

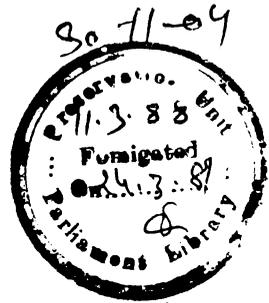
Monday, 7th March, 1932

**THE  
COUNCIL OF STATE DEBATES**

**VOLUME I, 1932**

*(25th February to 6th April, 1932)*

**THIRD SESSION  
OF THE  
THIRD COUNCIL OF STATE, 1932**



CALCUTTA : GOVERNMENT OF INDIA  
CENTRAL PUBLICATION BRANCH  
1932

# CONTENTS.

	PAGES.
<b>Thursday, 25th February, 1932—</b>	
Members Sworn . . . . .	1
Death of Sir Muhammad Shafi . . . . .	1—3
Questions and Answers . . . . .	3—16
Messages from His Excellency the Governor General . . . . .	16—17
Committee on Petitions . . . . .	17
Bills passed by the Legislative Assembly laid on the table . . . . .	17
Code of Civil Procedure (Amendment) Bill—Introduced . . . . .	18
Motion for the election of four non-official Members to the Standing Committee on Emigration—Adopted . . . . .	18
Motion for the election of three Members to the Standing Committee on Roads—Adopted . . . . .	18
Presentation of the Railway Budget . . . . .	19—26
Congratulations to recipients of Honours . . . . .	26
<b>Saturday, 27th February, 1932—</b>	
Questions and Answers . . . . .	27—33
General Discussion of the Railway Budget . . . . .	33—47
Elections to the Standing Committee on Emigration . . . . .	47
<b>Monday, 29th February, 1932—</b>	
Members Sworn . . . . .	49
Questions and Answers . . . . .	49—51
Indian Partnership Bill—Considered and passed . . . . .	52—60
Indian Companies (Supplementary Amendment) Bill—Considered and passed . . . . .	61
Employers and Workmen (Disputes) Repealing Bill—Considered and passed . . . . .	61—62
Wheat Import Duty (Extending) Bill—Considered and passed . . . . .	62—63
Indian Finance (Supplementary and Extending) Amendment Bill—Considered and passed . . . . .	63—64
Code of Civil Procedure (Amendment) Bill—Considered and passed . . . . .	64
Wire and Wire Nail Industry (Protection) Bill—Considered and passed . . . . .	65—67
<b>Tuesday, 1st March, 1932—</b>	
Questions and Answers . . . . .	69—76
Resolution <i>re</i> Immediate introduction of provincial autonomy—Negatived . . . . .	77—109
Resolution <i>re</i> Training of young scions of the houses of sardars, jahagirdars, inamdars, etc., for military service—Withdrawn . . . . .	110—114
Resolution <i>re</i> Decrees passed by courts for interest—Withdrawn . . . . .	115—119
Resolution <i>re</i> Repeal of the Child Marriage Restraint Act—Negatived . . . . .	119—124
<b>Wednesday, 2nd March, 1932—</b>	
Bamboo Paper Industry (Protection) Bill—Considered and passed . . . . .	125—130
Resolution <i>re</i> Hours of work in coal mines—Adopted . . . . .	131—132

	PAGES.
<b>Thursday, 3rd March, 1932—</b>	
Questions and Answers . . . . .	133—141
Resolution <i>re</i> Payment of gratuities to the families of Government servants who die before retirement—Withdrawn . . . . .	141—145
Resolution <i>re</i> Appointment of a committee to advise on legislation affecting the personal and customary law of the Hindus—Withdrawn . . . . .	145—150
Resolution <i>re</i> Education in the North-West Frontier Province and Baluchistan—Withdrawn . . . . .	151—154
<b>Monday, 7th March, 1932—</b>	
Questions and Answers . . . . .	155—156
Nominations for election to the Standing Committee for Roads . . . . .	156
Motion for the election of six non-official Members to the Central Advisory Council for Railways—Adopted . . . . .	156
Presentation of the General Budget for 1932-33 . . . . .	157—165
<b>Tuesday, 8th March, 1932—</b>	
Resolution <i>re</i> Purchase of all distress gold being exported to foreign countries—Negatived . . . . .	167—179
Resolution <i>re</i> Mural decorations by Indian artists to Government buildings at New Delhi and India House, London—Withdrawn . . . . .	179—192
Resolution <i>re</i> Separation of the Telugu districts of the Madras Presidency into a separate province—Withdrawn . . . . .	192—197
Statement of Business . . . . .	197
<b>Friday, 11th March, 1932—</b>	
General Discussion of the General Budget . . . . .	199—227
Public Suits Validation Bill—Introduced . . . . .	227
Date for the election of six Members to the Central Advisory Council for Railways . . . . .	227—228
<b>Monday, 14th March, 1932—</b>	
Statement <i>re</i> Draft Convention and Recommendations concerning the protection against accidents of workers employed in loading or unloading ships adopted by the International Labour Conference at its Twelfth Session held in 1929 . . . . .	229—230
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—Adopted . . . . .	230
Public Suits Validation Bill—Considered and passed . . . . .	230—231
Election of three Members to the Standing Committee for Roads . . . . .	231
Resolution <i>re</i> Levy of income-tax on all pensions and compassionate allowances paid outside India—Negatived . . . . .	231—236
Resolution <i>re</i> Levy of stamp duty on cheques drawn on banks and bankers in India—Withdrawn . . . . .	237—238
Statement of Business . . . . .	238
<b>Tuesday, 15th March, 1932—</b>	
Resolution <i>re</i> Procedure to be followed in dealing with the civil disobedience movement—Withdrawn . . . . .	239—266

	PAGES.
<b>Thursday, 17th March, 1932—</b>	
Indian Life Assurance Companies (Amendment) Bill—Introduced . . . . .	267
Resolution <i>re</i> Amendment of the Presidency Small Causes Courts Act—Withdrawn . . . . .	267—271
Election of two non-official Members to the Standing Committee for the Department of Education, Health and Lands . . . . .	271
Ballot for the election of six non-official Members to the Central Advisory Council for Railways . . . . .	271
<b>Thursday, 24th March, 1932—</b>	
Members Sworn . . . . .	273
Questions and Answers . . . . .	273—276
Bill passed by the Legislative Assembly laid on the table . . . . .	277
Statement (laid on the table) <i>re</i> Commercial Treaties and Notes affecting India . . . . .	277
Resolution <i>re</i> Amendment of the Resolution on Roads adopted by the Council on the 4th March, 1930—Adopted . . . . .	277—278
Resolution <i>re</i> Increased import duties on galvanized iron and steel pipes and sheets—Adopted . . . . .	278—280
Statement of Business . . . . .	280
<b>Wednesday, 30th March, 1932—</b>	
Member Sworn . . . . .	281
Death of Mr. K. V. Rangaswamy Aiyangar . . . . .	281—283
Salt Additional Import Duty (Extending) Bill—Considered and passed . . . . .	283—288
<b>Friday, 1st April, 1932—</b>	
Bill passed by the Legislative Assembly laid on the table . . . . .	289
<b>Monday, 4th April, 1932—</b>	
Bills passed by the Legislative Assembly laid on the table . . . . .	291
Bengal Criminal Law Amendment (Supplementary) Bill—Not concluded . . . . .	291—316
<b>Tuesday, 5th April, 1932—</b>	
Member Sworn . . . . .	317
Short Notice Questions and Answers . . . . .	317—318
Bills passed by the Legislative Assembly laid on the table . . . . .	318
Message from the Legislative Assembly . . . . .	318
Statement <i>re</i> Working of the Cape Town Agreement of 1927 . . . . .	318—329
Bengal Criminal Law Amendment (Supplementary) Bill—Considered and passed . . . . .	330—336
<b>Wednesday, 6th April, 1932—</b>	
Member Sworn . . . . .	337
Messages from the Legislative Assembly . . . . .	337
Foreign Relations Bill—Considered and passed . . . . .	337—340
Sugar Industry (Protection) Bill—Considered and passed . . . . .	341—351
Indian Air Force Bill—Considered and passed . . . . .	351—355
Indian Tariff (Wireless Broadcasting) Amendment Bill—Considered and passed . . . . .	355—357

# COUNCIL OF STATE.

*Monday, 7th March, 1932.*

---

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable Sir Philip Browne, Chairman, in the Chair.

---

## QUESTIONS AND ANSWERS.

### SHORT NOTICE QUESTIONS PUT DURING THE LIFETIME OF THE COUNCIL.

**76. THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM :** Will Government be pleased to state on how many occasions was the privilege of short notice questions taken advantage of by Members of this House since its constitution ? If so, will Government be pleased to specify the occasions ?

**THE HONOURABLE SIR BROJENDRA MITTER :** Statistics of short notice questions are not maintained and the number of such questions put during the lifetime of this Council could only be extracted by an exhaustive examination of the proceedings the result of which would not in the opinion of Government be commensurate in value with the labour involved. I should like to add that the proceedings are available to the Honourable Member.

### REPORT ON THE DEFENCE OF THE NORTH-WEST FRONTIER.

**77. THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM**  
(a) Do Government propose to lay on the table the report of Sir Evelyn Howell on the defence of the North-West Frontier ?

(b) If not, why not ?

(c) Have Government accepted the recommendations contained in the report ?

(d) What is the evaluated saving if the recommendations are adopted ?

**THE HONOURABLE SIR CHARLES WATSON :** (a) No, Sir.

(b) The recommendations made in the report are still under the consideration of the Government of India, and it contains a good deal of information, the publication of which would not be in the public interest.

(c) Some of the recommendations have been accepted ; others not. Some are still under consideration.

(d) I regret that it is not possible to give the figure for which the Honourable Member asks, since the calculations of the Committee were only tentative and were based upon a number of assumptions some of which have not been fulfilled. The amount of the savings accruing from measures adopted in accordance with recommendations which have been accepted is being worked out and a statement will be laid on the table in due course.

**FLOATING AND PERMANENT DEBTS OF THE GOVERNMENT OF INDIA ON 30TH SEPTEMBER, 1931 AND ON 24TH JANUARY, 1932.**

78. **THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM :**  
 (i) What kinds of debts of the Government of India are regarded as floating debts? Are Treasury Bills, Postal Certificates, Savings Bank Deposits, Ways and Means Advances, included in this list?

(ii) (a) Are the *ad hoc* securities of paper currency reserve regarded as debts? If so, are they regarded as permanent or floating debts?

(b) If they are not regarded as debts who is going to pay them back?

(iii) What was the total indebtedness of the Government of India on 30th September, 1931 and on 24th January, 1932?

**THE HONOURABLE MR. A. F. L. BRAYNE :** (i) The term "floating debt" is applied to borrowings of a purely temporary nature such as Treasury Bills and Ways and Means Advances with a currency of not more than 12 months. Post Office Cash Certificates and Savings Bank Deposits are classed as "Unfunded Debt."

(ii) (a) Yes, floating debt.

(b) Does not arise.

(iii) The Honourable Member is referred to the appendix dealing with the public debt in the Financial Secretary's memorandum which will be supplied to Members with the budget papers. The total indebtedness on the dates mentioned is not known.

**NOMINATIONS FOR ELECTION TO THE STANDING COMMITTEE FOR ROADS.**

**MR. CHAIRMAN :** I have to announce that the following Honourable Members have been nominated for election to the Standing Committee for Roads. The date on which the election will be held will be announced hereafter.

The Honourable Mr. Ernest Miller.

The Honourable Mr. Syed Abdul Hafeez.

The Honourable Mr. Mahmood Suhrawardy.

The Honourable Rai Bahadur Lala Ram Saran Das.

The Honourable Mr. Bijay Kumar Basu.

The Honourable Mr. Hormusji Maneckji Mehta.

The Honourable Mr. Jagadish Chandra Banerjee.

Three Members of these will be elected.

**MOTION FOR THE ELECTION OF SIX NON-OFFICIAL MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.**

**THE HONOURABLE MR. J. C. B. DRAKE (Commerce Secretary) :** Sir, I move :

"That this Council do proceed to elect, in such manner as may be approved by the Honourable the President, six non-official Members from the Council who shall be required to serve on the Central Advisory Council for Railways." -

The motion was adopted.

**MR. CHAIRMAN :** With reference to the motion which has just been adopted, I have to announce that nominations will be received up to 12 noon on Friday, the 11th March.

## PRESENTATION OF THE GENERAL BUDGET FOR 1932-33.

THE HONOURABLE MR. A. F. L. BRAYNE (Finance Secretary): Sir, I rise to present the statement of the estimated expenditure and revenue of the Governor General in Council for the year 1932-33 in respect of subjects other than Railways.

2. Five years ago it was my great privilege to present the first Budget to the House in this Chamber under very different circumstances from those which prevail to-day. Then we had a period of comparative prosperity behind us and the three previous years had shown substantial surpluses. In the budget of 1927-28 Government were therefore able to make proposals for the final abolition of the provincial contributions which stood in the way of provincial autonomy and development. To-day we live in a time when the whole world is suffering from a deep-seated economic malady, the symptoms of which are a catastrophic fall in prices, a deep depression in trade, and a general upheaval of all the old standards which make it difficult to forecast the financial prospects of the future. The year 1930-31 closed with a deficit of Rs. 11·58 crores, and for the current year we expect a deficit of Rs. 13·6 crores. This presents a gloomy picture which at the outset and in present conditions would seem to be of ill augury for the budget of 1932-33. Government have, however, expectations of considerable improvement from the full yield of new taxation, from substantial retrenchments in expenditure, and from a general amelioration in conditions of which signs are not wanting, and expect to realise a surplus next year of Rs. 2·15 crores. The means by which this result is secured will be found in detail in the various statements which will be placed in Honourable Members' hands, a study of which will, I hope, induce the conclusion that the Indian financial position can be justifiably regarded as sound and that when the economic crisis under which the whole world suffers begins to fade away, no country will be in a sounder position than India to move forward from strength to strength.

3. In the present statement I propose only to deal on broad lines with the position, avoiding too great detail and the mass of figures which must accompany any fuller account. This is but an introduction to a fuller study of the papers which Honourable Members will be able to undertake before the general discussion on Friday. There are no surprises in this budget for, as His Excellency the Governor General has already announced, it is not intended at the present stage to propose any extensions or modifications of the scheme for increasing revenue which was placed before the House some months ago, and this budget statement must lose some of the interest which usually attaches to it.

4. Before I deal with the revenue and expenditure of the current and ensuing years, I will instance some salient features of the situation which provide a clue to the whole financial position. Exports of merchandise for the first ten months of the current year amounted in value to about Rs. 135 crores as against 265 crores for 1929-30, while the value of imported merchandise has fallen from 201 to 105 crores. These startling figures indicate to what extent our present difficulties are due to world conditions. Exports of jute and jute products have fallen from Rs. 69 crores to Rs. 28½ crores, raw cotton from 51 to 20, while under imports cotton manufactures have fallen from 49·7 to 15·9 crores, and sugar from 13·8 to 4·9 crores. Despite all this, our favourable trade balance, including treasure, for the first ten months is Rs. 71 crores as compared with Rs. 43 crores for 1929-30. Herein lies the significance of the export of gold. As an indication of our higher rates of taxation I may state

[Mr. A. F. L. Brayne.]

that this year we have collected for ten months about Rs. 29 crores of import duty on Rs. 105 crores value of imports, as compared with Rs. 33 crores of duty on Rs. 201 crores of imports for 1929-30. A full report by the Director-General of Commercial Intelligence reviewing the trade statistics for 1931 is being circulated to Honourable Members.

5. It will be remembered that it was estimated in September last that on the then existing basis of taxation there would be deficits of over 19 crores in each of the years 1931-32 and 1932-33, and it was hoped that by new measures of retrenchment and taxation the deficit in the current year would be reduced to about Rs. 10 crores, and that for next year the full effect of these measures would produce a surplus of about Rs. 5½ crores. These were but rough estimates and our present position in the light of the most recent information is that we shall close this year with a deficit of Rs. 13·66 crores and that the surplus for next year will be Rs. 2·15 crores, a surplus, which I would emphasise, is based on severely reduced estimates of revenue and which provides a reasonable margin of safety. The net effect of the two years is a deficit of Rs. 11·5 crores, but I would remind the House that this is not so bad as it looks because for this year and next together we are providing no less than Rs. 13·7 crores from Revenue towards reduction or avoidance of debt, or 2·2 crores more than the total deficit for the two years. This provision is in no way recurrent expenditure and is a measure of specially conservative nature as practically the whole of the debt is covered by productive undertakings which themselves make adequate financial provision against depreciation. The real position is that as the net deficit of 11·5 crores for the two years is arrived at after providing 13·7 crores for reduction of debt, current receipts for the two years will actually exceed current expenditure by 2·2 crores, which may be regarded as a sound position if it is reached in these times of unexampled depression.

7. The increase in the deficit of the current year from the earlier estimate of 10 crores is mainly due to the fact that on the latest information the Customs estimates for the current year have to be reduced by 5 crores and the Income-tax estimates by 1 crore, but there is improvement of about 2½ crores under Finance heads mainly due to the improvement of the currency position, which leaves the net deterioration at about 3½ crores.

8. The total budget estimates for 1931-32 and 1932-33 are as follows :

	Revenue.	Expenditure.
Original—1931-32 . . . . .	134·87	134·86
Revised—1931-32 . . . . .	120·77	134·43
Budget—1932-33 . . . . .	129·96	127·81

As regards estimates of revenue for next year, the following are the main features :

*Customs.*—Under Customs the estimate for 1932-33 is 52·3 crores which is about 6 crores more than the revised estimate of the current year, as it takes into account the currency of the new taxation for a full year. It is, however, 4 crores less than the original estimate of the current year despite the additional duties, which shows that a large allowance is made for the depression in trade. Under this head the deterioration is most marked under sugar, silver, cotton piece-goods and liquors. In the case of sugar, whereas the average importation was 850,000 tons in recent years, the customs duty

for 1932-33 is calculated on an import of 500,000 tons only, a decrease due mainly to fall in purchasing power though increased Indian production may play some part. The estimated decrease in revenue from sugar is 216 lakhs next year as compared with the original estimate for 1931-32 on the basis of duties without the surcharge.

Silver is another important factor. In 1930-31 the duty collected was 233 lakhs on 111 million ounces imported but for next year the estimate is only Rs. 160 lakhs on 34 million ounces.

Under cotton piece-goods the customs receipts are expected to be Rs. 186 lakhs less next year than in the 1931-32 budget and under liquors the deterioration is expected to be 79 lakhs.

*Income-tax.*—The estimate for 1932-33 is only 18·7 crores compared with 17·3 for the current year although the increase in rates of income-tax and the new levy on incomes between Rs. 2,000 and 1,000 were expected to yield an additional 3½ crores. Thus, substantial allowance has been made for deterioration in general conditions of business in the current year. In this connection I may say that the whole subject of evasion of the tax has been reviewed and Government are feeling their way towards certain methods which it is hoped will have valuable results.

*Salt.*—Under Salt revenue an improvement of 238 lakhs as compared with the current budget is expected from the abolition of the credit system and the surcharge.

Under Commercial Departments, the estimated revenue for the current year was 393 lakhs ; for next year there will be a net loss of 19 lakhs. As Honourable Members are aware, no contribution from Railways is expected this year or next. Under Posts and Telegraphs, the loss on working in the next year after allowing for the full effect of retrenchment and increased charges, is expected to be about 16 lakhs. This does not take into account the effect of the recommendations of the Posts and Telegraphs Accounts Enquiry Committee which are under consideration, but any adjustments in accordance with those recommendations, while they might improve the results of the Department, would not affect the budgetary position as a whole. Under the head Currency and Mint an improvement of over 2½ crores is expected next year, which is mainly due to the anticipated increased profit on note circulation due to the expansion of currency against treasury bills: this merely represents a restoration of part of the reduction in currency profits which resulted from the much heavier contraction of the preceding two years.

9: I now come to the expenditure estimates for 1932-33, and here I enter upon the familiar ground of the retrenchment campaign which has yielded such very satisfactory results. At the outset I may perhaps be permitted to say that in my capacity as Retrenchment Officer I have been in close touch with the operations of the various Retrenchment Sub-Committees and had indeed the privilege of being Secretary to the Army Committee. I can thus testify to the extremely searching scrutiny to which the expenditure of the Government has been subjected by those Sub-Committees, the members of which have devoted weeks of intensive and exacting toil to their task. That task is not complete as Government are awaiting further reports from four of the six Sub-Committees. As I was attached to the Inchaape Committee throughout its enquiry nine years ago, I think I may say that the present campaign has been much more drastic and the scrutiny more severe than in the earlier enquiry, partly because the task was rendered more difficult as the field had already been gleaned once.

[Mr. A. F. L. Brayne.]

Nor should a tribute be omitted to the part which the Heads of Departments have played in carrying into effect the retrenchments recommended. It has been often a difficult and uncongenial task especially in those many cases where retrenchment has dealt a severe blow to activities of which they had just reason to be proud.

10. What then are the results achieved? In the supplementary budget the Finance Member estimated that retrenchment in civil expenditure including Posts and Telegraphs would produce a saving of Rs. 325 lakhs against which there would be terminal charges for compensation, etc., of about 75 lakhs—the net result being a reduction of 250 lakhs, while from cuts in pay of civil officers a saving of 115 lakhs was expected. The actual result is that the gross saving on the civil side is 345 lakhs on account of definite measures carried out in respect of the recommendations of the Sub-Committees; to this Government have added a further 88 lakhs from further miscellaneous reductions, making altogether a reduction of 433 lakhs against a sum total of 499 lakhs recommended by the four civil Sub-Committees (excluding Railways and Army). The percentage is 87 which I trust Honourable Members will regard as satisfactory.

11. Against this gross total of 433 lakhs must be set 33 lakhs for terminal charges of retrenched personnel, leaving 400 lakhs net compared with 250 lakhs assumed by the Finance Member in his supplementary budget. Temporary cuts in pay will yield 122½ lakhs compared with 115 lakhs assumed at the earlier stage. The gross total of retrenchments and cuts in pay on the civil side is thus 555 lakhs.

On the military side, in the supplementary budget a net reduction of 525 lakhs was assumed for next year including cuts in pay; this figure has been maintained in the estimates for 1932-33 and is composed of 228 lakhs out of 278 lakhs recommended by the retrenchment committee, 182 lakhs from other measures of retrenchment including postponement of the programme of re-equipment, and 140 lakhs from cuts in pay.

The sum total of reductions due to retrenchment and cuts in pay on the civil and military estimates thus amounts to just over 11 crores, of which 843 lakhs represents retrenchments and 262 lakhs cuts in pay.

12. Now in regard to the effect of retrenchments on the civil side, I must refer to certain items of expenditure which go to reduce the actual result as reflected in the budget estimate. In the first place, there is unavoidable expenditure of Rs. 35 lakhs on increments of pay to Government establishments—there is the sum of Rs. 33 lakhs to be paid out in terminal charges for retrenched personnel: these are unavoidable charges. But in addition to this there is certain expenditure which must be provided for and which is inevitable. This may be divided into two categories—

- (a) New expenditure, which is apparent only, inasmuch as it does not represent real fresh expenditure. Under this head I would mention provision of 22½ lakhs for the Nasik Printing Presses. This results from recommendations both of the General Purposes and Public Accounts Committees to the effect that the budget in future should show gross figures of expenditure and receipts instead of, as in this year, a net figure. This of course adds 22½ lakhs to the expenditure side which, however, is more than balanced by receipts. Again, the Central Government is taking over from

Bombay the direct administration of Aden, which means an addition of 5 lakhs to the expenditure side, but this is counter-balanced by 6½ lakhs additional revenue. The Delhi Capital account has been closed down with the result that expenditure now charged to capital will henceforth be charged to revenue. This adds 17 lakhs to the budgeted expenditure but is in no real sense a new item. Against this there are receipts of about 7 lakhs. There is also under this head an extra charge of 8½ lakhs for interest on the Posts and Telegraphs Department. Further, it has been necessary to provide Rs. 12½ lakhs for additional Income-tax staff in consequence of the doubling of the number of assesseses.

- (b) There is a second class of expenditure which represents unavoidable new outlay. Examples are—5½ lakhs for the Round Table Conference, 6 lakhs for the inauguration of the new province in the North-West Frontier, 3½ lakhs for the Delhi Conspiracy case.

All together under the first class the extra provision is about 89 lakhs and under the second head 29 lakhs—or a total of 118 lakhs. These items have been mentioned because the position becomes complicated when an attempt is made to trace the actual effect of the retrenchments on the budget figure. At this stage I would draw the attention of Honourable Members to the very full memoranda which have been supplied showing the results of the retrenchment operations in great detail. If any Member find any difficulty in understanding any point or any figures, I shall be only too glad to give all the help I can.

The effect of retrenchment on the establishments of Government is one which all of us must find distressing, but it indicates the extent of the retrenchment. In pursuance of the campaign the following appointments in the Civil departments including Posts and Telegraphs have been or will shortly come under reduction so far as information is at present collected—

Gazetted officers . . . . .	299	} a total of 7,063.
Ministerial and other superior establishment . . . . .	5,279	
Inferior establishment . . . . .	1,485	

The reductions in military establishment amount to nearly 16,000 men.

13. There is one important point in the budget this year which complicates the account to which I would draw the attention of the House. That is the change in the position of the North-West Frontier Province and its effect on the estimates. This is described in full in my memorandum, but briefly the position is that Rs. 66½ lakhs drop out of the receipt side of the budget, while 163½ lakhs disappear from the expenditure side. This is a net difference of 97½ lakhs which represents the deficit of the province; instead the Government have now provided for a subvention of one crore of rupees. The subvention is to be in operation for three years or until the new Constitution for India is established, whichever is earlier. There is, however, a complication which arises out of the fact that the new Council cannot come into being till later on in the month of April than was anticipated and that the revenue and expenditure will remain as central transactions for that period of delay. I would say a few words as regards the fixing of the subvention which has been a matter of some difficulty in the present abnormal times. The North-West Frontier Province Subjects Committee suggested a basic contribution of 117 lakhs but left it to Government to make adjustments in the revenue figures

[Mr. A. F. L. Brayne.]

for the present low prices, nor could they at the time anticipate the results of the retrenchment campaign. Government have since had that advantage and have considered the advance recommendations of the General Purposes Retrenchment Committee, and in consequence they have formulated a budget for the province on the same lines as they would have done had the administration remained with them, except that allowance had to be made for the extra cost of the administration. They have, however, made no provision for increasing the resources to provide for any programme of expansion, nor could they do so at a time when the rest of India is compelled to a policy of severe curtailment of its beneficent activities. But Government maintains that they have dealt fairly with the province in the circumstances and it is to be hoped that the Provincial Administration will be in a position to utilise its resources to a fuller extent than may have been done under a central administration.

14. I have already dealt briefly with the military estimates for next year, but it is necessary to explain the position further. The Army Department memorandum explains how the net decrease by  $5\frac{1}{2}$  crores to 46.65 crores has been arrived at. It is made up of 140 lakhs from cuts in pay and 310 lakhs from retrenchment, against which there is expenditure of 25 lakhs on certain unavoidable new items such as the Indian Sandhurst. Of the saving on cuts in pay only 17 lakhs can be regarded as permanent, the remainder is due to the cut of 10 per cent. which, as Honourable Members know, is a temporary measure. Out of the 310 lakhs of retrenchment, about 65 represents savings which are not strictly recurrent as they result from eating up of stocks and postponing building. In addition, one crore accrues from the postponement of the re-equipment programme. The Army authorities have throughout made it clear that they have only agreed to postpone their programme in order to meet the present national emergency and that the permanent cancellation could not be accepted consistently with maintaining the efficiency of the Army. His Excellency the Commander-in-Chief has given an assurance that he will not relax his efforts to secure further reductions in recurring expenditure both by pressing on with measures already accepted and by developing further lines which may present themselves, but he has made it clear that he does not see any hope of effecting economies from measures other than reduction of troops, which raises different issues, which would go near to make up the 123 lakhs which would result from restoring cuts in pay and the disappearance of 65 lakhs of other special savings. It has indeed only been possible to reach the reduced estimate for next year by reducing troops to effect a saving of Rs. 35 lakhs. Also there is the effect of the prices of food grains to be considered ; if these rise to anything like the 1929 level, an event desirable enough on general grounds, there must be an automatic increase in military expenditure. Therefore His Excellency desires it to be made clear that he cannot regard the budget figure of 46.65 crores as representing a new standard level and that the normal cost of the Forces at their present strength when the cut in pay is restored must be recognised to be about 48 crores even if the prevailing low prices for grain, etc., continue. I have thought it right to let Honourable Members know the conclusion which His Excellency has drawn from the facts of the present situation. Government will continue to press for every possible economy and the retrenchment campaign is not to be regarded as finally closed with the present achievements.

15. Before I leave the subject of the estimates of expenditure, I would like to draw attention to a table on page 2 of my general memorandum which

shows that whereas in the comparatively prosperous years from 1923 to 1928 the extent to which Government had to rely on tax revenue was only Rs. 68 crores, on the average, next year in a time of severe depression the call on tax revenue will amount to 77 crores. The reason for this pressure on tax revenue is not increased expenditure, for controllable expenditure has gone down in that period from 75 crores to 64 crores; the reason lies in the falling off of revenue from commercial departments, the finance heads and opium in which there is a reduction of nearly 11 crores next year compared with the average for the five years 1923—28. This is the real cause of deterioration to which must be added the abolition of provincial contributions which stood at Rs. 9 crores in 1923 and the increase in the provision for reduction or avoidance of debt from  $4\frac{1}{2}$  to 7 crores. A further point is that we are now meeting their full accrued liability in respect of Cash Certificates which means a further 2 crores. It is clear that the need for increasing tax revenue is not greatly increased expenditure but the heavy drop in the returns from the economic activities of Government and in the productivity of the country on which the revenue from taxation depends.

16. On the subject of Ways and Means I will not take up the attention of the House except to mention one or two salient features. In the current year the most important features have been the increase in provincial drawings by nearly 6 crores owing mostly to heavy deficits and loans to agriculturists to assist them to tide over the fall in prices or failure of crops. The other important feature was the addition of Rs. 35 crores to the resources as a result of expansion of currency against treasury bills. During 1930-31 and 1931-32 Government had to effect large contractions of the currency to avoid development of an inflationary position owing to the tremendous fall in world prices of all commodities. This process continued till September when the suspension of the Gold Standard produced a complete change in the situation. For various reasons a large demand for currency has arisen, which enabled Government to replace in the Paper Currency Reserve a large part of the Treasury Bills which had been cancelled during the previous two years and in this way to recover resources temporarily lost by the previous contraction: the net effect of contraction and expansion during the last three years has been to decrease resources by Rs.  $8\frac{1}{2}$  crores. Under loans, £10 million was raised in London in May 1931 but the 1932 loan was repaid from treasury balances—a net reduction of £5 million in sterling borrowing. The loan in India achieved nearly 17 crores against an estimate of 15 crores, and a satisfactory feature was the extent to which small investors took advantage of the loan in a time of depression. Another satisfactory feature is that the receipts this year from Post Office Cash Certificates are expected to amount to over 7 crores compared with the estimate of 4 crores. For next year the main feature is that it should not be necessary to raise any loans except for the purpose of meeting or converting maturing loan obligations. It is assumed that the 6 per cent. sterling bonds, 1932-33, which Government have the option to repay in June will be replaced by other sterling borrowing, but it may be possible to repay these bonds without borrowing in London if exchange continues strong. As regards rupee loans, it is expected to issue a loan of  $14\frac{1}{2}$  crores which is required to provide for the repayment of 6 per cent. 1932 bonds which fall due in October. If the recent improving tendency in the Government securities market continues, it should be possible to raise a larger loan in India on favourable terms, and in that case Government will probably take the opportunity to fund a part of the floating debt.

17. There are two questions which have engaged considerable attention during the year, the export of gold and the expansion of the currency.

[Mr. A. F. L. Frayne.]

As regards the first the House will have an opportunity of discussing the question and hearing the views of Government on the Resolution which my Honourable friend Rai Bahadur Jagdish Prasad proposes to move to-morrow and therefore I need not deal with the question now. As regards expansion of the currency, the criticism has been advanced that the recent expansion has not been justified by any rise in rupee prices and that the Government is in effect using the note printing press to meet its own requirements, thereby causing a dangerous inflationary position. Government were severely criticised before for contracting as they are now taken to task for expanding the currency. As to this charge the answer is simple that so long as the rupee exchange is pegged to something external either gold or sterling, currency cannot be expanded or contracted beyond the requirements of the public without the results becoming apparent in the exchange position. If Government expands currency to meet its own needs because its revenue is inadequate or its credit is bad, then exchange will weaken and collapse. The great improvement which has recently taken place both in credit and exchange is the best answer Government can give to its critics whose views are not shared by the money markets. To those who say that the recent rise in prices has not been sufficient to justify the extent of expansion of the currency, the only answer is that it has been absorbed and that there is no evidence in the Bank's figures or otherwise of an undue surplus. Where the money has gone it is not possible to say exactly. Some is required to meet the needs of trade with higher rupee prices and also currency must now be held to a large extent where gold now exported was held before. This shows a gratifying confidence in the country's currency. Whatever the critics may say, Government can assert with the greatest assurance that the position is sound. It is obvious that the recent improvement in the exchange position and in the demand for currency has been largely due to the sale and export of gold. If that were to cease and if there were to be any set back in the world with a renewed fall in gold and rupee prices, then Government may again have to reverse the process to maintain a sound position. Will the critics again shift the ground and criticise Government once more from the other side? For the present let us hope such a necessity will not arise.

18. I will now conclude this review. Government can justifiably maintain that their budgetary position is sound—expenditure has been heavily retrenched in accordance with the recommendations of the Retrenchment Committee, made after a severer scrutiny than has ever before been made; the revenue estimates are based on conservative data having regard to the present state of trade depression, and thus Government can face next year with a prospect of a fairly substantial surplus, while, even though the current year is closing with a nominal deficit, if we take into account the provision made from revenue for reducing debt, we can reckon on a surplus of receipts over expenditure for the two years combined. There are not wanting favourable signs in the increase of investments in Cash Certificates and Savings Bank deposits and in subscriptions by small investors to the Treasury Bonds. Again one may point to the easing of money rates, the repayment without borrowing of 15 million sterling in January and to the recent strong improvement in the price of Government securities both in India and in London. For example, the 3½ per cent. sterling stock which in September last went down to 43 had risen on March 2nd to about 66 and other securities have also improved. The Secretary of State was able to point the other day with satisfaction to the fact that at the time, of such general economic depression, there was a striking

improvement in the general financial situation of the Government of India and that there were many signs, still uncertain but none the less hopeful, of better times.

The old landmarks are gone and Government are facing conditions for which there are in many respects no parallel. In these circumstances Government have taken such measures as they can fairly ask the country to support, but neither India nor any other country can feel that the position is assured. In India also there is the added difficulty of uncertainty about the political question and threats of civil disobedience directed mainly at impeding the ordinary course of trade, but no account of this feature has been taken in the estimates in the confident hope that ultimately the good sense of the country will prevail. Finally, if only world conditions improve, there is every ground for increasing confidence for the future. Despite the difficulties which remain, it would be hard to find a country in the world whose intrinsic financial position is sounder or whose prospects of economic advance in the future are more bright. (Applause.)

The Council then adjourned till Eleven of the Clock on Tuesday, the 8th March, 1932.

---