reason perhaps is that the Government being sure of a comfortable majority in this House do not much care for the wishes and feelings of the non-official Members here, unlike the Members of the Lower House whom the Government by reason of its composition have to placate. Sir, if there are any important consultations to make, it is the non-official Members of the Legislative Assembly alone who are generally consulted by Government; if there are any Government Bills to be piloted, they are referred to Select Committees of the Lower House alone and the Upper House is kept, so to say, at arm's length; if the representation of the Indian Legislature is sought on any important Committees, this House is not unoften ignored, and it so happens that on occasions this House is even deprived of the honour of being addressed by His Excellency the Governor General and the Assembly alone is sometimes selected for this distinction. So far as non-official motions are concerned, it is our belief that in relation to them the Government generally adopt a more adamant attitude on the floor of this House than they can afford to take up in the Legislative Assembly. Thus it is the impression of all independently minded non-official Members of this House that the Government so often ignore us and do not care for us. In the matter of house accommodation also that is available for Members, the general complaint is that it is insufficient and many of our friends are compelled to make their own arrangements for accommodation. I do not know what is exactly the state of affairs in the case of the other House so far as this particular matter is concerned, but there is no doubt that the Government will be well-advised if they provide more house accommodation for the Members of this House, especially when under the new constitution the strength of the House will be very much increased. I hope that these observations of mine will not be disregarded and that the Government will see their way to show greater consideration towards the Members of this House and thus earn the good will of those on whose support in all matters they always rely.

One more point, Sir, and I have done. The Benares Hindu and the Aligarh Muslim Universities had been receiving certain annual grants from the Government of India for some years, which I learn have now ceased. Last year a cut of 10 per cent. was effected in these grants. Now that we have got a surplus in our Budget this year, it will be in the fitness of things if the amount of cut made last year in these grants is given to these two Universities this year by way of help. On the same grounds, I wish that the amount of cut effected in the grant of the Delhi University last year should also be restored this year.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadian): Sir, it is but natural
1 P.M. that congratulations are due to the Honourable the
Finance Member on his wonderful feat of presenting us a balanced Budget when

the country is in the grip of an economic blizzard ; but the purple patches here and there in his speech cannot satisfy the souls of those who are groaning under the crushing burdens of surcharge, super-tax, and various other kinds of taxation.

The remarkable feature of this year's Budget, Sir, is that it has afforded no relief to the taxpayer. It is really gratifying and encouraging to observe at first sight, that a balanced Budget has been placed before us, but one is surely to be disillusioned, when one finds that a wet blanket has been thrown on us ; because, while remain the surcharge and super-tax and the inequitable and injudicious imposition of income-tax and also the increase in the postal rates where they were, the cuts in the salaries have partially been restored ! And so I can characterise the Budget, neither commendable, nor at all condemnable. I cannot say commendable, Sir, as I have already said, it has not a word of remission of any kind of taxes, nor can I say condemnable, because it shows the redemption of debts to a considerable extent and an improvement on India's credit. At the same time, we should not lose sight of the fact that in the estimates for 1933-34 there is taxation in the shape of further duties on imported boots and shoes and artificial silk for protective purposes and also an imposition of the stamp duty on cheques. However splendid the performance of the Honourable the Finance Member in showing us a balance of 42 crores in the budget estimates of 1933-34 might be, the imposition of such duties as mentioned by me above, does not redound to his credit in husbanding resources for the purpose of incurring public expenditures.

As regards the flight of gold, Sir, the Honourable Sir George Schuster's ingenious explanation that if Government had to pass a law putting a rigid restriction on all exchange transactions it would have been a gross and unnecessary interference with the liberty of private individuals to deal with their own property and necessarily have led to a very serious restriction of imports, does not carry conviction. The export of gold may have helped India's purchasing power as regards imports which have realised an appreciable customs revenue but that flow of gold might have been kept by Government as a reserve to India's advantage. But as there are always two aspects to every question, I have no quarrel with those who think the export of gold was indeed beneficial to India's economic interest.

Now, Sir, from the theories and the subtle controversial points of economics regarding the flow of gold from India, I must come to the bedrock of facts—the practical side of the Budget. Our cry has always been against the huge army expenditure in India and we have cried ourselves hoarse over it. However, I am glad to learn that our cry has not been a cry in the wilderness. There is a response to our cry but that response is not satisfactory. The net reduction in the military estimates for 1933-34 and the total savings effected being more than Rs. 100 lakhs are a mere drop in the ocean. It is to be regretted that in the matter of the economy campaign in army expenditure, it was not possible to adopt the Retrenchment Sub-Committee's recommendations *in toto* ; although the statement showing the reductions secured in army expenditure says, that where the recommendations have not been accepted, alternative methods of retrenchment have been devised in order to secure savings, of an equal, or sometimes greater, amount ; but this rosy picture of retrenchment in army expenditure vanishes from our sight when we find in the same statement that the savings shown do, in some cases, include both recurring and non-recurring amounts and it is impossible to say definitely at this juncture what the ultimate total recurring savings will be. The army in India, Sir, so far as I can understand, is not for protection but it is an army

[Mr. Jagadish Chandra Banerjee.]

of occupation as it devours more than half the revenue of Government even in normal times, and that the expenditure is still very large and has mounted up by about Rs. 20 crores from the pre-war normal, is a thing against which we enter our emphatic protest. In this respect our demand is that the expenditure is to be reduced by further retrenchment and by Indianization of the army, as speedily as possible.

As regards the civil establishment, Sir, I have no grudge against the partial restoration of the salary cuts but to a country like India, the fat salaries of the heaven-born service holders, I mean the Indian Civil Service and their *Lee* concessions, are a great drain on our resources. I think I can say without any fear of contradiction that nowhere in the world does this class of public servant get such pay and allowances as they do in India.

The 18*d.* ratio even when the rupee has been linked to sterling is an ugly feature of England's work in India, which is detrimental to India's economic resources. I need not take up your time further, Sir, by going into the details of this age-long controversy; but that it is one of India's real and intense grievances, most people of independent thinking will say.

The man in the street, Sir, does not understand the intricacies of the budgetary items nor does he care to know how the finances of the country are being handled by the powers that be. What he wants to know, if there has been any lightening of his burdens in the shape of remission of taxes or in the decrease in the postage rates. But he will be disappointed to know that the *sircar* has done nothing of the kind. The Honourable the Finance Member ought to have given due consideration to this side of the question but as he has not done that his surplus Budget for 1933-34 will not appeal to him and not even to us; as, specially in this respect, the Budget has been disappointing.

However, Sir, the Honourable the Finance Member must have our thanks for his earnest endeavours to raise India's credit in the estimation of the world by his loan programme and the partial redemption of debts during these difficult times.

In conclusion, Sir, I would ask Government to see that the public expenditure should be quite in keeping with the taxable capacity of the people as the last straw on the camel's back has already been placed?

With these few words, Sir, and thanking you for allowing me the time of this Honourable House to express my opinions on the Budget, I resume my seat,

THE HONOURABLE MR. H. M. MEHTA (Bombay : Non-Muhammadan) : Sir, I rise to congratulate our Finance Member for his great achievement in balancing the Budget this year. We all know that for the last four years the world has been suffering from great distress, economically, owing to the fall in prices in all countries. We know that for the last two years the whole world is sick with depression and distress on account of the crops not realising the prices which they ought to in normal times. Thus great difficulties stood in the way of the Finance Member for the last four years, and try as he would, he could not possibly succeed in balancing the Budget. But his great manœuvres and firm handling of the finances 18 months ago in producing a supplementary Budget taking his courage in both hands, saved the finances of this country. We must always remember that this state of affairs is not to be found only in India. They are found all the world over, and the great Finance Members of other countries have also been trying to balance their

budgets for the last four years, and they have all failed miserably. Their budgets run into not tens of millions in losses, but into hundreds of millions sterling or thousands of millions of dollars. Such is the state of affairs everywhere. I call it a great achievement that India has got out of such chaos and the Finance Member has been able to balance the Budget. India is talked about as a poor country. But look at the case of all the rich countries in Europe, America and other places. The distress there amongst workmen, traders, industrialists and manufacturers is far greater than it is in this country. We must thank ourselves that we have been able to stand the stress as we have done. It shows the remarkable sustaining power of India. What the Finance Member has achieved in the last 18 months beats all other financiers in the world. How he was able to pay off the greater part of the treasury bills which were running at an unspeakable rate of interest—between 7 and 8 per cent.—and how he has succeeded in bringing it down to a few crores at $1\frac{1}{2}$ and $1\frac{1}{8}$ per cent., is beyond what I can say. How he contrived it and how he did it is remarkable. All credit to him. Not only has he succeeded in these treasury bills being brought down to that low rate of interest, but he has achieved another great success in paying off the 1932-33 loans of a high rate of interest, and floating in its place a long dated loan payable in 1960-70 at 4 per cent. interest and that too subject to income-tax and super-tax. In other words, the men holding the 4 per cent. loan—and they are having them in crores and crores of rupees—shall realise only $3\frac{1}{4}$ per cent. on their paper. Sir, the Finance Member has brought these about in the short period of 18 months and no words can express how cleverly he managed to do all this. This was the cleverest movement that any Finance Member in any country has done. If we throw our glance 15 months back, the $3\frac{1}{2}$ per cent. paper was standing then at Rs. 47 for every Rs. 100 paid, and all other Government papers were down in the same ratio as the $3\frac{1}{2}$ per cent. paper. The $3\frac{1}{2}$ per cent. was going down and down and people were saying that those that buy these were fools and that these will remain in their hands as scraps of paper, because Government was not going to exist any longer. Many hundreds of people sold these away, but those who bought more and more have made a pile of money. After 15 months, the price now stands at Rs. 80 and over. Now, those very people, who said that Government was going down and these papers will remain as scraps of paper, are now coming forward to buy the same, and that is how the Government papers were in such demand and the work of the Finance Member has been made much easier in floating a loan at 4 per cent. on par and long dated with income-tax and super-tax attached to it. I must also give credit to the public of India. The public of India also helped the Finance Minister to a very great extent, by bravely bearing all the taxation that he put on the country with no other object in view than to do good to the country. People nobly bore it and helped the Finance Member and thus reduced his work considerably. Then there is another factor also which must be mentioned. His Excellency the Viceroy, by crushing with a firm hand the civil disobedience movement, made the work of the Finance Member very much easier. If civil disobedience and disorder had been allowed to continue for a few months more, I do not know what would have happened in the country. When the history of this civil disobedience movement and other Congress movements comes to be written long years hereafter, people will come to know what distress they have wrought on the country; not hundreds but thousands of crores of money have been unnecessarily wasted. Who suffered the most? The agriculturist to the tune of 95 per cent. and 5 per cent. of industrialists, manufacturers and others who are in receipt of salaries. Sir, it takes a long time to build an Empire. It took nearly 150 years to build

[Mr. H. M. Mehta.]

the British India of today. It would have taken only as many days to destroy it. If the civil disobedience movement had not been crushed, the revolutionaries would have got the upper hand and India today would have been thrown into bloodshed.

Now, coming to the vexed question of gold exports, some people are blaming the Finance Member for doing this and that, and others are applauding him. But the general opinion seems to be that gold ought not to have been shipped in such large quantities as it has been. I would ask this House a very simple question. If you hold a certain thing in excess of your wants, what is the use of holding that thing in such excess? Is it of any use to anybody? More than that, it has to be looked after and people have to be employed to prevent it being stolen. It causes expense and not a farthing of interest is derived from the hundreds of thousands in money which that excess represents. Indians are not as simple as some people think. There are shrewd business men amongst them, and they saw that when England went off the gold standard 15 months back, a great opportunity was presented to them. The price of gold which was then standing at Rs. 19 per tola rose within one week to Rs. 26 per tola, and, if my memory is correct, it rose to Rs. 29—30 per tola in less than a fortnight. Some people said it was distress gold which came into the market. Well, we all know our agricultural classes; we know it would take nine months or a year to carry the tale about gold selling to the ears of the masses. The gold which actually came into the market came from the shroffs, from the rich zemindars, and from the rich rajas. Those millions of gold did not come from the distressed people in the villages. I admit that now small quantities might be coming from such people, but at first it never came from them but from those holding gold in bulk, as my friend Dr. Choksy sitting just behind me prompts "for the very love of it." Then, Sir, looking at the total exports of gold which have gone out of the country, say, roughly, 116 crores, I would ask how much gold has actually gone out of the country? If my friends will take their minds back, they will find that from the year 1919 to 1925 every ounce of gold brought into this country was never purchased at a higher figure than Rs. 18 or 19 per tola. But all the gold which went out, went out at the price of Rs. 29 or 30 per tola. My friend the Honourable Mr. Taylor said the other day that it brought a profit of 20 per cent. to holders of gold. But I should say it brought a profit of 40 to 50 per cent. That is, in other words, the gold that went out of the country was actually of the value of 60 crores, and it brought along in its train 56 crores of rupees as profit, and that profit has helped the Finance Member in making his Budget square.

THE HONOURABLE MR. HOSSAIN IMAM : Will the Honourable Member say what the initial price of gold was and what was the profit?

THE HONOURABLE MR. H. M. MEHTA : I have already said the initial price was Rs. 18 to 19 per tola and it was sold for anything between Rs. 29 to 30—a profit of 50 per cent. If my figures are wrong I should very much like to be corrected either in this House or outside it. These 116 crores of rupees have come back into India, either by way of imports or by way of exchange notes or in some form or other. But it did come and it maintained the exchange, not at 1s. 6d. but at 1s. 6½d. That also represented a small windfall to my Honourable friend. Now as to this money which came in, in such large lump sums, the people did not know what to do with it. They did not like to put it into industry and manufactures because their fingers

had already been burnt during four years on account of the depression. They therefore preferred to put the money into Government paper and into treasury bills, and the supply was so plentiful that the Finance Member had to reduce the rate of interest till it came down to $1\frac{1}{2}$ or $1\frac{3}{8}$ per cent., and the demands he receives are more than double his requirements, and have not yet fallen off.

The Finance Member in his speech in the other House said that he had secured a good windfall in the import duty—a few crores more than he had anticipated by way of duties on cloths received from foreign countries. The Finance Member may congratulate himself on this achievement, but may I ask him, at what cost to the country? The textile industry which at one time was a very prosperous industry is now in a ruinous condition. It is a tale only of woe and nothing else. There are no profits and no dividends for the shareholders. The mills are running at a loss of lakhs and lakhs of rupees every year. Bombay City was first hit by the depression in the textile industry, and there are four reasons for this. Cotton is not grown anywhere near Bombay and had to be imported into Bombay for the mills' use. The manufactured goods cannot be sold in Bombay City alone and have to be sent out to other parts of India by rail. Then the wages of workers in Bombay is 20 per cent. higher than in other places in India where cotton is manufactured. Then, last but not least, there is the municipal and water taxation. Perhaps the Honourable the Finance Member may not know it, but in the case of the Bombay mills these charges run into several thousands of rupees per annum, while upcountry mills have to pay next to nothing. What did the Bombay mills do? In 1929-30 in order to meet the competition of the upcountry mills they said "Let us try to cut the wages of our workmen by 20 per cent., thus bringing them on a parity with other upcountry mills." What was the result? The strike spread. Every cotton mill in the Bombay area was closed down. Ten months of continuous strike went on, first of six months' and then of four months' duration, thus bringing a loss of nearly 18 crores of rupees in those ten months. If my figure is challenged, I am prepared to submit all the accounts. Thus, the Bombay mills lost and the loss of the Bombay mills was the gain of the upcountry mills for the time being.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY :
Ahmedabad.

THE HONOURABLE MR. H. M. MEHTA : Ahmedabad, to a very large extent, as my Honourable friend says, because it is the second centre in the Indian Empire as far as the cotton industry is concerned. Ahmedabad gained. Ahmedabad built up new mills out of the gain. They overhauled their old mills and they brought them up to the standard of new mills. Therefore, if Ahmedabad mills make a crore of rupees profit in a given year, the profit of the Bombay mills will be simply zero, because they have lost Rs. 18 crores which has come as indebtedness and at 6 per cent. interest it is a crore of rupees loss to the Bombay mills per annum. This is the condition today. But I am not harping on the conditions in Bombay alone. Now, the evil is spreading and spreading very fast into the upcountry mills which were doing well. The Ahmedabad mills today are not selling one-third of their production; two-thirds they are accumulating; even on the one-third that they are selling, they cannot get even the cost price of manufacture. In Bombay the whole Petit group of mills have closed their doors. They were put in auction. The Maneckji Petit Mills which cost Rs. $2\frac{1}{2}$ crores to put up, could not be sold for Rs. 15 lakhs. Such are the conditions in Bombay. Now,

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the turn is coming to other parts in India, and only a week ago one mill in Ahmedabad closed their doors, because they were suffering heavy losses. Another mill in Broach closed its doors under similar conditions and a third in the Gaekwar State Kalol have also closed their doors. The Sassoon mills have given notice to close its doors next month. The Jamshed mill and others are closed down. Another group of mills, which is a big group—Currimbhoy Ibrahim—have closed three mills. The wonderful part of the whole situation is that the "Toyo Podar Mills," a Japanese concern, has closed down. The Japanese bought that mill seven years ago and were boasting that they would show the Bombay mill-owners how to run a mill concern and make a profit. In seven years they have not made a rupee; they have suffered a loss of several lakhs in these seven years. They brought out a manager from Japan, their engineer from Japan, even some women mill-workers from Japan, to show how a mill should be run in India. With all that they have done what? Suffered tremendous losses! They did not give a bit of lesson to our industry. I wish they had. Still these Japanese are sending to this country millions and millions of rupees worth of cotton goods and at what price? At the price of cotton itself, as if a man taking up a lb. of cotton in one hand, is giving away by the other hand finished cloth at the same price, doing away with all the laborious processes which cost the mills between 5½ annas to 6 annas to produce one lb. of cloth. These are the conditions. How can the industry stand such competition? My friends ask me how they do it. Some say it is on account of the tremendous fall in the yen which has helped the Japanese to dump their cloth into this country. It has helped them to a certain extent, but I cannot be convinced that thereby any one can sell cotton cloth at the price of cotton. Japan does not grow one lb. of cotton in its own kingdom. She buys all the cotton from either India or America. She pays freight to take it to her country, pays dock charges, insurance, makes the cloth, sends out again, pays shipping and insurance charges and sells "at the price of cotton"!

THE HONOURABLE MR. BIJAY KUMAR BASU: That is dumping.

THE HONOURABLE MR. H. M. MEHTA: That is for the Government Members to think about. They invoice the cloth, and if my Honourable friend the Finance Member wishes to have a look at the invoice, I will not show him one invoice, but hundreds and hundreds of invoices every month. They invoice their cloth at the price of 5 annas a lb. and the Government of India levys a duty of Re. 0-5-3 on it, thus bringing the price to Re. 0-10-3. The Bombay mills buy cotton at the same price. They cannot produce at anything less than 10 annas, 5 annas being the manufacturing cost. How Japan can send cloth at that price, *viz.*, annas five, beats me. I am a cotton man, but I cannot make out how they can do it, unless there is a magic wand which can turn cotton into cloth by taking it by the one hand and passing it on to the other. This is the condition of the mill industry. Perhaps my Honourable friend thinks that by putting up further rates of duty on cotton cloth, his import duties would fall to a large extent. He may think that his Budget would be disturbed and he may not be able to balance the Budget if the duties fall by several crores. Well, may I ask a simple question? If there was prosperity in India in the cotton mills, would he not get by other channels in the way of income-tax and super-tax from the mills, amounts which would compensate him for the loss he would suffer in the import duty? Then, Sir, may I be allowed to ask one question? Japan, as I have drawn the picture before the House, is dumping cloth at the price of cotton. Our Executive Members

and the Government of India, I presume, are for the Government of India and its people. They have to look to the welfare of India and its people, and that must be the first concern of the Government. Have they done it? That is an open question. If they had seen to it, would they not have stopped this dumping long before? Are they going to increase the duty when the mischief has been done and the whole thing is doomed to destruction? May I ask another question? Take the opposite case. If cotton goods were being shipped to Japan in the way the Japanese are doing in India, would the Japanese Government have stood this nonsense even for a month? Certainly not. The Tariff Board Report is with the Government of India for the last 3½ or 4 months—I do not remember exactly how many months. I do not know what the recommendations of that Tariff Board are but certainly Government have not disclosed the facts. Meanwhile, the industry, as I have described just now, is dying slowly. But what beats me most is the speech of the Honourable the Finance Member in the other House in which he said that the higher duties are now taking effect and the imports are getting smaller and smaller every month. If my Honourable friend will compare the figures with the figures of the past year then he will find out in what enormous quantities the shipments have come to India. There is an extent to which the people can buy and can then go no further, and the Japanese cloth is flooded into the market to such an extent that even if you were to give them away at lower prices than now it could not be sold because it is a surfeit absolutely. Then, if the Members on the Treasury Benches would throw their minds back to previous years they will find that the Japanese have always played the same game over and over again, *viz.*, that at the time of the Budget they have made it a point to send smaller shipments and then when everything has gone through and the Budget has been passed, on come shipments in greater quantities into this country. If my Honourable friends will look up their files they will find that to be the case, Sir.

Well, I have no further comments to make, Sir, but I understand that our very able Finance Member's term of office expires at the end of this year and he intends to leave this country at that time. Now I think everyone will admit that he has studied financial matters, and especially Indian finance, to such an extent that he may be said to have these matters at his finger tips. It is therefore very undesirable that he should leave us at a period when we are not yet out of the wood and there are miseries still in store for us here and I do sincerely hope he will change his mind and that His Excellency will write either to the Prime Minister or to the Secretary of State or whoever is the proper person to write to and get him an extension at least for a year or two so that we may have the benefit of his financial advice during these very critical times.

The Council then adjourned for Lunch till Three of the Clock.

The Council re-assembled after Lunch at Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE THE PRESIDENT: The debate on the General Budget, Part II, will now resume.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadian) : Sir, I should like to pay my tribute to the Honourable the Finance Member on his very able exposition of the finances

[Diwan Bahadur G. Narayanaswami Chetti.]

of the Government of India. Having said this much, I must state there is a general feeling of regret in the country that the Finance Member has not held out any hope for lightening the burden of the taxpayer, much less of giving some relief to him in the present Budget. Eighteen months ago, we were asked to agree to enhanced taxation on the ground of national emergency and it is only fair that when the Government have partially restored the salary cut, they could have given some relief to the taxpayer also. I also feel that the Government have not carried out retrenchment in the way they should have done. So far as army retrenchment is concerned, a great deal has been said by the previous speakers and I shall only say that with the efforts of His Excellency the Commander-in-Chief, we could try to see if anything more could be done in retrenching expenditure under that head. The Government should make up their minds to reduce the top-heavy administrative expenditure. What is required is a change of policy to make up the salary bill according to the capacity of the country to pay.

It is a matter of gratification that the Government securities have gone up in value and conversion schemes have been highly successful. It is greatly due to the efforts of the Honourable the Finance Member and he rightly deserves the congratulations of the House in this matter. Government should now explore the possibilities of conversion schemes in London in order to reduce the rate of interest. In this connection, I have to say that it is really a matter of great congratulation to the country that the Government securities are standing at a very high value today. At one time, as my Honourable friend Mr. Mehta pointed out, the Government $3\frac{1}{2}$ per cent. securities stood at Rs. 48, and they are now at 82, and I am sure this will go a long way to restore confidence in Government securities. At one time, many shared the opinion that Government securities could not reach the par value when they wanted to dispose of them and they were reluctant to invest their moneys in Government securities. Now, I can only say that this fear has altogether been removed and I am sure that this is due to the wise efforts of the Finance Member to whom we are all highly indebted.

In regard to the re-imposition of the duty on cheques I must say that the decision is not likely to benefit the provinces to an appreciable degree. It will, on the other hand, have a detrimental effect on the development of the cheque habit and banking.

Before I conclude, I would appeal to the Finance Member to give this Council a definite assurance that with the complete restoration of the cut there will also be withdrawal of emergency taxation.

Sir, one word more and I have done. It is the unanimous opinion of this House that the Finance Member should continue to be with us for another two years in order to put things in order for the future Government to successfully work the constitution.

Sir, I should like to associate myself with the Honourable Rai Bahadur Lala Jagdish Prasad about the treatment accorded to this House. I agree that important Bills should be taken up simultaneously by us, and that joint select committees should be appointed so that we may have the opinion of both the Houses before coming to any conclusions. As a matter of fact, all the Bills are passed in another place, and they come to us for the mere seal of this House. I want the Honourable the President, if he has not already done so, to take up this matter and to do something in that direction. Sir, our revered President, as a delegate to the second Round Table Conference, has

rightly observed the important check this House is having on legislative measures. Therefore, Sir, I appeal to you, Mr. President, to see if anything can be done to see that this House is treated better than it is done at present. I hope that hereafter on all important Bills there will be joint select committees to consider the measures before they come up for final consideration before this House.

I have nothing more to say except once again to pay my quota of tribute to the Finance Member for having placed before us a balanced Budget for the year. I once again congratulate him on the admirable way in which he has done this task and to Mr. Taylor, the Finance Secretary, for his able presentation of the Budget to this House.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, it is indeed a very praiseworthy thing for the Honourable the Finance Member to see that after so many ups and downs in the economic condition of the country, fraught at every moment with great difficulties on account of the general depression throughout the world's economics, he has been successful at last in presenting a surplus Budget, although he has the satisfaction to do so in the last year of his term of office as the Finance Member to the Government of India. I think I will not be making any sort of exaggeration in saying that he rightfully deserves the congratulations of this Honourable House for his successful achievement to prepare the country's Budget with a surplus of 41·61 lakhs of rupees, and the improvement that he has made in the form of its presentation, particularly for his attempt to explain it in relation to the economic condition of India at the present moment. All this clearly indicates that the Government is trying to come into touch with the realities and recognises that the economic condition of the people of India is at least engaging their attention. At the same time, we expected something more from him in view of his recent public speeches, with the promise of some schemes aiming towards the betterment of general economic conditions prevailing in the country. It is very much to be regretted that we have been disappointed in this expectation of ours, of which the chief reason might be lying in the fact that since this is the last year of his term of office, he might not have considered it proper to announce a policy which his successor would have to carry out. I think he will be in no hurry to sever his connection with India so soon and I hope that he will be given a substantial extension to work out his policy which he has in his heart at this moment. As the majority of this House is in favour of this extension, I expect that the Chair will convey the wishes of the House to His Excellency the Viceroy for the attainment of that object.

Now, Sir, let us turn to the actual Budget and see in what way and to what extent the Honourable the Finance Member has succeeded in his attempt to balance the country's Budget and bring about a surplus of 41·61 lakhs of rupees in it, consistent with his promise of doing away with the emergency measures that he adopted, *vide* his supplementary Finance Bill of September, 1931. In the very first paragraph of his speech made while presenting the Budget in question, the Honourable the Finance Member appears satisfied with the state of public finances in India and puts forward the claim that the emergency plan which he introduced in September, 1931 "has worked"; with regard to this I venture to say that this claim of his lacks a little bit of justification, for the success of any emergency plan can be only in the fact that the emergency for which it was designed to meet has ceased to exist and not that the emergency plan should continue to become a permanent one, except so far as half the cut on salaries of public servants is concerned. Yet this is in effect what he actually proposes to do.

[Major Nawab Sir Mahomed Akbar Khan.]

The most important part of his emergency plan adopted in September, 1931 was the linking of the rupee to sterling, which was expected to end the fall in prices and at the same time bring about a rise in the rupee and sterling prices. It is to be very much regretted that this hope has not been fulfilled up till the present moment, for the Honourable the Finance Member himself admits in paragraph 5 of his Budget speech that :

“ the anticipated rise in rupee and sterling prices has not materialised ”.

The country was looking forward to some stimulus for export trade from the heavy depreciation of rupee in terms of gold brought about by its link with the sterling from September, 1931, but the export trade in our main staples has declined both in value and in quantity and the Honourable the Finance Member himself gives us a few statistics in paragraph 9 of his speech which clearly show how terribly the value of export had declined as compared with what it is accepted as the normal value of the post-war period. The situation in fact has become far more aggravated than during the period for which the rupee was linked with gold, for our balance of trade in merchandise has actually become worse since the operation of the emergency plan.

Sir, I have nothing but admiration for the Honourable the Finance Member for his rosy picture of our economical situation, in which he touches on some very important points on the credit side, but I am very sorry to point out that he has not condescended to lend sufficient colour to its heavy debt side. In the interesting memorandum prepared by Dr. Meek, it has been shown that the value of the principal agricultural crops in eight provinces of India has declined by over 47 per cent. since the 1st April, 1929. In other words, the income of culturable India has been reduced by nearly one-half in the year 1932 as compared with 1928-29. As an agriculturist myself I know fully well to what serious plight the grower of produce in India has been reduced. The condition of our main industries does not seem to be very much better in spite of heavy protective duties. No doubt it is a matter of evident satisfaction for the Honourable the Finance Member to make a reference to the rise of over 7 crores of rupees in the import of cotton piecegoods and yarns, but is it not in fact a case indicative of more intense competition of the foreign trades with the working textile industries, by far the largest industry in India ? The Railway Budget discloses a sorry tale of the diminution in traffic which only means diminution in internal trade. It is quite a good thing to take credit for full interest payment, although it has only been achieved by utilising the depreciation branch. The posts and telegraphs continue to work at a loss, and in the return of revenue from this source one can easily find the economic depression in all business activities. With such unmistakable evidence of a serious situation, Sir, it is difficult to derive comfort from the bright part of the picture which has so elaborately been prepared by my Honourable friend the Finance Member.

We may or may not have been so hard hit as some other countries as a result of the world depression but we have been constantly told that India as a mainly agricultural country should be one of the worst sufferers on account of the fall in prices. No doubt it ought to be the case to some extent and India ought to have its share of the effects of the uniform depression on the world's trade but will my friend the Honourable the Finance Member kindly explain as to what step has so far been taken to restore the prices of the agricultural produce in India. It is no use simply telling the people that since other people are suffering, the people of India should also suffer. What

is urgently required of him is to find ways and means to remove the cause of the distress and suffering. The Honourable Members know full well that the masses in India and particularly the agricultural classes were already living on a meagre margin of subsistence and that the present world depression has deprived them of that margin also. Honestly speaking, they are living on the verge of starvation and a large number of them are in a state of actual starvation. Under the circumstances it is highly imperative to explore some effective means to remove their miseries and distress. Some fresh markets ought to be found for the chief agricultural produce of India and thereby provide restoration of their prices which is the only way to bring relief to the poor and trodden agriculturists.

When such is the state of the country's economics, Sir, it is no use going on adding taxation on taxation. When the national income of the country has declined by over 47 per cent. since the year 1929, I fail to realise what useful purpose can be served by introducing fresh taxation and then seeking to make them permanent. This system of taxation, Sir, is bringing no relief to the general taxpayer. The broad fact that emerges from the figures presented to us in the present Budget is a glaring contrast between the heavy reduction in the national income and an increase in the tax receipts and a steady level of expenditure which has been continued practically undiminished since the year 1921. No prudent businessman or even a householder will ever think of maintaining a steady level of expenditure in the face of a heavy decline in income. It is not a question of 10 per cent., 20 per cent., or 25 per cent. cut in expenditure. What is needed is a heavy axe that will bring down the expenditure almost in the same ratio as the fall in national income. Apart from some business principle it is urgently required for the renewal of business activities which have been practically stifled under the heavy load of taxation since the war. It is necessary even from the constitutional point of view. In order to meet all these emergencies, may I ask my friend the Honourable the Finance Member if he has even considered the question of reducing the Government expenditure to the pre-war level, which is the only means to restore the equilibrium of peace and tranquillity in the country.

Political discontent, Sir, is largely due to this economic distress among the agricultural classes, and severe unemployment amongst the educated ones. I think it is time for the Government to put their house in order and find out some way to do away with the present system of heavy taxation if the country is to have a breathing space for political or economic recovery. I would like to invite the attention of the Honourable the Finance Member to the expenditure of the Government of India in the year 1911 or 1912, and ask him how was it that the Government in those days was carrying on its business quite efficiently. I do not think they would say that the country was absolutely defenceless in those days when the military expenditure stood at 29 crores of rupees instead of 50½ crores as provided in the present Budget. Cannot the Government of India's servants work as hard and as cheaply as they used to work in pre-war days? The general price level has gone even below the pre-war level. What is the harm then in reverting to the pre-war expenditure of the Government of India? Indeed, it is difficult to accept the general proposition that it is impossible for the Government to function with a number approximately equal to the strength of their services in 1911 or 1912, and at the rate of salaries sanctioned in those days. In my humble opinion it is a matter of special attention for the Government of India and especially at a time when that patient animal, the Indian taxpayer, is showing symptoms of collapse.

[Major Nawab Sir Mahomed Akbar Khan.]

Apart from this, Sir, there is one important item in the fresh proposals of taxation which calls for a very strong expression of disapproval of this House with its authoritative condemnation of the Royal Commission on Currency, and this is the question of stamp duty on cheques. In the imposition of this duty, I very much regret to find that the public sermons of Sir Basil Blackett for extension of the banking habit in India and the enthusiasm of the Honourable the Finance Member for the recommendation of the Central Banking Enquiry Committee, seem to have been conveniently forgotten for a paltry sum of 7 lakhs a year. I am afraid the imposition of this duty will undoubtedly discourage the cheque system in India, and it is therefore submitted that the sooner it is done away with the better for the banking concerns as well as those interested in the banking system.

With regard to the restoration of the 5 per cent. cut in the salaries of Government servants although the question has been fully debated in regard to the Resolution of my Honourable friend Mr. Hossain Imam I would confine myself to the remark that the Government has acted a little hastily in this matter for if the finances of the country were at all in a position to provide some margin of relief, it was the taxpayer that stood in need of sympathetic consideration at the hands of the authorities and not the public servant who has been given advantage of this relief at the sacrifice of the taxpayer. The first to take advantage of some increase or betterment in the country's finance ought to have been the taxpayer who has to give something out of his pocket to contribute towards its betterment and not the public servant who is simply to derive advantage of any such betterment at the sacrifice of the taxpayer. The cut in question was adopted along with 25 per cent. surcharge on income-tax. Is it in any way fair on the part of the authorities to provide reduction of the cut by one-half without any attempt to cancel or reduce the income-tax surcharges, although both the cut in salaries and surcharges were adopted at one and the same moment in order to bring some relief to the country's Budget? I hope in future the Government will see to their conjoint cancellation at the earliest and most opportune moment when the finances of the country permit them to do so.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT (Assam : Non-Muhammadan) : The Budget is expected to clarify the financial position but is often used to obscure it. You are confronted with a mass of figures from which it is not easy to draw conclusions. The Budget under discussion is no exception to the rule. I do not blame the Honourable the Finance Member. He has a part to play. What I take exception to is certain of his generalizations. He asks us to believe that the standard of living among the masses has not deteriorated in spite of the depression and points to the increased consumption of such commodities as piecegoods, salt and kerosene, as leading to that conclusion. What he does not tell us is whether the increase may not be explained by the enormous increase in the population during the decade for which he has quoted figures for comparison. An increase of 30 millions must make an enormous difference. The Honourable the Finance Member argues from figures, we argue from what we see in actual life and the picture is a gloomy one. It is a fact that millions of people do not know what it is to have a full meal, that depression is continually adding to their number, that what keeps them alive is that the enormous proportion of them are agriculturists who raise their own foodgrains. But the crops have gone so far down in price that they cannot have enough salt, enough kerosene, enough clothing even for existence. What you call the reserve strength of the

people is the uncanny fact that the masses in India can hang on to life with almost nothing to feed and clothe themselves with. Say what you like, the condition of the masses is steadily going from bad to worse and unless things take a decidedly better turn, the inevitable crash will come sooner than we would care to contemplate. I would invite the Honourable Sir George Schuster to visit a few typical villages instead of generalizing from figures. He will be disillusioned.

The burden of the Honourable the Finance Member's speech is that all our ills are chiefly due to world-wide depression, that is, to the fact that there is less buying and less selling in the world at the present moment. This may be so but what is more important for us to know is why the civilised nations of the world persist in the suicidal policy of restricting imports knowing full well that thereby their own export trade will be choked. Have they all forgotten their economics? On this point he throws no light. He regrets this unnatural feature of world economics but naively confesses that he himself has not been slow in imposing restrictive tariffs which, as a necessary consequence, have led to a contraction of India's exports so much so indeed that the balance of trade which has hitherto been favourable to India is now against her. His emergency plan has failed to restore equilibrium and there would have been a financial collapse but for the intervention of Providence in sending gold out of India. If he has been able to produce a balanced Budget it is due more to luck than to any policy of his own.

Circumstanced as we are, our salvation lies in retrenching expenditure to the furthest possible limit. If only our military expenditure could be brought down to the pre-war figure there would have been no necessity for any emergency measures. Considerable reductions in civil expenditure are also possible. There has indeed been some reduction under both heads but the gap between necessity and extravagance is yet too wide. Such reductions as have been made have not led to any loss of efficiency and I venture to think that further reductions will leave it unaffected.

It is extremely regrettable that no remission of taxation has been announced in spite of a surplus of 217 lakhs of rupees. No restoration of salary cuts is justifiable so long as the duties on salt, kerosene and piecegoods, which are necessities for the masses, continue to be levied. I must here again raise my protest against the continuance of the duty on salt which was imposed by the Finance Act of 1931 under pressure from certain merchants of Western India. It is a most iniquitous levy, discriminatory in its incidence and the Honourable the Finance Member by lending his support to it has laid himself open to the charge of partiality. I am afraid the policy of encouraging indigenous industry is being pushed beyond its legitimate limits. It raises the cost of living to the consumer without a corresponding benefit to the country as a whole. It must also be remembered that India is a country of vast proportions and there is such a thing as provincial patriotism.

On the threshold of far-reaching constitutional changes, the one problem that is uppermost in everybody's mind is the problem of finance. It is now realised that without adequate financial backing no constitution however excellent on paper will have any chance. I wish the realization had come at the proper time, so that the form of the constitution, its financial implications and our capacity to meet them could be discussed together. As it was, the concentration was almost wholly on the form of the constitution to the neglect of its financial aspects. The constitutional mould has set so far as the provinces are concerned. What is troubling them now is whether their resources will be sufficient to meet the demands of the new constitution. There

[Rai Bahadur Promode Chandra Dutt.]

is a scramble for gifts from the Centre and in the scramble the stronger provinces are gaining ground while the weaker ones are going under. One of the causes of this deplorable result is the fact that all the provinces were not given equal opportunities to influence the decisions of the Round Table Conference. So far as my province of Assam is concerned, its case was allowed to go by default. In the third Round Table Conference where alone anything concrete was achieved it was unrepresented. It was also unrepresented in the second Round Table Conference and its representation in the first Round Table Conference was confined to a single member. We waited in a deputation on the Honourable the Finance Member to seek financial relief but he regretted that he was unable to help us as the matter was then out of his hands being under discussion at the third Round Table Conference. In answer to certain questions I put in this House, the Honourable Sir Fazl-i-Husain was pleased to apprise me that although Assam was not represented there were no reason to fear that her interests would suffer as every delegate was there to consider the case of each and every province. The published proceedings of the third Round Table Conference, however, tell a different tale. Throughout the proceedings not a word appears to have been said by anybody on behalf of Assam. Special difficulties were recognised in the case of some provinces and reliefs promised to them. There was nobody to plead for Assam. I respectfully invite the Honourable Sir Fazl-i-Husain's attention to the report of the proceedings. I wonder if he does not feel uneasy in his conscience now for giving me hopes which have been so grievously disappointed. Every province was for itself and not unnaturally. If the Government of India had not anticipated it they betrayed a colossal ignorance of human nature. I know it for a fact that the Government of Assam did press for its representation on the third Round Table Conference. If nothing came of it it was because it is a tradition with the Government of India to ignore Assam and its Government. Will Assam be allowed an opportunity to discuss her fate with the Joint Select Committee? I know that His Excellency Sir Michael Keane is doing his very best to secure adequate financial help for Assam and I should be very much surprised if in his recent talks with the Viceroy he did not press for Assam's representation. There are people in Assam who know their case and how to put it. They would not deserve autonomy if they did not.

Assam has been described as the Cinderella of the provinces. No description of it could be more apt. There was something almost tragic in its creation and its subsequent history has been one of studied neglect on the part of the Central Government. I am afraid to most Honourable Members of this House Assam is nothing more than a mere name and to this fact rather than to any want of sympathy we perhaps owe the general lack of interest in its affairs.

The province was carved out of the Presidency of Bengal in 1874. On separation it was constituted a Chief Commissionership and remained as such except for a brief period of seven years until 1921 when it was raised to the status of a Governor's province. If the Government of India had done their duty by the province which on separation came under their management, it would have been one of the fairest provinces in India.

Up to the passing of the Government of India Act, 1919, there was no such thing as provincial revenue. All the revenues wherever collected belonged to the Government of India. Provincial Governments were mere agents and granted doles according to what the Government of India

thought or could be persuaded to think, to be their needs. As a territory immediately under the Government of India, Assam was in a peculiarly favourable position and if they cared to develop the province so as to bring it up to the level of the more progressive provinces, there was no obstacle in their way. As it was, they had no policy with regard to its future. Things were allowed to drift with the consequence that when the Reforms came in 1921 the province was found to be extremely ill-equipped.

In the whole of India, Assam is the only Governor's province without a University and a High Court or its less pretentious counterpart a Chief Court. For higher education and for administration of justice Assam has to depend on Bengal. Such dependence on outside help is hardly compatible with provincial autonomy.

Essentially an agricultural province, Assam has failed to develop an efficient agricultural service commensurate with her requirements. The progress of the co-operative movement has been similarly hampered by the inadequacy of the staff and the requisite financial assistance in pioneer work.

As regards communications on which the development of a hilly and sparsely populated province like Assam depends so much, Assam is equally backward. The total mileage of metalled roads is about 600 miles in a province comprising an area of 67,000 odd square miles. Expenditure on civil works per head of population is also the lowest in Assam.

Assam has great potential wealth in her magnificent forests but there is probably no province in India where there are so few forest roads. Many forests in the Central Provinces and Bihar and Orissa have more roads in a single district than there are in all the Assam forests taken together.

In medical and public health, the expenditure in Assam is very low and compares unfavourably with the other provinces; and this in spite of the fact that she maintains a special organisation for a campaign against kala-azar which is a special scourge in the province. The average area served by a dispensary in Assam is 215 square miles as against 71 square miles in the neighbouring province of Bengal. There is not a single hospital for women and children in Assam and in spite of the fact that the incidence of leprosy is the highest in Assam, being 216 per 100,000 of the population there is no leper asylum or leper clinic worth the name. It should also be noted that owing to the existence of extensive forests and swamps and high temperature and heavy rainfall, this province is apt to generate diseases of a virulent type and hence the problem of sanitation in Assam is in some respects more acute than in other provinces.

The picture will not be complete unless reference is made to some other features peculiar to Assam. The province is peculiarly subject to seismic disturbances. The earthquake of 1897 caused unparalleled loss of human life and property and involved the Government and the people in heavy outlay for recuperation. This was followed by another earthquake in 1918 severe enough, though not as severe as the earlier one. It also caused extensive damage. The third earthquake occurred in 1930 involving loss of considerable property. One unfortunate district is having a shock almost every other day, the last shock being counted as the 511th since 1930.

Devastating floods constitute another feature of Assam. In the year 1929 abnormal rainfall in the hills caused unprecedented floods in the Surma Valley and a very high flood in the Nowgong district. The damage done to crops and cattle was very great and the drain upon the Government purse

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proved very heavy. In 1930 also there were severe floods in the Assam Valley which submerged all the riverain *mouzas* and did considerable damage to crops over a large area. I am not purposely referring to earlier floods.

Assam has been saddled with a lot of backward tracts which cover nearly half the total area. These are inhabited by a number of backward tribes in different stages of civilization. They number several lakhs but are unable to pay for their needs. Revenues raised from the plains are applied to make up the deficit which amounts to Rs. 10,00,000 a year. Since 1929 we have paid nearly 120 lakhs on this score.

Assam being a frontier province, the Central Government maintains five battalions of Assam Rifles for the protection of its frontiers at a cost of Rs. 20 lakhs a year. Assam is made to pay a fifth of this cost. Under this head we have paid nearly half a crore of rupees since 1921.

I hope I have said enough to impress upon the Honourable Members that circumstances in Assam are so peculiar that she requires special treatment if she is at all to progress on modern lines. In any financial adjustment the peculiar difficulties of each province must be taken into account. As the Simon Commission remark :

"It costs more to run a province with a scattered population than one which is densely populated; more teachers and policemen must be maintained per head of population; the cost of roads and of medical and sanitary services must be higher per head. Again in provinces where salary and wage rates are high, the cost of a given service will be comparatively high. Physical facts also may determine the need for health or sanitary services. We should not therefore in any case expect to find anything like equality in the expenditure of various provinces either in proportion to the area served or to population".

The annual revenue of Assam is only 240 lakhs of rupees, the main sources of revenue being land revenue, excise, forests and stamps, all more or less inelastic. The Percy Committee has estimated that under the new constitution Assam in normal years will be faced with a deficit of 65 lakhs, which according to the Government of Assam, however, is an under-estimate. In arriving at this figure the Committee provided only for her present commitments besides the increased cost involved in the new constitution but took no account whatever of the peculiar difficulties against which she has had to contend. The third Round Table Conference makes special provisions for Bengal, Sind, Orissa, and the North-West Frontier Province but places Assam in the same category as the rest of the deficit provinces, that is to say, she is promised just enough to cover her deficit. I do not blame the Round Table Conference for their decision. The blame rests on the shoulders of those who selected the delegates. I make a final appeal to His Excellency the Viceroy in the name of fairness and justice to allow Assam an opportunity to represent her case before the Joint Select Committee. Representative Government is notoriously expensive. It is not going to be cheap for Assam. It is a cruel mockery to saddle her with an expensive constitution without providing adequate finance. If Bengal produces jute, Assam produces oil, which yields over a crore of rupees a year. The whole of it is appropriated by the Centre. In the shape of excise on petrol alone the Central Government takes away nearly 32 per cent. of the total collections made in the province. When other collections appropriated by the Centre are taken into account the percentage will be found to be much higher. You fleece Assam to the skin to feed the Centre. No financial arrangement will be considered satisfactory or just which does not take into account Assam's special circumstances and special needs. I hope I have not been crying in vain.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab : Muhammadan) : Sir, the Honourable Sir George Schuster must be congratulated on his splendid account of the financial position. Although substantial reduction in expenditure has been effected, and the Budget has been balanced, the economic blizzard that has raged throughout the world during the last three years has not yet come to an end. The terrible fall in prices of agricultural produce is telling very heavily on the zemindars. Thanks to the strenuous efforts made by the Governors of the Punjab and the United Provinces, the situation did not develop into a serious crisis, but it requires still greater efforts to restore to the agriculturists their former position of normal prosperity. Measures of three kinds are required to meet them. Firstly, Government should try to improve the purchasing power of the country by straining every nerve to raise the general level of prices of India's agricultural produce in international markets. Secondly, they should try by measures, both legislative and administrative, to rescue the vast majority of the rural population from the dead weight of indebtedness. Many Royal Commissions and other Committees have from time to time drawn the attention of the Government to the necessity of measures of this type, but so far no serious step has been taken to put those suggestions into practical shape. This reform is necessary even in the interests of the coming constitutional reforms. It should be pushed forward and completed as early as possible. Any such measures are bound to touch some interests which are likely to raise loud protests against them. The new Ministers under the constitutional machinery will generally be reluctant to have on their hands a fierce controversy of that type and it may be that they will be tempted to defer the question to a future date. Further, the Ministers in some of the provinces are bound to be shaky as no single party will have a dominant strength and the voice of the agriculturist, who is not well organised, is bound to be ignored by Ministers anxious to keep their posts. Thus, if this reform is not carried through before the advent of the new constitution, it is likely to be postponed indefinitely and the evil effects of the present conditions on the lives of the agriculturists will be prolonged and strengthened. The result will be widespread agrarian unrest which will militate against the success of the new reforms. Properly applied, the Ottawa principles should tend to alleviate the misfortunes of Indian zemindars, but this result can only be achieved if the Indian cultivator occupies a prominent place in the thoughts of those whose business it is to work out the Ottawa Agreement.

Sir, India's hide trade has suffered owing to the depression and it is desirable that the question of the remission of the export duty on hides should be considered in the interests of India's hide trade. Also I would urge the necessity of removing half the income-tax surcharge, because it tells heavily on our tradesmen. It is a matter of gratification that the loan position is so satisfactory, thanks to the skilful handling of the problem by the Finance Department. India's credit has risen and the position in this respect is very strong. But the condition of the peasantry and the rural population is going from bad to worse and requires the special attention of the Government of India. Sir, it would be a great loss to India if a man of Sir George Schuster's calibre is lost to us at this juncture. I hope it will be possible for Lord Willingdon to persuade him and to secure his services for another two years for the welfare of India.

THE HONOURABLE SIR EDWARD BENTHALL (Bengal Chamber of Commerce) : Sir, I listened to the speech of the Honourable Mr. Natesan this morning with great interest, because I always admire the deep sincerity with

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which he puts forward his views. Up to a point I was with him in his remarks on the army, but only up to a point, because I have not yet joined the Progressive Party. Like him or anybody else, I dislike paying taxes, whether for the army or for anything else, and I have great sympathy with him in his predicament, for it is a patent fact which nobody can deny that at the present level of prices the army budget is a burden on the taxpayer. But I do not think the Honourable Mr. Natesan was really quite fair in the figures which he quoted in support of his thesis. He quoted, if I remember aright, figures to show that the army budget was something over 30 per cent. of the total budget of this country, and he compared it with the budget of Great Britain and of certain of the Dominions. I think—I may be wrong—but I think he made a mistake which has been made many times before in comparing the army budget in this country with the budget of a unified constitution. If he adds the provincial budgets to the central budget he will I think find that the incidence is a great deal lower. Similarly, if he compares the position in Australia he will, as I think he himself admitted, agree that Australia is dependent for its defence not upon the army but upon the sea, upon the British Navy. Again, in Canada, Canada I believe has a convention with the United States whereby neither of them take steps to defend their long frontier. But I do not think that this House would like to depend solely upon a convention for the defence of the North-West Frontier.

Mr. Natesan asked me to confirm an item in the Retrenchment Committee's stay in Calcutta when he said that of 110 beds in one of the military hospitals in Calcutta only 17 were occupied at the time of the visit of the Committee. He asked me to corroborate that. I think the facts are correct, but it almost sounded to me as if Mr. Natesan was blaming the army for not having more sick men. Obviously there must be space for epidemics. Whether after inquiry the army found that in that particular case there were too many beds or not, I do not know, but I feel quite certain that the matter has had consideration. Again, on the army budget, he mentioned, I think I am quoting his figures, that before the war the army budget was some 20 millions and has now risen to 44 millions. I think he was referring to the Indian budget in sterling. But in comparing the Indian budget with pre-war figures it is necessary to bear several aspects in mind. First of all there is the item of war pensions, for which the exchequer had no charge before the war. I think the charge for pensions now is some 3½ crores, of which 1 crore is entirely due to war pensions, which I am sure this House would wish to meet. Then there is the Air Force. That is practically a new arm invented by the war and which the Indian Army must adopt like any other army. Then there is mechanization, an expensive item which has entered into the budgets of all armies since the war. Then, as this House knows, there was the great need, proved by the war, to bring the ancillary services up-to-date and to make good the deficiencies which were shown up in several campaigns. On this subject the Commander-in-Chief made a most impressive speech at the Simla session, and I recall that the House greeted his remarks with applause. Now, in saying this, I am not saying that the army budget is necessarily satisfactory. But I would remind the House that they have retrenched this year by some 70 lakhs of rupees and I myself am prepared to leave the question of retrenchment largely to the army themselves, for I know that they realize that retrenchment is not yet finished. Having served on the Army Retrenchment Committee I can bear witness to the splendid straightforward co-operation which the army has always shown towards the subject of retrenchment, and I am perfectly

certain that my colleagues on that Committee will bear witness to that fact also. I would therefore leave the matter to the army and the Government of India, and I would only request them to have one more look through the report of the Army Retrenchment Committee with a view to seeing whether some of the items which they have passed over could not yet lead to further retrenchment.

I would endorse briefly the compliments paid by the Honourable Mr. Miller and the Honourable Mr. Mehta to the Honourable Sir George Schuster and his Department. During the last year or two the Department must have gone through an extremely anxious time, how anxious probably few realize. The present comparatively satisfactory position is the result of their determined stand for the canons of sound finance. It is the Finance Member's job to balance the budget, and in spite of criticism, much of it legitimate, the House will agree I am sure that he has done it well. I would also like to congratulate the Honourable Mr. Taylor—I am sorry he is not here—for the very lucid and precise way in which he placed the Budget before this House.

Most of the points which I might have made have already been made by the Honourable Mr. Miller and by the Leader of the European Party in the other House. I will not repeat those arguments but will merely say that I am substantially in agreement. There is one point on which I would like to make a few remarks, and that is the stamp duty on cheques. When I first heard of this, I was inclined to oppose it on the ground that it was yet another charge on business and the business community are determined to oppose all further charges upon them, whether large or small; but on further reflection, the charge is a very small one—7 lakhs, I think, spread out among all the provinces. It is in fact so light that it is perhaps hardly worth collecting, especially from the point of view of a province like Bengal which has suffered a deficit of 2 crores owing to the iniquitous financial settlement. I do not, however, wish to oppose this, because every little will help the province and it is the opinion of the commercial bodies which I represent that this charge is not likely to affect the progress of banking.

Sir, as regards satisfaction with the Budget, I must confess to be more of a Natesan than a Basu. I should like to emphasise

4 P.M.

the Honourable Mr. Natesan's point that however satisfactory the Budget may be from the point of view of ability to strike a balance and to maintain the credit of India, it is a most unsatisfactory Budget from the point of industry and of the taxpayer. According to the Honourable the Finance Member's statement imports of the last year were about 150 crores of which 110 crores were paid for by exports and 40 crores by the export of gold. On these imports, taxpayers have paid at his figure 38 crores by way of customs duties, in addition to a further 10 crores by way of excise duties and export duties. Such a heavy burden of taxation on such a low turnover is obviously unendurable for long. Turning to income-tax, I pointed out the other day elsewhere that taxation of income in this country is in certain circumstances actually higher than in Great Britain where the taxpayer is popularly disposed to pay the highest direct taxation in the world. Government must therefore not be surprised at continuous and pressing objection to the heavy burden of income-tax in view of the fact that though a man has to work harder these days in business he inevitably earns less and the Government takes more from what he does earn. In the estimates for next year, the Honourable the Finance Member anticipates receiving some Rs. 50 lakhs more income-tax than he received last year due to the payment of taxation by the services. His budgetary officers doubtless know best, but coming from

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the province of Bengal where the three great industries, jute, tea and coals are all in the depths of depression with very little sign of any improvement, it is difficult to see where that income is to come from. In the memorandum accompanying the Budget it is pointed out that a decrease of over a crore in the revised estimate of revenue in the current Budget from income-tax occurs mainly in Bengal and Burma due to depressed conditions in those two provinces and this must represent a decrease of taxable income of not less than Rs. 6 crores. That is only a measure of Bengal's hardship and there are at present no signs of improvement. Only to day I heard of another firm dismissing 100 of its office staff, European and Indian.

I could multiply instances to show the burden which is being endured. Perhaps it will reinforce the argument put forward by the Honourable Sir Mahomed Akbar Khan if I say that in 1922-23, when the total external trade of India was Rs. 628 crores, the total tax revenue was Rs. 67·38 crores, whereas now, when the total export trade is down, according to the Honourable Finance Member's figures, to Rs. 260 crores, taxation has risen to Rs. 78·15 crores. Trade has more than halved, but the total taxes are increased by 15 per cent. The ratio of the total tax revenue to the foreign trade was then some 10 per cent. and today it works out at about 30 per cent., so that by this criterion the burden of taxation is trebled.

May I give one further instance to show the manner in which this process works. Government have the gravest difficulty in running their own commercial departments at a profit in spite of the fact that they have monopolies. In the Railway Budget they raided the Depreciation Fund. I am not saying that it was not justified, but merely that they have done it. The contribution of the Railways to the General revenues is a sort of super-tax, but when the Railways are unable to pay their contribution Government merely do without it; but when commerce cannot pay, Government does not remit, but they pile on the taxes. Railways themselves on the one hand put a surcharge on railway freights and on the other hand they pride themselves on having knocked down the price which they pay to the raiser of coal by some Rs. 30 lakhs. Such action is driving industries of the country to destruction and it is merely a question of time if this sort of thing goes on before the sources of taxation dry up. Government this year have been unable to lighten the burden of taxation on industry. That in itself is bad enough, but the Honourable the Finance Member at the end of his speech shattered our hopes when he refused to embark on any items of capital expenditure which might be calculated to improve the position. In paragraph 101 of his speech he expresses the hope that :

"low rates of interest will provide a stimulus for the revival of capital expenditure; and that is the only sound way by which an exit can be found from the present depression".

He goes on to add the :

"hope of an industrial revival which will soon make it possible to reduce taxation. There is no other sound remedy for the present disease".

But unfortunately the Honourable the Finance Member does not practise what he preaches. He goes on in subsequent paragraphs to say that the Government does not intend to spend any money itself on capital expenditure although they see before them the future which will be entirely relieved of the embarrassment of meeting early loan maturities and they also see a period of cheap money. Commercial opinion is not by any means so sure that the Railways are being kept "fairly well abreast" of present needs to meet a

revival of trade ; that is the Finance Member's expression " fairly well abreast ". At any rate we welcome his assurance given in the other House that this matter will have further investigation. The Honourable Mr. Miller has appealed for a constructive programme. I would also like to press for it, to press for it in a literal sense. I consider that if Government wish to help this country out of this morass, the only thing for them to do now now that their finances are better is to embark on a programme of reasoned capital expenditure. When money rates were high and dear in the past Government were quick enough, encouraged no doubt by public opinion, to embark on costly schemes which in times of low prices are apt to become a burden to them. Between 1923 and 1929 when money rates and prices were high, Government spent I think Rs. 213 crores on Railway capital expenditure. I admit that nobody objected very much to this. This year, when opposite factors are working, they have stopped all expenditure. To adopt a simile, in the days of plenty Government freely irrigate the land ; in the days of famine they destroy all hopes by turning off the water supply. I strongly recommend to the Government of India that what is wanted at the present moment to bring life to industry is to reverse their policy and to embark on a bold programme of far-sighted capital expenditure. It is being done in Great Britain : why not here ? (*An Honourable Member* : All over the world.) In several countries, I think. Let them reconsider an early beginning of such schemes as the Bombay-Karachi connection, the Calcutta Underground Railways, the Howrah Bridge and so forth. Now is the time when Government can admittedly raise funds at rates which they have not seen for very many years and when prices of materials are lower even than they were before the war in spite of the duty and other taxes which Government themselves add on to the value of goods. It will require high courage to embark on this but if Government wish to stimulate trade and to maintain its present level of expenditure, it is perhaps the only course which is likely to enable them to do so and will in the end prove an economy. Sir, if the Finance Member answers this question, I hope that he will not tell me to go where the Hudson's Bay Director was told to go.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadian) : Mr. President, Sir, I do not think I would be honest enough if I do not say a word of congratulation to the Honourable the Finance Member for the clever way in which he has manipulated the finances of this country and has presented us with a balanced Budget when all the countries in the world are found faced with high deficit budgets. At the same time, I should be equally ungenerous if I do not congratulate the people of this country on the way they have withstood the burden of taxation and have in fact taken full advantage of the better price of gold in the world. The policy of allowing unfettered export of gold has worked well so far, a policy which has guided India through a period of quite unexampled difficulty without disaster. But, Sir, may I ask him what will happen when all this hoarded gold will be used up ? We are, so to say, living on our capital and some day or other we shall have eaten up all the capital. Simply relying on India's gold will not do. The times are so uncertain and abnormal that to venture to lay down an inflexible and unchangeable policy, however infallible it may seem, is rather risky. India is a vast agricultural country and offers a great market for the world's produce too. While she exports raw material to foreign countries she imports them as finished articles at a much higher price. Why not encourage the growth of national industry ? India consumes a great amount of cotton piecegoods and the quantities imported have shown

[Mr. Satyendra Chandra Ghosh Maulik.]

a great advance in the yardage from April to December, 1932 by about 30 per cent. upon the same months in 1930 and about 70 per cent. upon 1931. It is admitted that following the depreciation of the yen, a heavy fall in the price of Japanese goods has added stimulus to the import trade. The imports from Japan has been 257 million yards by August, 1932 as against 135 millions in April to August, 1931, with an average value of 2·3 annas a yard against 2·6 annas in 1931. Even now, with the duty raised from 31½ to 50 per cwt. *ad valorem* on non-British goods it has been found impossible to compete with Japanese piecegoods. I presume, Sir, that the Tariff Board recommended a heavy duty on foreign cotton piecegoods but the Government have not as yet, so the rumour goes, thought fit to accept the recommendation. The acceptance of this recommendation would have brought some revenue to the State exchequer and would have directly stimulated the growth of that industry in India. At present the cotton piecegoods prepared in India cannot stand competition with cheap imported goods. When we cannot compete with such a country which exports her cotton piecegoods and dumps them on us, would it not have been proper for the Government to pass anti dumping legislation, as has been suggested by my Honourable friend Mr. Basu, and the facts and figures which have been quoted by my Honourable friend Mr. Mehta, also strengthens my argument to follow anti-dumping legislation. Such legislation, when brought forward, would mean a great benefit to the local mills and at the same time give a substantial amount as revenue.

Turning now, Sir, to the Ottawa pact, may I inquire what effect it has produced on our revenues? We were given to understand that it would help India a good deal. The jute of which we have 90 per cent. or more monopoly of the whole world and the duty on which would benefit India and we would realise a good revenue from the export of jute and such other merchandise. The oracle is silent on the monetary advantages which he expects of the Ottawa Agreement. From the trend of events during the past few months and from the Press reports we find from the Indian Trade Commissioner in London that India's trade with Great Britain has already shown every sign of further progress. We find from the papers that some of the merchant community feel a great relief in the fact and hope of a better financial gain from the Ottawa pact. May we not therefore think that the prospect in respect of this Agreement is more cheery and to feel confident of a greater surplus next year? It may be safely presumed that if the Finance Member had considered the gain from it there would have been no necessity of keeping on the 25 per cent. surcharge on income-tax and the Government would have been able to give relief to the people by way of reducing the taxation to a certain extent. Is it quite premature to presume that the gain would be quite of an appreciable character? The Finance Member has these up his sleeve and like a clever juggler would, I presume, instead of showing a surplus of half a crore next year would be able to show a much higher surplus figure. Whatever may have been the position of the Government in her loan operations and the reduction of a large amount of floating debt the people of the country have not been given any relief from the burden of taxation. The mournful tale of being crushed under heavy taxation is a long and agonising one. The agricultural indebtedness of the people has not been lessened in spite of agricultural adjustments. The taxation is there as before. Why then should the Government be so partial towards her own servants? Would it not have been more fit and proper to first reduce the poor man's burden before they gave any relief to their officers? The Government say that the extra amount necessary to restore the 5 per cent. cut is about Rs. 55½ lakhs. Look at the

number of assesseees with incomes below Rs. 2,000 only who would have enjoyed exemption from taxation had not the partial cut been restored. The total estimate of collection from these is according to Government calculations over Rs. 50 lakhs. These men ought to have got preference over the Government officials 5 per cent. restoration of pay. After all, when commodity prices have gone below the pre-war level and the cost of living index is much less than it was 18 years ago, people with fixed incomes would not be very hard hit. It is a matter of great sanctity of contract with the Government to restore the pay which prevents them to look to the masses whose distress gold has brought relief to India's tottering credit! But what about the assurance that the Government gave in September, 1931 when moving the extra taxation? Did they not hold out hopes that the surcharges on income-tax would not remain beyond the time it was absolutely necessary to keep?

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Mr. E. Miller.)

Could not the Government give relief to these by showing some amount of consideration by doing away with the income-tax on incomes less than Rs. 2,000?

Now, Sir, the Honourable the Finance Member has, I find, again resorted to stamp duty on cheques. This duty was done away with about five years ago. At the time when it was removed the argument was that it would encourage the cheque habit and would naturally make men more thrifty. Has this theory been exploded? Are not the people taking kindly to the cheque habit? We hear that it is reimposed on the distinct pressure from the Provincial Governments. May I ask the Honourable the Finance Member what would be the benefit the Provincial Governments would realise? Would it be a substantial sum? The cheque habit encourages thrift and keeping the money in the banks instead of keeping liquid cash would have helped the circulation of the money and would have benefited the bank to a greater extent. The relief to the provincial revenues will be meagre and will not be quite commensurate with the odium that the Government will bear.

The army side of the Budget, which I presume is the favourite preserve of the Government and a highly technical side, deserves some amount of criticism. We have been often told that the expenses in this branch cannot be reduced without damaging the efficiency of the fighting forces. Sir, may I enquire whether we are always to be ready to fight or to be well prepared for our defence? If it be the motto that "if you want to have peace, be prepared for war", then I have nothing to say. But, Sir, I may venture to point out that beyond a few skirmishes on the Frontier and maintenance of internal peace, the army have not much work to do. And for that, the existing strength of the army is a huge one. The cost of maintaining such a huge army is eating away a great amount of India's revenues. We were told that no retrenchment was possible in the army budget but in actuality we see that even there it has been found possible to retrench. My humble submission is that we can further retrench the expense on this side and bring it down to a more manageable limit. The prices of foodstuffs, the equipment and every thing have gone down and with the policy of Indianizing the army pressed forward with acceleration it would be found practicable to reduce the army budget and I hope our present Commander-in-Chief with his great sympathy for the Indianization scheme would not stand in the way of further reduction in the army budget. If we are honest about it we can always find means to do it.

[Mr. Satyendra Chandra Ghosh Maulik.]

In fine, Sir, looking at the Budget from its main points, we do not find it very much assuring. It is indeed a great effort to meet with the situation before us. The rosy picture ahead is absent and who knows that the calculations and expectations would not be falsified by the future trend of events. The world is in a whirlpool and the little beacon light which we see at a distance now may after all be an illusory one and we might be taken on to shoals and broken rocks ere the ship is towed home to a safe haven. I would therefore venture to put forward that a more substantial surplus should have been put forward ere we could indulge in disturbing the old arrangements arrived at 18 months ago.

This Budget, in respect of giving relief to the poor taxpayers is a hopeless one inasmuch as the same taxations are in existence and is therefore a disappointing one too.

*THE HONOURABLE SAYYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, before I make my own observations on the Budget, I should like to meet some of the arguments which have just been advanced in support of the military expenditure. It has been said that the military expenditure stands at its high figure because of the fact that there are some pensions to be paid which were not being paid before the war. I ask whether even before the war some pensions were not paid, and has not the period that has now elapsed after the cessation of the war resulted in causing some of those pensions to cease? Some of the pensioners would have died and the amount which used to be given to them would have now become available for the pensions which have accrued subsequently. Again, Sir, even if the amount of pension is somewhat bigger than what it was before the war, the catastrophic fall, the phenomenal fall, in commodity prices must have tended also to bring down the expenditure. I am therefore entirely at a loss to understand how the expenditure which stood at something like 20 crores and odd before the war has risen to something like 60 crores and odd, which was the figure only a few years ago? But, Sir, I shall not be fair if I do not express my thanks and the thanks of the whole country to His Excellency the Commander-in-Chief for what he has done to bring down the military budget. Sir, it is gratifying to find that the 2 crores of rupees which we expected last year would have to be restored to the military budget have not been added. Besides, there has been a further saving of nearly 54 lakhs in the military budget. To this extent, His Excellency the Commander-in-Chief has placed the country under great obligation. But, Sir, I would submit that there is still room for further reduction. The military expenditure is still far in excess of the requirements and the capacity of the people to bear the burden.

Sir, one of the ways by which this expenditure could be brought down would be by speeding up the process of Indianization. From the instances that have been quoted by my Honourable friend Mr. Natesan, it is patent how the military authorities are extremely tardy in making any progress in this direction. It is, therefore, highly necessary that His Excellency the Commander-in-Chief should keep himself wide awake and see that every possible effort is made to Indianize the army.

Now, Sir, as regards my view of the Budget, the Honourable the Finance Secretary rightly deserves the congratulations that have been offered to him. In presenting the Budget for the coming financial year in this House he displayed consummate skill and ability in trying to make the best of a very

* Speech not corrected by the Honourable Member.

bad bargain. Sir, despite several features in the Budget which are extremely disappointing from the point of view of the people, it cannot be denied that the Honourable Finance Member has achieved great results. Great credit is due to him for the great ability and marvellous courage and sagacity with which he has been piloting the ship of the country's finance through the troublous waters of severe trade depression and most unsatisfactory economic world conditions. If there are any defects in the Budget, Sir, they are due to the defect in the system, they are due to the weakness inherent in the financial policy of the Government of India. Sir, the tendency of this policy has always been to allow expenditure to grow out of all proportion to income. It is this tendency, Sir, which resulted in the increases that have been made in the burden of taxation which has now become almost oppressive. Sir, it is this tendency which has been the cause of large and frequent deficits, which is a normal feature of the Government of India budget. But luckily, and thanks to the efforts of the Honourable Finance Member, we are budgetting this year for a surplus however small. But, Sir, very little satisfaction can be derived from a surplus of the kind we are now having, when we know that it has resulted merely on account of the heavy taxation under which poor Indians are groaning. Sir, unless the financial policy of the Government of India undergoes a radical change and expenditure is kept well within the bounds of income, there does not seem to be any likelihood of salvation for the country, any stability of the financial position or any relief for the poor taxpayer. Nevertheless, Sir, as I have remarked, the Honourable Finance Member has achieved remarkable success in adjusting the financial position of the country. Not only has he succeeded in wiping out large deficits, but he has also secured a surplus for the coming financial year. The measures which he devised last year to meet the emergency have not only helped Government to pay their way but they have also provided a sum of 4 crores and odd for the purpose of reducing the public debt. The credit of the Government stands very high. Government securities have gone up appreciably. This is by no means a mean achievement. But I would submit that the regulating of the public finances is not the end-all and be-all of the State's concern. The economic condition of the people has also to be looked to. By the irony of things, while the credit of the Government stands so high, the economic condition of the people has touched the lowest possible depths. Right underneath the seemingly stately structure of public finance its very foundation, the economic condition of the people, is breaking down every moment. Therefore, if we do not want this beautiful structure to topple down, we must take immediate steps to strengthen the foundation.

(At this stage the Honourable the President resumed the Chair.)

As has been remarked by my Honourable friend Nawab Major Sir Akbar Khan, India is an agricultural country and no improvement could be effected either in the economic condition of the people or in the position of the public finances unless and until the lot of the agriculturist is improved. Sir, it is all very well to proclaim from the floor of this House or elsewhere that the financial position of the country is very sound and strong, but this gives no solace or comfort to the poor agriculturist who finds his own position weakening every day and his income diminishing steadily. Therefore, Sir, it is highly desirable that immediate steps should be taken to ameliorate the lot of the poor agriculturist. Now, Sir, the Honourable Finance Member derives satisfaction from the fact that the consumption of some of the necessities of life, namely, kerosene, salt and piecegoods, he finds to be somewhat in excess of the level for the last ten years. He at once jumps to the conclusion that there has been no lowering of the standard of living in the country. But he

[Saiyed Mohamed Padshah Sahib Bahadur.]

forgets the fact that during those ten years there has been a considerable addition to the population of the country, and the increase which he has noted in the consumption of those necessities of life is far short of the proportion of increase to the population of the country.

Sir, it is a pity that the improvement in the public finance has failed to bring any relief to the taxpayer in the country. The taxpayer, who is thought of first whenever any extra burden has got to be shouldered to ease the difficulty of a budgetary position, is invariably forgotten whenever any benefit is to be derived from an improvement in the finances of the country. Sir, it was essential that the Government should have seen their way to utilize a part of the surplus in mitigating some of the hardships of the taxpayer. It was highly necessary that they should have provided for the late taxable minimum to be restored. They should have restored the old level of Rs. 2,000 a year in place of the present level of Rs. 1,000 a year. Again, when just about a month back Government announced a 5 per cent. restoration in the cut, it was expected that the Budget which was presented at the end of last month would provide for some relief to the taxpayer. But in that too there was disappointment in store for the people. It was highly desirable, Sir, that along with this partial restoration of the cut in salaries provision should have been made at least to remove the surcharge on income-tax. India, Sir, is a very poor country. It has been ground down by a very oppressive burden of taxation. In the absence of the concessions that obtain in other countries, in the absence of the right of the assessee to carry over his losses to the next year, and in the absence also of the allowances made elsewhere for the maintenance of the assessee and his family, in the absence of all these concessions and the very stringent and strict way in which income-tax rules are applied, the present burden of taxation is pressing very hard upon the poor Indian. This is one of those factors which has contributed to the crushing down of industrial enterprises in the country; this is crushing down every form of activity which is calculated to develop the resources of the country. When I talk of industry, I should like, as has been done by most of my Honourable friends who have preceded me, the necessity of passing an anti-dumping legislation. After the powerful and persuasive speech that was made by my Honourable friend Mr. Mehta, I think it is hardly necessary for me to dilate on this. I would simply conclude my remarks on this aspect of the matter by asking Government to try and bring in anti-dumping legislation as early as possible.

Sir, just one word more and I have done. It is very distressing to find that the balance of trade is unfavourable. Sir, this is a very serious matter, in view of the fact that an unfavourable balance of trade is a necessary condition precedent to the inauguration of federation and self-government in the land. The Committee on Financial Safeguards which finished its work recently in London had stated as one of its conditions that the surplus of exports over imports should be well established before there could be any possibility of a reserve bank being successfully established in the country. Sir, as we are all aware, a reserve bank is a condition precedent to the inauguration of federation in the land. It is therefore highly necessary that every possible endeavour should be made to turn the balance in favour of the country.

Sir, I would conclude with the hope that has been expressed by most Honourable Members here—I hope that the Honourable the Finance Member may be persuaded to stay on after the expiry of his term of office and that His Excellency the Viceroy will be pleased to recommend to the Secretary of State

the desirability of extending the term so that during this very important period just before federation is inaugurated in the land the finances of the country may be well and ably handled by the Honourable the Finance Member. (Applause.)

THE HONOURABLE SIR GEORGE SCHUSTER (Finance Member): Sir, I thank you very much for giving me an opportunity to speak at this stage. I notice, if I may say so, with great satisfaction that there has been so much interest in this subject that many other Honourable Members still wish to speak and I trust that my speaking at this stage before the debate is finally concluded will not be regarded as a discourtesy. I have another engagement and I had not anticipated the debate extending beyond half past five.

Sir, I would like to say at the outset that I notice certain changes in this familiar scene, some of them desirable, some certainly the reverse. One important change, Sir, is that you now occupy a different seat to that which I have been accustomed to see you in. That you should occupy such an exalted position is, if I may say so, very desirable, but, Sir, that you should be absent from the discussion of the Budget and that we should no longer hear your illuminating discourses on the financial situation of the country is, if I may say so, extremely undesirable. I notice another change, and that is, that the House seems to have grouped itself now into Parties. I gather that from the seating arrangements. Whether that is desirable or undesirable I would not venture to express an opinion about.

Now, Sir, dealing with the speeches which have been made, I must say at the outset that I do very greatly appreciate the personal courtesy which has been extended to me by all speakers in the course of the debate. They naturally do not like a great deal of the Budget proposals, but I must say that they have without exception dealt with them fairly and phrased their remarks in such a way as to render them as acceptable as possible to myself. I am most grateful to them for the courtesy which they have shown. Now, Sir, I think it is fair to say when one sums up criticisms that have been made, when one analyses the causes on which they are based, that they really reveal dissatisfaction with the fate with which we are now afflicted rather than dissatisfaction with the particular way in which the Government is proposing to deal with that fate. We are—and here I am in exactly the same position as every Honourable Member of this House—suffering at present under most terrible difficulties. Naturally we do not like it and the only question which we have to ask ourselves is whether we are meeting those difficulties adequately and in a way which puts the least possible burden and distress upon this country. My Honourable friend, Diwan Bahadur Narayanaswami Chetti, voiced the general feeling of regret in the country that no hopes were held out in this Budget of a reduction of taxation. Sir, no one feels that regret more than I do, but in the circumstances it was impossible to hold out such hopes and I should have been deceiving the country and the Legislature if I had said anything which could be interpreted in a contrary way. My Honourable and gallant friend, Major Nawab Sir Mahomed Akbar Khan, advanced what was to me a new idea, that the success of an emergency measure must be tested by its having achieved a termination of the emergency. Sir, when the emergency is one beyond our control and when our measures are designed to produce financial equilibrium in the face of that emergency, surely their success is to be tested by whether they produce financial equilibrium? It is a little hard to ask us also to play the part of all-powerful Providence and terminate the emergency.

[Sir George Schuster.]

I think, Sir, those remarks which I have selected illustrate very clearly what is the general sense of everybody who has to reflect on this present situation. Now, what really is our position? I think we may say that we have successfully weathered the storm so far. In that success I am the first to admit that good fortune has played a considerable part and I would be the last to say that relying on that success the time had now come when we could relax our efforts and feel that we were past all our trouble. I think any Honourable Member who has studied what I said in the other House in introducing my Budget will have formed that conclusion on my own views of the situation. Now, Sir, I would like to say something about this weathering of the storm. In the first place, I wish most gratefully to acknowledge the support which I have had from the Legislature in pursuing a policy of sound finance. Sir, we have differences of opinion as regards details. Honourable Members sometimes have criticised some of our proposals for taxation. Some of them have thought that we could have got on with less taxation if we had tackled the problems of retrenchment more effectively, but I think it is fair to say that on one point there has been complete agreement and that is that our policy should be a policy of sound finance. And although the House has, as I have said, differed to some extent in detail with us nevertheless they have in the final end accepted our proposals. The country moreover has played up in a remarkable way and I quite agree with what has been said by several speakers that it is to that that we mainly owe the success which has been achieved so far.

Now, Sir, in the second place, as regards this weathering of the storm, I have tried myself to study what has been happening in the country and how it is that we have done so. And in my Budget speech I prepared a sort of analysis of the situation trying to call the attention of the Members of the Legislature and of the public that reads ones speeches to certain salient points in what has been happening during the last 15 months. Now, Sir, there has been some misunderstanding of my purpose in doing so and of my interpretation of those events. I was anxious to put an objective statement of the facts before the country and I felt myself that some of the points to which I called attention did present very interesting symptoms. But I do dissent from those Honourable Members who have read into what I said that I derive any particular satisfaction from those results or that I was trying to paint a rosy picture or was unduly optimistic. It is—and you cannot get away from it—it is a very remarkable fact that in the 12 months of 1932 the imports and local production of cotton piecegoods attained such a very high figure. It is a fact which deserves further study. The figure showed 118 per cent. of the average in the ten years 1920 to 1930. Now, I quite accept the point which has been made in debate that we must take also into account the growth in the population since the earlier period; but I would remind Honourable Members that that period which I took was the period from 1920 to 1930 and therefore one may assume that the average population over that period was the population as it was in 1925, the middle date, and therefore the increase in the population between 1925 and the beginning of 1932 was probably not very much more than 5 per cent. Therefore, the increase in the imports and local production of cotton piecegoods was very much larger than the increase in the population. There is an actual objective fact. What conclusions we are to draw from that requires further study. Now, I was very much interested in what my Honourable friend Mr. Mehta said about the present position of the cotton industry in this country. It is quite possible, if he is correct and if we are

now suffering in India from overproduction and the difficulty of disposing of goods, it is quite possible that in the 12 months of 1932 India for various reasons imported and herself manufactured more cotton piecegoods than the country could during that period properly absorb. If that is so, then we must anticipate some reduction both in the production and in the import of foreign goods in the course of the next 12 months. That is a very important matter to study and go into. It is quite possible—and indeed we ourselves have faced that possibility in our estimates—that we may get less revenue from the import of cotton piecegoods next year. Whether we have allowed less or more for that than will actually be necessary it is really impossible to say and I would remind the House of what I myself said in my Budget speech that accurate estimation is under present conditions absolutely impossible. The whole world is affected by such abnormal conditions that no one can look forward with certainty or such certainty as is normally possible—and put forward reliable estimates of revenue under the head of customs for 12 months ahead. That, Sir, is very important to remember and I would remind everyone who is considering what our policy ought to be in the present conditions of that uncertainty and therefore of the necessity of preserving as great a margin of security as we can. And that really leads me to the main point which I have to make and that is this. We may draw our own conclusions from what has been happening. We may view the export of gold with alarm or we may see in it a circumstance which has helped the country through a very difficult period and has not yet attained any dangerous dimensions. We may be optimistic as regards the future or see the blackest side of everything and think that the country is rapidly driving towards ruin and disaster. But I do believe, Sir, that, whatever view is taken, there can be very little doubt that as regards the practical action which is necessary at present, the practical budget proposals that I ought to have put before the country it would be really impossible to depart very far from what I actually have proposed. And I seem to draw from all the speeches which have been made both in this House and in the other that very definite conclusion that, however Honourable Members may criticise particular features or criticise my appreciation of the situation, there is general agreement that in the present circumstances we could not come before the country with proposals that differ very widely from those that we have made. I hope, Sir, that I am right in that conclusion. I hope, moreover, that those proposals will be adequate to meet whatever may develop in the

5 P.M.

future. But I want to make it very clear to the House that in taking that line we are not influenced by careless optimism. Our attitude is not one of thinking that we have overcome our difficulties or that we need not face further difficulties in the future. We have got to watch the situation very carefully. We have got to be prepared for whatever may come, and I believe that our preparations in the end will prove adequate. In that connection I fully agree, Sir, with something which was said by my Honourable friend from Bombay, Mr. Miller. When speaking on the present state of affairs he said that it seemed to be assumed that the present depression was an ordinary trade cycle and that therefore the process of recovery might soon come. I think it is necessary to recognise that the present economic emergency is not just merely an ordinary trade depression. It has been produced by a combination of circumstances for which there has been no parallel at least within our own memories, and it would be foolish to prophesy that it would follow the course of normal trade cycles and that there would be a complete recovery to such levels of prices and general activity as we had come to regard as normal after the war. I think we have got to consider our policy for the future with that sort of appreciation of the position.

[Sir George Schuster.]

That being our general view of what the state of affairs is, I might perhaps take a few points from the speeches which have been made which illustrate my general line that in the present circumstances we could not really do anything very different to what we are doing. My Honourable and gallant friend from the Frontier made one of his usually inspiring and vigorous speeches and he chose a very attractive motto for his remarks. The leading motive in what he said was, "Back to pre-war". Well, Sir, I wonder how many times I have gone to His Excellency the Commander-in-Chief and said, "We are at pre-war levels now as regards prices; you must get your military budget back to the pre-war level." There is no time tonight to take the House through all the reasons why it is impossible to get back to the pre-war level. Many of us would like to get back to pre-war levels in many ways. Even my Honourable friend may not find it in his personal affairs quite possible to get back to those younger days before the war. I wonder, for example, whether my Honourable friend can wear his pre-war uniforms. (Laughter.)

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: You must cut your coat according to your cloth.

THE HONOURABLE SIR GEORGE SCHUSTER: I quite agree, Sir, that one must cut one's coat according to one's cloth, but that does not enable one to wear one's pre-war clothes. (Laughter.)

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: I have worn my coat for a longer duration than that.

THE HONOURABLE SIR GEORGE SCHUSTER: My point is, I am sure my Honourable friend will recognise, that certain things have entirely changed since the war. We cannot go back on the past. My Honourable friend knows very well what the army organisation was before the war. He knows very well what the old "silladar" system was, how it was found unsuitable for operations in a great war and how really impossible it would be to revert to that system now. He probably knows as well as I do that the actual fighting troops—British troops—are 16,000 less than they were before the war. He knows the standard of organisation which it is necessary to maintain now, combined with the additional charges for war pensions, air force, etc., mentioned by my Honourable friend Sir Edward Benthall. He knows really what unavoidable charges have come upon the army. If we were to get back now to the pre-war army budget, it would be necessary to effect very substantial reductions in the troops. Possibly that may have to be faced, but I do not believe that my Honourable friend would welcome it very much. And that, Sir, is one practical illustration of the practical difficulties of dealing with the present situation.

Now, Sir, there is one speech which I would like to take as illustrating and having brought out in a very able way many of the points which have been made by other speakers. I refer to the speech of my Honourable friend from Calcutta, Sir Edward Benthall. He said amongst other things—and I mention the small points because it shows really how, in whatever way we look at it, we are brought on practically every point to the same conclusion—he said that Government must not be surprised at continuous objections being raised to the present level of the income-tax. Sir, Government are not at all surprised. He said that possibly our income-tax estimates were too high.

Again, I say, possibly he is correct. But in the circumstances what would he have me do? Would he have me reduce my income-tax estimates and put up the rates of income-tax? I think, Sir, that is not a suggestion which he would make. Then again, he analysed in a very striking way the figures for trade—the volume and value of trade—in comparison with tax revenue. Again, I entirely agree with his method of presenting the case and with the conclusions which he draws from that presentation. I would remind him of a statement very much on those lines which I myself made in dealing with the Indian situation in a speech which I made at the Ottawa Conference. We fully recognise that in relation to the present level of economic activity, the burden of taxation is terribly heavy.

Then, Sir, he compared the Government's position as regards its own commercial concerns with the position of private commercial concerns. I did not derive very much help from that comparison. But the conclusion to which my Honourable friend's argument led was that Government by their policy of heavy taxation was really not giving commercial activity a chance and was driving commercial enterprise to destruction. Well, Sir, I would in all seriousness ask my Honourable friend and every one else in this House who is interested in commercial enterprise to consider the argument which I developed in the last paragraphs of my speech in the other House. I know that income-tax is a heavy burden on industrial and commercial enterprise at present. But would those who make their living by industrial and commercial enterprise and who have to speak for the interests of all who are engaged in those pursuits, would they really welcome a policy of unsound finance on the part of Government? Would they really feel that if Government were to remit the burden of taxation and meet its expenditure by borrowing instead, following the example of many countries today, would they really feel that that was in the long run going to help their interests. Would they not rather protest that we were heading for that stage which I envisaged in my speech, the stage in which Government securities would decline, rates for interest would rise and in which in the long run it would be necessary for the Government to come in and impose still higher burdens in order to recover the ground which had been lost. Sir, I do not believe that an extra 5 per cent. on the income-tax is a burden, a handicap on trade and industry in any way comparable with the damage that Indian trade and enterprise might suffer if we followed the unsound course. Again, Sir, I do feel convinced that my Honourable friend would recognize that what the world is suffering from today, what his own business is suffering from today, is not the burden of taxation. If he could sell 100 per cent. of his 1928 level of jute products to America, if the American market was not wholly dead at the present moment I do not believe my Honourable friend would object to paying that extra 5 per cent. on his income-tax. And it is not the income-tax which is stopping him making his sales. It is the condition in which the whole of the world stands today.

Now, Sir, perhaps the most encouraging incident of this whole debate is that my Honourable friend, to whose speech I am now referring, was only able to make what sounded to me to be effective criticism of my position by completely misrepresenting that position. Sir, I refer to what he said as to the policy which I indicated in the field of capital expenditure. He complained that I did not practice what I preached and that, as indicated in my Budget speech, I showed that the Government were not contemplating anything in the way of capital expenditure. Now, Sir, I would like to read my Honourable friend what I actually did say. Having explained how we

[Sir George Schuster.]

hoped that conditions of cheap money would enable industries to undertake capital expenditure, I said :

" Let me say also a few words as to Government's own policy in these matters. We believe that the time is coming when our own position will be so strong that we can safely contemplate relaxing the restriction on capital expenditure which we have had to impose during the last few years. With the success of our conversion schemes we are gradually approaching a period when we shall be entirely relieved of the embarrassment of having to meet heavy loan maturities each year. Once that stage is attained we shall require to raise only a very small amount of money from the public each year in order to support quite a substantial programme of capital expenditure ".

Now, Sir, I think my Honourable friend knows from his acquaintance with me that I am usually rather cautious in my statements and I am very unwilling to promise more than I can perform or to create expectations which I do not think likely to be realized. I am sure he will also appreciate that it would be very unwise for the Government to hold out any optimistic hopes of what they can do at once in the way of capital expenditure, because he knows from his own experience of business what a long time it takes to get projects under weigh, even if all the plans are ready. Now, Sir, my Honourable friend was helpful in actually making some suggestions as to capital expenditure schemes on which we might embark. He advised us to embark upon " a bold programme of far-sighted capital expenditure ". Sir, what attractive words ! And how I envy the critic of Government who can get up and use phrases of that kind without having to find the means of putting them into execution ! I, too, Sir, would like to embark upon " a bold programme of far-sighted capital expenditure ", but I am not in control of the spending departments, and when I come to my Honourable colleagues and tell them that I am now prepared to consider a bold programme of far-sighted capital expenditure, I find very few schemes ready to take advantage of that opportunity. Sir, let me examine the very schemes that my Honourable friend mentioned. He mentioned, for example, the Howrah bridge. Now, Sir, my Honourable friend is very familiar with conditions in Calcutta and I should like to ask him whether there is now a cut and dried scheme for a new Howrah bridge, the technical details of which are settled to the satisfaction of every responsible adviser of the Government. If I told them, " Here you are ; you can have 2 or 3 crores for building the Howrah bridge, " are the Bengal Government in a position to call for tenders ? I think my Honourable friend knows the answer. They are not. They might be ready to call for tenders, say, next September, if they are able to find a solution to the very great technical difficulties which exist in the way of providing a satisfactory method of construction for the Howrah bridge. Then, again, my Honourable friend mentioned the Bombay-Sind connecting railway. Well, that was a project which a few years ago was on the list of those which might have to be undertaken in the course of the next few years. I think on all the *prima facie* grounds that is a project which ought to be undertaken. But before we can really embark upon that we require a new traffic survey of the area to be served. I think I am correct in stating that the railway authorities are making arrangements now to have that traffic survey carried out as quickly as possible, because it is already some weeks since I told them that on financial grounds I thought that work of that kind could be considered. Therefore that particular project is now being tackled and will be got on with as quickly as possible. Then there is another fruitful field of expenditure, and that is in the development of roads. There, as my Honourable friend knows, we propose at the earliest opportunity after

this session is over to take advantage of the survey which has now been made of the position and have a conference at which all the main interests will be represented, in which we can consider whether a bold programme of far-sighted capital expenditure on roads is feasible. Sir, if it is feasible, as far as money is concerned, I think the Government are now in a position to finance it. But it is necessary for us to be satisfied that in raising capital on which interest has to be paid we are going to increase either directly or indirectly, the economic productivity of the country, so that the capital expenditure may not become a deadweight on the country in the future. Unless we are satisfied on that, then, even though capital expenditure might bring an immediate benefit by way of giving employment, it will be a dangerous form of stimulant to give to the patient and in the long run he would be much worse for it.

Now, Sir, it is of course impossible—and I am sure the House will realise that—for me to deal with all the points that have been made in the various speeches. I can assure this House that I have listened with very great interest to the speeches that have been made and I can assure them that the point of view of the critics of Government is fully appreciated. We fully realise that the present burden of taxation is heavier than the country could be expected normally to bear. We fully realise that if the present emergency does not prove to be a temporary one we shall have to review the situation again and that, Sir, I think is all that I need say. I would only like to say in conclusion that I hope I am right, and indeed I feel that I am right, that the Indian Legislature, both the Lower and the Upper Houses, are behind the Government in their determination to pursue a policy of sound finance. (Applause.)

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What about export duty on gold, Sir?

***THE HONOURABLE MR. Y. RANGANAYAKALU NAIDU (Madras: Non-Muhammadan):** Mr. President, the Honourable the Finance Member in his Budget speech said in the concluding paragraph that while the world was floundering in the gravest trouble and distress, "India has reached a position in regard to her public finance which challenges comparison with that of any other country". This he said was achieved by "the strong reserve forces of the Indian people". But, Sir, there is a limit to the reserve forces of the Indian people. That limit, I am afraid, was reached last year. That the taxpayer gets no relief this year and that no definite promise is made as to when he will get the relief makes the financial picture look gloomy.

The Finance Member has been painting a glowing picture for the last two years of the capacity for resistance of the Indian people even though he has admitted the diminishing purchasing power without which they could not live up to the style to which they have hitherto been accustomed. I am afraid there is no justification whatever for that glowing account. India which lives in the villages and cottages is on the verge of something like a money famine. Even though the price of commodities has come down, the capacity to buy is reduced beyond description. People are on the verge of starvation. The golden ornaments of men, women and children are being sold to keep the wolf from the door. Where, where indeed is the capacity of the people for resistance. The poor agriculturists are selling their cattle and the farmers their farms—not necessarily for cash but to the creditors—and several people their houses. Never, Sir, never in the long annals of Indian history have people been face

* Speech not corrected by the Honourable Member.

[Mr. Y. Ranganayakalu Naidu.]

to face with the tragedy which is being daily enacted out in the villages. There is growing indebtedness and incapacity to redeem the debts. Even the silver and brass utensils are being sold to keep the pot boiling. How long, I ask, is this poverty and misery to continue? There is no silver lining vouchsafed by the Finance Member in the thick black clouds that have floated into the sky. Mud vessels and cheap aluminium are replacing the silver and brass vessels in almost every household in the villages. Even the natural tendency of the people to resign themselves to fate is reaching its limits—for sheer despair stares them in the face. We have little consolation indeed in the Finance Member's placid assurance that India's financial credit occupies a position beyond comparison in the world. What consolation is it to the people who find they have no means of existence while the costly administration continues to be as expensive as ever. It is necessary to bring down the expenses of administration in every manner and by every method in all the departments.

The Honourable the Finance Member spoke with gladness of the export of gold, but I wonder whether this is not a case for more sadness than gladness. The Finance Member was glad of the gold export because he maintained that it has resulted in the increase of imports. He congratulated India for releasing into the world "a commodity for which alone there is an undiminished market". And this commodity we are told is gold. By exporting India's gold our Finance Member tells us that India has increased the purchasing power of her customers. She has really purchased her imports with gold instead of purchasing them with the exports of her raw materials which are accumulating unsold and whose prices have become ridiculously low. By selling gold, the original holder of it has sold out his capital and has practically nothing to fall back upon. He has not exchanged gold for another form of investment as the Honourable the Finance Member appears to think. The large quantity of this gold comes from the necks of our women and children in the innumerable villages of India. If there has been an increase in the post office cash receipts, that does not necessarily argue that the people who have parted with gold have converted it into money. For aught we know, the post office cash receipts may be the investments of middlemen who may have been benefited in negotiating the sale of gold and golden ornaments. They may also be the income of the members of the services and servants of the Government who have to spend less as the price of foodstuffs and cloth and other things has come down.

The Honourable the Finance Member has not much to congratulate himself about our export trade especially as one of our —

THE HONOURABLE SAYYED MOHAMED PADSHAH SAHIB BAHADUR :
Sir, is there a quorum for the meeting to go on?

THE HONOURABLE THE PRESIDENT : Order, order.

THE HONOURABLE MR. Y. RANGANAYAKALU NAIDU—especially as one of our important items of export has been gold itself instead of the usual commodities. Gold should have been a basis of currency as a precious metal but in the case of India it has taken the place of a commodity! The Honourable the Finance Member has resisted the public appeal to place an embargo on gold, but may I ask why it did not occur to him to impose a substantial export tax on gold which would have proved beneficial as it would have been a large source of income to the State? Had he taxed the export

of gold, substantially, or even to a small extent, he could have given some relief to the taxpayers especially as gold has been exported to as large an extent as to cost 107 crores. If that tax had prevented the large outflow of gold, gold would have remained in the country. If on the contrary gold had flowed out, increased imports would have come as they have come and also increased revenue in the shape of the gold tax.

Sir, before I conclude I must say the high taxes are beyond India's ability to pay. Look at the insolvency cases whose number in the last two years has increased much more than in the previous years. The Finance Member should have attempted to bring down the taxes for the people are in unspeakable financial trouble. There are many who are not declared insolvents paying one anna and two annas in the rupee and postponing the evil day.

The agricultural population who are not able to pay *kist* are exposed to the hardships of having their cattle and chattels attached owing to the low price of commodities and inability to sell the foodstuffs locally and owing to the high freights preventing their transfer from place to place. Their circumstances are so bad that they cannot pay existing land revenue and badly need remissions. The landed properties of many people are pawned to the money-lenders and if this state of things continues for two years and if they are not able to pay *kist* as they will not be, the lands will go to the Government themselves. Therefore I appeal to the Honourable the Finance Member to show some real concessions and save the people from their misfortune.

Lastly, the services are too expensive for the country to maintain. However painful a pay cut may be, after all the men in the services have security of tenure which businessmen do not have when business suffers as it is suffering now. The services will have to prepare themselves for the day when there will be a general cut in their salaries suitable to the capacity of a poor country like India to pay. Those who are to enter service anew must be prepared for lower salaries. And the Government must enunciate a new policy and make a new declaration to meet the increasing impoverishment of the country.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Is there a quorum, Sir?

THE HONOURABLE THE PRESIDENT: There are already 16 Members here and the President is not bound to close the debate. It is a matter of his discretion.

THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER (Madras :— Non-Muhammadan): Mr. President, Sir, thanks for affording me an opportunity to say a few words on this occasion. I shall confine my speech to one or two points. The Honourable Finance Member has very thoroughly and ably explained in his Budget speech the position of our country. The special measures taken and policy adopted by Government for the past two years have been proved to be quite satisfactory and that the credit position is sound. He has further shown us that the country faced the economic depression quite well and the masses whose welfare the Government has always at heart have been able to face the situation wonderfully well. And the Honourable Finance Member agrees also that it may not be possible in the future that the people will be able to manage to keep their standard of living and if the present low prices continue, the problem will become serious. We are glad, Sir, that the Honourable Finance Member has correctly understood

[Mr. V. C. Vellingiri Gounder.]

the position. The price level appears to continue very low and the opinion of experts day by day and day by day circumstances we experience confirm the position. No, then, may we ask the Honourable the Finance Member, while he sees and feels so clearly about the future, is it not regrettable to find no where in his speech what should be the remedy and how we are to solve this admittedly serious problem? The land tax has already become a great burden on the *ryots* due to the lowering of prices of the produce for the past three years.

The export of gold which is the lifeblood of the country, the Honourable Finance Member says, has done immense good to tide over the present difficulties which the Government had to face to maintain their finances sound. May I invite the attention of the Honourable the Finance Member to the fact that the position among the middle classes and masses is that selling away their gold (ornaments) means, it is the last thing they can do to maintain their position in the case of the former, and, in the case of the latter, maintaining their soul and body together; so it has become an admitted fact that the country has come to such a position.

While this is so, may I ask the Honourable Finance Member is this a time to increase the burden of administration by restoring the salary cuts, continuing emergency taxes, adding new taxes and also searching ways of imposing more taxes? I must submit, Sir, the country is quite unable to bear the present taxation under the present conditions. But the Government is not only unable to reduce expenditure but want more money. May I ask the Honourable the Finance Member is he afraid to think, that the world would laugh at him, saying that this Budget is not a creditable or scientific one,—showing on one side that the credit position of Government is quite sound and great savings made under debt redemptions, arranging on the other side to go on borrowing for some object or other. These appear to be the common procedure of Government. This is what is generally felt by laymen like me and it is a puzzling thing to understand what this means.

It may be quite right to say, when making comparisons with other countries of the world, one country is far better in all matters, e.g., administration, finance, debt burden, etc. But this country is not like all other countries. There is complete difference between India and all other countries in many ways, e.g., manner of living, habits, feelings, outlook, etc. If we say that the masses of India are maintaining their position and standard of living, it is due to their methods of adaptability to the times by long inherited practice, but not, as the Honourable Finance Member observes, that they are maintaining their position through the accumulations reserved during the past best times. No doubt several departments of Government are created—what are called nation-building departments in the Central and Provincial Governments, but the doings of several of them when closely inquired into will be found to be that they are hardly worth preserving except it be for supporting a certain number of highly paid officials and wasting the ratepayers' money. Another thing is that these departments' work is to copy the methods of other countries and cause unnecessary failures and losses by experiments.

There is no denying the fact that Government does these things with good intentions for the benefit of the country, but the fact is that the Government machinery has become and is becoming more and more complicated; responsibility, co-ordination, and such things are going out of fashion. We have had any number of commissions, committees, boards,

tribunals and what not for several decades past to set right matters and inquire into details for better work, but I may not be far wrong if I say that the good that came out of them for the country is out of all proportion to the money spent upon them. The only important matter the country may note with satisfaction is that some attention was paid by Government to the creation of the Imperial Council of Agricultural Research. As a *ryot* I note with gratification that the Honourable the Finance Member has found it possible to give a supplementary grant of Rs. 5 lakhs to the Imperial Council of Agricultural Research in the current year, thus restoring the sum which was withheld in the Budget. The Council is one of the wholly beneficent activities of the Government of India and I am expressing the feelings of the agriculturists when I say that Sir George Schuster will continue to give the annual grant without intermission to the Council. This body, in the space of its three years' existence, has established itself in the confidence of the provinces and the public and unless it can rely on a regular annual grant its work must be impeded. Five lakhs is a small sum to allot for agricultural research in a country which is perhaps the greatest agricultural country in the world, and I hope that when normal times return, Government will double the grant. In this connection, as an agriculturist myself, I desire to emphasise the importance of providing subsidiary occupations for the *ryots*. It would be well if the Department of Industries could concentrate on this, as large-scale industries are able to look after themselves without the support of Government.

While I recognise the value of the service rendered to the Indian sugar industry by the Sugar Committee of the Imperial Council of Agricultural Research, I trust that the Committee will devise some method by which sugar, either brown or white, can be manufactured in villages on a small scale as a village industry.

There is another Committee, Sir,—what we call the Indian Central Cotton Committee. This is a Committee which gives some help to the cotton grower, which is one of the chief money crops of the country. While money is spent for improving the staple of this cotton in India to make it self-contained, it is discouraging to think that the import of cotton from other countries is increasing to an alarming extent. As the mills and factory owners are afraid of the Japanese dumping of cotton manufactures, as a *ryot* I should share the same feeling against the growing dumping of imported cotton.

In conclusion, I would only say that I would beg of the Government and appeal to the Honourable the Finance Member to use all his great influence to see that the country and its people do not go into despair by this unbearable economic depression being allowed to continue and devise some solution of this problem as early as possible.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Mr. President, if it is the convention of this Honourable House to congratulate the Honourable the Finance Member and his fellow workers in the Department on the presentation of the Budget, I, as a new comer and having worked in a limited sphere of a miniature Provincial Council, will not fall short in observing the etiquette of this Honourable House. Sir, I join in the chorus of congratulations that have been showered upon the Honourable Finance Member and I do so especially for two reasons—firstly, he has hit the mark of his forecast of 1931 and given us a couple of lakhs more than what he expected; and secondly, he has met with success in his conversion loan of over 33.31 crores at 4 per cent. and hence effected appreciable economies in the recurring interest charges.

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

The position of the Budget, from a layman's point of view as well as the angle of vision of a public man, is anything but satisfactory, and can be described in a nutshell "We are where we were." Nay, even it is worse in certain respects. And as we enter the labyrinth of financial jugglery I find it is nothing but an apologia for what ought to have been done but could not be done. Sir, I had also the privilege of hearing the reply of the Honourable Finance Member in which he stuck to the position he took in his Budget speech, i.e., the financial position of the Government is very sound. I will just draw the attention of the Honourable Members of this House to the budget estimates that have been presented to us. In the budget estimates for 1933-34 we are expected to have a closing balance of 52 lakhs in the total income and expenditure of about 125 crores. Sir, I just appeal to the Members of this House to pause for a moment and consider if this closing balance for the huge disbursement is satisfactory at all. And even this result has been achieved by adding fresh taxes to the already over-taxed country. So far as import duties on boots and shoes as well as on artificial silk are concerned, I have not much to quarrel with the Honourable the Finance Member, but the imposition of a duty on cheques is wholly unjustifiable and must be fought tooth and nail. The Honourable Member, while replying to the debate, was quite silent on this duty on cheques though it had been referred to by several Honourable Members. This will kill the system of payment by cheques in this country which has received a great impetus since 1927. Periodical changes are very inconvenient to the public and do not look graceful to the mighty Government as well. This measure, I find from the speech of the Honourable the Finance Member, is being introduced half-heartedly at the request of various Provincial Governments. I would just draw the attention of the Honourable Members of this House to the remarks in his Budget speech and show how half-heartedly he had put the case before the House. He says :

"The House will remember that the stamp duty on cheques was abolished with effect from the 1st July, 1927, on the recommendation of the Currency Commission of 1926. It was hoped that the abolition of the duty in India would lead to a wide adoption of cheques as a means of payment and thereby to a desirable encouragement of the banking habit. The actual results, however, have not been encouraging, and from enquiries made the Government of India believe that the remission of the duty *has not had much effect*. The report of the Indian Central Banking Enquiry Committee tends to confirm this belief as it found that the most serious obstacle to the growth of the cheque habit in the country was the illiteracy of the people. We therefore felt that we had no strong grounds on which to resist the demand which has been pressed upon by various Provincial Governments that the stamp duty should be reimposed in order to help their revenue, and we have accordingly somewhat *reluctantly agreed*—mark the words '*reluctantly agreed*'—to propose a reimposition of the duty for a limited period of three years".

Sir, the statement which I have just read out shows that the Government are backing the wrong horse. May I know if any enquiry was made from the banks? Was sufficient opportunity given to the public to have its say? Whatever may be the circumstances under which it is brought forth, I would urge with all the emphasis at my command to drop this duty on the eve of the introduction of the new reforms for which, I understand, the condition precedent is the formation of a reserve bank.

Sir, as we proceed further we find that a note of warning has been sounded for the sugar industry. As the Honourable Members of this House are aware, a protective import duty of Rs. 7-4-0 per cwt. has been levied on foreign sugar which was further helped by a surcharge of 25 per cent. It was the outcome of this duty *plus* surcharge that the Indian sugar mills could stand competition.

with Java and yet their number is raised to 56 only. With all this tariff wall Russia and Japan have begun to dump their sugar in our markets on account of the fall in their exchange and hence several representations have been made to further increase the duty. We were expecting that under the changed circumstances this surcharge will be made permanent with the duty by legislation when a bombshell has been thrown by the Honourable Finance Member over this infant industry. By this note of warning the capitalists may feel shy in further investments while India requires about 150 more mills working with a 400 ton capacity to make herself self-contained. During the present agricultural crisis sugarcane is the only paying crop and hence this recent development helps the agriculturists a little. Besides it also helps indirectly in filling the coffers of the State in better realization of land revenue and more consumption of canal water. Under the circumstances I most emphatically deprecate this untimely note of warning and urge the Government to convert the temporary surcharge into a permanent import duty.

Now, Sir, coming from a rural country and being an agriculturist myself I turned over the pages of the Budget to find out what relief has been given to my class of population. But my few hours' efforts resulted in vain as I could find none anywhere. India is an agricultural country and the main source of the State's income comes from agriculture. We are facing successive bad harvests and unforeseen calamities and now the power of resistance has come to the lowest pitch. It is now the duty of the State to devise ways and means to better their condition and find employment for the millions who do not even get one meal a day. On the other hand, what we find from the Budget is the continuance of all the duties imposed in the Finance Bill of 1931 as an emergency measure. Salt duty, increased inland postage rates and enhanced rates of income-tax and super-tax as well as taxes on even those who have a yearly income of Rs. 1,000. All these have been given a further lease of life for eleven months. Thus no heed has absolutely been paid to give relief to the poor and the middle class people, but the irresponsible and irresponsible Government was very much concerned with restoring the half cut in the salaries of its servants, the total effect of which on the Budget comes to a net loss of 55 lakhs, as if by this decreased income they had cut down any single item in their luxurious life against the ill-fed, semi-naked and starving millions of the country people. The salaries and emoluments of the heaven-born services in India have no parallel in any country of the world and still our benign Government's first measure of relief goes to them without considering the financial circumstances of the State and the local conditions. In support of this I just quote one sentence from the Honourable Finance Member's speech. He said :

"We have very carefully reviewed the economic conditions, and we have arrived at the definite conclusion that while we can take the risk of making some reduction, nevertheless an emergency continues sufficient to make it impossible to restore the whole of the cut".

Here, Sir, the Finance Member has accepted that the emergency continues, and with that acceptance he has restored half the cut without bringing this measure before both Houses for their approval.

Sir, I quite appreciate the remarks of the Honourable Finance Member when he says that military expenditure has been brought down from 55.10 crores in 1929-30 to 46.20 in 1933-34. But may I humbly put a question as to what was the expenditure in 1914, that is, before the Great War? Now, Sir, this question was raised by several speakers in this House and the Honourable Finance Member was kind enough to put his views before us.

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

He says that the pre-war level is impossible because of the changes which have been made during the course of the late war. I quite agree with him in that, but may I put another question to him? Although we have the advantage of the experience of the Great War, for instance, we have an Air Force and Auxiliary Forces, but through these very changes and additions it became necessary and easy to decrease the regular army. By that means we could make more savings. Then, Sir, I join issue with him when he says that it is difficult to bring down expenses to the pre-war level. May I ask him why does he not withdraw the Lee Commission's concessions, and why is he not prepared to make further cuts in salaries? I would suggest a graduated scale. For instance, servants getting salaries from Rs. 100 to Rs. 500 should have a cut of 5 per cent.; those drawing Rs. 500 to Rs. 1,000 should have a cut of 10 per cent.; for those drawing Rs. 1,000 to Rs. 5,000 there should be a cut of 15 per cent. and for those with larger salaries, 20 per cent. Sir, in considering the present situation and economic crisis it is but right that the servants of the State who are drawing high salaries should also suffer with the country in general. Sir, may I ask what the future likelihood and necessity of keeping such a huge army are when so many modern methods of warfare have been devised? There is a general cry of disarmament all the world over but poor helpless India must pay at the expense of dying millions for the maintenance of a huge army. I consider this item as a white elephant and unless the military budget is reduced by another 30 per cent. by rapid Indianization and disarmament, I shall submit that there can be no relief to the taxpayers or the starving population of this country.

Sir, I was much amused to find one remark in the speech of the Honourable Finance Member when he held out hopes to the Provincial Governments which have a deficit budget. To my mind the best relief that can be given to them will be in the shape of making certain declarations and securing permission of the Secretary of State for India in abolishing the posts of Divisional Commissioners and Boards of Revenue and rapid Indianization of services in all departments. The local Legislatures stand in a peculiar position at present and whenever economy measures like these are pressed in them, the Local Government shelters under the Government of India. This anomaly is to be soon removed and the local Legislatures should be given absolute powers to deal with these matters. This will be a substantial help without spending anything from the exchequer of the Indian Government.

With these observations, Sir, and as it has become very late, I may crave the indulgence of the House through you, Sir, before resuming my seat for what I have said on the Budget, but I would assure the Honourable Finance Member that the tongue has faithfully depicted what the heart has felt.

THE HONOURABLE MR HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, rising at the tail end of the debate, I promise to be short, but I do not promise to be sweet. I am rather surprised to find the Treasury Benches so unoccupied that only two Members out of the phalanx of the nominated officials are present today in this House.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member) : Better look behind and see how many are behind you.

THE HONOURABLE MR. HOSSAIN IMAM : Out of 45, we have a better proportion than you have got on the Treasury Benches.

First of all, Sir, I find that in the general congratulations that have been showered on the Honourable the Finance Member, the services of our colleague have not been sufficiently appreciated. I have been in this House for two years and one month and in this short period it has been my experience to hear four budgets presented, and as the vagaries of the time would have it they were presented by four different Secretaries, and Mr. Taylor has come in at the tail end. We have had his exposition, in a very lucid and clear manner; and I may say that we were agreeably surprised to find not only that we have been able to balance our Budget but to have something as a surplus in the next year. The Finance Department has also presented us with an additional book of details of those demands which are not voted upon by the Legislature. This is a new improvement and I welcome it and thank the Finance Department for this. I wish the military department too would copy that example and give us more details of the military engineering services than the meagre figure that we find at the present moment in the military estimates.

Sir, the Finance Member has spoken thrice, once in the Assembly—of which we have got a copy—next time again in the Assembly at the conclusion of the debate, and the third time today during the course of the Budget Discussion. What surprised me most was that he accused us of not being willing to give him credit for what he has done, and that although we criticise him we do not disagree with him. Both these facts are to a great extent not justified by events. No one has said—none of the non-officials either in this House or in the other place or in the country has advocated—that we do not wish to have sound finance. The difference lies in this, whether sound finance only means that the income of the Government should be kept at the present level and the expenditure should also continue at the same level. Our demand is that India is not able to pay the enormous amount of money that is now demanded and therefore the expenses must come down. The only difference between us and him is that he thinks that as far as taxation is concerned, this is a time of emergency and therefore these measures of a stop-gap kind can bridge the way; while we think that the stage has come, not for one year, or for two years, but for some time to stay; and the sooner the Finance Department realise that they are in for a time of depression, a continuous time of depression and this is not an emergency but it is turning out to be the normal condition of things, the sooner they will be able to equip themselves to fight.

Sir, I find a very welcome change in the attitude of our friends, the European non-officials. I may say, Sir, that there was a time when anything sponsored by the European community was accepted by the Finance Department. Now their successive suggestions have been turned down. I have been reading the papers and I remember that in Calcutta while the Finance Member was there the European Association and our colleague Sir Edward Benthall suggested to him an export tax on gold. That was turned down. Our colleague Mr. Miller suggested during the discussion of the Railway Budget the stoppage of the annual increments. That was also turned down. Now, we find that non-officials, be they white or be they brown, they all stand together and they must either swim or sink together; and the sooner Europeans realise that they have got to side with us, non-official Indians, the better and more secure their position will be. The good will of Indians would be a better guarantee than all the safeguards that could be provided by the Round Table Conference, for the latter would not enable them to know whether they will be able to carry on till the end of time or not.

[Mr. Hossain Imam.]

Sir, the crucial point in the Finance Member's structure has been his justification for the removal of half the cut and for allowing gold export to continue and for giving no relief to the taxpayer. He took some pride in the fact that India's Budget has been balanced with a surplus in a year in which most of the countries have ended or are going to end with a deficit. If the Finance Member had been present now, I would have given him long odds, but I am doubtful if he would accept them. I find no country in the world where the tax income has been increased within the short period of two years by 50 per cent. as the tax income of the Government of India has been increased. The first increase was approximately 20 per cent. by the first Finance Bill of 1931; we were promised 14 crores of taxation, 9·8 crores from customs and 5 crores from income-tax; 14 crores of taxation was added to the tax income which stood, on the previous year's basis, at 68 crores. That comes to nearly 20 per cent. By the second Finance Bill an additional 25 per cent. was imposed on enhanced taxation, so that it comes to 50 per cent. increase in the tax revenue. No country in the world has been able to do this, not because the Finance Departments of the countries were not prepared to do this, but because Governments there were responsible to the people and they had not the same latitude which our Finance Department has got of having to reply and submit accounts to none.

One thing on which I feel very strongly is that, whatever has been done about the restoration of the cut cannot be undone, but it was at least open to the Finance Member to give us an undertaking that in the future the restoration of the cuts in salaries will not precede relief to the taxpayers. I am not concerned with the fact whether he promised in the beginning to give relief first to the salaried officials or to the taxpayers. My concern is that the united opinion of India, European and Indian, has condemned this with a rare unanimity. Even though this House did not pass my Resolution about the restoration of the cut, yet I found no one to support the restoration, the restoration of the 5 per cent., from the non-official Benches. The Honourable Mr. Taylor on that day said that it would be impossible for the Government to give any assurance in view of the fact that the Budget statement would make everything clear. When we look into the Budget statement, we find that no promise has been held out. He still sticks to his guns and is going to restore the cuts in salary first and foremost and if anything is left, of which the chances are very problematic, then perhaps some relief might be given to the income-tax payer or, as I fear, if his finances are further depleted, he might go in for a further addition in the income-tax burden because he finds that there the law of diminishing returns does not intervene.

Now, Sir, there is a basic point of difference between us and the Treasury Benches which it seems to me it is impossible to bridge. The Government of India has always stood on the assumption that the services have got certain rights which cannot be repudiated. Who says they can be repudiated? We have never said that. Our suggestion has always been that if I am not able to keep a post I can always abolish it and there is no charge if you abolish the post. Similarly as regards the services who have got contracts with us, as long as we keep them we have got to honour the contract, but if we were to abolish the post we would not be bound to keep them on. The services whose rates and interests are guaranteed by Acts of Parliament are very few. The total pay bill of the Government of India, central and provincial, and commercial and administrative, comes to the big figure of about 50 crores of rupees. What an infinitesimal portion of it is the pay of the services whose pay and emoluments are guaranteed by Parliament. If we cannot reduce the one, is that any reason why we cannot reduce the other. And I am not making

any novel or unprecedented suggestion. The Railway Board of the Government of India has already acted up to it. A number of lower grade highly paid servants were retrenched ; and reappointed on substantially lower scales of pay. If that can be done in the Railways there is no reason why in the Government of India too something of the same nature could not be done. Sir, the position of India is that at the moment it seems impossible to go on paying at this rate for any length of time, and unless we decide to end this regime and equip ourselves we will be face to face with the same situation which we had to face during 1930-31. We expected to close the year with a little surplus but the result was that we had a deficit of about 11 crores, because we did not take any steps in the meantime. In 1931-32 we were faced with a similar crisis and there we took the bull by the horns and during the Simla session Government introduced an emergency budget. But what was called an emergency budget is in my opinion becoming a permanent thing and equity demands, Sir, that the Government of India should now reduce its expenditure to manageable limits. I was unable to follow, Sir, why the Government has overstated the disbursement ; there is no explanation coming forward from the Government for the fact that expenditure has been debited which has not been incurred. Rs. 55 lakhs as the interest on war debts has been written down in the expenditure side but has not been paid. We have got a provision for the reduction of debts and if we were called upon at any time to make good the deferred payment we could have made it good from the sinking fund. But to make debit for an expenditure which has not been incurred seems rather extravagant. In that connection, Sir, I was rather surprised to find that as the rate of interest of War Loan has been reduced from 5 to 3½ per cent., the remission ought to have been 33 lakhs. But 110 lakhs, the figure at which it stood formerly, has been brought down to 87 lakhs only ; that is a difference of 23 lakhs only. Mr. Taylor will remember, I asked some questions on the subject and I was promised that I would get a reply during the Budget debate and I failed to find anything in the Budget speech about it.

In the second place, I should like to say a few words about the army—not that I am going to discuss it at any length, but I think we must broaden our view and instead of pressing His Excellency the Commander-in-Chief to reduce his demand we ought to concentrate now not on His Excellency the Commander-in-Chief but on the British Government. It is now a matter of policy more than a matter of day to day administration. Unless the policy is changed, unless the burden of capitation charges and other demands of the War Office are lifted up, unless the burden of pensions is shifted from our shoulders to somebody else's it is difficult really to reduce the Budget much further. As has been pointed out by our Finance Member any number of economies have been effected and expenditure has been brought down to a level below which I do not say it is impossible to go, but below which there is not much of a margin left to curtail. I therefore, Sir, suggest to the Government of India that they should now take up the matter and relieve non-officials from fighting it out with His Excellency the Commander-in-Chief, rather they should take up the battle with the British Government and try to get an equitable settlement of this question which has been hanging fire for the last ten years.

THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) : I have read the speech of the Honourable the Finance Member with mixed feelings. It is not possible to deal with a very careful survey of our present position : but there are a few points on which I should like to lay stress. The Honourable the Finance Member has given us no indication as to how he proposes to

[Sardar Buta Singh.]

stabilise prices in India and to stimulate trade. He has dwelt with some satisfaction at the outflow of gold from India, little realising that this is distress gold which has found its way to other countries and though it may have enabled the Finance Member to meet some of his external obligations he must realise that the flow cannot for ever continue and unless trade is developed he will find it difficult to meet our obligations outside India.

Another point to which I wish to draw his attention is that he has given little consideration to the recommendations of the Banking Enquiry Committee which he himself appointed. I need not repeat what has been said so often, that commodity prices in India have gone down and the debts contracted by the primary producer have remained and cannot be met unless certain adjustments are made. What does he propose to do to help millions of poor indebted agriculturists, the value of whose produce has been written down and no steps have been taken to adjust their obligations in the terms of new prices ?

The fall in commodity prices owing to juggling in money has reduced the resources of the agricultural population almost to a vanishing point. Money is no more the standard of values : it is all the time changing, and what I should like to draw the attention of the Government of India is that they should try to give us a stable money, so that we may have stable commodity prices. I would also like to impress on the Government the desirability of affording some relief to agriculturists by giving them some protection till agriculture is rehabilitated. In the matter of Railways we in the Punjab have no seaport to which we could have access, and the railway rates are so high that by sending wheat to Karachi and then shipping it by sea, there is greater gain than by sending it by railway. There is great need for having some kind of telescopic freight rates so that the Punjab wheat may find access to Calcutta and Bombay markets.

I must say that the Central Government is unique in one aspect that it keeps itself entirely free from recognising any obligation to the people of India so far as their economic condition is concerned. I have looked back for the past five years to find a single occasion on which the Government of India has pledged itself to organise, develop and increase the industries of the country and thereby improve the economic condition of the people. While all the other countries of the world at present are engaged in tackling this problem our Government at the Centre is entirely silent. It can plead that development rests with the provinces, but unless the Government of India assists the provinces in creating cheap credits and in giving them confidence nothing substantial can be done. Time has come when the Government of India should organise the Ministry of Development so that the deep and grave problem of poverty and unemployment can be tackled.

I will now conclude with only one word that unless the Government of India recognises its duty in this matter no constitutional advance will bring satisfaction to the people.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary) : Sir, as the Honourable Mr. Hossain Imam truly observed, I have come in at the tail end, and in that unfortunate position it is somewhat disconcerting to find the tail of this House wagging so vigorously. The Honourable the Finance Member, who unfortunately had to leave early, has reviewed the whole question so exhaustively that there is very little—I am sure you will be glad to hear—for me to add at this late hour. As regards sugar, there is really nothing to add to the note of caution which he sounded in his speech in the other House. As

regards cheques, I am afraid that our position is one of considerable difficulty. As the Honourable the Finance Member said, we are re-imposing the tax reluctantly. But, after all, every tax is imposed or re-imposed reluctantly. There is no tax which can be levied without discomfort to somebody ; we must always weigh the advantages and the disadvantages. In this particular case, the stamp duty on cheques was taken off as a result of the recommendations of the Hilton Young Commission. We were in a difficult position because, though the legislation was Central and had to be Central, the people who suffered were the Provincial Governments, particularly the two Provincial Governments which happen to be seriously in deficit, Bombay and Bengal. They have been pressing for the re-introduction of the tax and in the face of experience we could not refuse to admit that their contention was becoming increasingly justified year by year ; that is to say, that the remission of the tax was not having the advantages which we had expected from it. I was asked whether we had consulted banks and other bodies. I am afraid that we are not in a position to do so before introducing new taxes for obvious reasons. But the actual introduction of this tax has been deferred till July and the proposal has been put before both Houses and we will be open to hear criticism on it. On the other hand, I would point out that the matter is not entirely one-sided. Several bankers have complained that the abolition of the stamp duty has only had the effect of making people who operate on accounts draw cheques for far smaller sums than they would otherwise do and thereby increase the work of the banks. That was the criticism which I, in my position as Governor of the Imperial Bank of India, had put before me by the Imperial Bank itself. Not that they attached much importance to it, but it is an argument which comes in on the other side.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Did you receive representations from any other Bank also or only from the Imperial Bank ?

THE HONOURABLE MR. J. B. TAYLOR : I have said that we were not in a position to ask for representations. This is merely information which one collects in the ordinary way. When we are introducing fresh taxation, we obviously cannot consult people in advance as to whether we should impose it or not.

There was one point on which the Honourable Mr. Hossain Imam asked for information, and that was as regards the benefits, if any, which will accrue to India as a result of the War Loan conversion operations in England. I told him on a previous occasion that we hoped to be in a position to make some announcement at Budget time. Unfortunately, the settlement of the war debts with America, on which the whole question depends, has come no nearer completion, and in view of the position which has developed in the United States in the last week or two, I do not think that anybody in the world is in a position to make any announcement regarding what is likely to happen. We are, however, confident that the British Government will treat us generously and will pass on to us in time, though they are not able to make any pronouncement to that effect yet, a share of the benefits. Clearly they cannot go further until they know themselves how their vastly greater liabilities are going to be adjusted. We can only hope in the interests not only of ourselves but of the whole world that some early settlement will be found for this disastrous and dangerous dilemma into which the United States has landed not only itself but every other country in the world.

Finally, we come to the question of defence expenditure, which I know is a hardy and vigorous annual in this House. I think that here again there are

[Mr. J. B. Taylor.] `

two sides and I would like to put the other side before you. The Army Department, under His Excellency the Commander-in-Chief, are honestly doing their best. I too came to the Finance Department with the general impression which goes round that in some ways the army was expensively run in comparison with pre-war days, but on getting down to details and on realising the vastly more complicated problems and the vastly more expensive essentials of warfare under modern conditions, I can assure you that drastic retrenchment is not so simple a matter as it sounds. There has been much talk of disarmament but with precious little result so far, and with the recent outbreak of war between Japan and China which may lead to a secular warfare in the Far East, I do not think it wise to hurry ahead too fast or assume that retrenchment is an entirely one-sided question.

Finally, I would like again to emphasise what the Honourable the Finance Member has said. We have expressed our satisfaction with this Budget because we think that thereby we have honestly met a very difficult task. But when we say that India's budgetary position is sound, we are very far from implying that we consider that the economic condition of the country is satisfactory. We are doing the best we can. We have raised India's credit from the mud up to a level where it is only below that of England and the United States of America, a position which would have been absolutely incredible 18 months ago. In such circumstances it would be foolish for us to emphasise merely the economic distress of this country, a distress which is shared equally by every other country, and to put a worse picture before the world of India's position than we consider correct. At the same time, we do regret the high level of taxation, and we do realise that the position is becoming more ominous and that what we consider to be abnormal may quite possibly become the normal condition of affairs.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That is generally the case with the Government.

THE HONOURABLE MR. J. B. TAYLOR : Is it generally the case ? We have not generally to meet crises like this. It has been said that other countries have not seen fit to meet this crisis to the same extent because of their democratic forms of government. They have been frightened to impose the necessary taxation. There is one notable instance, the United States of America, the most advanced democratic country in the world, where they thought they could go on having a budget deficit of hundreds of millions of dollars because they were the most prosperous nation in the world. What is their position now ? Do you think that the people of America, with their principal Stock Exchanges closed, with the Congress in special session, with a banking moratorium and banks burst or going burst all over the country every day, would not prefer now to have had the protection of a balanced budget, even if it meant heavier taxation ? We must face facts as they are and I am convinced that by facing facts we are doing the best for India.

THE HONOURABLE THE PRESIDENT : That concludes the General Discussion of the Budget, Part II.

Now, with reference to the two Motions that were adopted this morning, I announce that nominations for the Standing Committee on Emigration and the Standing Committee for the Department of Education, Health and Lands will be received up to 11 A.M. on Wednesday, the 8th March, 1933.

The Council then adjourned till Eleven of the Clock on Monday, the 6th March, 1933.