

Friday, 6th March, 1931

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

Volume II, 1931

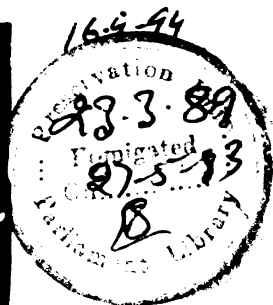
(19th February to 11th March, 1931)

FIRST SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY,
1931

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1931

Legislative Assembly.

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LEGISLATIVE ASSEMBLY.

Friday, 6th March, 1931.

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

QUESTIONS AND ANSWERS.

STATEMENT OF QUANTITIES REQUIRED IN TENDER FORMS FOR THE SUPPLY OF PAINT AND VARNISH.

S20. *Mr. Gaya Prasad Singh: (a) Is it a fact that the Chief Controller of Stores, Indian Stores Department, stated in his evidence before the Public Accounts Committee for the year 1927-28 as follows:

"Once a year we address the various Departments who make use of us suggesting to them to send us their demands for any particular item of stores they require, like electric bulbs, paint, etc. We gather together all these various lots—sometimes they are very big lots—and we make consolidated contracts with a variation clause, usually 25 per cent. up and 25 per cent. down."

(b) If so, is it a fact that in the year 1927-28 the Indian Stores Department did specify the quantities in cases of paints amongst other articles with a variation clause of 25 per cent. up and down? Will Government be pleased to state the reasons for making the statement as follows:

"The schedules to the tender forms issued by the Indian Stores Department for paints and varnishes during the years 1927-28, 1928-29 and 1929-30 did not specify any quantities to be purchased."

in reply to part (a) of the starred question No. 519 on the 17th February, 1931?

Mr. J. A. Shillidy: (a) Yes.

(b) The reply to first part is in the negative. The statement made by the Chief Controller of Stores before the Public Accounts Committee on the 15th August, 1929, described the general procedure then in force in respect of bulking of demands and arranging of annual contracts. But the variation clause referred to was not a condition of the contracts entered into for the purchase of paints required during the years 1927-28, 1928-29 and 1929-30 for the reason already explained in answer to part (c) of starred question No. 519, dated the 17th February 1931. Paints were included in Mr. Kirkhope's reply before the Public Accounts Committee apparently because the procedure explained by him was then under consideration in respect of paint contracts for 1930-31, preliminary action on which was being taken at the time.

The second part does not arise.

STATEMENT OF QUANTITIES REQUIRED IN TENDER FORMS FOR THE SUPPLY OF PAINT AND VARNISH.

S21. *Mr. Gaya Prasad Singh: (a) Are Government aware of the circular No. H.-4922, dated the 19th November, 1928 and circular No. H.-2523,

(1549)

A

dated the 21st December, 1927, from the Indian Stores Department, in which the tenderers for paints and varnishes were asked to increase the quantities mentioned in the schedule of invitation to tender by certain quantities such as is shown below :

Circular No. H.-4322, dated the 19th November, 1928.

"Please make the following additions and corrections to the above tender and submit your quotations accordingly :

- (b) Increase the quantity of bituminous solution black against item No. 83 from 1,200 gallons to 3,500 gallons."

Circular No. H.-2523, dated the 21st December, 1927.

"Please increase the quantities shown against the following items of the above tender as under and quote accordingly :

Item No.	Description of Goods.	Rate per cent. for any quantity, up to
6	Paint, Zinc White genuine R./M. . . .	200 cwt.
15	„ Red Oxide R./M. . . .	200 cwt.
21	„ Chocolate Dark Stiff	150 cwt.
22	„ „ „ „ R./M. . . .	130½cwt."

(b) If so, will Government be pleased to state the reasons for their making the following statement :

"For the years 1927-28, 1928-29 and 1929-30 a form of contract had been in use, which although referred to in the conditions of contract as a running contract, was in actual fact a rate contract inasmuch as no quantities were specified either in the invitations to tender or in the schedule to the contracts."

in reply to part (a) of starred question No. 158 on the 28th January, 1931?

Mr. J. A. Shillidy: (a) The answer is in the affirmative.

(b) I would refer the Honourable Member to the reply given to part (a) of starred question No. 519 on the 17th February, 1931, in which I further explained that the schedules to the tender forms issued by the Indian Stores Department for paints and varnishes during the years 1927-28, 1928-29 and 1929-30 did not specify any definite quantities to be purchased, nor did they specially provide for the purchase from the successful tenderer of any minimum or maximum quantities. The circulars referred to by the Honourable Member were intended merely to expand the range of the scales mentioned in the schedules which issued with the tenders and did not prescribe definite quantities to be purchased.

STATEMENT OF QUANTITIES REQUIRED IN TENDER FORMS FOR THE SUPPLY OF PAINT AND VARNISH.

822. *Mr. Gaya Prasad Singh: With reference to the reply to starred question No. 522 of the 17th February, 1931, do Government propose to give rough estimates of quantities (without guarantee) in the schedules of the tender forms now being used for calling tenders?

Mr. J. A. Shillidy: The Chief Controller of Stores, when inviting tenders in future for paints, enamels and varnishes on a rate contract basis will include in the invitations to tender a statement, for the information of tenderers, showing rough estimates (without guarantee) of the anticipated requirements as notified to him by Indenting Officers up to the time of the issue of the invitations to tender.

TENDERS UNDER THE RUNNING CONTRACT SYSTEM.

823. *Mr. Gaya Prasad Singh: Are Government aware that Indian railways who call for tenders under the running contract system get their requirements at a cheaper rate than the rates contracted by the Indian Stores Department? If not, do they propose to inquire into the matter; if not, why not?

(Mr. Parsons and Mr. Shillidy both rose together.)

Mr. A. A. L. Parsons: From which Department would the Honourable Member like to have a reply to this question?

Mr. Gaya Prasad Singh: From both. (Laughter.)

Mr. A. A. L. Parsons: Such investigations as have been made do not substantiate the contention contained in the first part of the Honourable Member's question. The second part does not, therefore, arise.

Mr. Gaya Prasad Singh: Will my Honourable friend Mr. Shillidy supplement the answer just given by Mr. Parsons?

Mr. J. A. Shillidy: I agree with the answer given by my Honourable friend, Mr. Parsons.

PURCHASE OF PAINT UNDER THE RATE CONTRACT SYSTEM.

824. *Mr. Gaya Prasad Singh: With reference to the reply to parts (a) to (e) of starred question No. 521, answered on the 17th February, 1931, do Government propose to lay the information when collected on the table of the House? If not, why not?

Mr. J. A. Shillidy: The information is laid on the table.

(a) The Indian Stores Department entered into an annual contract in 1930-31 with Messrs. Shalimar Paint Colour and Varnish Company, Limited, for certain grades and qualities of paint. One of the items in the contract was paint red oxide stiff. The characteristics and shade of this paint are governed by an Indian Stores Department specification. The contract price was Rs. 13-8-0 per cwt. delivered free at Howrah or Rs. 15-8-0 per cwt. delivered f. o. r. Bombay.

(b) No. A demand for paint oxide of iron dark genuine stiff specified to contain 95 per cent. oxide of iron and 5 per cent. silica was received by the Controller of Purchase, Bombay, and as paint of this quality and shade was not included in the annual contract, an order was placed outside the contract. Owing to the failure of the contract to supply paint of the quality specified the order was cancelled and a supply of paint red oxide stiff, to the Indian Stores Department specification and at the contract price, was made by Messrs. Shalimar Paint Colour and Varnish Company Limited.

(c) No loss was incurred.

(d) and (e). Do not arise.

BULKING OF DEMANDS AND STANDARDISATION OF QUALITY OF STORES PURCHASED.

825. *Mr. Gaya Prasad Singh: Is it a fact that the Chief Controller of Stores, Indian Stores Department, stated several times that bulking of demands and the standardisation of qualities in very many articles bring down the prices of such articles when contracted for their supply?

Mr. J. A. Shillidy: The answer is in the affirmative.

STATEMENT OF QUANTITY REQUIRED IN TENDER FORMS FOR THE SUPPLY OF STORES.

826. *Mr. Gaya Prasad Singh: (a) Is it a fact that the Indian Stores Department is prepared to furnish to the successful tenderer rough estimates (without guarantee) based on the most accurate information available of the quantities likely to be required during the currency of the contract? If so, will Government be pleased to state the reasons for their refusal to furnish this information in the schedule to the tender forms?

(b) Are Government aware of a feeling amongst some of the manufacturers that this information is being withheld to penalise some of them and to give undue preference to others? If not, do Government propose to hold an impartial inquiry into the matter? If not, why not?

Mr. J. A. Shillidy: (a) The answer to the first part is in the affirmative.

I invite the Honourable Member's attention to the reply just given to his starred question No. 822 and to the reply given to starred question No. 522 on the 17th February, 1931.

(b) The answer to the first part is in the negative.

Government do not propose to hold an enquiry because it is considered that such a feeling, if it exists, is entirely without justification.

ALLEGED PREFERENTIAL TREATMENT OF MESSRS. MARTIN AND CO. IN TENDERS FOR CERTAIN STORES.

827. *Mr. Gaya Prasad Singh: (a) With reference to the reply given to part (f) of starred question No. 174, dated the 16th July, 1930, will Government be pleased to state whether other tenderers were given the same facilities for sending their tenders a second time in revision to their original tenders as Messrs. Martin & Co.? If not, why not?

(b) Is it a fact that Messrs. Martin & Co. were asked to quote F. O. R. Bangalore, as the material in question was required for railways? Will Government be pleased to state whether they informed the other tenderers about the fact that the material was required for railways and would be despatched at railway material rates? If not, will Government be pleased to state the reasons why this preferential treatment was accorded to Messrs. Martin & Co. alone out of all other tenderers?

Mr. J. A. Shillidy: (a) As previously explained in the reply given to part (f) of the starred question No. 174 on the 16th July, 1930, Messrs. Martin and Company were not asked to send in their tender a second time. For the reasons given in answer to parts (c) and (f) of that question, there was no necessity to refer to other tenderers.

(b) The reason why Messrs. Martin and Company, Managing Agents of the Bangalore White Lead Syndicate, were asked to quote on an F. O. R. Bangalore basis, was to ascertain the cost F. O. R. place of manufacture in order that the Railway Administrations might obtain the advantage of despatch at railway material rates. From the figures given in answer to question No. 828, it will be noted that up to the 31st January, 1931, over 90 per cent. of the total quantity of White Lead stiff indented for was requisitioned by Railway Administrations. Neither Messrs. Martin and Company nor any other tenderers were informed that the materials were required for railways or that the materials, or any portion thereof, would be despatched at railway material rates, and the question of preferential treatment does not therefore arise.

WHITE LEAD PURCHASED FROM MESSRS. MARTIN AND COMPANY.

828. *Mr. Gaya Prasad Singh: With reference to part (f) of the reply given to starred question No. 174 of the 16th July, 1930, will Government be pleased to state the total quantity of white lead stiff purchased from Messrs. Martin & Co.? Will they be pleased to state the quantity purchased for the railways and the quantities purchased for other indentors?

Mr. J. A. Shillidy: The total purchases of white lead stiff made from the Bangalore White Lead Syndicate through their Managing Agents, Messrs. Martin and Company, from the 1st April, 1930, to the 31st January, 1931, amounted to 4,331 cwts. Of this quantity 3,930 cwts. were indented for by Railway Administrations and 401 cwts. were indented for by other users.

RAILWAY FREIGHT FROM BOMBAY TO CALCUTTA.

829. *Mr. Gaya Prasad Singh: With reference to the reply given to part (f) of starred question No. 174 dated the 16th July, 1930, will Government be pleased to state the public tariff rate of freight as well as the Railway material rate of freight from Bangalore to Calcutta respectively?

Mr. J. A. Shillidy: The Public Tariff Rate of freight in wagon loads for white lead from Bangalore to Calcutta prevailing at the time the contract which the Honourable Member has in view was dealt with, that is in January, 1930, was Rs. 2-10-7·7 per cwt. The present rate is Rs. 2-0-10·7 per cwt.

The Railway material rate (which has remained unaltered) is Rs. 1-0-9·4 per cwt. *plus* terminal tax pies 5·4 per cwt.

TENDERS FOR THE SUPPLY OF PAINT TO THE INDIAN STORES DEPARTMENT.

830. *Mr. Gaya Prasad Singh: (a) Is it a fact that the Indian Stores Department had two separate items, No. 129 and 56 in their tender No. H.-6040-D., dated the 11th November, 1929, for the supply of two articles, *viz.*, "Paint Lead Colour Stiff" and "Paint Dark Grey" respectively?

(b) Is it a fact that the Indian Stores Department purchased one article against the other item, both of them being identical?

(c) Is it a fact that in the same tender mentioned in part (a), the Indian Stores Department had two separate items No. 87 and 18 for the supply of "Red Anti-Corrosive suitable for painting corrugated sheets" and "Red Oxide to I. S. D. specification"?

(d) Is it a fact that the Indian Stores Department in their letter No. H.-6040, dated the 4th March, 1930, admitted that both items are identical articles?

(e) Is it a fact that item No. 56, which had a lower quotation, was accepted for both items, *viz.*, No. 129 and 56; and is it a fact that in spite of the lower quotation against item 87 it was not accepted for both items 18 and 87 as in the other case? If so, will Government be pleased to state the reason why the lower quotation for item 87 was not accepted for item 18?

(f) Is it a fact that quotation for item 87 ("Red Oxide" to I. S. D. specification) was for Rs. 19 per cwt., whereas the quotation for item 18, which was the same article, was for Rs. 20-8-0?

(g) If so, are Government aware that for not accepting the lower quotation in this case there was a loss of Rs. 1/8 per cwt. to the revenues of India? If so, will they be pleased to state the total amount of loss involved? Do Government propose to inquire into the matter and ascertain the names of the officers concerned? If not, why not?

Mr. J. A. Shillidy: (a) Yes.

(b) The Government Test House recommended, after examining samples offered against items 129 and 56, that paint of the same composition should be accepted against both items and they were therefore combined.

(c) and (d). Yes.

(e) The answer to the first part is in the affirmative.

At the time of examining the tenders it had not been finally decided to consider items 18 and 87 as acceptable for the same purpose.

(f) It is a fact that one of the tenderers, namely, Messrs. Murarka Paint and Varnish Works, submitted a quotation of Rs. 19 per cwt. for "Red Oxide" against item 87 for "Red anticorrosive suitable for painting corrugated sheets". The sample of material offered was examined by the Government Test House and was reported to be unacceptable inasmuch as it was deficient in the iron oxide content.

(g) The question does not arise.

STATEMENT OF QUANTITIES REQUIRED IN TENDER FORMS FOR THE SUPPLY OF STORES.

831. ***Mr. Gaya Prasad Singh:** Has the attention of Government been drawn to para. 2 of the conditions of contract which had been in use during the years 1927-28, 1928-29 and 1929-30? If so, will they be pleased to state whether clause 2 of the conditions of contract made it obligatory on the part of the Indian Stores Department to specify approximate quantities in the schedule to the tender forms?

Mr. J. A. Shillidy: The answer to both parts of the question is in the affirmative. I would in this connection refer the Honourable Member to my reply to part (a) of starred question No. 519 on the 17th February 1931, in which I explained that certain scales of quantities were referred to in the tender forms issued for the years 1927-28, 1928-29 and 1929-30.

LOAN OBLIGATIONS OF THE GOVERNMENT OF INDIA.

832. *Lala Hari Raj Swarup: Will Government be pleased to state what is the total amount of payable loan obligations annually up to the year 1940, both in India and in England?

The Honourable Sir George Schuster: A statement is laid on the table.

Statement of loans which mature between 1931 and 1940.

Year.	Loans Repayable.			
	India.		England.	
	Loan.	Amount.	Loan.	Amount.
		Rs.		£
1931	6% Ten-Year Bonds, 1931.	7,36,12,000	Nil.	..
1932	6% Ten-Year Bonds, 1932.	14,63,40,000	India 5½% Stock .	15,010,000
1933	5% Ten-Year Bonds, 1933.	21,45,58,000	India 6% Bonds, 1932-33.	6,000,000
1934	4½% Bonds, 1934 .	25,98,05,000	Nil.	..
1935	5% Ten-Year Bonds, 1935.	12,83,15,000	India 6% Bonds, 1933-35.	7,000,000
1936	6% Bonds, 1933-36 .	29,70,81,000	Nil.	..
	4% Conversion Loan, 1916-17.	9,90,01,000		
1937	4% Loans, 1934-37 .	19,53,79,000	6% Bonds, 1935-37 .	12,000,000
1938	Nil.	..	5½% Stock 1936-38	17,000,000
1939	Nil.	..	Nil.	..
1940	Nil.	..	Nil.	..

N. B.—1. Statement has been prepared on the assumption that where Government have the option of repayment between two dates, repayment will be made on the later of the two dates.

2. Loans which are repayable at the option of the Government after a short notice. e. g., 3 months or 1 year have been excluded.

SHORT-TERM DEBTS AND TREASURY BILLS.

833. ***Lala Hari Raj Swarup:** Do Government propose to take any systematic steps to convert (a) the short-term debts into long-term ones, (b) To diminish the amount of Treasury Bills in the hands of the public?

The Honourable Sir George Schuster: I would refer the Honourable Member to the relevant portions of my Budget speech.

STORES PURCHASED FOR RAILWAYS.

834. ***Mr. K. P. Thampan** (on behalf of Lala Hari Raj Swarup): (a) Will Government be pleased to state the total amount of stores purchased year by year on behalf of (1) State railways, and (2) other railways since the Acworth Committee reported?

(b) What amount of these stores has been purchased in England, and what amount on the Continent, and what amount in India?

Mr. A. A. L. Parsons: (a) (1) and (2). Information regarding the total amounts of purchases of stores, year by year, by each principal Railway, is given in Appendix A, of Volume II of the Railway Board's Reports on Indian Railways for the year 1922-23 *et seq.* These Reports are in the Library.

(b) In Appendix A of the Railway Board's Annual Reports purchases are classified separately as follows:

- (i) Value of stores imported direct;
- (ii) Value of imported stores purchased in India;
- (iii) Value of stores of Indian manufacture or of indigenous origin.

Information is not available regarding the amounts of purchases made for railways in England and on the Continent separately, but the Honourable Member's attention is invited to appendices C of the Reports on the work of the India Store Department, London, for the years 1924-25 *et seq.*

These appendices show the value of stores purchased by that Department for all Government Departments according to countries of origin since 1922-23.

INTEREST ON RAILWAY CAPITAL.

835. ***Mr. K. P. Thampan** (on behalf of Lala Hari Raj Swarup): What has been the rate of interest charged on the capital invested on Indian Railways year by year since the Acworth Committee reported?

Mr. A. A. L. Parsons: The interest charged to railways is calculated at a fixed rate of 3·3252 per cent. on capital outlay up to the end of 1916-17. On expenditure thereafter, interest is charged each year at a rate representing the average rate of interest paid by the Government of India on borrowings from 1st April 1917 to the end of the year in question. This rate naturally varies from year to year. The rates from 1920-21 onwards are shown in the statement which I place on the table.

Statement showing the rates of interest charged to Railways year by year (from 1920-21 to 1929-30) in respect of Capital expenditure incurred after 31st March, 1917.

1920-21	5.1979 per cent.
1921-22	6.1038 „ „
1922-23	5.4800 „ „
1923-24	5.6900 „ „
1924-25	5.5400 „ „
1925-26	5.6600 „ „
1926-27	5.4300 „ „
1927-28	5.3800 „ „
1928-29	5.6300 „ „
1929-30	5.3100 „ „

CALCULATION OF THE RATE OF INTEREST CHARGED TO CONSTITUENT BORROWERS OF THE GOVERNMENT OF INDIA.

836. ***Mr. K. P. Thampan** (on behalf of Lala Hari Raj Swarup): Do Government propose to introduce some methods of improvements in determining the rate of interest to be charged from **their** different constituent borrowers?

The Honourable Sir George Schuster: The most important constituent borrowers are the Commercial Departments of the Government of India, such as, Railways and Posts and Telegraphs, and the Provincial Governments (through the Provincial Loans Fund). As regards the commercial Departments, the attention of the Honourable Member is invited to paragraphs 25 and 26 of the Explanatory Memorandum by the Financial Secretary on the Budget for 1931-32, copies of which were distributed to the Honourable Members along with the Budget papers. It will be seen therefrom that certain changes have been made, with effect from the current year, in the method of calculation of the average rate of interest charged to commercial departments. The rate charged on advances to the Provincial Loans Fund is determined, under the rules of the Fund, on the basis of the cost of new borrowings to the Government of India during the year. No other changes are under consideration at present.

FACILITIES FOR TRAINING OF INDIAN STUDENTS ABROAD.

837. ***Mr. K. P. Thampan** (on behalf of Lala Hari Raj Swarup): (a) How many students applied to the High Commissioner for the provision of facilities for their practical training in England in the latest year of the Report?

(b) How many of them were granted such facilities?

(c) How many of the latter were required to make payments for the grant of such facilities?

(d) Are Government aware that on the Continent a number of Indian students are able to get facilities for their practical training without any payment at all?

Mr. J. A. Shillidy: (a), (b) and (c). The attention of the Honourable Member is invited to the reply given by me on the 12th February, 1931, to a somewhat similar question, No. 478, by Mr. Bhuput Sing. The information called for from the High Commissioner for India in that connection will be communicated to the Honourable Member.

(d) Government have no information, but enquiries on the point will be made from the High Commissioner for India.

CONTRIBUTIONS BY THE GOVERNMENT OF INDIA TO EDUCATIONAL INSTITUTIONS IN ENGLAND.

838. ***Mr. K. P. Thampan** (on behalf of Lala Hari Raj Swarup): (a) What are the educational institutions in England to which the Government of India make any monetary contribution?

(b) What are the amounts given to each?

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain: A statement giving the information asked for is laid on the table.

STATEMENT.

Annual monetary contributions made by the Government of India to Educational institutions in England.

Name of Institution.	Amount of grant. £
1. Oxford University—	
(a) For expenses for Delegacy for Oriental Students (at £4 per student).	Minimum . . . 300 Maximum . . . 400
(b) For Indian Civil Service Studies	1,500
(c) For the Indian Institute	250
2. Cambridge University—	
(a) For expenses of the Inter-collegiate Indian Students Committee.	£ 400 plus office expenses up to . 150
(b) For Indian Civil Service Studies	1,500
3. Edinburgh University—	
For expenses of the University Adviser to Indian Students	250
4. London School of Hygiene and Tropical Medicine	50
5. School of Oriental Studies	1,275
6. Trinity College, Dublin	300

CONTRACT FOR THE FIREWORKS FOR THE DELHI FETE.

839. ***Bhagat Chandi Mal Gola:** (a) Is it a fact that the contract for the fireworks on the occasion of the opening ceremony of New Delhi was given to a firm at Calcutta?

(b) If the answer to part (a) be in the affirmative, why was the contract given to the Calcutta firm? Are Government aware that the Imperial Fireworks Co., already existed in Delhi and displayed the best varieties of fireworks at the time of the Durbars held in 1903, 1911 and also on the occasion of the Peace Celebrations?

Mr. J. A. Shillidy: (a) Yes.

(b) The Calcutta firm was given the contract for the fireworks display in 1922 and 1923 and was selected again this year as offering the best value for the outlay.

AGRICULTURAL RESEARCH INSTITUTE AT PUSA.

840. *Pandit Ram Krishna Jha: (1) Will Government be pleased to state:

- (a) when the Research Institute at Pusa (Bihar) was established;
- (b) what has been the total costs, initial and recurring, till now, i.e., upto 1930 for the Institute;
- (c) how many officers are employed at present in the Institute drawing a salary over Rs. 100/- a month;
- (d) how many of them are Europeans and how many Indians;
- (e) what is the amount of salary at present paid every month to the European officers and Indian officers respectively;
- (f) whether they have considered what practical advantage, if any, have the agriculturists of the country, or even of Bihar yet gained from the said Institute?

(2) Do Government propose to take any other practical step for the improvement of agriculture of this country? If so, on what lines and when?

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain: (1) (a) 1904.

(b) Total initial Rs. 19,30,716.

Total recurring Rs. 1,48,49,061.

(c) 85.

(d) 7 Europeans.

78 Indians.

(e) Europeans Rs. 12,480 plus £193 6s. 8d. (Overseas pay).

Indians Rs. 19,768.

(f) It is impossible to answer the question fully within the limits permissible, but full information regarding the research work done at Pusa and its bearing on practical agricultural problems will be found in the Annual Reviews of Agricultural Operations in India and in the scientific Reports of the Imperial Institute of Agricultural Research which are available in the Library of the House. It may be pointed out, however, that the main function of Pusa is to conduct fundamental research in agricultural science and thus to supply that basic knowledge, without which practical advances cannot be made. Owing to differences in agricultural and soil conditions from one area to another, the practical application of this fundamental knowledge usually requires a detailed familiarity with the area in question, and thus falls primarily within the sphere of the Provincial Departments. A reference to the Reports I have mentioned will show that the Pusa Institute has been directly responsible for the introduction of improved varieties of crops (especially wheat and sugarcane) having greater yields and more disease resistant qualities than those ordinarily grown and

for control measures against diseases and insect attacks. This work has extended all over India. The direct increased money return to Indian cultivators of the two improved varieties of crops—wheat and sugarcane—alone has paid for the cost of Pusa many times over.

(2) Proposals are now in preparation for extending the sphere of usefulness of Pusa, and special attention will be paid to the provision of greater facilities for post-graduate students from the various provinces and Indian States and to the general development of post-graduate training. The Imperial Council of Agricultural Research, which was created to promote and co-ordinate agricultural research, has already examined a number of research schemes of practical application and has made grants for them. In some instances, these investigations will be carried out at provincial research stations, in others at Indian Universities, *e.g.*, Calcutta, Dacca, and the Punjab and in yet others at the Imperial Institute of Agricultural Research, Pusa, and its sub-stations. Other important schemes of co-ordinated research are under consideration by the Research Council.

IMPROVEMENT OF AGRICULTURE.

841. *Pandit Ram Krishna Jha: (a) Was the attention of Government drawn to the need for taking steps to improve the agriculture of this country by several non-official Members of this House in the Budget discussions held last year?

(b) If so, have Government taken any such step? If not, why not?

(c) Do Government pay any consideration to the suggestions made, in the Budget debates, by the Honourable non-official Members of this House, by way of taking necessary action?

(d) If so, what action if any has been taken since March, 1930, to improve the agriculture of the country?

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain: (a) I have had the discussions during the last Budget debate examined, but no specific suggestions in regard to the improvement of agriculture have been traced. I shall be glad if the Honourable Member tells me afterwards what particular suggestions he has in mind.

(b) and (d). Much valuable work on the improvement of agriculture has been accomplished by the Imperial Council of Agricultural Research and the Imperial and Provincial Departments of Agriculture since March, 1930. An account of this will appear in due course in the Review of Agricultural Operations for 1930-31 and in the Annual Report on the progress made in carrying out the recommendations of the Royal Commission on Agriculture, copies of which will be placed in the Library of the House. I would also invite the Honourable Member's attention to the replies I have given in the course of this session to questions regarding the development of the cultivation of sugarcane.

(c) Yes, Sir. Careful consideration is always given to concrete suggestions made by Honourable Members in the course of the Budget discussions.

NON-INTERFERENCE WITH HINDU RELIGIOUS RITES AND USAGES.

842. *Pandit Ram Krishna Jha: (a) Has the attention of Government been drawn to the resolution regarding non-interference with Hindu religious rites and usages passed by the Sanatan Dharam Sabha in their annual meeting held at Meerut on the 17th and 18th February, 1931, as published in the *Hindustan Times*, dated the 22nd February, 1931?

(b) If so, do Government propose to give effect to the resolution?

The Honourable Sir George Rainy: (a) Yes.

(b) As the Honourable Member is aware, the matter came within the cognizance of the Round Table Conference. No decision has as yet been reached in the matter.

REPRESENTATION OF SANATAN DHARAMI HINDUS AT FURTHER MEETINGS OF THE ROUND TABLE CONFERENCE.

843. *Pandit Ram Krishna Jha: (a) Will Government be pleased to state whether the Round Table Conference is likely to meet in India? If so, when and where?

(b) Are Government aware that the majority of the Hindu population in India are Sanatanists and resent any interference from any quarter with their religious rites and with their socio-religious matters and usages?

(c) Do Government propose to nominate at least two representatives on behalf of the Sanatan Dharami Hindus of India as delegates to the Conference to be held in India? If not, why not?

The Honourable Sir George Rainy: I would refer the Honourable Member to the reply which I gave to Rai Bahadur Sukhraj Rai's starred question No. 580 of the 18th February, 1931. I am not in a position to add anything to that reply at present.

PRICE OF PAINT PURCHASED BY THE INDIAN STORES DEPARTMENT.

844. *Sardar G. N. Mujumdar: (a) Are Government aware of the rates contracted by the Indian Stores Department for the supply of "Ivory Black Dry" of I. S. D. specification No. G. O. page 110 (Item No. 35 of Tender No. M.-13 for 1931-32) at Rs. 24 against the price contracted by the Bengal Nagpur Railway for exactly the same article at Rs. 23-10-0 during the year 1931-32?

(b) If not, do Government propose to inquire into the matter? If not, why not? If the answer to part (a) is in the affirmative, will Government be pleased to state the reasons for losing annas 6 per cwt.?

(c) Will Government be pleased to state the total amount of loss involved in the transaction by Government, and do they propose to inquire into this loss to the public funds of India and ascertain the names of the officers responsible for the above transactions? If not, why not?

Mr. J. A. Shillidy: With your permission, Sir, I propose to answer questions Nos. 844 to 847 together.

The information is being collected and will be sent to the Honourable Member.

PRICE OF PAINT PURCHASED BY THE INDIAN STORES DEPARTMENT.

†845. *Sardar G. N. Mujumdar: (a) Are Government aware of the rates contracted by the Indian Stores Department for the supply of "Chocolate Stiff" of I. S. D. specification No. G. O. page 119 (Item No. 23 of Tender No. M.-13 for 1931-32) at Rs. 10-12-0 against the price contracted by the Bengal Nagpur Railway for exactly the same article at Rs. 9-8-0 during the year 1931-32?

(b) If not, do Government propose to inquire into the matter? If not, why not? If the answer to part (a) is in the affirmative, will Government be pleased to state the reasons for losing Rs. 1-4-0 per cwt.?

(c) Will Government be pleased to state the total amount of loss involved in this transaction by Government and do they propose to inquire into this loss to the public funds of India and ascertain the names of the officers responsible for the above transaction? If not, why not?

PRICE OF PAINT PURCHASED BY THE INDIAN STORES DEPARTMENT.

†846. *Sardar G. N. Mujumdar: (a) Are Government aware of the rates contracted by the Indian Stores Department for the supply of "Red Lead Dry" of I. S. D. specification No. G. O. page 105 (Item No. 12 of Tender No. M.-13 for 1931-32) at Rs. 21-11-0 against the price contracted by the Bengal Nagpur Railway for exactly the same article at Rs. 21-4-0 during the year 1931-32?

(b) If not, do Government propose to inquire into the matter? If not, why not? If the answer to part (a) is in the affirmative, will Government be pleased to state the reasons for losing Rs. 0-7-0 per cwt.?

(c) Will Government be pleased to state the total amount of loss involved in the transaction by Government and do they propose to inquire into this loss to the public funds of India and ascertain the names of the officers responsible for the above transactions? If not, why not?

PRICE OF PAINT PURCHASED BY THE INDIAN STORES DEPARTMENT.

†847. *Sardar G. N. Mujumdar: (a) Are Government aware of the rates contracted by the Indian Stores Department for the supply of "White Enamel" of I. S. D. specification No. G. O. page 140 (Item No. 82 of Tender No. M.-13 for 1931-32) at Rs. 5-3-0 against the price contracted by the Bengal Nagpur Railway for exactly the same article at Rs. 5-1-0 during the year 1931-32?

(b) If not, do Government propose to inquire into the matter? If not, why not? If the answer to part (a) is in the affirmative, will Government be pleased to state the reasons for losing As. 2 per gall.?

(c) Will Government be pleased to state the total amount of loss involved in the transaction by Government and do they propose to inquire into this loss to the public funds of India and ascertain the names of the officers responsible for the above transactions? If not, why not?

†For answer to this question, see answer to question No. 844.

NEW JAILS CONSTRUCTED FOR POLITICAL PRISONERS.

848 *Rai Bahadur Sukhraj Rai: Will Government be pleased to state :

- (a) what is the total number of jails that have been recently built to provide additional accommodation for political prisoners under the civil disobedience movement in India and the names of the places where these have been erected ;
- (b) what is the total amount of money spent for the construction of these jails and the excess expenditure incurred in providing for the increased number of prisoners as compared with the last year ; and
- (c) what is the amount spent in maintaining and guarding the prisoners in jails in India from the 1st March, 1930, to the 31st January, 1931?

The Honourable Sir James Orerar: I regret that I have no precise information. The question relates to matters which are the concern of Local Governments, and the collection of the figures would involve a disproportionate amount of labour.

COST OF ADDITIONAL POLICE AND RECEIPTS FOR PUNITIVE POLICE.

849. *Rai Bahadur Sukhraj Rai: Will Government be pleased to state :

- (a) what is the total amount spent in India to provide for additional Police forces to combat the civil disobedience movement ;
- (b) what is the total number of the forces so employed ;
- (c) in how many places has a punitive tax been imposed and what is the total amount of earnings from this that has been realised up to the 31st January, 1931?

The Honourable Sir James Orerar: (a) and (b). The employment of additional police for whatever purpose is a matter entirely for Local Governments and I can only give the Honourable Member information in respect of the North-West Frontier Province and Delhi which is as follows :

	Number of additional police employed tem- porarily.	Approximate cost for 1930- 31. Rs.
North-West Frontier Province	1,224	5,37,800
Delhi	407	1,50,500

(c) I presume the Honourable Member is referring to the realisation of the cost of employing additional police from the inhabitants of the disturbed areas. I regret that I have no information on the points referred to which are determined by the Local Governments.

APPOINTMENT OF JAINS IN RAILWAY SERVICES.

850. *Rai Bahadur Sukhraj Rai: (a) Will Government be pleased to state what is the total number of Jains in Railway Service at present employed? Is there any Jain in the superior grade drawing a salary above Rs. 1,000?

(b) Are Government aware that a very large number of Jain pilgrims travel every year in trains and a great portion of income is derived from them?

(c) How many special trains were taken out by them in 1930-31 and what is the amount of earnings from the same?

Mr. A. A. L. Parsons: (a), (b) and (c). The statements kept by railways do not show the number of Jains employed in Railway Service or in superior grades of railways drawing a salary above Rs. 1,000 per mensem, nor is it possible to obtain information as to the number of Jain pilgrims who travel by train annually or as to the revenue derived from them.

The only information that Government have is that five special trains for Jain pilgrims were run in February, 1930, from Erinpura Road on the metre gauge section of the Bombay, Baroda and Central India Railway to the East Indian Railway, where the passengers were accommodated in three special trains. These trains arrived back at Erinpura on 3rd April, 1930.

APPOINTMENT OF TELEPHONE OPERATORS IN PATNA

851. ***Rai Bahadur Sukhraj Rai:** (a) Will Government be pleased to state whether their attention has been drawn to the letter under the heading 'Telephone Operators' as published in the *Searchlight* of the 25th December, 1930? If so, will they state why the non-matriculate candidates, whose names were registered previous to the introduction of the new rules not allowing non-matriculates in the Patna Telephone Department, and who have officiated on several occasions, have been overlooked? Is it proposed to provide them in permanent vacancies?

(b) Has the attention of Government been drawn to the letter entitled "Telephone Operators' Grievances" published in the *Searchlight* of the 27th December, 1930? If so, is it a fact that an outsider and a few junior men were appointed in the Patna Telephone Department by overlooking the senior men? Is it proposed to check this irregularity in future and provide these affected senior men in any permanent vacancy in future?

Mr. H. A. Sams: (a) and (b). The attention of the Honourable Member is invited to the reply given by me to Mr. Uppi Sahab Bahadur's starred question No. 697 on the 24th February, 1931.

INTERCEPTION OF A TELEGRAM ADDRESSED TO PANDIT JAWAHAR LAL NEHRU.

852. ***Mr. Gaya Prasad Singh:** (a) Is it a fact that a telegram from the London Branch of the Indian National Congress, addressed to Pandit Jawahar Lal Nehru on or about the 31st January, 1931, was duly forwarded to India, but it was intercepted in this country?

(b) Will Government kindly state under what law this was done. and by which Telegraph Office?

(c) What were the contents of the telegram, or why was it held to be objectionable?

Mr. J. A. Shildy: (a) Yes.

(b) The telegram was intercepted at the Jubbulpore Telegraph Office under rule 156 of the Indian Telegraph Rules, 1927.

(c) Under section 26 of the Indian Telegraph Act I am precluded from disclosing the contents of the telegram. It was held to be objectionable as it came within the scope of rule 156 of the Indian Telegraph Rules of 1922.

Mr. Gaya Prasad Singh: Is it a fact that this telegram was held to be unobjectionable when it was despatched from England?

Mr. J. A. Shillidy: Of that, I have no information.

UNSTARRED QUESTIONS AND ANSWERS.

QUARTERS FOR CLERKS OF THE MOTIHARI HEAD POST OFFICE.

252. **Mr. Gaya Prasad Singh:** (a) Are Government aware that with reference to my unstarred question No. 150 put in March, 1930, all units of the remaining set of quarters for the clerks of the Motihari Head Post Office, in Bihar and Orissa Circle have not been completed up to now?

(b) Are Government aware that the Postal employees are put to great inconvenience on that account and that the 11th Session of the Bihar and Orissa Postal and Railway Mail Service Conference passed a Resolution, which was submitted to the Postmaster General, Bihar and Orissa, recommending the construction of the remaining set of quarters? By what time do Government expect all the quarters to be constructed?

Mr. H. A. Sams: (a) The Honourable Member's question referred to is not traceable, but Government are informed that some sets of quarters for the clerks of the Motihari Head Post Office in the Bihar and Orissa Circle still remain to be constructed.

(b) No, as rented houses are reported not to be scarce at Motihari.

Regarding the resolution of the Postal Conference recommending the construction of the remaining sets of quarters, no information is yet available. The time within which further quarters will be constructed will depend on the necessity for them and the provision of funds.

A MOVING SCHOOL FOR THE CHILDREN OF EMPLOYEES OF THE GOVERNMENT OF INDIA SECRETARIAT.

253. **Mr. Gaya Prasad Singh:** (a) What arrangements, if any, have Government made for the provision of a moving school for both boys and girls of the employees of the Government of India Secretariat and its attached offices?

(b) Is it a fact that the Harcourt Butler School moves between Simla and Delhi? If so, since when?

(c) What aid do Government give to the said institution and what conditions have they imposed on the said institution?

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain: (a) Government have made a grant to the Harcourt Butler School for boys, Simla, to enable it to be maintained as a moving school between Simla and New Delhi. The question of the provision of a moving school for girls will be considered.

(b) Yes, from the current cold weather.

(c) The Government of India have made a grant-in-aid of Rs. 7,580 (Rs. 4,080 recurring and Rs. 3,500 non-recurring) during the current financial year, and propose to pay a recurring grant of Rs. 4,200 per annum in future years to meet expenditure on account of the move of the school. No condition has been imposed. The Government of the Punjab also make a grant to this school for maintenance. Information regarding the amount of their grant and the conditions attached thereto has been called for and will be supplied to the Honourable Member on receipt.

A MOVING SCHOOL FOR THE CHILDREN OF EMPLOYEES OF THE GOVERNMENT OF INDIA SECRETARIAT.

254. **Mr. Gaya Prasad Singh:** (a) Is it a fact that no arrangements at present exist for a moving school for girls between Simla and Delhi?

(b) Are Government aware that the Government of India staff is greatly inconvenienced for want of such a school?

(c) What steps do Government propose to take in the matter?

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain: (a) and (b). Yes.

(c) The matter will be considered.

ESTABLISHMENT OF A HIGH SCHOOL FOR GIRLS IN NEW DELHI.

255. **Mr. Gaya Prasad Singh:** (a) Is it a fact that there is no High School for girls in New Delhi?

(b) Are Government aware that students of the higher classes have to attend a school in Old Delhi and are thus put to great inconvenience?

(c) What steps do Government propose to take in the matter?

(d) Is it not the recognised policy of Government to encourage the education of girls? If so, will Government please state reasons why no action has so far been taken for the establishment of a High School for girls in New Delhi?

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain: (a) and (b). Yes.

(c) and (d). The question of raising the existing Municipal Board Middle School for Girls in New Delhi to the status of a High School will be considered when a sufficient number of girls is forthcoming for admission to the higher classes. At present there are less than 20 girls in the three middle classes.

GOVERNMENT GRANT MADE TO THE LADY IRWIN SCHOOL FOR GIRLS, SIMLA.

256. **Mr. Gaya Prasad Singh:** Is it a fact that Government pays a large sum as a grant to the Lady Irwin School for Girls, Simla? If so, how much and what conditions have Government imposed thereon.

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain: The following grants from Central revenues have been given for the establishment and maintenance of the Lady Irwin School for Girls, Simla:

Recurring—Rs. 8,700 since 1927-28.

Non-recurring—

Rs. 2,000 in each of the years 1927-28 and 1929-30. It is proposed to make an additional non-recurring grant of Rs. 5,500 to the school during the current financial year.

The following conditions have been imposed in connection with the payment of the recurring grant:

- (a) That pupils who are children of, or under the guardianship of, employees of the Government of India, are given preference in the matter of admission to the school.
- (b) That the school levies reasonable fees and does not enter into competition with other schools in the neighbourhood by unduly lowering its fees.
- (c) That pupils who are children of, or under the guardianship of, employees of the Government of India, are charged fees which are less by $33\frac{1}{3}$ per cent. than those charged to other pupils, the fees in the case of the latter being considered to be the standard rates. Since the fees should in general be not less than Rs. 2 per head per mensem from pupils who are children of, or under the guardianship of, employees of the Government of India, there is no objection to the average standard rate of fee per class being fixed at not less than Rs. 3 per head per mensem.
- (d) That the school is kept open for 8 months in the year.
- (e) That the school is regularly inspected and satisfactorily reported on.
- (f) That provision is made for *purdah* girls.

FEES CHARGED BY THE LADY IRWIN SCHOOL FOR GIRLS, SIMLA.

257. **Mr. Gaya Prasad Singh:** (a) Is it a fact that the Lady Irwin School for Girls, Simla, remains open for a period of eight months in a year, yet the students are charged fees for the full twelve months?

(b) Are Government aware that in view of the move of the Government of India, the majority of the students cannot take advantage of it, and cannot attend even for the full eight months?

(c) Are Government aware that the majority of the students have to attend one of the public schools in Delhi and have to pay full fees for the winter months? If so, are Government prepared to consider the question whether some relief is necessary to the parents of such students?

(d) Will Government be pleased to state under what section of the Punjab Education Code can a school charge fees from the students for full twelve months, even if such students are reading in some other public institution for a portion of the year? Under what rule is the Lady Irwin School for Girls, Simla, following such a practice?

(e) What steps do Government propose to take in this matter?

(f) Are Government prepared to consider the advisability of making their grant to the Lady Irwin School for Girls, Simla, on the condition that students are not charged a fee twice over, *i.e.*, by the said school and by another school in Delhi during the winter months?

(g) If the answer to (f) above is in the negative, do Government propose to consider the advisability of starting a Government school for girls moving between Simla and Delhi, or ask the Lady Irwin School for Girls, Simla, to move between Simla and Delhi by making a condition to their grant to that effect?

(h) Will Government please lay on the table the names of the members of the Governing Body of the Lady Irwin School for Girls, Simla, and also make available the rules and regulations of the said institution?

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain: (a) and (b). Yes.

(c) Government are informed that some of the students, though not the majority, attend one or other of the girls' schools in Delhi during the winter months and are required to pay fees for their tuition. On their return to Simla they are re-admitted to the Lady Irwin School on production of transfer certificates from the schools they have attended at Delhi and in that case they are not required to pay the tuition fees at the Lady Irwin School for the winter months.

(d) Under article 8 of chapter IV of the Punjab Education Code, fees are ordinarily leviable in recognised schools for the twelve months of the year. The Lady Irwin School for Girls charges fees under rules 26, 27, 30 and 32 of its rules.

(e) and (f). Do not arise.

(g) The Honourable Member is referred to the reply given to his unstarred question No. 254.

(h) A list of the members of the Governing Body of the Lady Irwin School for Girls, Simla, and a copy of the rules of the school are laid on the table.

List of the members of the Governing Body of the Lady Irwin School for Girls.

1. The Honourable Sir Brojendra Mitter, Kt., *President*.
2. Lady Protima Mitter.
3. Lady Bhore.
4. Mrs. P. K. Sen.
5. R. Littlehales, Esq., C.I.E.
6. Sardar Bahadur Sital Singh.
7. Rai Bahadur J. P. Ganguly.
8. Rai Bahadur P. N. Mukherjee.
9. Rai Bahadur A. L. Banerjee.
10. Rai Bahadur Daya Ram Sahni.
11. Rai Bahadur Ram Nath.
12. Rao Sahib K. P. Anantan.
13. Khan Sahib Ghias-ud-Din.
14. Mrs. P. L. Roy, *Honorary Secretary*.
15. Mrs. Priyabala Gupta, *Honorary Treasurer*.
16. Miss Jyotsna E. Addy, *Head Mistress*.

Rules of Lady Irwin School for Girls, Simla.

NAME AND OBJECT.

1. The School shall be called "Lady Irwin School for Girls."
2. Its object is to educate girls by the development of all their faculties and by inculcating in them habits of observation and thought, and to instil into them the best of Indian and of Western culture.
3. Boys may also be admitted to the Kindergarten classes; but must leave the School on attaining the age of eight years.
4. The School shall be run on strictly non-sectarian lines, and proper arrangement shall be made for Purdah girls.

Management, Audit and Control.

5. The School shall be under the control of the Governing Body.
6. The accounts of the School shall be audited once a year by an Auditor elected by the Governing Body, who shall submit to the Governing Body a written report of his audit.
7. The Governing Body shall consist of a President, a Secretary, a Treasurer, a nominee of the Government of India, the Head Mistress for the time being of the School, and fourteen other members elected from among persons who have subscribed to, or otherwise interested themselves in, the School, or from among parents or guardians of the girls reading in the School.
8. All appointments to the Governing Body other than those of the nominee of the Government of India and the Head Mistress for the time being shall be made by election at meetings of the Governing Body, and shall be for three years from date of appointment. Persons so appointed shall, however, be eligible for reappointment on the expiration of their term of office.

Meetings and Duties of Governing Body.

9. The Governing Body shall meet as often as may be necessary for the transaction of business.
10. Seven members shall form a quorum.
11. In the absence of the President at any meeting the members present shall elect one from among themselves to preside at that meeting.
12. (1) All questions shall be decided by a majority of votes. In case of equality of votes, the President or the Chairman shall have a second or casting vote.
(2) No vote by proxy shall be admitted.
13. The Governing Body shall from time to time receive, examine and pass all approved accounts which, when passed, shall be signed by the President or the Chairman of the meeting.
14. The appointment and dismissal of teachers and other employees of the school shall rest with the Governing Body; the Secretary may, however, subject to any instructions given by the Governing Body, make temporary arrangements for the appointment of such teachers and other employees as may be necessary.
15. The Governing Body shall exercise general supervision over the working of the school. It may depute any member or members to visit the school from time to time, who shall communicate their remarks to the Secretary in writing. Such communications shall be laid before the Governing Body at their earliest meeting.
16. The Governing Body shall receive, consider and dispose of such complaints made by parents or guardians of pupils as cannot suitably be disposed of by the Head Mistress or the Secretary.
17. The Governing Body may frame subsidiary rules for the management of the School.

Duties of the Secretary and Treasurer.

18. The Secretary shall be the chief executive officer of the Governing Body, and shall, subject to the control of the President, be responsible for seeing that the orders of the Governing Body are carried out.

19. The Treasurer shall be responsible for all monies, books, accounts, and papers connected therewith, and shall submit all such papers and accounts to the Governing Body as occasion arises.

20. (1) The Treasurer shall have an account in a Bank approved by the Governing Body; and deposit therein all funds of the School, and shall not draw therefrom any money other than that required to meet the standing charges sanctioned by the Governing Body. All cheques drawn for the School shall be signed by the Treasurer and the Secretary.

(2) Contingent expenditure up to a maximum of Rs. 50 a month may be incurred without the prior sanction of the Governing Body.

21. The Treasurer shall see that all books and accounts of the School are kept in proper order, and shall in signing every month, specify the date on which they are signed, the Cash Book, Collection Register, Book of Contingent Charges, Admission Register, Acquittance Roll and Abstract Attendance Register, those places where remission of tuition fees is sanctioned being initialled.

General Rules for the School.

22. The School shall ordinarily be open from the middle of March to the middle of November.

23. It shall be divided into three Kindergarten classes and six Forms leading up to a School Leaving Certificate Standard. Tuition fees shall be levied at the following rates per mensem :

	For girls and wards of the Government of India employees.	For girls and wards of others.
	Rs. a. p.	Rs. a. p.
Form VI	6 0 0	9 0 0
Form V	6 0 0	9 0 0
Form IV	5 0 0	7 8 0
Form III	5 0 0	7 8 0
Form II	4 0 0	6 0 0
Form I	4 0 0	6 0 0
Kindergarten A	3 0 0	4 8 0
Kindergarten B	3 0 0	4 8 0
Kindergarten C	3 0 0	4 8 0

24. The School shall remain closed on Sundays, the last Saturday of each month and on holidays to be notified by the Governing Body. On other days, it shall open at 10-30 A.M. and close at 3-30 P.M. with half an hour's break each day, except on Saturdays when it shall close at 1 P.M. and there shall be no break. The Secretary may, however, close the School on special occasions, reporting her action to the Governing Body.

25. There shall be monthly examinations in each class. A yearly examination shall be held in the month of October on dates to be fixed by the Secretary. Progress reports shall be sent to the guardians from time to time which shall include the marks obtained by their wards at examinations.

26. The tuition fee for any month during the period that the school is in session shall be paid on or before the 12th day of that month. If the 12th happens to fall on a Sunday, or a holiday, payment may be made on the next following day after the School reopens.

27. Fees for the month of November and December must be paid along with the fee for October. Fees for January and February are payable in March, but in the case of students moving with their parents or guardians between Delhi and Simla, the fees for January, February and March shall be payable in April.

28. Students failing to pay their tuition fees for any month in due time, shall be considered defaulters and as such shall be liable to the payment of a fine of one anna for each day's delay till the end of the month, after which their names shall be liable to be struck off the rolls.

29. Students whose names are thus struck off may be readmitted on payment of a fee of one rupee and the arrears including fines incurred under rule 28 due, unless the Governing Body otherwise direct.

30. Applicants for admission into the School from other schools shall have to produce transfer certificates and pay an admission fee of two rupees, and the tuition fee for the month in which they are admitted. Without the sanction of the Secretary no portion of the tuition fee shall be remitted on the ground of their having paid the tuition fee to the School to which they had previously belonged.

31. Applications for admission in the prescribed form shall be made to the Head Mistress.

32. Any student leaving the School during the months of October, November and December who applies for re-admission shall, unless a transfer certificate is produced, have to pay the full tuition fees for the period of absence from the school.

Conditions of Service of teachers.

33. All teachers shall be employed on a contractual basis—their service being terminable on one month's notice on either side.

(a) Leave.

34. The teachers of the School shall be eligible for full pay during the annual vacation, provided they rejoin after the holidays. They may also be granted the following classes of leave in a year :

(a) Casual leave on full pay for a period not exceeding ten days, which should not be prefixed or suffixed to the vacation leave;

(b) Leave on half pay for a total period of one month in any one year;

(c) Leave without pay for a total period of two months in any one year.

35. (1) The Head Mistress may grant casual leave to the teachers of the School. The Secretary may grant casual leave to the Head Mistress.

(2) When casual leave is taken on the ground of urgent private business, the permission of the Head Mistress should whenever possible be obtained beforehand.

36. Leave on half-pay may be granted by the Secretary to a teacher, on medical grounds, or on urgent private affairs when a substitute is not required.

37. Leave without pay may similarly be granted by the Secretary when, in her opinion, the interests of the School will not suffer by the grant of such leave.

38. Leave of absence for a longer period than that admissible under rule 34 above requires the sanction of the Governing Body.

39. Absence without leave, habitual irregularity or frequent absence from School may entail loss of pay and appointment.

40. Absence without leave, whether prefixed or suffixed to the winter vacation, shall subject the absentee to loss of pay for the vacation.

41. Leave of any kind cannot be claimed as a matter of right.

(b) Private Tuition.

42. Without the sanction of the Secretary no private tuition shall be undertaken by any teacher.

Duties of the Head Mistress and other teachers.

43. The Head Mistress shall promote the physical, intellectual and general welfare of the pupils under her charge, and shall have it as her special aim and object to make all parts of school life bright and interesting to the pupils, and to turn them out as persons with harmoniously developed faculties with a healthy outlook on life and capable of playing their parts worthily in the home and in the State.

44. The Head Mistress shall see :

- (a) That the Text Books selected are carefully taught;
- (b) That the teachers daily note down, in their own hand, the time of their arrival and departure in an Attendance Book, to be kept for the purpose;
- (c) That no corporal punishment is inflicted upon, or any improper or abusive language used to, the pupils by any teacher;
- (d) That the teachers go to their respective classes, punctually at the time their work is to commence;
- (e) That no pupils joins any class and receives instructions without being duly admitted and enrolled as such;
- (f) That no unwholesome articles are sold to pupils on the School premises;
- (g) That parents or guardians of pupils are written to, enquiring the cause of their ward's absence, if they happen to be absent for six consecutive days;
- (h) That no teacher leaves the school during the school hours without her permission;
- (i) That no class suffers for want of a teacher. (In her own case she shall make arrangements for the conduct of her own duties before she takes leave from the Secretary or leaves the School during working hours); and
- (j) That every teacher shall be, by turn, in charge of the students during the recreation period.

45. The Head Mistress shall exercise strict supervision over the discipline and teaching of the classes, and shall see that pupils show proper respect and due obedience to their teachers. She shall immediately report to the Secretary for the orders of the Governing Body any cases in which, in her opinion, the extreme penalty of expulsion or dismissal should be inflicted on a pupil or a teacher.

46. No fees shall be received from the pupils without giving them due receipts.

47. All the teachers, pupils and servants of the school shall be under the control of the Head Mistress.

48. The Head Mistress shall receive, consider and dispose of all complaints that may be brought to her by parents or guardians of pupils against pupils or servants of the school.

49. The Head Mistress may, if she thinks it necessary, report to the Secretary the conduct of any teacher which she considers unsatisfactory.

50. The Head Mistress shall see that teachers prepare notes of their lessons.

51. The Head Mistress shall select examiners for conducting the yearly examination, and shall send a copy of the list to the Secretary for approval.

52. The Head Mistress shall cause to be prepared an inventory of the property of the school which shall be checked twice every year before and after the long vacation and forwarded to the Secretary.

53. The Head Mistress shall see that the catalogue of books in the Library is corrected up to date, and shall check the books at least once a year.

General.

54. These rules may be amended in any way by the Governing Body at a meeting of which due notice is given.

NOTIFICATION OF DATES FOR PUBLIC SERVICE COMMISSION EXAMINATIONS.

258. **Mr. S. C. Mitra:** (a) Will Government be pleased to state the date on which the notification regarding the last qualifying examination of the Public Service Commission for recruitment to the Government of India offices was issued?

(b) Will they be pleased to state the date on which the last qualifying examination was held?

The Honourable Sir James Crerar: (a) On 24th September, 1929.

(b) On 4th and 5th November, 1929.

NOTIFICATION OF DATES FOR PUBLIC SERVICE COMMISSION EXAMINATIONS.

259. **Mr. S. C. Mitra:** (a) Is it a fact that a qualifying examination of the Public Service Commission for departmental candidates will be held on the 31st March, 1931?

(b) Will Government be pleased to state whether the departmental candidates who are to sit for the examination are informed about the qualifying examination? If so, will Government be pleased to state the date on which such a notification was issued?

(c) Are Government aware that the departmental candidates who appeared in the last qualifying examination of the Public Service Commission were informed three months before the examination was held? If so, do Government propose to extend the same privilege to those departmental candidates who are appearing in the ensuing qualifying examination? If not, why not?

The Honourable Sir James Crerar: (a) The qualifying examination will be held on the 30th March, 1931.

(b) Intimation of the date of the examination was issued to Departments on 21st February, 1931, but it has long been known that an examination was in contemplation.

(c) From my replies to question No. 258, it will be seen that the facts are not as stated by the Honourable Member, and the reply to the second part of the question is, therefore, in the negative. I may add that in the opinion of the Government of India, the notice given on the present occasion is adequate in view of what is stated in reply to part (b).

EXEMPTION OF CERTAIN CLERKS FROM THE QUALIFYING EXAMINATION OF THE PUBLIC SERVICE COMMISSION.

260. **Mr. S. C. Mitra:** (a) Is it a fact that a few members of the Legislative Assembly have already given notice of a resolution recommending the exemption of clerks who have served for more than a year from appearing in the examination to be held by the Public Service Commission?

(b) If so, do Government propose to postpone the examination until the discussion of the resolution? If not, why not?

The Honourable Sir James Crerar: (a) Yes.

(b) No. I would invite the Honourable Member's attention to the reply I gave to part (d) of Mr. D. K. Lahiri Chaudhury's question No. 758 on the 2nd instant.

EXEMPTION OF CERTAIN CLERKS FROM THE QUALIFYING EXAMINATION OF THE PUBLIC SERVICE COMMISSION.

261. Mr. S. O. Mitra: (a) Will Government be pleased to state the number of temporary clerks of the Railway Board who were confirmed in 1929 and 1930?

(b) Is it a fact that a number of clerks of the Railway Board were exempted from appearing at the examination of the Public Service Commission on the grounds that they had been serving satisfactorily for more than one year?

(c) If the answer to part (b) above be in the affirmative, do Government propose to extend the same privilege to those temporary clerks of the Government of India offices who have been serving satisfactorily for more than one year? If not, why not?

The Honourable Sir James Orerar: (a) No temporary clerks of the Railway Board were confirmed in 1929 and 1930.

(b) No.

(c) Does not arise.

†262-263.

CONFERENCE ON RECRUITMENT OF STAFF OF GOVERNMENT OF INDIA OFFICES.

264. Mr. S. O. Mitra: Is it a fact that a departmental conference to discuss the question of future recruitment of ministerial staff of the Government of India offices took place on the 2nd December, 1930? If so, will Government be pleased to lay on the table a copy of the proceedings of that conference? If not, why not?

The Honourable Sir James Orerar: The reply to the first part of the question is in the affirmative. As regards the second part, the Conference, as the Honourable Member himself says, was a Departmental one. It is not the practice to make the proceedings of such conferences public.

OFFICES EXEMPT FROM PUBLIC SERVICE COMMISSION EXAMINATIONS.

265. Mr. S. C. Mitra: (a) Is it a fact that the undermentioned offices of the Government of India are not under the scope of the Public Service Commission:

Director of Contract, Military Accountant General, Director of Army Audit.

(b) Will Government be pleased to state their reasons for withholding the same privilege from those temporary clerks who are serving satisfactorily for one year in the Government of India offices?

The Honourable Sir James Orerar: (a) Yes, except that recruitment to the Routine Division of the office of the Military Accountant General is made through the Public Service Commission.

†These questions were withdrawn by the questioner.

(b) The Honourable Member apparently wishes to suggest that temporary men in offices recruited through the Public Service Commission should be confirmed without being required to pass the tests of the Public Service Commission. The offices recruited through the Public Service Commission must conform to the rules laid down for such recruitment, and these require that the tests prescribed by the Public Service Commission must be satisfied. Temporary clerks who have served satisfactorily for one year have been made eligible for the qualifying examination of the Public Service Commission to be held at the end of this month, provided they satisfy the educational and other requirements.

THE GENERAL BUDGET—GENERAL DISCUSSION—*contd.*

Mr. President: The House will now resume the general discussion of the Budget.

Seth Haji Abdoola Haroon (Sind : Muhammadan Rural): I must congratulate the Honourable the Finance Member on the sweet language he has used in the Budget. He wants us to allow him to swallow 15 crores of rupees taxes easily. Considering that point, I have something to say on the Budget. If you go through the Budgets from 1921-22, you will find that this Government have imposed fresh taxes through this Assembly every year. I cannot speak for other Members, but speaking for myself, I find that I get very little time to consider it properly and to read previous records. From what I have been able to see, Government imposed fresh taxes on the public to the extent of 8 crores 17 lakhs in that year. In the year 1922-23 the deficit in the Budget was about 22 crores. I am unable to find out the exact figures, but I do remember that at that time something like 15 crores were imposed on the public. From 1923-24 to 1929-30 you will find various sorts of new taxes imposed on the public in a round about way, namely, protection Bills for the Tata steel industry, the Gold Thread Bill, the Bolt and Nut Bill and so on. In 1930 no less than 7 to 8 crores of additional taxation was imposed and this year unfortunately more than 14½ crores additional taxation is sought to be imposed on the public. If you calculate carefully, you will find that in the last ten years about 45 to 50 crores of additional taxation has been imposed on account of deficits in the Budgets. I do not know how long the Government will go on imposing fresh taxes. The time has come when the people are unable to pay more taxes. In 1921-22, you will find that the Government's income was 115 crores, whereas last year it was 12½ crores. If in spite of imposing 40 to 50 crores of new taxation, they can get only 7 or 8 crores, it shows that on account of raising the taxes the people are unable to pay, and therefore trade is suffering heavily and people are unable to purchase anything because they have no money left. The price of India's produce went down and down. I shall give you only last year's instance. According to the Budget estimate in 1930, our income was 130 crores and they were expecting 140 crores this year, whereas there is a deficit of about 17 to 18 crores. In my opinion the deficit is more than 17 crores. Again in this year the Honourable the Finance Member has imposed fresh taxation of 14½ crores of rupees. So the Honourable Member has estimated for this year an income of 135 crores. But in my opinion, unless some miracle happens, you can hardly collect even 125 crores next year, because, if you

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go through the figures for the last ten years, you will find that as you go on raising new taxes, you have been getting less and less. That shows that the people in the country have not the capacity to pay you these heavier taxes. Sir, according to my opinion, this is not the way to balance the Budget, namely, by the imposition every year of fresh taxes, but the proper way is to cut your expenditure, do your work economically and as soon as possible. If you cannot reduce your expenses, then the mere imposition of fresh taxes will not enable you to balance the Budget any longer, as that can only be done by curtailing expenses and practising economy. As to that, the Honourable Member has given us some sort of assurance that he wants to do something in that direction. Well, I know the Honourable the Finance Member very well, and I know that he is very good-hearted, that he wants to do something for the economic betterment of the people of India, because fortunately I have had a chance of sitting with him on the Standing Finance Committee, and I have always found that he has at heart the minimising of expenses as much as possible. (Hear. hear.) But I find also that the different Departments of the Government are continually bringing forward their proposals for fresh expenditure in strongly-worded memoranda, and those memoranda of course a layman like myself cannot oppose suitably and properly, because, if something happens, then they will be able to say very easily, "Here you are, you have not sanctioned this expenditure; therefore all these things have happened". Therefore, in the face of all these reasons and memoranda of the different Departments, I always find the Honourable the Finance Member doing his level best to support us in pressing for the curtailment of expenses. But you know very well the condition and nature of the present Government, and I must use very mild words in describing that. It is like the story of a millionaire who died and then his son sitting at the table required something good for his house, furniture, motor cars, and so on and so on. Well, where will it all come from? So this Government at present—I say this regretfully—want all sorts of luxuries, all sorts of meticulous regularities, all sorts of fancy things,—well, I may not be able to express myself fully in English as I could if I spoke in Urdu. (*Some Honourable Members* "Go along, go along in Hindustani if you please.") But if I speak in Hindustani, my Honourable friend, the Finance Member, will not follow me. So my Honourable friends will see that the Government want all these sorts and grades and degrees of efficiency

Maulvi Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): And luxuries.

Seth Haji Abdoola Haroon: . . and efficiency means luxury. (Laughter.) Take any Department. The Executive Councillor in charge of it has several Secretaries and Joint Secretaries, and not only that, Deputy Secretaries, Under Secretaries and Assistant Secretaries, and still he may be asking for additional Under or Assistant Secretaries. We have however to accept whatever memorandum it may send to us. Now the Honourable Member has suggested two things for diminishing expenses. Firstly, he agreed with public opinion that possibly the pay of the various Government servants is too high. But what does he suggest to us? He says immediately after this session is over, the Government of India will try and confer with Provincial Governments and consider along with them what

should be the proper future pay of people who will hereafter join the service. The Government say, "We must decide that, but we are unable to do anything in regard to the present Government servants because we are bound by some sort of agreement with them", and so on and so forth. I quite agree with the Honourable the Finance Member in that, but what objection can there be if you reconsider some of the allowances which the Government are paying their servants—local allowances, house allowances. I am unable to see how many other allowances, sleeping allowances, walking allowances, marriage allowances, bachelor allowances—I do not know how many there are of these. You do not touch any of these, but if you had done so, I think you could have saved lots of money in this Budget. Well, although he seemed to agree with the popular cry about the pay of officials being too high, he suggested one way to meet that, namely, by the imposition of fresh income-tax. What is this? If you go through the memorandum, you will see that this is only between 2 to 5 per cent.—the income-tax imposed on Government servants. He is satisfied with that, but he penalizes the public by levying the same taxes on them also instead of reducing the pay of the officials; in fact he is penalizing the public for raising the cry that the pay of officials should be reduced, and telling them, "You should also pay more income-tax because the Government servants are paying more." This, then, is his first remedy.

The second remedy is with regard to the popular cry, "retrenchment", and he has suggested that he will ask the Assembly to select five persons to sit on a Retrenchment Committee, who will sit together with Government members on it to consider proposals and do something in this behalf. I must say, however, Sir, that both these suggestions of the Honourable the Finance Member are not such as to yield any practical results. Sir, I have a little experience of these committees, and I can say very clearly to the House that it will take a long, long time for anything to materialize. After they make their recommendations, the Government of India will have to consider them—and the various Departments will have to consider them and lastly the Secretary of State will have to consider them before sanctioning them. Thus it must in my opinion take about one, two or even three years before anything can be done. So my suggestion to the Honourable Member is this, that if he wants to do something—and I know he wants to do something in the direction of the economic progress and betterment of the people of India—then—of course I am not a lawyer but a lay man—if His Excellency the Viceroy can issue dozens of Ordinances to put down the civil disobedience movement, if he can do that, then in my opinion the time has come when the economic condition of the country has come to such a pass, that the financial position of India is about to break down very soon; and if that happens, it will not bring in merely a civil disobedience movement, but will bring about chaos and rebellion, and to meet that, in my opinion His Excellency the Viceroy should issue Ordinances giving all necessary powers to the Committees which will be presided over by the Finance Member to enable them to cut down all superfluous expenses. Sir, I am in favour of this democratic form of Government and I also know that in this Assembly we have got very able men. However, I wish to suggest that if the Government are sincere and are anxious to do something, then I must say that they should nominate to this Committee some business men of repute and also some other experienced men to go into various details. I can suggest, if I am asked, certain names both from this Assembly and outside it who would prove

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very useful. One or two politicians can also be appointed to that Committee, but they must have full powers in their hands. They must have full power to do away with a Deputy Secretary here and an Assistant Secretary there, and also to cut away the allowances should they think it to be necessary. I know that in my own city, Karachi, business is very slack and therefore many European firms have given one or two months' notice to their employees. They have told them that they are unable to pay them their present salaries. I know of a man who was in receipt of Rs. 500. His Manager said that as business was slack, he could not offer him more than Rs. 250. The man accepted this lower sum and was kept on. So, if the Committee is given such full powers by the Government of India, their work will prove very beneficial, otherwise there is no chance of improvement. You may appoint as many Commissions and Committees as you like, but unless you give them full powers, the result will be disappointing.

Sir, now I wish to appeal to my colleagues, especially the elected Members, to go through the Budget carefully. We belong to different parties and we are in different groups, but I can say that we are all of one mind to improve the economic condition of our country.

Mr. President: The Honourable Member's time is up and I would ask him to conclude his remarks in a couple of minutes.

Seth Haji Abdoola Haroon: We ought to go through every item, and if we find a tax to be beneficial to our country, we should agree to it, otherwise not. If we sit like business men, we are sure to do some good to our country. Lastly, Sir, I wish to refer to a remark of a great historian, Ibn Khaldoon, who travelled all over the world. In one chapter of his book he mentions how Empires are built and how they are destroyed. He says when a new tribe or a new king takes possession of a country, there is very little expense. At first they do not indulge in luxuries; they are hard-working and therefore they impose very few taxes on their people, with the result that the people enjoy their life, and peace reigns in the country. But once the Government is stabilised, the officials begin to love luxury, and as they are inclined to spend more money, naturally they impose more taxes. As the taxes are increased, discontent grows in the country, with the result that the Government have to put in a longer army and more police. This state of affairs lasts for some time. Then the Government find to their dismay that they cannot impose any fresh taxes and so they try to take the trade into their own hands. By doing so, they antagonise the merchants also. The mercantile people join hands with the other people, and this either leads to a revolution, or they approach the neighbouring Government to help them. Sir, I now ask the Members on the Treasury Bench to see what is happening to the present Government. They must try to see things as they are. Sir, I am thankful to you for giving me so much time. With these words I conclude my remarks and I wish to appeal to Government once more to pay heed to all that we have said.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, there is one aspect of the Budget to which very little attention is generally given in the non-official criticisms of the Budget. I refer to the ways and means Budget, which, from my point of view, is in certain respects even more important than the revenue

and expenditure Budget. I propose, therefore, Sir, to approach the Budget from an examination of the ways and means operations, because I am convinced that the methods pursued by the Honourable the Finance Member in his ways and means operations have a more immediate effect on industry and trade than a surplus or deficit Budget. Last year in his Budget speech the Finance Member forecasted that he would raise 27½ crores of rupee loan and that he would borrow a sterling loan of 6 million pounds and provide for the Treasury Bills to the extent of 20 crores of rupees remaining in the hands of the public. That was a modest and reasonable programme which he had forecasted. But what is the position in which he finds himself today? In his revised estimates he now tells us that his rupee loan for the current year is 29.71 crores of rupees, that his sterling loan has amounted to the enormous sum of 31 million pounds, and that he expected at the end of the financial year to find 45 crores worth of Treasury Bills in the hands of the public. In his own words, the ways and means position has deteriorated to the extent of 64½ crores of rupees. That, Sir, I submit, is a very serious position, a position to which my Honourable friend must pay very serious attention indeed.

In passing, I would invite the attention of my Honourable friends to the circumstances and the manner in which the new rupee loan was issued last year. My Honourable friend the Finance Member announced that he was issuing a loan for an unlimited amount and any one who knows the psychology of the money market would at once say that such an announcement by itself acts as a distinctly bearish factor on the money market. The list for the new loan was kept open for ten days and in spite of that, if I remember aright, the cash subscription was only 12 crores of rupees. The management of the ways and means position in such a manner has very seriously affected the money market and through the money market, the industry and trade of this country during the current year. I would ask my Honourable friend just to analyse what exactly is the result on trade and industry of the adoption of ways and means policy of this kind. When the Government want to borrow an enormous sum, they have naturally to pay higher rates of interest. Heavy borrowing, therefore, leads to high rates of interest. High rates of interest for the new loans mean depression in the value of the existing Government securities. Depression in the value of Government securities means loss of confidence on the part of the investing public. The direct effect of this loss of confidence is the flight of capital from the country abroad and in this connection, Sir, I would remind my Honourable friend that if there has been a flight of capital during the last year to the extent of 40 or 45 crores of rupees, it is not so much due to the political disturbances that prevailed in the country, but to the loss of confidence in the gilt-edged securities which the policy of my Honourable friend engendered. (Hear, hear.) And, what is the effect of the flight of capital? Flight of capital means, the Finance Member resorting to stringent measures for contraction of the currency to maintain exchange, and contraction of currency in its turn reacts unfavourably on trade and industry and thereby increases the economic depression. If my Honourable friend attributes his difficulties to economic depression, I would submit to my Honourable friend that the way in which he manages the ways and means operations in its turn reacts upon the economic depression, and instead of relieving, it accentuates the economic depression. That, Sir, is exactly what happened in 1930.

[Mr. R. K. Shanmukham Chetty.]

As a digression, I would just mention a few words with regard to the policy of contraction of currency, about which my Honourable friend the Finance Member gave an elaborate *apologia* in his Budget speech. My Honourable friend took an estimate of the number of rupees in circulation at a particular period, then he took the volume of the rupee circulation at the present moment and struck out a percentage of decrease. He compared it with the fall in the index figures of wholesale prices and came to the conclusion that the contraction of currency which he effected was not an unhealthy contraction. Sir, in the short time at my disposal, it is not possible for me to enter into an elaborate analysis of the fallacy underlying my Honourable friend's argument. I would only mention two points in this connection and rest content with that. The estimate that he has made of the total number of rupees in circulation is at best guess work. We know how many rupees have been minted so far and we know how many of these rupees have come back to the Paper Currency Reserve and how many rupees remain in the treasuries, but we cannot make any accurate estimate of the number of rupees that were melted during the war, when the bullion value of the rupee was higher than the face value of the rupee. We cannot with any accuracy estimate the total volume of rupees that have gone beyond the borders to Afghanistan, Nepal and Tibet. We cannot estimate how many rupees have been buried in hoarded treasures, and therefore any estimate that is attempted of the volume of rupees in circulation can at best be guess work. Even if my Honourable friend wants us to draw a conclusion from a comparison of the percentage of contraction that he has made to the percentage of fall in the wholesale index figures, he must, to make the comparison fair and accurate, take the active rupees and notes in circulation and not the gross volume of rupees and notes in circulation. Sir, I will leave the question of contraction at that and return to my criticism of the ways and means Budget.

My Honourable friend has taken stringent measures to balance his Budget for the coming year, but I would respectfully submit to him that more important than even balancing the Budget would be the way in which he strengthens his ways and means position for the coming year. In this connection, I must congratulate my Honourable friend because he is in a strong position with regard to his operation of the ways and means position for the next year. He has told us in the Budget that he would be requiring only 7½ crores of rupees of new money and that in England he proposes to have a conversion loan of 15 million sterling. These two are factors which are distinctly in his favour, and there is a third factor which also must be in his favour very distinctly. Any one who takes the trouble of looking into the composition of the Paper Currency Reserve at present would know that the amount of treasury bills in the Paper Currency Reserve is only about 3 to 4 crores of rupees. I hope I am right in my figures. We have only to make a guess. The statement does not enable us to find out how much there is in rupee securities and how much of treasury bills there are in the Paper Currency Reserve. I take it, it is certainly not more than 5 crores of rupees. There again is an advantageous position for him. Even if he finds his hands forced to contract the currency for the coming year, he need not resort very much to the cancellation of the Treasury Bills in the Paper Currency Reserve and thereby create complications for himself in his ways and means Budget. There is still a fourth factor which has come

into existence last evening, and that is the anticipation of normal political conditions in the country." (Hear, hear.) Sir, these four are factors which are distinctly in favour of my Honourable friend, the Finance Member, and if only he will utilise these factors carefully, then I submit that he would considerably strengthen his ways and means position for the next year.

In dealing with the ways and means position for the next year, my Honourable friend has assumed that he would be able to remit through the open market 35 million sterling to the Home treasury, and he expects to find a part of the Treasury Bills in the hands of the public. I hope, Sir, that as a result of trade coming back to its normal condition, he would be able to purchase sterling bills in the open market and remit 35 million pounds as he anticipates to the Home treasury. I would therefore devote my attention to the finding of the Treasury Bills in the hands of the public. Though my Honourable friend expects that at the end of the current year, there will only be 45 crores of rupees of Treasury Bills in the hands of the public, many of my Honourable friends may not know that at the present moment the total volume of Treasury Bills in the hands of the public amounts to the colossal figure of 52 crores of rupees. Such a dependence of the Government on Treasury Bills has placed them simply at the mercy of bankers and the money market. Sir, if you consider the size of the money market in India, the available liquid resources in banking circles, the elasticity pertaining to Treasury Bills in the Indian Money market, and if you still further consider the fact that those who avail themselves of the Treasury Bills are only banks and insurance companies, then we can safely come to the conclusion that the Indian money market cannot afford to invest more than

12 Noon. 15 to 20 crores of rupees in Treasury Bills. When that is the real fact, my Honourable friend has taken from the money market the colossal sum of 52 crores in the form of Treasury Bills. If you look at the rates at which these Treasury Bills are purchased, you will find how much Government is at the mercy of the bankers. Sir, in this paper, *Indian Finance*, which I recommend to every Honourable Member in this House to read as probably the best magazine on the subject, I find that on the 27th February the interest rate for three months deposit was $5\frac{1}{2}$ per cent.; and on the same day the average rate of discount for Treasury Bills was $6\frac{1}{2}$ per cent., the real rate of interest being $6\frac{1}{2}$ per cent. In a healthy money market where Government is in a strong position there must be a difference of at least 1 per cent. between Treasury Bills and the three months deposit rates in favour of the Government. If three months deposit rates are $5\frac{1}{2}$ per cent. Government must be able to purchase their Treasury Bills at $4\frac{1}{2}$ per cent., whereas the position today is that the rate for three months deposits is $5\frac{1}{2}$ per cent. and Government are paying $6\frac{1}{2}$ per cent. on their Treasury Bills. Surely my Honourable friend the Finance Member cannot attribute the increase in the rate of Treasury Bill borrowing to political causes, because the class of people that invest in Treasury Bills belong to a class which are not affected by political considerations. Is it contended that Banks and Insurance Companies which are the primary factors in Treasury Bill operations, have really been affected by the political unrest that has prevailed during the last year? I submit it is not so.

Last year my Honourable friend added to his difficulty when, immediately after the list for the new loan was closed, he asked for further

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tenders for Treasury Bills and accepted in the very next week Treasury Bills to the amount of over two crores of rupees. That again placed my Honourable friend at the entire mercy of the bankers. I would therefore submit that the task before my Honourable friend for the coming year is to reduce the rates of interest and to fund the greater part of the Treasury Bills; and in this I want to give him a constructive suggestion. The gilt-edge market in India has become very depressed and I said in the earlier part of my speech that the high rates that the Government had to offer for new loans had depressed the gilt-edge market. I would therefore advise my Honourable friend now to get a hold on the gilt-edge market and adopt measures by which a fall in the value of gilt-edge securities will be prevented. And I would tell him how he would have to do it. We know from the Budget that my Honourable friend has set apart a sum of 6.17 crores of rupees as a sinking fund. Now it must be conceded that when year after year Government have got a huge capital programme of expenditure, any amount that is set apart as a sinking fund practically comes to this, that you take from revenues a certain amount to spend on your capital expenditure. Now I would submit to my Honourable friend that this sinking fund provision that he makes every year must enable him so to employ that fund as to give him a grip on the money market and enable him to borrow money at a cheaper rate. For that purpose I would suggest to him that he must enter into open market operations in gilt-edge securities. When Government securities go down in the market, let my Honourable friend utilise three to four crores of the sinking fund, enter the open market and purchase gilt-edge securities in the open market. The moment he does that I can assure you that there will be a revival of a healthy tone in the gilt-edge market. But then it might be asked, is not this a tall order? Will two or three crores of rupees be sufficient to enable Government to enter the open market operations in this respect? I would say, yes. Because if you analyse the class of investors that invest in Government securities, you can divide them into two classes, those that want to invest their money and go to sleep, and secondly, those who speculate in investments. Those who know the money market have assured me that the amount of gilt-edge securities floating, as it were, in the market and disturbing the market amounts to only about 3 or 4 crores of rupees. If therefore my Honourable friend will use 2 or 3 crores of rupees of the sinking fund and enter the open market to purchase gilt-edge securities when they are depressed, he will not merely restore confidence in the minds of the investors in Government securities, but he will get a grip on the market and thereby create the position of dictating to the market about the rates of interest, instead of being at the mercy of the bankers as he is at the present moment. Even though political unrest may disturb the confidence of the people in Government securities, this operation on the part of Government will restore confidence. It may not be even necessary for my Honourable friend actually to enter the open market. If only tomorrow he, on behalf of the Government of India, will declare that they have adopted a policy of entering the open market to hold gilt-edge securities at a level, that by itself will be a factor which will restore confidence and bring about a healthy tone in the gilt-edge market. Sir, in doing this he will be getting the co-operation of the bankers also, because as matters stand at present,

bankers who invest a great part of their money in gilt-edge securities find at the end of the year that the securities have depreciated and they have to write off a great part of their profits to the depreciation account of the gilt-edge securities. If the value of the gilt-edge securities is kept steady by these open market operations, he will come to the rescue of the bankers also in maintaining the value of their investments in gilt-edge securities. That, Sir, is the constructive suggestion that I have been able to make in the short time at my disposal. As regards the analysis of the other parts of the Budget, I will reserve it for a later stage when the Finance Bill is taken into consideration. My Honourable friend concluded his Budget speech by saying, "I have tried in these proposals to measure the needs fairly and to meet them fully." I would have wished that he should have measured the needs fully and met them fairly. Whether he has met them fairly, I shall analyse at the time of the consideration of the Finance Bill.

Maulvi Muhammad Yakub: Sir, after full one year we meet this morning in a different atmosphere. For the last 12 months the country has been passing through great disorder and disturbances, and therefore the peace which has been restored as a result of the negotiations between His Excellency the Viceroy and Mr. Gandhi must be welcomed by every lover of peace in this country. I hope that these changed conditions will also change the financial position in this country. We owe, in this respect, a great deal of gratitude and we pay our humble tribute to His Excellency Lord Irwin for the statesmanship, sympathy and broad-mindedness which he has shown in bringing about the results which were announced by you in this House last evening. I am sure that Lord Irwin's name will go down in the history of India as a great friend of India, as well as of England. We also owe a great deal of gratitude to Mr. Gandhi, Dr. Sir Tej Bahadur Sapru, Mr. Srinivasa Sastri and Mr. Jayakar for the part which they have played in bringing about this happy result. Although much has been achieved, still more remains to be done, and now that a good beginning has been made, I hope that the second step will soon be taken and the knotty Hindu-Muslim problem will also be solved in a manner that will bring the salvation of India within practical politics.

Now, coming to the Budget proper (Hear, hear), I submit that I am not at all surprised at the Budget which the Honourable the Finance Member presented before the House on Saturday last, with a deficit of over 14 crores of rupees. The general depression in the world markets, the disturbed conditions in India and the general fall in the price of products gave an indication of the difficulties which we were likely to face; but I am really surprised at the manner in which the Finance Member has presented his Budget, and he really deserves our congratulations, not for the Budget that he has presented, but for the skilful manner in which he has put his case before the House. Probably the speech which he delivered on Saturday last was a masterpiece of financial oratory.

In order to meet the deficit in the Budget it was necessary for the Finance Member to increase some of the taxes. He has levied several taxes to raise the money required, but one of the taxes which will hit hard the people of the country more than any other tax is, I think, the income-tax. This tax may not hit the Government servants so hard, as they draw a definite salary every month; but it will certainly hit very hard the men of the various professions and also the middle class man of business, whose

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capacity to pay taxes has already been exhausted and has reached the breaking point.

Much has been said about retrenchment, and I think that the Finance Member himself has agreed to a certain extent that retrenchment is necessary to bring the finances of the country to a sound basis. I am unable to agree with my friend, Diwan Bahadur Ramaswami Mudaliar, that the Retrenchment Committee, which has been proposed by the Finance Member, will do no good, and that it will bind the hands of his successors. On the other hand, I should think that this is the proper time when a retrenchment committee should be formed, because when we have responsible government in one or two years' time, they will not have to bear upon themselves the odium of starting with making retrenchments in their salaries and in the expenses, and I think that the new Government, when it comes into power, probably will be benefited by the results and proposals of this Retrenchment Committee. Of course no responsible person can agree to give those excessive powers to this Retrenchment Committee which have been proposed by my Honourable friend, Mr. Abdoola Haroon. The question of retrenchment is not such an easy one that you can give all powers to dismiss, to suspend and do whatever you like to a small committee. The finances of a big country, like India, cannot be dealt with in the manner in which the finances of a business trading company at Karachi are dealt with.

Seth Haji Abdoola Haroon: Then you cannot do anything.

Maulvi Muhammad Yakub: If you cannot do anything without giving those powers to the Committee which you propose, then, I think we Indians show our bankruptcy in brains.

Much has been said about the expenses of the Army, and I also quite agree that there is a great deal of extravagance in the Army; but the question of retrenchment of the expenditure of the Army is entirely interdependent upon the position of the frontier of India; and in this connection I would point out to the Government that, unless they take immediate steps to bring about peace and contentment on the North-West Frontier, we can never have any hope of making economy in the expenditure of our Army. Although the question of retrenchment is a difficult one, I think there are some Departments of the Government of India in which retrenchment can be effected without great difficulty.

For instance, there is the Ecclesiastical Department of the Government of India, on which we spend Rs. 30,17,000. I do not see any reason why, when the Government of India are not spending a single pie for the upkeep of the temples of the Hindus or the mosques of the Muslims, or for the spiritual benefit of the people of India, they should be allowed to spend Rs. 30 lakhs for the Ecclesiastical Department. I think that this Department should be immediately abolished (Opposition Cheers) and the Indian exchequer should not be burdened with this expenditure. This ought to be the business of charitable societies in England or America. In India the Hindus and Muslims have to pay from their own pockets for the upkeep of their temples and mosques and for keeping their preachers and *pujaries*. Why should the order of my friend, the Revd. Mr. Chatterjee

The Revd. J. O. Chatterjee (Nominated: Non-Official): I do not get a single pie out of it.

Maulvi Muhammad Yakub: I was not referring to my friend, Mr. Chatterjee, I was referring to the order of my friend, the Revd. Mr. Chatterjee: why should they draw any money out of the exchequer of the Government of India?

The Revd. J. C. Chatterjee: By all means.

Maulvi Muhammad Yakub: Then there is another Department under the Home Department, the Intelligence Bureau of the Government of India. We are spending next year Rs. 7,11,400 for this Department, and out of this sum, a huge sum of Rs. 2,60,000 is spent on secret service, for which there is no check. It is not even audited by anybody, and we do not know in what form and in what way this secret service money is spent. I submit, Sir, that this is a Department in which retrenchment can be effected without much difficulty, and steps ought to be taken in this direction without much delay.

Now, Sir, I belong to the United Provinces which, I think, is the largest landholders' province in the whole country, and on this occasion, I wish to draw the attention of the Government of India to the extremely difficult condition in which the zemindars of my province are placed. We know, Sir, that at the time of the last settlement, the price of produce was very high; for instance, in those days wheat was sold at Rs. 4 or Rs. 5 per maund, and Government revenue was fixed on the basis of those prices. Now, the prices of produce have very much gone down; wheat is now sold at Rs. 3 or Rs. 3-8-0 per maund; in some parts the price is about Rs. 2 or Rs. 3 per maund.

Mian Muhammad Shah Nawaz (West Punjab: Muhammadan): The price is not more than Rs. 2 per maund on the field.

Maulvi Muhammad Yakub: The result is that the capacity of the landholders who pay Government revenue has not only been exhausted, but a large number of landed properties in the province are being mortgaged to money-lenders to pay the Government revenue. The tenants also find themselves in a very difficult plight. Their rents were fixed at a time when their produce yielded higher prices than today, and consequently they are unable to pay their quota of rent to the zemindars. The result is that there is a great deal of discontent amongst the zemindars as well as the agriculturists, who are the backbone of the Government, and it is high time that the Government of India should take some effective steps to relieve the distressed condition of these people. In the United Provinces since the last Tenancy Act of 1926 was passed, the position of the landholders has become very difficult, and the price of land has fallen by 8 annas in the rupee. Landed properties in the U. P. which, even during the great war, were sold at Rs. 35 or Rs. 40 per thousand—that is to say an income of about Rs. 40 or Rs. 50 per year,—was sold for Rs. 1,000, but now it is offered at Rs. 70 or Rs. 80 per thousand, and yet nobody comes forward to purchase these properties. So on account of this Act of 1926 the value of the landed property has very much gone down, and the condition of the tenants, for whose benefit this Act was passed, has not improved in any way either. I therefore draw the attention of the Government of India to direct the attention of the U. P. Government to look into these conditions without delay, otherwise I am afraid that, whatever Government may be in power, whether the British bureaucracy or the Indian oligarchy, there are bound to be very serious agrarian disturbances in the country.

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Sir, I have already welcomed the appointment of the Retrenchment Committee, and I hope that it will be a really representative Committee of experts, and that the results of this Committee will form the basis of framing the future financial policy of the Government of India, and let us hope that with the restoration of peace in the country, next year our Budget will not be as gloomy as it has been this year.

Raja Sir Vasudeva Rajah (Madras Landholders): Sir, while I recognise, and recognise fully, that the Government are passing through a period of great financial difficulty and that the Finance Member's task in trying to make both ends meet is both a heavy and perplexing one, I, as a landholder myself and a representative of that class, feel bound to ask the Honourable the Finance Member and the Government of India not to lose sight of the great difficulty and helplessness in which we ourselves have been placed to balance our family budgets in this year of unusual severity and stringency. There is not a single province where the agriculturists are not this year asking for remission of land taxes, postponement of *kists* and so on, and while they find it so very difficult to meet their existing burdens, I really fail to see how they are going to face additional burdens at such a time. I know in my own province, the prices of grains and other agricultural produce have gone down by 40 to 50 per cent. since last year and that they are now even below pre-war rates. This I may state without any fear of contradiction. We have no resources that are elastic and we cannot either make the land produce more in a moment's time nor increase our rents from our tenants, who on account of the last two years' distress are already on the verge of starvation and despair. The groundnut industry has been ruined beyond recovery, the cotton market has been seriously affected and our paddy, cocoanut, pepper and other valuable products have all deteriorated in prices beyond description. Added to these are the vicissitudes of the seasons and floods in many parts of the country that have completely devastated thousands of acres of cultivated lands in my province. The Finance Member says in his introductory speech, "Crops during the agricultural season 1929-30 were fairly good and the monsoon of 1930 was generally normal, producing, on the whole satisfactory results". This description based on an average calculation reminds me of an interesting episode. A school-master who was a mathematician wanted to ford a river that was in flood and enquired of the people near by what the depth of the water in the river was. They told him that it varied in different places, that it would be from one to ten feet and that it would be about ten feet in the middle of the river. He calculated the average depth of the water from this description and found that it would be only somewhere between three and four feet. Thereupon he made bold to cross it and got drowned in deep waters. The Finance Member's description of the crops and the monsoon as generally normal on the whole approximates this mathematician's calculation of the average depth of water in the river with disastrous effect. He also forgets the fact that even though the rainfall may be normal, or even more than normal, it will be of no use unless it is timely and distributed over the whole season in a satisfactory manner. Those who know anything about the real agricultural conditions of our country will bear me out when I say that these conditions during the last two years have been far from satisfactory. Owing to all these circumstances the Government of Madras

have, within the last two or three weeks, been obliged for the first time to appoint a committee of officials and non-officials to enquire into the economic condition of the agriculturists. Applications for remissions and postponement of *kists* are now the order of the day in Madras, but every one knows how difficult it is to satisfy the departmental rules and to obtain redress. Such is the state of affairs in my province. The majority of the people who will be called upon to bear these additional burdens, if levied, will be the same persons who are now obliged to borrow heavily, to meet even the present demands. It may be that you are able to recover these taxes or even more for the time being by coercive processes, but I am sure this policy at a time like this will bring about misery and discontent. I am afraid there is very little margin left to tap from the people at present and it is the duty of the Government, to whose charge the welfare of the country is committed, to explore all other avenues before this drastic step of high additional taxation is resorted to. This is a time when both the Government and the people should show mutual sympathy and it cannot be asked for from one side alone. I would go further and say that we require more sympathy in the deplorable position in which we find ourselves today than what Government is entitled to from us.

Retrenchment is the only way out of the difficulty and it must be carried out boldly, rigorously and without hesitation. But in view of the strong plea for sympathy and co-operation which the Finance Member has made, and realising as I do our own responsibility towards finding ways and means with which the Government has to be carried on in a spirit of reciprocal sympathy, I would suggest that at least half the deficit should be met by retrenchment and the other half by additional taxation, which should be confined only to classes who can afford to pay and not to the middle or lower classes, who, I am convinced, are not at present in a position to meet even their present obligations without hopelessly getting into debt. After all the Government have to look to the contentment of the people and the peace of the country which will in themselves pay in the long run more than any additional taxes of an irritating nature that you may immediately levy to find a ready and easy means of meeting the Budget deficit. I therefore strongly plead for further retrenchments in whatever directions you can make them. I hope the committee that is to be appointed for this purpose will go fully into this matter realising their responsibility to the millions of our countrymen.

Though I cannot speak with the same knowledge or authority on commercial or trade conditions as on matters agricultural, I am not wholly unfamiliar with them. As the Managing Director of a mill in the Coimbatore District where there are three or four dozen mills of similar nature, I may say from experience that most of the mills have been seriously affected, and the mill which I am managing is also similarly hit. For these reasons I would seriously ask the Finance Member to reconsider his proposals, keeping prominently in view our own difficulties.

[Mr. N. R. Gunjal (Bombay Central Division: Non-Muhammadan Rural) delivered a speech in Marathi, a translation of which will be printed later as an appendix to these proceedings.]

Lala Hari Raj Swarup (United Provinces: Landholders): Sir, let me first congratulate the Finance Member on the lucidity with which he has presented his Budget statement. How much I wish I could congratulate

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the Honourable the Finance Member on the substance of what he has said, but in a speech covering 128 paragraphs and odd the Finance Member has to announce no measures of relief and no constructive schemes of economic uplift of those dumb millions of our population who constitute the agricultural classes, and whose prosperity or adversity ultimately determines the condition of the Central and Provincial finances. It has rather been a remarkable feature of the recent utterances of the Honourable Sir George Schuster to refer to the question of the well-being of the masses in sweet terms. Often times he has shown himself to be very anxious to take substantial steps to promote their economic condition. For three years now he has controlled the finances of India. What substantial steps has he taken to improve their lot? He has on the other hand saddled them with additional taxation to the tune of 20 crores of rupees in the course of two years. If the Finance Member had brought forward good schemes for the development of the country, we would have faced our constituents squarely and told them that the additional taxation was intended for their own benefit. Frankly we desire to be no party to additional taxation which is only intended to run the existing administrative services. In other countries like America, rates of income-tax have gone down, while in India, they have successively risen even after the war. Although so much work of administration has now fallen on the shoulders of Provincial Governments, our Government in the centre continues to be top heavy. It is not only the question of a cut in the pay and allowances of the services, I strongly advocate the abolition of various high salaried posts in the centre, the incumbents of which justify their existence by the amount of work that they can create for themselves.

Then, Sir, it was promised last year, and the hope has been thrown out this year too, that the Finance Member is anxious to augment the resources of Provincial Governments. Sir Walter Layton has also reported in the meantime on the subject of financial relations. What tangible steps has the Honourable the Finance Member taken to relieve the provinces? Most of them have presented deficit Budgets. What substantial steps does the Finance Member propose to take with a view to come to their rescue? Their axe is likely to fall on the expenditure on nation-building departments such as education. I have strong reasons to believe that not only in my own but also in the neighbouring provinces the grants of educational institutions are being curtailed. That being so, what part of the proceeds of the income-tax will be handed over to the Provincial Governments as their share of additional revenues?

The more minutely I examine the Budget, the more irresistible is the conclusion drawn in my mind that the Government financial policy is leading us towards the high road to bankruptcy. They have been borrowing at higher and still higher rates during the last four years. The rupee loan of 1927 was raised at 4 per cent., that of the following year at 4½ per cent. In 1929 the rate was raised to 5 per cent. and this year it is well-known that we have borrowed at 6 per cent. in India when the Mysore Government has successfully put through her two issues at 5 and 5½ per cent. That is the high credit which the Government of India enjoys in the Indian money market. The fact is that the Government's recent borrowing operations have been extremely extravagant and betray a panicky state of mind. In answer to a question of mine, the Finance Member

admitted the other day that the bank rate in Paris and New York was 2 per cent. and that in London it has long been 3 per cent. Even then there is an export of capital from this country and a stringent money market. With all his high rates of money in the Indian money market, he has not been able to check the flow of capital to foreign countries. Is not there something radically wrong with the financial administration of this country. Is it not due to the lack of confidence of the public in the Government's policy?

The fact is that the Government have been borrowing with both hands and in both the countries for all sorts of defined and undefined purposes. Can the Finance Member point to a single instance in the previous financial history when any of his predecessors had to approach the London money market four times within the brief space of 18 months and that virtually at rates ranging between 6 and 7 per cent. excluding underwriting charges of $1\frac{1}{2}$ per cent., when funds in London are plethoric and money so cheap? The Finance Member is recklessly borrowing on short term conditions. He would leave a very good legacy, Sir, of maturing obligations behind for the edification of his successor.

We are told that Government borrowings are carried on for the purpose of investment in productive enterprises. Why have then the interest charges on the uncovered section of the debt risen from 10 crores 20 lakhs in 1928-29 to 12 crores in 1931-32? Why has then the provision for the redemption of debt increased from $8\frac{1}{2}$ crores in 1923-24 to nearly 7 crores in 1931-32? The fact is that what are called our commercial Departments live on doles from general revenues. They are not administered on strictly commercial principles.

The fact is that the Government's loan operations have exasperated feeling in the Indian money market. On top of that, the Finance Member appears to take credit for the lower bank rate this year which is lower than what it usually becomes for this part of the season. But is there at all a trade demand for money? Is not this year's rise of the rate due entirely to Government borrowings? Where are the trade bills in the market? Deny as the Finance Member may, in his anxiety to maintain the statutory rate of exchange, he has carried the process of deflation of currency beyond all legitimate requirements. If the fall of prices of commodities in India is a reflex of world conditions, why is the fall in India more than what it is in any other agricultural country? According to Dr. Meek, while in India the fall has been 25 per cent., in Australia and Canada it has been $20\frac{1}{2}$ and 16 per cent., respectively. Does it not conclusively establish that the process of starving the Indian money market has reached dangerous lengths and has accentuated the effects of depression?

Then, Sir, the Government have chosen to put their stock of silver in the market at a time when the price of that metal has touched its lowest point. I admit the cogency of the arguments advanced by the Finance Member with regard to the silver position of India in the world markets, but the Finance Secretary states in his Explanatory Memorandum that our sales have involved the country in a loss of 5 crores of rupees. I am not prepared to admit that better methods and times for the disposal of this stock could not have been planned without involving the country in a net loss of so many crores of rupees. This is the condition of our

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silver reserves in India. The Finance Member has failed to give any explanations in his Budget speech why he has been frittering away the gold resources in England.

The tale of our woes is long. The time at my disposal is short. In the end, Sir, I want to put forward a few definite suggestions for the consideration of the Government. The time is now ripe when we could take stock of things and find out ways of exercising a rigid control by the Finance Department on the working of our railways. An examination of the Railway Convention has long been overdue. Then, Sir, there is very great misapprehension in the minds of the public regarding the loan policy of the Government of India. In most other countries decennial, seven-yearly, quinquennial and triennial programmes of public borrowings and expenditure are prepared in advance. It is time that the Government formulated a definite policy regarding the programme of its borrowing and re-borrowing operations. Therefore I suggest that the Government do appoint a committee of officials and non-officials at an early date to go into the whole question of public borrowing in India in all its aspects.

Then, Sir, the Finance Member towards the close of his speech said :

“Connected with the subjects with which the Banking Committee are concerned, are two which have always seemed to me to be of dominating importance for India—the proper organisation of the marketing of Indian agricultural produce and the development of the co-operative movement.”

One of the essentials is cheap money for the agricultural classes; and I want to make a suggestion, on the lines of what has been recommended by Mr. Bennett for Canada, *viz.*, that we should have some central financial corporation with backing from the provinces with a view to help the agricultural classes in their financial, productive and marketing operations. Everywhere something is being done with a view to control and stabilize the prices of agricultural commodities, and our Government alone is sitting on the fence and enjoying the spectacle of the ruin of the masses. Could they not even think of banning or restricting the imports of wheat into this country when we have got such a large surplus of the previous year, and the next harvest will soon come on the market? By imposing a duty on wheat at this time the Government, Sir, would be doing a double service. They would be gaining in revenues and they would be helping the agriculturist.

An Honourable Member: Not at all.

Lala Hari Raj Swarup: As regards the co-operative movement, I have some personal experience of this movement. Sir, it is starving for want of funds. I want to propose in this connection that the money in the Post Office Savings Bank and Post Office Cash Certificates should be earmarked for investment in co-operative societies and other societies having for their object village uplift. Another suggestion is that, as the Government annually purchase huge quantities of wheat and ghee for their military requirements, they could do it very usefully through the agency of the co-operative societies in the various provinces, as they could save so much money which is taken away by contractors as commission and utilize that for village uplift and thus directly help and finance the village movement.

Lastly, Sir, proposals for the transfer of additional revenues to provinces should at once be threshed out with a view to give timely help to provinces in their hour of need. In spite of all the pious intentions on the part of the Finance Member to hand over a solvent concern to his successor, I do not think, Sir, that he has so far done a single thing to deserve the encomiums of those who will shortly be called upon to shoulder his burdens.

The Assembly then adjourned for Lunch till a Quarter Past Two of the Clock.

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President in the Chair.

Mian Muhammad Shah Nawaz: Sir, the Budget deficits are the order of the day not only in India but in other countries as well. So far as India's finances are concerned, she now knows the worst. I daresay the Honourable the Finance Member, who is not now in his seat, feels his difficulties (*Honourable Members:* "He is coming with bundles of deficits"!) I was saying that so far as his finances are concerned, India now knows the worst. I daresay the Honourable the Finance Member has a difficult situation to meet and the Finance Department feels absolutely naked.

Baldly stated, we expected a surplus of 86 lakhs during the current year, we are faced with a deficit of 13½ crores. After the retrenchment amounting to nearly 3 crores, which we hope to give effect to, there remains in the new year's Budget, a very big gap of nearly 14½ crores to be bridged by new taxation. Now, Sir, new taxation in a poor country like India can never be liked, particularly at a time when the capacity of the people to pay is at its lowest ebb. The Government must realise that we are nearing the peril of the operation of the law of diminishing returns. At the very beginning of his speech the Honourable the Finance Member lamented the fall in the prices of agricultural products, but he has suggested no remedy. He ought to know—and I believe he does know—that the agricultural population of the whole of India feels extremely distracted and distressed. Never in the history of India was the agricultural population so distressed and nor had it suffered so much as it is suffering at the present time. And yet no remedy has been suggested to remove the wide-spread distress caused among the agricultural population of India owing to the fall of prices in agricultural commodities. There is no hope of a rise of the prices and the agricultural population must continue to suffer. That is an impossible state of things. I expected that the Honourable the Finance Member would levy a heavy duty on imported wheat; he has done nothing of the sort. Is it too much now to ask him that he should insert this duty in the Finance Bill? I am perfectly certain that he will have the support of the whole House. (*Several Non-Official Members:* "Yes".) He has no programme of borrowing; he cannot give money to the provinces, even at the risk of borrowing, so that the provinces in return may give relief to the agriculturists and advance money to them at easy rates of interest to meet their liability for payment of assessments and water rates. Nothing has been done in this direction either. Ninety per cent. of the population of India is suffering, and yet the Government are indifferent. I appeal to the Honourable the Finance

[Mian Muhammad Shah Nawaz]

Member to look into the situation very seriously. Honestly I see a spirit of revolt amongst the agriculturists. They are becoming very sulky and the trouble of discontent is brewing very fast. If Government do not take notice of it, the responsibility of the consequences will lie with them and not with us.

Granting, Sir, that some of the items of the new taxation are good, it must be admitted that the new taxation has been equitably distributed over a wide field of Customs duties. The Honourable the Finance Member has undoubtedly handled the situation with great skill and courage. His is a very clever Budget, but nonetheless simple. The masses of people will undoubtedly approve of the duties on beer, wine and spirits. These duties will bring money and also promote the cause of temperance. The duty on cotton piece-goods will help the Indian industries. Last year, I remember, the Honourable the Finance Member refused to increase the duty on cotton piece-goods because it would have hit Lancashire. But now that he is facing the hard circumstances of the situation, he is imposing this duty; so where there is a will there is a way. The duty on sugar and duty on silver were anticipated. The duty on sugar will develop the sugar industry and is in accordance with the recommendations of the Tariff Board. The duty on silver will hit the poorer people very much. Nevertheless it will increase the value of the silver, which is an important factor in the wealth of the masses of people. The duty on kerosene oil may not be much, but it will inflict hardship on the poor people. Last year there was a decline of 6d. in the gallon in the price of kerosene oil, so that the increase of duty to the extent of 9d. per gallon perhaps would not matter much, but I am inclined to think that the non-official Members of this House will object to it. As regards the duty on betelnuts and spices, these are the only luxuries which the poor people can enjoy and such a duty in my humble judgment is uncalled for. The unfortunate motorists are faced with the imposition of a duty on cars, and in addition to that they are called upon to pay an extra duty on petrol which in substance, is a tax on transport. Motor cars, Sir, nowadays are not luxuries: they are now becoming the necessities of life. The motorists for the life of them cannot understand why they have got to pay a higher price for petrol, which can be produced near at hand in Burma, than what is charged in Europe. The price of petrol in Europe as compared with that in India is very low and I think that any increase in the price of petrol will inflict hardship all round. Nevertheless it will be accepted to meet the financial stringency. But the most serious item of new taxation, is that of the increased rate of tax on incomes. Apart from the question that the Government servants will have to pay higher rates, the increased taxation on income will hit the commercial classes, and therefore the development of industries will be retarded very much. This House, I daresay, will not be able to accept the proposal of the increased rates in regard to income-tax in their entirety and possibly the Honourable the Finance Member may find a difficult situation to meet.

There is one proposal of the Honourable the Finance Member which I like very much. He intends to find ways and means by virtue of which he would be able to tax the income arising out of money invested abroad. I welcome that proposal and I congratulate the Honourable the Finance Member on his proposal. The latest figures show that nearly 40 or 45 crores of rupees have gone out of India. They have been invested abroad in

foreign securities. This is indeed a very serious problem and this flight of money from India must be prevented. I ask the Honourable the Finance Member to prepare a Bill forthwith and introduce it in this House for consideration. No time should be lost to levy taxes on the income derived from money invested abroad.

Coming now to retrenchment, I regret to say that the Honourable the Finance Member has not effected much retrenchment. He claims that he has reduced the military expenditure to the extent of one crore and 70 lakhs, but this is retrenchment only in name partly because it is due to the fall in prices and partly because we know the re-equipment programme remains where it was before, only the expenditure has been spread over two additional years. This House has again and again asked the Honourable the Finance Member to get the military expenditure reduced. I ask, can we not postpone the re-equipment programme for the time being? There is peace on the frontier, Afghanistan is crippled by civil war, Russia is far away. We do not want to attack any country, nor are we in fear of being attacked? So, what is the good of modernising the Army, if people living in the country are starving, if the agricultural population is distressed so much that words would fail, if I were to express their feeling. I say this House has not much confidence in the Military Department. Now, Sir, in 1921, a Committee was appointed called the Military Requirements Committee. That Committee recommended a scheme of Indianisation of the Army. That scheme was never placed before the Skeen Committee. We never knew anything about it. It was kept absolutely secret from us, and eventually it was placed before the Round Table Conference. If the recommendations of that Committee had been carried out, one-fourth of the Army would have been Indianised and hence there would have been reduction in the military expenditure. This House firmly believes that there is a lot of room for reduction and retrenchment in the military expenditure. We cannot lay our hands on it, but there it is and we are unanimously of opinion that a great deal of reduction can be done in that Department. (Hear, hear.)

Now, Sir, as regards the appointment of the Retrenchment Committee, which the Honourable the Finance Member has suggested I welcome the idea, but at the same time I desire to say that the salaries of the officials should be vigorously cut down. These salaries were increased some years ago owing to the simple fact that the price of the commodities had gone up. Now that there is a fall in the price of agricultural products, there is no reason why their salaries should not be cut down and brought to the pre-war level. The Government must scale down their own style of living if they mean business in this country. As long as Government is not run on sound business lines, there can be no hope of a prosperous Budget? The whole question is how to make retrenchment. The only way I can suggest is that of the rationing of the Departments. The Honourable the Finance Member must tell the head of each Department that he has to cut down expenditure by so much, say 5 or 7 or 10 per cent.—I am not confident about the percentage—but he must say to the various heads of the Departments, "You must cut down your expenditure to this extent, otherwise you should make room for such a person who can do so". We must cut our coat according to our cloth. Sir, we will do our best to help the Honourable the Finance Member to tide over the difficulties, but he should also come to our help and suggest some means by which retrenchment can be done effectively, and suggest some means by which the distress caused among the agricultural population can be removed.

[Mian Muhammad Shah Nawaz.]

Lastly, let me, Sir, congratulate His Excellency the Viceroy, Lord Irwin, and Mr. Gandhi for their sincere, earnest and noble-minded efforts, which have brought about peace in the country. Ill-will must give way to goodwill and the provisional settlement, I have every hope, will lead to everlasting friendship and comradeship between Great Britain and India. Believe me, Sir, an alliance between India and Great Britain will exert the greatest possible influence on the peace of the world and promote the cause of humanity at large. May God help us to achieve that alliance soon for the good of the world!

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Sir, I am sure the Honourable the Finance Member does not expect to be congratulated on the Budgets that he presents to this House. No Finance Member ever does or should. He is the one official in India who may confidently reckon upon having very uncomplimentary things said about him, no matter what he does. When, therefore, Sir George Schuster comes forward with a Budget which shows a huge deficit of 14 crores of rupees, and with proposals for taxation to that extent, I am sure he realises that, in spite of his appeal for fairness, he is likely to meet with a very stout opposition to the proposals which he has placed before us. The Finance Member, in the statement that he presented the other day, claims that a whole-hearted attempt has been made to meet an abnormal situation. I am sorry to have to dispute that claim entirely. I say the Government are trifling with the problem. They have not made a whole-hearted attempt; they have merely nibbled here and there and they have come forward with a few cuts which they think ought to satisfy the country. Take the case of the Military Budget. On a so-called reduction in the Military Budget to the extent of one crore and 70 lakhs, the Finance Member seems to base his claim that a whole-hearted attempt has been made. It seems to me, Sir, that in spite of the country having shouted itself hoarse over the Military Budget, in spite of token cuts being moved year after year Government remain unmoved. It is sought to be made out in this Budget that for once in a way Government are making a serious attempt to reduce the expenditure. I say, Sir, that it is in the nature of a camouflage. What have the Government done? The military expenditure was fixed in 1928 for four years at a figure of 55 crores of rupees. Last year, there was a spread over, and the amount was reduced to 54 crores and 20 lakhs, and this year another year has been added to the period and the basic figure will stand at 53 crores, 63 lakhs. Now, Sir, what is the net result of this manipulation? The net result is that for 1933, the military get 54 crores, 20 lakhs and for 1934, 53 crores, 63 lakhs under the settlement.

The Honourable Sir George Schuster (Finance Member): My Honourable friend is wrong in his figures. The basic figure for the next two years is 53 crores and 63 lakhs. We do not go back again to 54 crores and 20 lakhs.

Mr. H. P. Mody: I am afraid I did not make myself very clear. My point was this, that the basic figure for 1933 was 54 crores and 20 lakhs and for 1934, 53 crores and 63 lakhs.

The Honourable Sir George Schuster : That is exactly where my Honourable friend is wrong. The basic figure is 53 crores and 63 lakhs for the next two years. It does not go back again to 54 crores and 20 lakhs.

Mr. H. P. Mody : I stand corrected. Let us take it as the Honourable Member has stated it, 53 crores and 63 lakhs for 1933 and 1934. Now, Sir, what would have happened in the normal course of events if this four year period had expired with the figure of 55 crores, and if Government had not spread it over to six years? Does the Honourable Member think that for 1933 and 1934, if public feeling was at all to be taken into consideration, the figure would have been fixed at anything like 58 crores and 63 lakhs? I am sure that it would have been much nearer 50 crores than 53, and therefore, I say that this manipulation has resulted in actually imposing a higher burden than what the country would have suffered if the four year period had been left alone. Now, Sir, leaving aside the very serious condition of the country, has any attempt been made to conform even to the recommendations of committees set up by Government themselves? What was the figure given by the Inchcape Committee in their carefully prepared recommendations? They gave a figure which the country regarded as high. But even the Inchcape Committee suggested that it should be brought down to 50 crores. And even this amount of 50 crores was not to be regarded as the last word on the subject, because it was stated definitely that the country could not afford that expenditure indefinitely. The same sort of opinion much more strongly expressed is to be found in Mr. Layton's Report, where it is categorically stated that the expenditure on armaments in India is two or three times as much as that of all the other Dominions put together. It is also stated in that Report—though of course you have to read between the lines for it—that not all of this expenditure is purely for Indian requirements, and that there were certain Imperial responsibilities for which the Army in India was being maintained at this strength. Apart from these two Reports, there is this supreme consideration, that there has been a substantial fall in the cost of living in the last two or three years. Has that fall been reflected in the Military Budget which has been presented to this House? I venture to think it has not been. If the cost of living was to be taken adequately into consideration, the Military Budget should be under 50 crores of rupees and not so much over 50 crores, as it is at the moment. I should have thought this was precisely the time when the adjustments which require to be made between the Imperial and the Indian exchequer on the question of the military expenditure should have been made. I refer to the much-vexed question of the capitation charges. I also refer to the various burdens which India has to maintain because she has an enormous land frontier and is discharging Imperial responsibilities. This was just the time when the British Government should have come forward, or should have been asked to come forward, with a substantial measure of assistance to the Indian exchequer.

I say, Sir, that it is impossible for this country to maintain an Army of this strength. Last year in my remarks on the Budget I refused to be drawn into technical questions. I said we would be at a considerable disadvantage if we discussed with the Government Benches what Army was to be maintained in India, or how it was to be distributed, and what the equipment should be. These are not matters with which we on this

[Mr. H. P. Mody.]

side of the House are familiar, or ought at all to concern ourselves. Our business is to point out to Government that, no matter what they may think the military requirements of the country should be from their special knowledge of things, we can only tell them that we are unable to afford the expense which they are imposing upon the country; and that, I submit, is a sound argument, because after all, whether it is a question of defence or any other, it must be determined by the one consideration of the capacity of the people to pay for it. And I say to Government that they are creating conditions which will make it absolutely impossible for future administrations to carry on, if the military expenditure is retained at a figure which results in starving every beneficial activity. Everybody is more or less agreed that defence is to be regarded as a reserved subject for at least a period of years, but if Government think that because defence is a reserved subject, Indian opinion will allow them to carry on at the present rate of expenditure, I am afraid they are in for a considerable amount of disillusionment. I am certain that a strong cry will go up from every quarter for an immediate reduction of military expenditure, and the matter will not be left to chance or to the tender mercies of Government or anybody else. I think the country will have to insist that for the next few years the expenditure should not exceed a certain figure.

Coming to the civil side, all that I wish to say is that I welcome the announcement made by my Honourable friend that a committee is going to be set up to regulate the terms and conditions of future recruitment. It is a matter which I pressed upon the attention of the Round Table Conference in the Services Sub-Committee, and my contention was more or less the same as I have just advanced, namely, that whatever the efficiency of the services may be—and I think the severest critics of the services have recognised over and over again the manifold claims which the services have upon the gratitude of the country—I say their maintenance at the present rate is a burden which the country can not finance. I am not making comparisons with the remuneration which public servants in other countries enjoy, but if such comparisons were permitted, I am afraid the result would be very unfavourable to the services in this country. Now, Sir, while there is a disposition on everybody's part not to touch the emoluments of the present members of the services—because after all an element of fairness must enter into a consideration of these matters—I am certain that so far as future recruitment is concerned, we will have to revise those terms very drastically. But apart from an inquiry into the terms and conditions of future recruitment, I would very much wish that a body of experts was brought out in order to find out whether the system of administration could not be simplified. In India a great many things are in a primitive stage. The only thing that has reached perfection is the elaborate and the routine-ridden system which is in force in this country. The administration seems lost in files and despatch boxes, reports and statistics. What we want is a system suited to what I would call the still somewhat primitive needs of India; after all India is just emerging from her sleep. Her agriculture, her industries, her trade are still in a very poor stage of advance, and I think crores of rupees will have to be found in the future if India is to make of the great experiment of Dominion Status a success. If all this

money is to be found, new ways and drastic ways will have to be devised, and I submit that while Government are considering the conditions of future recruitment, they might also consider whether the system of administration can not be simplified and brought more into accord with the needs of the people.

Now, I come to the taxes. Of course, I am going to criticise the exact proposals which have been placed before us; but I am free to confess that some people at any rate heaved a sigh of relief when these proposals were announced. But let me not be misunderstood. There is a strong feeling that, while the taxation proposals might easily have been worse, they constitute a crushing burden even as they stand. I understood my Honourable friend, Sir Hugh Cocke, to say yesterday—and I thought he adopted rather an indulgent attitude—"Well, there is a deficit; you must find money, and after all somebody's pockets have to be touched". Of course, pockets have to be touched. The question is into whose pockets are you going to put your hands most? And I say the Government, putting their hands exclusively into those pockets into which they have been accustomed all these years to dip their hands, and dip with a certain measure of success. Now, I am going to make rather an odious proposal, and that is my contribution to the constructive side of things. I want to know why up till now, no attempt has been made to tax agricultural incomes. (*Cries of "Oh, oh" from the Opposition Benches.*) I was perfectly prepared for this warm appreciation of my proposals (*Laughter*) that has emanated from my non-official friends, though I am glad to find that the official Benches are silent. But this question has been debated times without number; it has been discussed in the report of Mr. Layton. . . .

Diwan Bahadur T. Rangachariar: What do they know about our lands?

Mr. H. P. Mody: Well, everybody is standing up for his own special interests, and I naturally expect my Honourable friends who are interested in agriculture to howl at my proposals; but that is not going to affect me at all. I am putting forward a suggestion for consideration, whether, in those areas which are not subject to periodical revisions, where the land revenue has remained stationary more or less, some attempt at any rate is going to be made or not to get its due share from agricultural incomes . . .

Mian Muhammad Shah Nawaz: Where has it remained stationary except in Bengal and Bihar?

Mr. H. P. Mody: If my Honourable friend wants facts and figures I can give him enough facts and figures. Take the case of Bihar . . .

Mian Muhammad Shah Nawaz: I know all the facts about it; it has not remained stationary except in Bengal and Bihar.

Mr. H. P. Mody: I do not pretend to know everything about everything but when I speak on any subject I know something at any rate of what I am talking

Mr. D. K. Lahiri Chaudhury (Bengal: Landholders): A little learning is a dangerous thing sometimes.

Mr. H. P. Mody: Yes, but when one has crammed his head full with knowledge it may sometimes be more dangerous still because one may get befogged and not be able to see further than one's nose. I would rather have a little learning and apply it for what it is worth . . .

(Mr. D. K. Lahiri Chaudhury made a further interruption, which was inaudible.)

Mr. President: Order, order. Please let the Honourable Member proceed.

Mr. H. P. Mody: Then there is the question of the tax on sterling securities held by people in England. These securities have hitherto escaped Indian income-tax, and I want to know whether any effort is going to be made to exact income-tax on these securities which are held in England.

There is another point. It is a small point, but I am bound to make it; that while the revenue shows such a huge fall, it might have been found possible by Government to tax artificial silk goods more heavily than they have done; I am aware that they have proceeded on considerations of revenue, but if they had put up a heavy productive duty, they would have got quite a neat little sum from artificial silk goods. The present position is absolutely anomalous. Artificial silk goods are relatively paying less than cotton goods, and that anomaly might have been done away with, particularly at a time when there is an excellent excuse for imposing a heavy duty.

There are just one or two other points which I want to put forward with regard to these Budget proposals. The Finance Member has referred to the question of the carry forward of losses. It is a very important subject and I am afraid my Honourable friend's contribution to it has not been satisfactory. The Government have conceded the justice of that claim, but the trouble is that they always point to their finances when they want to delay the course of justice. Let the Honourable Member come forward with a definite assurance that he will introduce legislation to provide that the period over which losses can be set off shall be one of six years as in England. The change was introduced in England at a time of financial stringency, and I do not see that the Honourable Member's excuse is sufficient when he comes and tells us that financial stringency prevents his doing bare justice. I would apply the same remarks to company super-tax, a sort of double-tax, of which the injustice has been admitted by Government. It is precisely when finances are in a bad way that people want relief, and if Government come forward in more prosperous times and allow this carrying forward of losses, their intention will be merely to do technical justice, and at the same time not lose any revenue at all.

Mr. President: The Honourable Member's time is up and as there are so many Members who wish to take part in this debate, I would ask him to conclude his remarks within two minutes.

Mr. H. P. Mody: Right, Sir. I will conclude exactly within two minutes. My final word to the Finance Member is just this: that if the spirit of the Round Table Conference is at work, I would appeal to him not to carry his proposals through in the way in which all Budget proposals have been carried all these years, that is to say, proposals are put

forward, cuts are suggested carried and restored, items of expenditure are certified, and the Budget goes on its merry course. That is not the way in which at any rate the present Budget ought to be forced through, and I would suggest to the Finance Member the desirability of convening an informal conference of the representatives of all parties with a view to see whether he cannot make his Budget proposals more acceptable to the House. Otherwise the only remedy that will remain to this House will be to throw out item after item.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, in the first place I thank you for having given me an opportunity to submit the few observations which I have ventured to make after a good deal of misgiving. New Members like myself are at a great disadvantage in dealing with such an intricate subject as the Budget. Ordinarily it is a difficult matter, but when you consider the literature that has been supplied to us, it is practically impossible for any one at least of the less gifted sort like myself to master it and to contribute usefully to the discussion today. Under those circumstances, I was reminded of the old proverb that it is better to be silent and be thought a fool than to speak and make a certainty of it. But I was impelled by what I consider a sense of duty to my constituency and to my country to speak at this critical moment, and it is in that view that I submit a few observations for the consideration of this House. That is the reason why I am standing before you, and the first point that I would respectfully invite the attention of the House to is this, that not being particularly acquainted with the procedure of the general discussion, I happened to look over the proceedings of the previous years and I found that in nine cases out of ten, speaker after speaker had begun his speech by congratulating the Finance Member. Now the difficulty on this occasion is what to do, whether to congratulate or to condole with him. If you look at the skilful manner in which the whole position is presented in his soft, insidious (I am not putting it in an offensive manner) eloquence with which the whole thing has been placed before the House, or as we call it in our vernacular inserting a pin inside a plantain fruit, I for one cannot help admiring his skill and congratulating him; but what is the good? The operations that he is going to perform with his materials are so deep-rooted that life itself is in danger, and therefore the question of paying a compliment must be reserved for some other occasion. The greatest difficulty with us agriculturists is to reconcile ourselves to further taxation. My friend, Mr. Mody, asked, when he was at his wit's ends, why not tax agriculturists? Has he any idea as to how much agriculturists pay? 90 per cent. of us are agriculturists, and I assure him—take the land revenue, take the cesses, take every bit of thing, including the subscriptions for entertaining big officials whenever they visit our parts—I assure him that we honestly pay about 70 per cent. of our income, and I am quite prepared to place facts and figures before the House to show that 70 per cent. of our income goes out of our hands, and then what are we to do with the 30 per cent. which remains? Live from hand to mouth. We have to provide for the next year's cultivation, look after our family needs, educate our sons

Mr. H. P. Mody: I was speaking of those who live upon agriculturists, and not of agriculturists themselves.

Raja Bahadur G. Krishnamachariar: That again shows that my Honourable friend is ignorant of the conditions prevailing in the country so far as agriculture and agriculturists are concerned. Sir, if it were not for the accident of Government service or some other profession, most of us would have to live upon agriculture. Every one of us, every one of these 90 per cent. of the population, whether we are getting an income from Government service or from some other profession, we are all agriculturists and live on agriculture and have our being in agriculture, without which we do not know where we would be. A portion of the income from Government service, a portion from some profession and a portion in some cases from agricultural land, all these make up the income of a middle class Indian nowadays. Consequently, Sir, it is absolutely impossible for us to stand any more taxation. The greatest difficulty is about the income-tax. I can understand the Government servant whose pay is fixed giving a return and being done with it. I can understand merchants who keep accounts, who prepare balance sheets, and get them easily accepted by the Income-tax Department. If you, Sir, have any idea of the trouble that we people suffer at the hands of the income-tax authorities, you will have, I have no doubt, a great deal of sympathy with us, especially when Government are in quest of money and want to increase the income-tax. When the revenue officials know that Government are after money, they know exactly how to screw money out of every one, and every objection, every petition, every position laid before them is supposed to have been considered and rejected, and in most cases summarily rejected.

Sir, I do not want to take up too much time of the House today, but there has been a chorus of appreciation with regard to the appointment of a Retrenchment Committee, and I think I should confine myself to this point. I am afraid, Sir, I cannot agree with this proposal to appoint a Retrenchment Committee. My point is, what are you going to appoint the Committee for? Here, Sir, in the Report of the Indian Retrenchment Committee there is a passage to which I would invite the attention of this House. At page 387 of this Report the Committee have given the number of special Committees appointed during the last ten years. The total amount spent on these special Committees is 68 lakhs of rupees, and this is only up to the year 1923. After this came the Royal Commission on Agriculture; after this again came various other Committees, and lastly came the Simon Commission. Sir, having made a rough calculation, I find that the total amount spent on all these various Committees and Commissions comes to about 80 lakhs of rupees. Now, what is the result? Let the Inchcape Committee speak, Sir:

"We recognise that recourse to Committees is in many cases desirable, but from a perusal of the list we cannot but feel that their appointment has not in all cases been justified, and that the results obtained have not always been commensurate with the expenditure involved and with the amount of time and labour occupied in the preparation of cases for the Committees and in the subsequent consideration of their Reports. We recommend that this elaborate and expensive procedure for the settlement of current problems be resorted to only in exceptional cases."

Now, Sir, apart from this general objection, supposing you appoint a Committee, I was trying to map out before myself a pabulum as to what

this Committee was going to do when it is appointed. I shall presently come to its personnel as proposed by the Honourable the Finance Member. Take first the Military Budget, which is the biggest item in the Budget. Everybody has commented on it, and it can well afford to be criticised further. Now with regard to this, unless you put your hand into the Military Budget and the Railway Budget as well, it is absolutely impossible to effect any real retrenchment. Now for instance, there is a deficit of 14 crores. What does it matter if 95 lakhs is added to it or is not added to it. We have got a homely saying down South and that is when the flood goes over your head, what does it matter if it goes 2 ft. or 3 ft. higher. It is just the position that you reduce yourself to when you say that you have got 10 lakhs surplus here and 15 lakhs there. In my opinion, therefore, the Military Budget must first be touched in order to effect any real retrenchment. Now, supposing a Committee is appointed, what do you propose to do with regard to the Military Budget? There is a passage here in that same Report to which the attention of the House has to be invited in connection with the proposed Committee's operations:

"Apart from financial considerations, the strength and distribution of the army necessary for the defence of India and the maintenance of internal security are matters which we feel must be left largely in the hands of His Excellency the Commander-in-Chief."

Now, what are you going to do with this Committee? When the Committee sits with five non-official Members and two official Members they can only say, "Oh, it is a very good thing; we have got all the elaborate materials collected by the Inchcape Committee under various heads and under different items; they have also made comparative statements and so on". But what you really want to do is that you should make up your mind as to how much you are going to reduce, and for that you really do not want a Committee but the Commander-in-Chief. As my friend, Haji Abdoola Haroon, said, first make up your mind, and having done so, get hold of one or two responsible officers and tell them, "I have got to make so much reduction; how are you going to adjust the accounts?" You can certainly do this very easily. Instead of doing that, you are going to appoint a Committee. It is no reflection upon any Honourable Member of this House when I say that a Committee of this vast importance ought to consist of experts from outside who have got great experience in these matters, and when they make a Report the whole thing might come before us in this House. The same thing applies to the Committee on civil expenditure. So, I would respectfully ask that this Committee be not appointed; that in some way or other the present year's trouble be tided over, and that, as in the new constitution everything goes into the melting pot, we may then find out what the position is and see whether we should appoint a committee.

There is only one word which I desire to say with reference to the observations of my Honourable friend, Mr. Chetty, regarding the Government entering into the money market. I do not know if what we did in an Indian State, in a backward province, if you please, would be of any use as a precedent to progressive British India. But I might perhaps say one word about what we have been doing in the Hyderabad State.

[Raja Bahadur G. Krishnamachariar.]

As you know, in the Hyderabad State we have got our own currency, and the British Indian coin is not legal tender there. But, as most of our business is done outside in British India, there is a class of speculators who have sprung up. Between the *Hali* rupee, which is our currency, and the British Indian rupee, there is a difference in exchange of 15½ per cent. What these speculators do is, they try to raise the difference, simply keep the money in their house, and when it goes up, they convert it into British Indian coin, and when it goes down, they change it into *Hali Sicca* rupees, and without any trouble they make between 15 and 20 per cent. per annum on the average. This created havoc, especially at the time when the trade season was on. What the Government did was, they put by a certain amount of money, and when the exchange, according to their idea, went down below a certain level, they immediately went into the market and offered to buy, the coins, and thus they kept the exchange at the rate at which it ought to be. We began operation in that way somewhere in the year 1905, and at present the currency is, and has been for a long time, absolutely stabilised. So that, I submit, there is nothing wrong in the Finance Department coming into the open market and saying, "Now we are not going to stand any such nonsense. If this is going to reduce the value of our gilt-edged securities, we are going to restore the equilibrium." Therefore, there is a great deal to be said in favour of my Honourable friend Mr. Chetty's suggestion.

Before I sit down, I would respectfully tell the Government two things; first, don't impose this taxation, but find out some other way of meeting this deficit, and the next thing is, do not appoint this Committee at present.

Mr. R. S. Sarma (Nominated: Non-Official): Sir, the Honourable the Leader of the Opposition and Sir Cowasji Jehangir, while regretting yesterday their inability to congratulate the Honourable Sir George Schuster on the difficult Budget proposals which he has placed before the House, were, however, generous enough to offer him their great sympathies. Sir, I should like also to offer the Honourable the Finance Member my sympathies, my very, very sincere sympathies indeed, but from a very different point of view altogether, and for a very different reason. The high and exalted office of Chancellorship of the Indian Exchequer has very high and valued privileges, which may be the envy of even the Chancellor of His Majesty's Government in England, but it has also certain misfortunes. The Indian Chancellor has to pass through certain ordeals. He has also to undergo, by virtue of that very office, certain mental tortures. But I think, Sir, that no torture is more difficult to endure or to tolerate from his point of view than this mental torture of being glued to his seat for two full days and forced to listen to amateurish discourses on Indian finance, currency and exchange.

We have been treated these two days, with monotonous reiteration, to the time worn parrot cry of a cut in the military expenditure. We have listened also with a great deal of patience to the proverbial twice-told tale of a drastic retrenchment in the public services. But, to my mind the only constructive criticisms—unless this House takes what Mr.

Moddy would call a constructive suggestion, namely, the taxing of agricultural incomes, which, to my mind, is a wholly destructive suggestion, far from being a constructive one—the only constructive criticisms on the Budget were made by Mr. Chetty when he examined the whole question from the point of view of the ways and means, the only other very constructive criticism, and a very useful one indeed, was made by that latest but the most brilliant and outstanding acquisition to the Opposition Front Benches, Mr. Ramaswami Mudaliar. With the protest that he made against the spreading over of the Military Budget expenses, and also with the protest he made against committing this House to any kind of settlement of the question of salaries of men recruited to the public services in anticipation of what will be done under the new Government of India Act, I think every one will be in perfect agreement, and I hope that the Honourable the Finance Member will feel the force of his argument.

The Honourable the Leader of the Opposition yesterday said, in the course of his twenty minutes speech, half-a-dozen times, that the Honourable the Finance Member failed in his attempt not only to explore all the possible avenues of making retrenchments, but also to explore all the means of getting more revenue. Although I am not a student of finance, yet, from a common sense point of view, any one who has read the Budget will find and will feel convinced that Diwan Bahadur Rangachariar's charge against the Honourable the Finance Member is wholly unjustified. He has devoted a whole chapter, he has taken the House into his confidence, as to what he has done in the way of retrenchment, and what he proposes to do further in that direction with the help of the Members of this House. With regard to exploring all possible avenues of increasing the revenues of the State, he has given, though not explicitly, suggestions which perhaps have missed the attention of a large number of Members of this House, and I was not a little surprised that practically no mention nor any constructive criticism has been made upon those avenues of new revenue which the Honourable the Finance Member expects to get if he is able to carry the House with him in his suggestions. In the course of his concluding remarks, the Honourable the Finance Member said :

"As an example of new sources of revenue which demand special study, I would specially refer to the consumption of tobacco, the consumption of matches, and possibly also death duties. If we examine the fiscal systems of European countries, we find that, in almost all cases, great reliance is placed on these sources of revenue."

It is very surprising that, so far, the Indian Legislature has not devoted its attention to the purpose of tackling these sources. The committee that he foreshadows for the purpose of going into the question of tobacco, I think, will be very welcome, and if I may offer him a suggestion, I would suggest that the committee which is to examine the question of tobacco might also go into the question of matches, so that the Finance Member may be able to elaborate his views in a concrete fashion and place them before the House for acceptance. As regards the question of death duties, I think the matter is a very simple one. We have got to get some sort of legal and technical ideas about it, and for that purpose,

[Mr. R. S. Sarma.]

we have only to find out how it has been worked out in countries in which this practice has prevailed, and I think it will not be difficult for us to get some workable basis.

Lastly, I think that the Finance Member is entitled to the gratitude of the country for one very outstanding and assuring statement that he has made in the course of the Budget statement, which was long overdue. If any man who is connected with the Indian money market or the finances of this country is asked, what is one of the main reasons for the deplorably weak state of exchange and consequently for the weak position of Indian finances, he would unhesitatingly say that it is due to the crop of rumours regarding an impending change in the ratio from 18d. to 16d. These rumours are responsible for the flight of capital from this country because people want to take advantage of this 18d. ratio, and for the stop of the flow of capital to this country. Therefore it was very necessary to have not a halting but a very definite and very deliberate assurance that would convince bankers and others having commitments, as regards the willingness of the Government to stick to its statutory obligations. It was long overdue and the assurance that the Finance Member has given on the floor of this House should be very welcome to bankers and others interested in Indian finance and would materially help the financial soundness of this country. I would also say, by way of advice to the Finance Minister, that it would be a very good policy for him and his Government if he gets more into touch with the bankers, especially the exchange bankers, who are the people to whom he has to look for help and who are the only people who can help him, when he goes to the market for a loan or when he has to remit money to the Secretary of State or when he has to sell Treasury Bills. These people help more than the Indian Chambers of Commerce or Purshotamdases, who give more trouble than real help in these matters. That tried friend of India, the late Sir William Meyer, adopted this policy and met the bankers in Calcutta at a Conference, and the result of that was very helpful to the money market in a period of exceptional difficulty. As at present situated, there is no machinery for frequent consultations between the bankers and the Finance Member and it is of the utmost importance that such machinery should be immediately established. The House, however, is grateful to Sir George Schuster for the assurance clearly made that he does not mean to surrender to Bombay's blackmail in the matter of the ratio.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): If I intervene in this debate, it is because I wish to draw the attention of the Honourable the Finance Member to his speech of last year. The retrenchment of the Central expenditure was raised last year in the course of the debate and it was suggested that a retrenchment committee should be appointed for the purpose of overhauling the Central expenditure. Dealing with this question, the Honourable the Finance Member, in his speech on the 28th February last year, said:

"But I should be deceiving this Assembly if I were to hold out any expectation of large economies in this direction. I doubt whether it is adequately realised to what extent the gradual development of the present form of constitution is placing increased work on the shoulders of the officials of the Central Government and I do not

think it is an exaggeration to say that there is not a single department of the Government of India in which those occupying the higher appointments are not at present overworked. Indeed I think it is far more likely that as representative institutions grow and sessions of the Legislative Assembly become longer it will be necessary to divide up some of the existing departments and create new appointments for representation in this Assembly."

Dealing with the question of policy, the Honourable the Finance Member said :

"On the other hand if we turn to what I describe as the second class of economy on a big scale, I would ask Honourable Members to consider how I can possibly tackle questions of that kind when we stand as we do today on the eve of a constitutional revision. This matter cannot be dealt with pending the constitutional revision. I want Honourable Members to understand this, because I confess that I did feel that I came before them with a much poorer statement, a much poorer record of work done in the way of retrenchment than I had hoped for when I spoke at this time last year."

The position regarding retrenchment was stated by the Honourable the Finance Member in his Budget speech last year in unmistakable terms. He said that large retrenchments are only possible if there is a change of policy. That change of policy cannot be embarked upon by the Government of India pending the constitutional revision. Now, I wish to ask the Honourable Member whether the situation this year is any different to what it was last year. It is perfectly true that since then the Round Table Conference has taken place and it is equally true that it is to continue its labours and finally decide upon the constitutional issue in the near future but so far as the present year is concerned, I venture to submit that there is absolutely no difference between the position of the Government as it was last year, and if so how could the Government of India commit themselves to large policies of retrenchment which they have admitted are only possible if there is a constitutional revision. That being the case Sir, I beg to ask what good would be served by appointing a committee—it does not matter whether it is a committee of this House or a committee of experts outside this House. Honourable Members on this side of the House have been feeling for a number of years, that if any drastic changes are to be made in the national expenditure, they must begin with the military expenditure. I think the Honourable the Finance Member probably remembers what was said in the course of the discussions last year. When this question was raised, the Honourable the Finance Member said that large cuts in the military expenditure would be only possible if there was a change in the military policy. Now, I beg to ask this. In order to remind my Honourable friend on the other side, I would read to him and for the benefit of the House a few sentences on this subject. The Honourable the Finance Member said :

"But whatever room there is for reduction in military expenditure that again is a subject which on a large scale we cannot tackle just at the present stage. We are committed to this programme of re-equipment and as soon as that is completed the future will be considered but I do not believe that it would have been possible to deal with that question in a more drastic and effective way than I have done in the circumstances which face us this year."

Then I interrupted and I asked him this question: "I thought you were coming to the change of policy!" The Finance Member said: "I was trying to make it clear that changes of policy could not be considered at the present stage". Now, Sir, that is the plain issue. You are not in

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a position to consider a change of policy regarding the military expenditure. You are not in a position to consider a change of policy regarding civil expenditure. If you are not in a position to consider a change of policy in these two directions, I beg to ask what good would be done by the appointment of a Retrenchment Committee. Sir, nobody in this House need have any misgivings about the utility of a Retrenchment Committee if properly constituted and given wide terms of reference. I happen to be the author of the Retrenchment Committee Resolution in 1922 which the Government opposed and which I carried in spite of the opposition of the Government and that resulted in the appointment of the Inchcape Committee, and when that Committee was appointed the constitutional changes that are now adumbrated were not at all on the horizon, and the result of it was that the Inchcape Committee dealt with established facts and with the constitution as it then existed and as it exists today. That being the case, the Inchcape Committee in 1923 made certain retrenchments. But those retrenchments were not retrenchments which the Committee would have made if there had been a cardinal change in the policy. I therefore submit that this is not the time for the appointment of a committee: and as the Honourable the Finance Member has said that this committee will only deal with the revision of civil expenditure, I submit it will be one of those committees to which the Honourable Raja Bahadur Krishnamachariar has referred, namely, a committee in the case of which its own cost would exceed the saving that is likely to accrue from its appointment.

Then, Sir, I pass on to the next question, that about additional taxation. The two heads under which additional taxation falls are customs and income-tax. Now, on the subject of income-tax, I wish again to read to this House the statement which the Honourable the Finance Member's Department submitted to the Government of India when they were calling for the report on the revision of income-tax. In Appendix II to the Government of India Despatch occur these sentences, which the Honourable Members would do well to remember. The Board of Revenue, speaking of the incidence of income-tax in this country and comparing it with the incidence of income-tax in England observe as follows. They say:

"It is also worth mentioning that although the assessable limit in the case of a single person is somewhat higher in India than in England, the percentage taken as tax of the lower incomes in India, if I may rely on the tables at the end of the draft Ceylon Ordinance, which were prepared by an expert from Somerset House, is actually higher—and a great deal higher—in the case of earned incomes in India than in the United Kingdom, even if for the purposes of comparison unmarried persons in the United Kingdom are taken. The table shows the following percentages:

Rs.	Income—all earned.	
	British India (all classes).	United Kingdom (single persons).
Income, 2,400	62.5	20
Income, 2,500	65.16	28.33
Income, 3,000	78.13	70

Even where the income is all unearned, the tax on an income of Rs. 2,400 for all classes of assesses other than companies and registered firms, is Rs. 62.5 in India against Rs. 60 for a single person in the United Kingdom."

Now, Sir, this is the statement prepared by the the Board of Revenue presented to the Government of India, and it shows that the Indian scale of income-tax for the smaller incomes is in some cases three times as much as it is in the United Kingdom; and yet we are told that the income-tax in India is a comparatively lighter burden upon the people.

Well, Sir, I leave that statement at that. I now pass on to the next point. The Honourable the Finance Member says, "You have got to meet this deficit of Rs. 14 crores, and if you do not allow us to raise the income-tax and the super-tax and to raise the Customs duties, how is this wide gap to be bridged?" Sir, I would ask the Honourable the Finance Member to read the proceedings of the first Assembly of 1921, 1922 and 1923, and he will find that in those years also the country was faced with heavy deficits: and yet those heavy deficits were met not by the levy of such heavy taxation as is sought to be imposed this year. We have been told that this is an abnormal year and that the deficit is due to abnormal causes. I quite remember the Honourable Member saying that how much of it is due to abnormal causes and how much to causes which are not exactly abnormal cannot be stated. But I will assume that at any rate a half of the deficit is due to abnormal causes and the other half is due to other causes. If that be the case, I submit that half of the deficit should not have been met from taxation, which has been permanently levied on the country. I submit this is one of those cases in which abnormal deficits must be met by abnormal remedies, and the only abnormal remedy I can suggest is the cutting down of all expenditure. The Honourable Mr. Mody made, Sir, a very pointed suggestion to the Honourable the Finance Member. He said that this question about the capitation tax has been agitating the Government of India for a very long time. If the Honourable the Finance Member will read the Report of the Central Committee, he will find that for the last 20 years the country has been agitating over this capitation rate every year and it has been objecting to its legality and to the justice of its imposition. Well, that question has not yet been settled, and I submit that as it has now been agitated for a very long time, it must now be settled. There are certain other charges to which the Simon Commission referred in their own Report and to which a pertinent reference occurs in the Report of the Central Committee. I think, if I am not mistaken there is a reference also in the Report of the Round Table Conference. Now what we on this side of the House want is this that while you are carrying on the Government of India you are absolutely oblivious to the claims of justice; you are absolutely oblivious to the demand that has been made to you from year to year from the Opposition Benches. I can speak, Sir, of the last ten years—the life of this Assembly from 1921 down to the present day—and if you will look back at the proceedings of those years, you will find that that has been the outcry. What have the Government done during all those ten years? I quite admit that the Government of India are not independent of influences from outside. I also admit that the Government of India as at present constituted are merely an agency Government, but in spite of that I submit that the Government of India should take this House into their confidence and tell us as to what they have done to voice the feelings of the people of this country. I remember, Sir, reading in the Report of the Joint Parliamentary Committee that whenever the Government of India and the Legislative Assembly are in agreement upon any question of policy, the

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Secretary of State would stand aside. If the Government of India had taken this House into their confidence on these large questions of policy, I have no doubt, Sir, that the opinions of the Government of India would have been greatly fortified.

Then, Sir, reference has been made by my Honourable friend, Mian Shah Nawaz, to the advisability of taxing India's foreign investments. I do not think my friend, the Mian Sahib, has ever carefully considered that question. Sir, why does capital flow out of this country? Because the capitalist in this country finds a more lucrative investment in foreign countries, and are you to prevent your own countrymen from making more money from his foreign investments by taxing him in this country?

Mian Muhammad Shah Nawaz: Why should they not be taxed?

Sir Hari Singh Gour: Why should they not be taxed? If they are taxed, the money that they make from their foreign investments is money which comes back to this country, and that money would be lost to you. It is a benefit which they confer on the people of this country. The fact is that on account of heavy taxation a large quantity of capital is going out of this country and it is a blot upon the financial policy of Government that this large capital finds a more lucrative investment in foreign countries than in this country. It is the duty of the Government to adopt such means as would prevent people from investing their money outside this country. But to tax them because they invest in foreign bonds and foreign securities is certainly not one way of doing it.

Sir, one last point I wish to suggest to the Honourable the Finance Member in connection with this general discussion, and it is this. It has been suggested, I think, by various speakers from this side of the House that, while we entirely sympathise with the Honourable the Finance Member in his misfortune, we do not see how we can assist him by voting the taxes which he wishes to levy upon this country. If he would take some of us into his confidence and tell us in what way he is prepared to meet us, we should be prepared to make constructive suggestions for the purpose of tiding over the difficulties in this year. Such a course, if I remember aright, was adopted in the first Assembly, and I therefore submit that if we are driven to vote according to the demand of the Government, the Opposition will find themselves constrained to oppose the measures of additional taxation. But if the Honourable the Finance Member wished to take into his confidence the Members of this side of the House, I am quite sure that we shall be able to devise some means for tiding over the temporary difficulties in which the Government of India find themselves.

• **Mr. Jamal Muhammad Saib** (Madras: Indian Commerce): Sir, let me first congratulate the Honourable the Finance Member on the able and lucid way in which he has presented his Budget. The economic review of certain main items of trade which he has caused Dr. Meek, our able Director General of Commercial Intelligence, to prepare is very welcome indeed. I, may I say all of us, quite appreciate the difficulties the Finance Member has been faced with, some of them beyond the control of anybody.

Now, Sir, as the Honourable the Finance Member rightly points out, the fall in prices has affected most severely a country like India whose economic activity is mainly directed to the production of primary agricultural products. The remedy for this obviously lies in two directions—in

regulating our fiscal and financial policies in such a way as to enable our poor agriculturist to realise as high a price as possible for his agricultural product, and in rapidly industrialising the country. But the policy pursued by the Government at least after the close of the Great War does not seem to have these objects in view, but does seem to run in a diametrically opposite direction, to the serious detriment of the best interests of the country. Pious hopes and professions do not help us. We have long passed all those stages. What we really want now are acts to demonstrate those good intentions.

It is this distrust of the financial and fiscal policies of the Government—both commission and omission—which had been persistently pursued by them against the declared wishes of the people and their serious effect on the economic life of the country in all its aspects, that had driven the people, including the business sections, to blank despair. Herein must be sought some of the real causes for the spread of the civil disobedience movement and its striking success even in a country like India.

Sir, the Honourable the Finance Member is apparently satisfied with the little shrinkage as he puts it in the visible balance of trade in favour of India. I don't agree with him there. First, I would with all deference, submit to him that his present method of calculating the balance of trade is faulty and misleading, as it hides away from our view falls in exports, set off by shrinkages in the import of treasure. Both are serious evils, but the fall in the import of treasure is even more serious than the fall in exports, as it is this import of treasure which goes to make up the wealth of the country.

Since whenever there is a great shortage in the exports, there will always be something like a corresponding fall in the imports of treasure under the present system; these two evils hide one another. That is why I consider the present method of arriving at the balance of trade faulty and misleading. In my humble opinion the real balance of trade is one that shows only the balance as between exports and imports of merchandise without including treasure, as that would be more reliable and instructive for comparison purposes and as it is through such a favourable balance of trade, after meeting Home charges and other foreign remittances, we get the treasure from abroad which is really the investment of the masses.

Sir, in a minute I will try to show why I attach so much importance to the balance of trade and to the method of arriving at it. On an average, in the three official years 1923-24, 1924-25 and 1925-26, which, I consider, must really be taken as normal years for obvious reasons, we imported about 69 crores of gold and silver, as against only an average of 33½ crores for the last three calendar years of 1928 to 1930, as given by Dr. Meek in his Review.

Now, Sir, may I point out therefore to the Honourable the Finance Member that the real shrinkage in the balance of trade is really more serious and means much more to this country and its financial position.

Sir, I would likewise like to point out to my Honourable friend that the present fall in our exports is the second of the series within the last few years. Our exports had once before dropped from a higher level to a lower one. I mean when it fell down to 309 crores in the official year 1926-27 owing to the most deplorable exchange and currency policy of the Government from the average of 382 crores of the same three normal years mentioned above—namely, 23-24, 24-25 and 25-26. When it is thus realised

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that the present fall of about 80 crores for the current year is a second and additional drop in our level of exports, it cannot certainly be treated so lightly.

Sir, I thoroughly agree with the Honourable the Finance Member that the drop in the prices of our export articles is more serious than the one in import articles. This is really an evil, as we have to measure out more of our productions to get comparatively less of the foreign articles imported. But I cannot agree with him when he says that the present level of low prices of our export articles should be maintained in order to have outlets for our exports. It may be desirable but not practicable, as the prices of our export commodities are much below even the bare cost of production—leave alone the necessary margins for the agriculturist for his little savings and for the risks and chances of his profession in a country where much depends on the vagaries of the monsoon. Further, he has also to spare some little money to buy his necessities of life and it is this absence of all his savings and sparings that had seriously affected his purchasing power to the detriment of our industries, and to the even more serious detriment of the labour classes who depend on the prosperity of agriculture and industries for their wage levels and their very employment.

Sir, it is thus clear that the present level of prices cannot be maintained or reduced without serious injury to the general economic structure of the country. There is only one way out of this fix. There is only one solution to this complicated and comprehensive question and it is this. Something requires to be done which, without affecting our outlets, would make our local prices more economic or at least more practicable for our producers. In other words you will have to raise up a little our local rupee prices without affecting our export parities as measured by foreign currencies. You can only do that by lowering the ratio to its more natural level. I cannot think of any other way to get out of this dilemma. I do say it that 1/6 is not the natural level as our prices had not adjusted themselves to it. That is why we find the strange phenomena referred to by the Honourable the Commerce Member in his speech on the Railway Budget. I refer to his reference where when the Railway Board thought of a reduction in the railway rates of certain agricultural products, it was found that local rates were above export parities. That is all due to the non-adjustment of our prices to the 1/6 ratio.

I do not deny the fact that the present fall in prices and depression in trade is mainly due to world-causes of which we have no control. But a portion of it is also due to the unnatural—if you fight shy of that word—I will say, wrong ratio. The world depression will go away one of these days, but even after that there will be the trouble so far as it is due to the changed ratio. In other words, there is a world-wide depression, and we are suffering along with the other countries of the world in that respect. We have no complaint there, and this even at the worst is after all a passing phase. But in addition to that there is the added trouble due to the unnatural ratio. So our troubles and sufferings are twofold. This latter trouble will go on hampering us even after the world depression passes away, and that is why I say that, until we revert to 1/4 again, we won't see the end of our difficulties. You speak of shaking confidence. Why didn't you think of it in 1920 and 1927? You say if you drop 1/6, it will mean unstability. Why should it be so? We were able to maintain a fairly stabilised exchange at 1/4 for quite a long time without any difficulty.

If it is possible for you to maintain it at $1/6$ and keep up your obligations, nobody can dispute it that it should certainly be much easier to maintain it at $1/4$. Anyway when the country wants it why do you want to stand in its way? You often repeat that the Government would maintain the ratio of $1/6$ —even the Right Honourable Mr. Benn has become a new convert to this slogan—with all the resources at its command. What for? Is it right to use the resources of the people against themselves and that for forcing a thing on them against their wishes. To maintain a higher level of exchange may be good for those countries like Great Britain whose imports are much larger than her exports and who further depend on foreign countries for their raw materials and their very foodstuffs. Our requirements are quite different. We want an assured and profitable outlet for our agricultural products like America. For that a lower exchange is a necessity. That is why America did so much to keep down her exchange level as compared to European currencies.

You speak of the flight of capital; but is it not this higher ratio that is putting a premium on the export of capital? Till you lower your ratio, you will continue to have this flight of capital. Your remedy to raise up the rate of interest on Government borrowings and for the trade here in the country to attract back the capital is simply a useless and a most harmful one, to say the least of it.

Now, Sir, as regards the proposed enhancements of taxes on income, I wonder whether the Honourable the Finance Member has really seriously considered what he is proposing. He wishes further to victimise those very classes who are the worst sufferers of the present prolonged severe depression. Evidently conscious of the wrong he is thus doing to the very sections of the community who were anxiously waiting for some relief in these respects from the hands of the Government and not further crushing burdens, the Honourable the Finance Member descends to special pleading and apparently having deceived or satisfied himself by superficial and hasty consideration of the matter, now tries to satisfy others. He does not want to reduce the salaries of the high paid Government officials as that would be "selecting the particular class of Government officials for bearing a special burden". And so he proposes certain increases in the rates of the taxes on income to apply to all sections of the people, apparently satisfying his conscience that he had thus distributed the burden on all classes concerned equitably. We must be grateful to him for not including the agricultural classes with additional land revenue proposals in his scheme of equal distribution of the burden over all classes, for that should be even more equitable from his point of view.

Now, Sir, did he also consider the other aspects of the question? That while the official classes were enjoying secured high salaries and other allowances fixed at a time when the cost of living was much higher than now, perhaps only benefiting, as a side issue, by the successive heavy drops in the cost of commodities and foodstuffs, all the other sections had suffered twice within the last five years alone by the fall in prices and the consequent economic depression in agriculture, trade and industry. Sir, I mean, first when the exchange was pushed up to $1/6$ by the manipulations of the Government and their other actions and now again mainly, I advisedly say mainly, due to the serious world-wide trade depression we are now in. So if we look at it properly it is not

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an equitable treatment that is proposed, but an additional unbearable burden on certain sections and a comparably light new one on certain others. Sir, I therefore submit that the proposed new additions to the taxes on income are neither sound nor just.

I will just say a few words as regards the details of the proposed new additional taxation. It goes up to 26 pies in the rupee in the shape of income-tax and a further 75 pies in the rupee in the shape of super-tax. So the maximum comes to 101 pies on the 192 pies of the rupee. If we bear in mind that many legitimate and necessary items of business expenditure are disallowed and that people are not even allowed to set off business profits against the losses incurred in the preceding years—Government only goes shares with you when you have profits and not when you have losses—that assessee have to be maintaining their families and a costly business establishment even during loss years all the same and that over and above all these the businessmen have to be paying interest on their borrowings for all years good or bad, we can easily imagine the plight of the poor assessee.

What is there left for him? Why should he do business at all, or run an industry with all the difficulties and risks staring him thus in his face? Is it to pay out of his previous accumulated capital or landed assets for the fun of doing business? Is this the way to encourage the industrial and commercial development of the country? Is it not rather the surest way to cripple and crush down the country in these respects?

Sir, I repeat that the proposed scheme of additional taxes on income is neither just nor sound. It means the sweeping away of even the little savings of the people visible here and there into the coffers of an extravagant and reckless Government, to the further serious detriment of the economic and industrial life of the country. The country cannot now bear any additional burden. It rather requires relief very badly, even, if it be to reconstruct its sorely damaged economic structure. The remedy lies in rigorous retrenchment and reduction of expenditure, both Civil and Military and not in additional taxation. The Government will never retrench of their own accord. It has to be forced upon them. They speak of retrenchment. Where is retrenchment? Last year their Budget was for 135 crores and it is the same 135 crores this year. It is not retrenchment they are carrying. They are playing with figures and they expect us to be always swallowing their sweet words minus acts. We want action and not sweet words and pious hopes. We do not want to be fooled any longer. We can't afford to be. Only if we refuse to sanction the new additional taxation they want, they will really begin to retrench. So let us refuse them the new additional taxes. Let them retrench, and if after that, when we are satisfied that they have reduced expenditure in harmony with the changed conditions and if we then find that they require more money, it will be for us then and not till then to consider any additional or new taxations, but on a certain accepted principle, and that principle shall be that all such new or additional taxes shall be of such a nature as would help us in the building up of our economic and industrial prosperity and not of the kind that would further and further cripple us in those directions.

Sir, I therefore submit in all humility that the proposed additional taxation on income should neither be accepted nor granted by this House representing as it does the people of the country.

The reduction in the military expenditure is too small. It is primarily the very heavy expenditure under this head that puts an undue strain on the long-suffering taxpayers and also retards all progress in the nation-building departments of the country, which are our crying needs today. It is most disappointing that it should still be above 50 crores. It should be below 40 crores by this time, in harmony with the changed times and circumstances. The general outlook of the world as regards military preparations is much changed since the Great War and is further changing for the better.

Further, Russia has long ceased to be an imperialistic aggressive power. In these circumstances why should we still want such a large military establishment, and that at a time when even the militarist European powers, generally too suspicious of each other, finding after bitter experiences that aggressive nationalism and wars do not pay in the long run, but rather result in serious harm to the very people that follow that creed, are almost every day reducing their forces and armaments.

Any detached and impartial observer cannot therefore help feeling that if we call a halt to the imperialistic ideas on the frontier, eschew rigorously all aggressive forward policies and entrust the people in the main with the defence of their own country by taking to the Indianisation of the Army in a right earnest spirit, it should not be difficult to have, before long, an Army quite enough for our real needs and thoroughly efficient but at about half the present cost.

Sir, I cannot understand why an enhancement of the export duty on new skins and hides did not occur to the Honourable the Finance Member. Since the import of finished leathers and leather goods into the country is so small—only less than a crore of rupees against the annual production of 40 to 50 crores worth of raw skins and hides in the country—and since by an import duty on manufactured goods alone, this important indigenous key industry cannot be protected and developed against foreign exploitation of our raw materials, an export duty of 15 per cent. *ad valorem* was imposed in 1919, but Government, being misled by the artificial agitation mainly engineered, and influenced by interested foreign interests established in the Northern parts of the country for the export of raw ~~stuff~~ to America and Europe, reduced the rate to 5 per cent. in 1923. Since then the industry has been struggling very hard to keep up its footing.

Mr. President: The Honourable Member's time is up. I want him to conclude in a minute or two.

Mr. Jamal Muhammad Saib: Immediately after that came the stunning blow caused by the enhancement of the exchange ratio to 1/6, and after that the world depression in trade. While the industry was struggling against all these adverse circumstances, the American Government in September last passed a new discriminating Tariff Bill and gave immediate effect to it. This was the last straw on the camel's back and it has completely upset the already struggling industry as is well-known to all those who have any knowledge of this trade now. The industry and trade concerned have been making appeal after appeal to the Government to come to their rescue, but all in vain.

The net result of the new American tariff is that our existing export duty of 5 per cent. on raw hides is neutralised and in skins the tables are turned against us, and the Indian tanners are faced with a ~~hard~~ ~~time~~

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of 5 per cent. (about 85 per cent. of our export of raw skins goes to America) as against the 5 per cent. we had against American importers of raw skins before. To bring it even to the position existing before the American Tariff began to operate, we will have to increase the export duties to 10 per cent. on raw hides and 15 per cent. on raw skins, and to go back to the position we were in before our export duties were reduced from 15 to 5 per cent., the above duties will have to be enhanced to 20 per cent. on raw hides and 25 per cent. on raw skins. Now every additional 5 per cent. on each of these articles means about 15 lakhs of rupees each and here is a good source of revenue that could give us more than a crore of rupees of new money and at the same time be beneficial to the country and its industrial and labour interests. There is also another way of doing it. The export duties can now be raised to 10 per cent. on hides and 15 per cent. on skins immediately, as that is only reverting to the position we were in prior to the American tariffs, and get 45 lakhs new money in the bargain, and for the other additional 10 per cent. in each case the matter can be referred to the Tariff Board.

Mr. President: The Honourable Member must now conclude.

Mr. Jamal Muhammad Saib: Yes, Sir. The Government have done nothing at all all these months and years. Is this the way to develop the country on industrial lines? When even existing established industries are allowed to go to ruin in this way by their acts of commission and omission, what are they going to do for new industries?

Sir, the Honourable the Finance Member is trying to shelve the question of allowing assesseees to set off the losses incurred in previous years against business profits by saying that we should "not be guided so much by consideration of principle as by the practical conditions as regards revenue. It would mean a substantial loss of revenue and the question for us is whether the country can afford it" and so on. But has he also considered whether the assesseees can afford it and that now? Where is the country without the people of the country? It is the people of the country that make the country. Another potent excellent reason of his for his denying this bare justice even at this belated hour, is that if that principle were conceded at present, the Government "would be starting it at a very bad moment" as there must have been an exceptional number of cases of trading at a loss this year. "A good principle and good argument indeed!" Even if we call it a relief—it is only a mere justice—it should rather be started when the people need it most as now. When the Honourable the Finance Member as the spokesman of the Government in his Budget speech of the last year and in the last Annual Meeting of the Federation of Indian Chambers of Commerce and Industry more or less undertook to consider this matter sympathetically, all took it that it would be considered justly and sympathetically, and not in the manner he has done. Even if the Government do not want to be sympathetic, let them at least be just.

Sir, let us for a moment see how the present system works. If an assessee incurred a loss of 50,000 rupees in the previous year and made a profit of 20,000 in the next, he would have to pay taxes on the 20,000 although he really made a net loss of 30,000 rupees for those two years combined. It therefore comes to this, that in spite of this net loss apart from his liabilities connected with the maintenance of his family and

business establishment, he has also to find money to pay taxes on income. And the case of the assesses who had two or three or four successive years of adversity before a year of profit can best be imagined. Is this justice? Is this fair play? Is this the way of dealing with those who pay your taxes?

Maulvi Sayyid Murtuza Sahab Bahadur (South Madras: Muhammadan): Sir, I thank you very much for having given me an opportunity of participating in the general discussion on the Budget. You may be aware that for about a month and a half I was not keeping good health and was seriously ill. I had contracted pneumonia. Though I am now free from that and other complications, I am still terribly weak and yet I have come to take part in this discussion. The reason is this. From the speech of Lord Irwin and from other sources I have come to know that the Government of India want to take up a forward policy so far as the North West Frontier is concerned. This will seriously involve them in difficulties, financially, economically, morally, and it will alienate the feelings of not only the Mussalmans of India, but also of all the Indians as a whole. Sir, you know that the frontier people, be they of the administered area or the non-administered area, have proved themselves the gate-keepers of India. They have been the defenders of India and what is the compensation they receive for it? The Government are somehow or other killing their martial spirit. They want to see them in the same condition as we Indians are in. They want to make them slaves. That is why you are not in a position to curtail your expenditure, so far as the Military Department is concerned. When there is a deficit of nearly 14 crores of rupees, the Honourable the Finance Member is not in a position even to effect a reduction of 7 crores. This goes to prove that the Members of the Indian Government are quite powerless in the hands of the Military Department. His Excellency the Commander-in-Chief is all in all. Whatever he says, the other Members have to give in. Now, Sir, it may be asked how far I can bear out what I have said. You know that some time ago there was an insurrection of Afridis and our Government wanted to enter into negotiations with them and did succeed to a certain extent. I warn the Government from this Bench that those days have now rolled on when these Pathans were not in touch with the politics of India. Now they are so much advanced that they even know who the recognised leader of India is; and that is why the first condition they imposed before entering into negotiations with the Government was that Mahatmaji should be released first. When they are in the know of things transpiring in India, how can the Government try to kill their spirit? How can they try to bring about their ruination? So I say this so far as this matter is concerned; I expect our Home Member and even His Excellency the Commander-in-Chief, whom I miss today, or the Foreign Secretary will make a statement as to what they propose doing so far as the Frontier Province is concerned. If they do not favour a forward policy, I may assure the House that a reduction of 7 or 8 crores can be effected.

In this connection I may say that the policy pursued by the Government of India as regards our co-religionists in South India, the Moplahs, who are the most law-abiding people, who did not at all wage war against the Government is glaringly unjust. I challenge the Government of India;

[Maulvi Sayyid Murtuza Saheb Bahadur.]

I ask my Hindu friends here from Mādras as to whether the Moplahs had risen in rebellion against the Government, or whether it was the outcome of an agrarian dispute, a dispute between the tenants and landlords; they were involved in indescribable difficulties, it being suspected that they want to set up a Khilafat raj, and therefore under martial law they were subjected to many a hardship, which I cannot describe: I have seen those Moplahs in the Andamans: I was deputed by the Government of India to go to the Andamans (without having committed any murder) to see their condition. A deputation of four persons went: Mr. Schamnad, who is a Moplah himself, Mr. Abbas Ali, Barrister, who is now the Chief Presidency Magistrate, and myself with a Parsi doctor of Calicut who had no interest at all in the Moplahs. We went there and saw the actual condition of those people. They are suffering a good deal; and to add to their miseries their families have been sent over there; we saw their children crying; they came and began to embrace us and we took them on our laps and began to shed tears. We found them suffering from enlargement of spleen and other diseases. This matter was brought to the notice of the Madras Government and the Government of India, but nothing was done. A Resolution was passed unanimously in the Madras Council as also in this Assembly that those Moplahs, who were victims of martial law, should be released. Nothing has been done to put an end to their sufferings. The Government that pose to be exceedingly human have proved themselves quite inhuman in the case of the Moplahs and in the case of the North West Frontier Province. Fortunately or unfortunately they are not revolutionaries; our religion does not allow us to take to revolution; we cannot kill persons for nothing unless we have some personal grudge against them. The Frontier people who took to civil disobedience proved themselves true to their creed even when armoured cars ran over them and when so many of them were killed. Even then the Khilafat and Congress volunteers did not take to violence; and there you have got martial law up till now. The Government rule with an iron hand there and execute Muslims without any trial whatsoever simply on the bare statement of the alleged accused. In a recent case we do not know whether the Pathan actually made any statement to that effect or not; they say he did make a statement that he wanted to kill a certain officer, whereupon, he was summarily executed, for which the Government were censured here the other day. This is the state of affairs.

So far as Sholapur is concerned, the same martial law was promulgated there. There some constables were burnt alive, but then martial law was removed from Sholapur in a short period. I do not grudge this. But in the case of the Muslims, how have the Government been behaving? I want to bring it to the notice of the House. It is erroneously said that we are a favoured community. I say we are not. In no way are we favoured by the Government. We do not attach any importance to one or two appointments. In so far as the substance is concerned, Muslims do not get anything. Can any official or non-official come forward and question what I say? No, he certainly cannot.

As regards other matters, I would like to mention one or two. Last year we passed a Resolution to the effect that a certain stipend which was withheld from a Muslim, for having taken part in the Khilafat movement, for about 10 or 11 years should be restored with retrospective effect. A

Resolution was passed in the Madras Council and in the Assembly, and it was approved of by the Government without a division, and yet nothing has been done in this direction. This is how matters are being conducted and how we are being governed and how justice is being administered. It is with this object that I came here, though I was not in a position to walk a few paces without support. The Home Member who is my personal friend is a Persian scholar . . .

An Honourable Member: Is he?

Maulvi Sayyid Murtuza Sahab Bahadur: Yes; and I will complete my speech with a Persian couplet. I trust my friend knows the allusion and so I need not take the time of the House. 'Tarsam na rasi ba Kaba Aai Airabi; keen rah kai tu merani ba Turkistan ast'.

The allusion is this; an Arab whose destination was Mecca took the road to Turkestan; a gentleman advised him on the way, "This is not the road which will lead you to Mecca, because it is the road leading to Turkistan". But he did not heed his advice and then he composed this poem.

The Persian couplet may be translated thus:

"Oh, Arab, the route you have taken will not lead you to your destination (Mecca) because this is a route leading to Turkistan; your very object of going to Mecca will be frustrated."

So I say that the Government cannot achieve their object by killing the warlike spirit of these Pathans, by executing them even without holding any public inquiry, and by doing things in the way they please. With these few observations, Sir, I conclude my speech.

Kumar G. R. Roy (Surma Valley *cum* Shillong: Non-Muham-madan): Sir, I hail from a province which the *Statesman* has charitably described as "backward". Strangely enough, I have also been treated as rather backward in this mighty modern Parliament by being allotted a back seat in a back bench, which I do not grudge at all. It is sometimes in these days safer to be a little backward than forward. Perhaps some of my unkind critics may imagine that I do not know what is generally called parliamentary etiquette, though my knowledge of the ways of the Mother of Parliaments only shows that every first class crisis there is devoid of any grace or etiquette. I however do not think I would be sinning against parliamentary etiquette if my speech is not so sugar-coated as the sugary speech of the Honourable the Finance Member. (Laughter.) But with all the sugar he has put in it, the Budget tastes much too sour. (Loud laughter.)

So much for the taste of the Budget, and now a word may be said on how it looks, on how the Finance Member has dressed it. We have witnessed yesterday and today showers of congratulations on the Finance Member. Arduous has been his task of preparing the Budget, and presenting his case with all the grand eloquence and astuteness of a gifted counsel, who opens his case on behalf of his client especially when he knows it to be a very weak one. Even a backward representative from a backward province cannot deny his meed of tribute to the Finance Member for so artistically mounting and gilding the edges of the volumes, which contain nothing but blank pages, with gold. This may seem an exaggeration, but the pages, though filled with facts and figures, do not mean anything more

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than so many blank cheques which nobody would care to honour. Nay, worse, it is a huge bankruptcy Budget, though I do not for a moment suggest that the Honourable the Chancellor of the Indian Exchequer is bankrupt of all financial sense. He has also a financial method of a first class financial expert. He has the approved style of a financier and the delivery of an artist. (Laughter.) Indeed, his art of delivering the Budget speech with which he opened the debate, induced many of us on this side of the House to swallow the sermon he preached from his altar. The Budget under discussion in my opinion can be compared to the "Makal" fruit, as it is called in Bengal, which is tantalising in look but bitter in taste, and even a crow cannot assimilate it. (Laughter.)

The Honourable the Chancellor of the Indian Exchequer started by painting a picture of hope, but as he progressed with the subject, hope began to grow dim and stark despair started staring us in the face. He immediately provided a metaphor to solve the difficulty as if metaphors could solve difficulties. But he was prophetic. His figure of speech about changing horses in the middle of a stream concealed what yesterday's pronouncement so clearly revealed. The horses were being changed not in the middle of a stream, but in the vortex of a flood. (Laughter.) I am referring, Sir, to the statement which you read to this House amidst the contented happiness of everybody present. Said the Finance Member: "If the operation of changing horses is to be accomplished without disaster to India, then all who are engaged in it must work in co-ordinated co-operation." Sir, may I ask in return whether the reins of the political horse which the Nawab of Bengal handed over to the East India Company were handed over with economic troubles and difficulties? (Laughter.) The horse then, Sir, had a golden saddle and a golden stirrup and a golden track to trot upon. Where are those golden days, I ask? Why is the want of gold raised today by the Finance Member? Why are problems of economic troubles and difficulties so eloquently painted? Why are we told by the Finance Member "India today has to consider a change of political horses just when she is crossing the stream of economic difficulties which is sweeping down in dangerous flood upon her"? As I said, when the reins of the same horses, which were handed over to the East India Company as trustee are handed back to their ward, now that the ward has come into his own, why talk of economic difficulties and draw a gruesome picture? He is returning to us tired horses, perhaps fit for no more work; only he has not fixed the date when the horses could be chained ashore instead of being swept by the floods. (Laughter.)

And now to co-operation and co-ordination, which the Finance Member has been pleased to raise at the fag end of their reign of a century and a half or more. May I ask him, is it not a fact that Indians heartily co-operated with them? Is it not a fact that India stood with the Britons in the days of their adversity? Is it not a fact that during the last war Indian blood freely mixed in the battle fields of Flanders with British and Colonial blood in co-ordination and co-operation and without distinction of colour? What have we received in return, I ask? I do not refer, Sir, to the Punjab days of martial law; I do not refer to stray cases of rupture of spleen. I do not even refer to the recent occurrences at Sholapur and Peshawar. But, it is so very difficult to pass over the *lathi* charges. Was it co-operation? Was it co-ordination? Was it all carried out to hasten

the change of horses? If the Honourable the Finance Member requires illustrations, I could cite him hundreds, nay, even thousands, not a single one of which he will be able to condemn. There is a maxim, Sir, "Treat others as you would like to be treated". The Honourable the Finance Member says, "We are on the ebb now, but it is a safe prophecy that the tide will turn". May I ask him when the tide of financial prosperity will turn in favour of our helpless country? Miserable and uncertain has become our national existence. Whimsical schemes have sprung out of the heads of our rulers, to which New Delhi is a witness (Laughter) and the old Government House and the Secretariat buildings and Council Chambers, which were built out of the revenues of the people, are now left as haunted houses. (Laughter.) Yet, he says, "What we need rather is to give unremitting care to details, to stick to principles of sound finance, to work hard, keep our heads, and pull together. Above all it is necessary to be sound in our finance". But where is the sincerity of this desire? The Honourable the Finance Member has saddled Indians with taxations in no fewer than half a dozen items or more, but has he shown his inclination towards cutting the top heavy administration, which is draining a considerable portion of Indian rates? How much of these taxes are going to be spent for our nation-building purposes? Then, Sir, where is the sincerity of the desire on the part of the Honourable the Finance Member?

His Budget reminds me of a story, Sir. In a family there were five members,—father, mother, son, daughter and a servant. They sat one day to discuss how to curtail their expenses. The father said, "Whatever retrenchment you do, dear, you cannot do away with my carriage for going to the office". The wife said to the husband, "You know, dear, that we married on the understanding that every year you will give me a new ornament, so, you cannot do away with that". The son said, "I have a great craze for riding horse, daddy, and I go to school riding, so you cannot do away with that". The daughter said, "Every year there must be an amount invested for my future provision, so you cannot do away with the yearly investment". Then came the turn of the servant; the servant was getting a share every day of the fish which was cooked for the masters. The wife said, "Ah! There could be a retrenchment here; give him *dal* every day and stop the fish". (Laughter.) And this retrenchment of the fish for servant was accepted in the family. I observe the same sort of economy practised in the present Budget too. Sir, we, like the helpless and voiceless poor servant, are always being taken by the throat. Let Rome burn but we must go on fiddling merrily! merrily!! merrily!!! Is this a healthy retrenchment? This reminds me of an incident. Please excuse the habit of my story telling. (Laughter.) In a certain boarding house the students were grumbling of bad diet against the superintendent of the hostel. On arrival of a new European principal from Europe, the students complained about the diet to him. The principal enquired of the superintendent what food he was giving to the students. The superintendent said, "I am giving them *dal*, rice, and essence of plantain". By "essence of plantain" he meant the middle part of a plantain plant which is called *thor* in Bengali. On hearing this, the principal, naturally being a European who held plantains to be very costly in his estimation, surprisingly said, "You are giving such expensive food to the students. This cannot be so, better stop the essence of plantain altogether and do not give them *dal* and rice together, give *dal* in the morning and rice in the evening, and rice in the morning and *dal* in the evening". (Laughter.)

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So, this happens to us also, Sir. We complain and raise cries for the redress of our grievances of taxations, etc., under which the nation is groaning, but unfortunately, in spite of and after all the round table, oblong table, and square table and every sort of discussion (Laughter) our conditions are going from bad to worse—and we with our constituencies are subjected to severe and fresh taxations more and more. Are we to thank or curse our stars, Sir?

Then the Honourable the Finance Member goes on to paint a sad picture of despair:

“ . . . after the Wall Street collapse in America and from there the movement spread to other countries all the world over. The depression deepened at an accelerated rate in 1930, and conditions became progressively worse as the year advanced. As a result of the fall in crisis and the trade depression, practically all classes in all countries are suffering from a lack of purchasing power. It is too early yet to say whether the bottom of this movement has been reached, but in considering prospects for next year, I think it is necessary to reckon that, as regards prices and the general volume of commercial activities throughout the world, recovery will be slow.”

Here he seems to express that he is not sure whether the financial crisis through which the world, especially India, is passing, has reached the bottom, but he is anxious to burden poor India more with various taxations. Sir, the average income of an Indian is not more than two rupees per mensem and the taxation will surely reach somewhere near annas four to six in the average. I would beg of the Honourable the Finance Member to go and personally see the miserable plight of the villagers of India, and more especially of Sylhet. If not 75, surely more than 50 per cent. are unable to take their full meals even twice daily. And when the Honourable the Finance Member is not sure himself whether their miserable plight has reached the climax, why does he burden the misery of Indians by further taxations? Is he, Sir, following the phrase. “From the frying pan to the fire”? It reminds me of a story, Sir. (Laughter.)

A thief was caught by some villagers and they severely molested the thief. The leader of the village at this juncture arrived on the spot. He exclaimed to the villagers, “Do not beat the thief so severely. He will die. Rather tie his hands and feet and put him into a gunny bag and throw him into the well”. (Laughter.) The same spirit I find in the process of taxation of the Honourable the Finance Member. If he had some sympathy for the taxpayer, instead of piling taxes upon taxes on him, he would have diverted his attention to the curtailment of the military expenditure. He says, “No substantial economies would be possible without changes in the composition in the forces in India which would raise issues of military and constitutional importance”. But he points out to us the Report of the Defence Sub-Committee of the Round Table Conference.

Life, Sir, is greater than constitution, and when a nation is incapable of bearing the tax that is put upon the nation, it would be much better if the constitution bends to suit the condition of the poorest people in the world.

The Military Budget has become a cause of great drain of the Indian revenue. When the nation is crying hoarsely for bread, His Excellency the Commander-in-Chief is coming out with a scheme for modernizing the Army, for which that Department, like the pet child of a rich man, is asking for one and a half crores from the Finance Member, and for this

Department, the Honourable the Finance Member is put into the awkward position of apologising to the House every now and then, with the humiliation of the father of a prodigal son.

In conclusion, Sir, I beg to remind the Honourable the Chancellor of the Indian Exchequer that from birth to death the lives of Indians have become lives of taxation, and there seems to be no end of the process. The Government, like an extravagant man, are indulging more luxuriously in the bad habit of spending more than their earnings, and we the Indians are on the verge of bankruptcy to satisfy our masters.

I, like the great poet, am tempted to repeat both to my friends on this side and to the Members opposite, "*Qua Vadis?*". (Applause.)

The Honourable Sir George Schuster: Sir, I must thank the last speaker for his very valuable contribution to the solution of the problems which are before us all. I would also wish to thank all Honourable Members for such few kind words as they have been able to say, and I thank particularly those—some of whom, I think, are particularly hard hit by my proposals—who have found themselves able to support them.

I have been tempted to make various reflections in the course of this debate. I have asked myself, first, having listened to the remarks of Honourable Members, what would be the qualities of an ideal Finance Member. I think he would be one possessed of a bottomless purse, and a magic wand that could transform human misery everywhere into prosperity. He must be rigid in economy, and yet, he must not resist demands for beneficial expenditure, always taking care to see that Ajmer-Merwara gets as much as Delhi, and that the North West Frontier Province is not left behind. He must be able to impose Customs duties which will prevent the entry of foreign goods, and yet, produce a large revenue. And, lastly, I think I may say that he must have the patience of a Job and the hide of a rhinoceros. I am afraid I possess none of these qualities, though I must confess that since I took up my duties, now two and a half years ago, my skin has got slightly harder. I was tempted to another reflection and that is this—that probably round about this time every Finance Member in every part of the world is having to stand up and meet a popular Assembly and listen to very much the same sort of criticism which I have heard today. I do not believe Honourable Members are unique in the privilege which they have of possessing an extremely easy case to make against any one who carries the responsibility which I carry today. And that leads me to a third reflection, and perhaps there is an element at least of cheer in this. I think I may congratulate Honourable Members opposite and those Members of the unofficial parties who may shortly be carrying our responsibility that they do not have to carry the burdens of office today. Any Government of any country, which happens to be in power today, is faced with an extremely difficult task and is a victim of misfortune. There is perhaps an element of good fortune that we have to face this now, for one hopes that this country will have got through the worse of this exceptional period of economic trouble before the time comes for launching the new constitution. I think it is at least better that this trouble should have occurred now and should not have supervened immediately after the constitutional change. That may, at least, be a consolation to Honourable Members opposite, though it is not of much comfort to us who hold the responsibility today.

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Now, Sir, I have tried to follow very carefully the course of this debate, and the criticism really resolves itself into three parts. There is first of course the general objection which every one must feel to a Budget of this kind. Then there is the criticism of our failure to make retrenchment, and lastly there is the criticism of the new taxes which we have proposed to meet the gap. As regards the first charge, I am prepared to join in it myself. I object to this Budget just as much as any Honourable Member in this House. The imposition of an additional burden of taxation of this magnitude is an event which every one must deplore. Unfortunately it helps us little to be agreed on that point, and the real question which I put to myself, facing this unavoidable necessity, is whether there are any points in which we might have acted differently or better in the interests of the country. Perhaps the best way of dealing with these points and reflections is to run through some of the remarks which have been made, to which I should be glad to make some sort of reply. My Honourable friend Mr. Yamin Khan dealt chiefly with agricultural distress. He pointed out the great burdens under which the agriculturists are suffering now and he referred particularly to the heavy burden of interest which they have to pay to money-lenders. Now, in the first place, the direct task of dealing with the condition of those people rests with the Provincial Governments. Our own direct opportunity for influencing their condition is very small, but as regards the particular point which he mentioned, the heavy rate of interest, I can at least claim that I have made some attempt to deal with that problem in the institution of the Banking Inquiry Committee, whose results we shortly hope to have and to put before the country. The best thing one can do in circumstances of that kind is to inquire into the facts and to attempt to get a knowledge of where the shoe pinches, and with that knowledge to devise methods of alleviations. I hope we shall be able to devise some sort of remedy as a result of that inquiry for a state of affairs which I quite agree goes to the root of the well-being of the people of this country. My Honourable friend Sir Hugh Cocke had, if I may say so, some helpful suggestions to make, of which I will certainly take note. He particularly made a suggestion about the Retrenchment Committee and I propose to deal with that whole subject together at the end of my remarks.

I come now to the speech of my Honourable friend Diwan Bahadur Rangachariar, which I think I may take as typical of the criticism which has been made on our policy. He first of all took me to task for having failed to fulfil certain promises which I had made in earlier speeches. He referred, in the first place, to some remarks which I made in my first Budget speech, in which I ventured to say that I would take it to be my duty to study the economic conditions of the country. He asked what I had done in that direction. He took me very much to task for the lack of statistics in this country and for the fact that I, in giving certain figures, had relied on statistics for 1928-29. I think my Honourable friend was somewhat unfair in his remarks. As regards the study of economic conditions, that of course in its widest sense does not fall directly within the scope of my own duty, but I do venture to say that in the work which is going to be produced by the Banking Inquiry, to which I have already referred, a very valuable contribution will have been

made to the study of the economic conditions of the country. I think that the whole of the Reports of the Provincial Banking Inquiry Committees will be a possession of great value to the country for the next generation, and I am at least pleased to have had some responsibility in helping to provide the country with that information. Then I might also refer my Honourable friend to the fact that this year, for the first time, we have tried to put before the country up-to-date information as to the economic condition, and I believe from what several speakers have said that the circulation of the up-to-date Report of trade conditions in the country, which I presented together with my Budget, has been generally appreciated. That is all part of a policy for the promotion of which I claim to have done my best since I have been here. When my Honourable friend talks about antediluvian statistics, the passage to which he referred was the passage where I gave the total figures for the cost of the staff employed both by the Central Government and by the Provincial Governments. Those figures were compiled a few weeks ago, and as, in order to complete them, it was necessary to get completed accounts from all the Provincial Governments, I had to utilise the figures for 1928-29 because I had not then available the completed accounts for 1929-30. But I do not think that the fact that one had to do that justifies my Honourable friend's charge.

Lastly, I would refer to the steps which the Government of India are taking to set on foot an Economic Advisory Council or an Economic Research Council, in response to the suggestion which was made last year by my Honourable friend, the Deputy President. This House knows quite well that, acting on that suggestion, we took into consultation the leaders of the various parties in this Assembly last year, and that since then we have been doing our best to study the whole question. In this matter—as in many other matters—and this is a point which I shall have to make later on in my speech—in this matter as in many other matters Honourable Members must acknowledge that during the last year it has been extremely difficult for the Government to get on with any work of this kind. We have not been able to get into touch with leading people on the other side. Everyone's attention has been occupied with other more urgent and more distressing affairs; and I think it is fair to claim that the Government have not had a fair chance of getting on with this kind of beneficial work which we should be most anxious to forward and pursue. Nevertheless we thought it wise to go on with this particular investigation, and with that object in view we arranged that Sir Arthur Salter should visit this country and give us the benefit of his advice on the sort of organization that might be set up. We hope to have his report available in the next two or three weeks and it will be published immediately. I merely mention these facts—I could mention a great many more—and if my Honourable friends could afford the time to go with me into my daily task or with any of us into our daily tasks, I am sure they would be convinced that we do our best to study these matters and to look after the interests of the country wherever it comes within the scope of our authority to do so.

Then my Honourable friend and many others who followed him took me to task for having claimed to have made a substantial economy in the military expenditure, which in fact they said was nothing more than a camouflage. There, again, I think my Honourable friend was really most

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unjust. If he had read my Budget speech carefully, he would, I think, have appreciated that I made no attempt to deceive the House on this matter at all. I told them exactly—exactly, how this economy was achieved. (Hear, hear.) I also made it perfectly clear in another part of my speech that military policy was not being altered at all. I have claimed no special merit for having effected retrenchments by any change in military policy. What I did say was this, that by adopting the practice that we adopted last year and by extending the period of a stabilised Budget by one year, we were able to reduce the average expenditure, that is to say, the figure came down from 54 crores 20 lakhs to 53 crores 63 lakhs. Now that has been referred to by several speakers, and some have maintained that it does not represent a real economy. I agree that in one sense it does not represent any reduction of the total amount which the tax-payer, if this programme is carried out, will have to pay, but what it does do is this.—it secures to the tax-payers of today some relief, and it is an earnest of the fact that military expenditure is going to come down when this programme of re-equipment is completed. That produced an economy of 57 lakhs. Apart from that, there were some further special economies of 113 lakhs made this year. Now those were produced in this way. First of all, there was the saving due to the reduction in the cost of grain and other Army purchases. Now, according to the arrangement made with the Army, it was intended that any savings of that kind should be transferred to a suspense account and should be available for the earlier completion of their re-equipment programme. I arranged, however, with the Army that they should immediately abandon those savings and that they should come to the relief of the general tax-payer. I claim no particular merit for that. There is no merit on our part in it. But at least we are securing for the tax-payer today the advantage of the fall in prices, and therefore, that fall, which is so disastrous to many of the agricultural interests, at least has some countervailing advantage for the tax-payer in the reduction of military expenditure. Lastly and on the top of that, the military authorities have agreed to postpone or abandon a large part of their building programme, and particularly a large number of measures designed for increasing the amenities for the troops. It was particularly in respect of what they had done in that sphere that I expressed my appreciation of the way in which they have helped out the general situation. I would like Honourable Members to realize that when this programme of re-equipment for the Army was started, at the same time the Army started a very intense economy campaign, and they told all their officers that if they would search out occasions of waste and make suggestions for economies, they would be able to get some advantage out of that for their own men by accelerating the completion of the programme of amenities which the Army wanted to introduce. By “amenities” I mean the improvement of barracks, the introduction of electric lighting and that kind of thing. Well, that was a great inducement to officers to hunt out economies, and it proved a very effective inducement, for a great deal was achieved in that way. But now the Army authorities have got to go to those officers and say, “You have done your part of the job, but we are very sorry we cannot in the present financial situation let you have the money which you expected to get for the benefit of your troops”. It is right that this should be done, but at the same time I think, Sir, a word of appreciation is due to the military authorities for having agreed to

act in that way and to do so willingly. (Applause.) Now that accounts for the Army economies; and as I say, I claim no merit for it at all, but it does represent a real economy of expenditure in this sense that, according to the arrangement which we thought we were committed to, we should have had to provide in the Budget this year 54 crores 20 lakhs of Army expenditure, and we are actually only going to provide only 52½ crores. There is a real saving there of 1 crore 70 lakhs. Now, Sir, I have a good deal more to say about the Army, but I shall deal with that in my concluding remarks when I come to consider the general scope of retrenchment which it is opened to the Government of India to consider just now.

From my Honourable friend, Mr. Mudaliar—for whose speech I should like to express a special word of appreciation; he attacked me, but I must confess that the whole of his attack was fair and I listened with the greatest attention to his criticism—I was particularly glad to get an expression of view that just at the present time it was impossible for the Government to deal with the situation by making an enforced cut in salaries throughout the services. He went on to discuss what could be done about the reduction of pay in the services, and he criticised the Government for the suggestion of holding a conference with the Provincial Governments at Simla in the early part of the Summer. It is of particular importance to refer to his argument there because it illustrates so well the difficulties under which we are labouring just now. He asked what power or right have the present Government, whose term of office is at best a short one, to deal with a policy which will affect the future of the Federal Government of India? We recognise that limitation quite as strongly as my Honourable friend opposite does, but we also feel that a duty rests on us not to postpone every problem now and put it on the shelf and say: "We cannot deal with this finally but we must leave it to our successors". There is an enormous amount of preparatory work to be done, and if we feel that a certain course is right and that it ought to be tackled in the interests of the country, surely it is right that we should devise means for tackling it. That does not necessarily mean that we should come to final conclusions regardless of the constitutional issue, and, indeed, I took pains myself to point out that the whole question of the future of the services was a matter of constitutional importance and could not be discussed apart from the constitutional issue. But that does not mean that we must sit idle and do nothing about it. The mere fact that, if we are right that we cannot touch the salaries of the existing servants and that we can only open the way for economy by altering the terms of the people in future, the fact that that means that no immediate economy is available makes it all the more urgent to take the preparatory steps now. I feel—and I shall have to say more about this in conclusion—that this is one of the most important tasks before the country and I am sure Honourable Members on reflection will agree with us that it is right that we should do what we can to prepare a way for the Government which is to succeed us.

Then, my Honourable friend in his speech referred to the question of silver. I think that this was the only reference to this subject, at least so far as concerns our policy in selling silver or our response to any efforts for world co-operation as regards the control of the prices of silver. But as my Honourable friend referred to it, I should like to say a word on the subject, for it is one of very great importance. He, I think, said

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that, although I had dealt with the subject in my Budget speech and mentioned the fact that some response had been made to the general offer which I held out last year—a response which was not satisfactory,—he had reasons to believe that further steps were now being taken, and he expressed the hope that the Government of India would not allow themselves to be shut out of any further discussions, and that they would take the public into their confidence in the matter. Now, I can assure my Honourable friend that we most certainly shall not allow ourselves to be shut out of any discussion in that matter. We are, in fact, the most important factor in the world situation as regards silver, and nothing affecting our interests will be done without the consent of the Government of India. I should like also to respond to my Honourable friend's suggestion of taking representatives of the public into our confidence in this matter. It is a somewhat difficult subject to deal with. There might be very confidential discussions, and for obvious reasons it will be undesirable that we should disclose what was going on to any people who were directly interested themselves in the silver market. But if my Honourable friend has any suggestions to make on this subject, I can promise him that I shall do my best to consider them and that it would be my own desire to respond directly to his suggestion and be able at least to talk over the position with two or three men who enjoy the confidence of the Indian public and who, as I have said, are free from the particular objection that they themselves are interested in the silver market. I do not wish to say anything more about that subject now, except this, that up to the moment there has been no occasion on which we could have usefully consulted with representatives of that kind. Nothing so far as we are concerned has happened recently in that matter. I do not think it has got beyond the region of vague ideas; certainly it has not got to the stage of any sort of official communication.

Then, Sir, passing over the various speakers who have criticised our general programme of taxation or our failure to take other adequate measures for retrenchment, I should like to say a few words about the speech made by my Honourable friend the Deputy President, because he alone really dealt fully with the ways and means position. I entirely agree with him in his view that the ways and means position is often of greater importance than the mere revenue and expenditure position of the Budget, and it is a matter which raises much more complex problems. I have always listened to what my Honourable friend has said with very great interest, but I venture to say that his remarks did not strike me this time as quite so apt, quite so convincing or quite so interesting as they usually are. I do not know whether I am right in my diagnosis of the position, but it seemed to me that he was speaking from the pages of *Indian Finance*. Although I agree with him in the tribute that he paid to that paper, for I consider it a most valuable journal and one which contributes greatly to the knowledge and understanding of the public on these questions, I venture to think that if my Honourable friend had used his own mind he might have produced something more interesting in the course of this debate.

Now, my Honourable friend covered a wide field and I do not attempt to follow him all over it. He mentioned one fact. He talked about the flight of capital from the country and he said that that was due not really

to political fears but rather to the Government's financial policy, the fear of financial instability due to the incapacity of the present Government. I cannot agree that he is right in that respect, and I wonder how he would explain one phenomenon which is that a great deal of the movement of money has been from Government of India rupee securities to Government of India sterling securities. In that case after all, when it is a question of financial credit, the same considerations apply to the one as to the other. That rather points to the fact that one of the incentives must have been some speculation as to the possible change in the sterling value of the rupee. Then, my Honourable friend dealt with some figures that I gave in my Budget speech to show that the total contraction which we had effected had not been excessive. He said that there was a fallacy in my figures. I quite agree with him that it is impossible to get at any accurate figure of what the total number of silver rupees in actual circulation is, but the figures, which I gave and which were really material to my argument, were, I think, figures of which one can speak with absolute certainty. I was only concerned with calculating the reduction in the volume of currency in circulation as between two dates. Now, as to the reduction in the volume of silver rupees in circulation, that of course is a certain figure. The only point which is uncertain is what percentage of the total volume of rupees which were originally in circulation that reduction represents. I admit that there may be some room for variation in the basic figure, but as I think I was comparing reduction of about 18 per cent. in the currency with a reduction of 31 per cent. in the wholesale prices, I do not think the possibility of error in the basic figure of rupees originally in circulation can be great enough to vitiate the main purpose of my argument, which was that the percentage of reduction in the currency in circulation had not been excessive, having regard to the fall in prices and the diminished volume of requirements of currency due to that cause.

Then my Honourable friend gave me what he called a constructive suggestion, which I feel he must have taken from the pages of the journal from which he was quoting. I think there is a great deal in it; but it is a line of action which can only be followed in certain circumstances. There is no magic in it and of course if we followed that line of action, it would have reactions in other directions. What my Honourable friend suggested was this. He said that we set aside every year now very nearly 7 crores for reduction and avoidance of debt. He said "instead of using that money for the reduction of your borrowing, use it for buying up in the market some of your outstanding securities". To that proposal of course there is another side. If I use 7 crores in buying up existing securities, then I have got to raise 7 crores more of new money. I quite agree that in certain circumstances the psychological effect of the knowledge that the Government are behind the market with 7 crores of rupees, to invest in existing securities may be of advantage, but I would point out to my Honourable friend that to some extent that consideration already operates. We have a definite sinking fund on the 1939-1944 loan; we also have a sinking fund on the 1929-1947 loan and on the 1945-1955 income-tax free loans. I do not believe that if he went into the effects of the operation of our sinking fund on the 1939-1944 loan, in the circumstances that have been prevailing in the last 18 months, I do not believe that he would find that his theory is borne out in actual fact. But there is another consideration which I would ask him to give his attention to and it is this. As I pointed out in my Budget speech, our market for rupee securities

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in India must move really in relation to the market for our sterling securities in London, and the great difficulty of the past years has been that the market for our sterling securities in London has been the main depressing factor and that is my justification for saying that it is the political factor which has mainly influenced the course of affairs and has been the main cause of our difficulties. It is absolutely useless for me to adopt a policy which is going to put our rupee securities on to a $4\frac{1}{2}$ per cent. basis, if our securities in the London market are seeking a 6 per cent. basis.

Mr. R. K. Shanmukham Chetty: If my Honourable friend would permit me to interrupt him, I did not preclude in the suggestion the possibility of the Government entering into such open market operations even in their sterling securities in London.

The Honourable Sir George Schuster: I am not quite sure if I have understood the purport of my Honourable friend's interruption. But the point I was making is this, that although there may be occasions when the psychological effect of our supporting the market might be very beneficial, nevertheless if the general conditions are such as to outweigh any sort of psychological factor of that kind, as I think they have been during the last eighteen months, anything that we can do in that direction of supporting the market would simply be a drop in the ocean which really in the long run would have no practical effect at all. I venture to ask my Honourable friend to consider that point of view because, as a matter of fact, I have given very careful consideration to the suggestion which he made.

But perhaps we have got on to rather too technical matters and I ought to get back to the main thread of the debate. What it really comes to is this. We are faced with a certain position; we have a gap to fill. We can fill it either by a reduction of expenditure or by the devising of new sources of revenue. Now, the question is in the present year, could we have dealt with the gap in any way better than we have done? The main point that I want to put to Honourable Members is this, that as regards both lines of action, we are hampered at present by the constitutional uncertainty. Now, take retrenchment first. I am grateful to my Honourable friend Sir Hari Singh Gour for having quoted what I said last year, because it relieves me of the obligation of going over again a great deal of the ground that I might have had to traverse. What it really comes to is this, that judging from what has been said by Honourable Members opposite, they take the view that, if you cannot cut down military expenditure, it is not much use of talking about retrenchment at all. I do not go nearly as far as that, because I think it is certainly worth while, and it is the duty of Government to watch its civil expenditure very carefully indeed. But I do say this, that you cannot make any major immediate effect on the financial situation unless you are able to effect reduction in the military expenditure, and from that I go on to this point, that reduction in military expenditure is a matter of policy, which, as I said in my Budget speech, cannot be dealt with independently of the constitutional revision. Now, that being the position, how otherwise could I have dealt with the situation this year?

I now come to my proposal for a Retrenchment Committee. Now, I have been forced to draw some rather surprising conclusions from the way in which that proposal has been treated. It was a perfectly honest and

fair proposal intended to meet what I expected would be the wishes of the House. But its reception leads me to the conclusion that if the Government want to avoid an embarrassing obligation, the best thing for them to do is to come to this Assembly and offer to undertake that very course. The Assembly then apparently will say, "This is only a bait; we are suspicious of your motives; we will not touch it at any price". That is what has happened in this case. We come before the Assembly and say, "We have done all that we can to effect retrenchment, but we quite recognise that in a time like this, when we are asking you to accept heavy new burdens of taxation, you have a right, through your own representatives, to satisfy yourselves that we have done all that is possible". I should have thought that in those circumstances, as representatives of the public, Honourable Members opposite might have been glad to accept that opportunity. But if they think that that particular line of enquiry is not suitable for dealing with the present situation, and that it would meet the case better if the Government were to carry out its own enquiry with the assistance of one or two specially nominated outsiders, not necessarily Members of the Legislative Assembly, the Government would be perfectly willing to consider that line of action. All we want to do is to follow this matter up as far as we can at the present, and to convince the representatives of the public that we are doing our best and we have not got any opportunities which we have left out untried. That being the case we could deal with it either by the appointment of a Committee of the Legislative Assembly as I proposed, or by the appointment of a Government Committee with one or two outsiders nominated to assist the Government representatives in that matter. I should be very glad if Honourable Members would consider this, because we on this side are only anxious to find out what it is that they really want. I venture to suggest that something of this kind is desirable, and I venture to disagree with the line of argument which says that in the present condition it is no use making a start in this matter at all. Retrenchment is of two kinds; you can have retrenchment which is in the form of eliminating all sorts of waste and stopping up of leakages, or you can have retrenchment which is based on the cutting out of services and really involves questions of policy. Now as regards the first kind, of course it is the duty of the Government always to do its best to stop all waste and to run the administration in a way which is not extravagant for the purposes which it has to perform. But there is always the tendency for the official plant to grow, and I myself think that there is always great value in getting outside vision to bear on questions of this kind and having the situation reviewed from time to time; and therefore from that point of view merely for the purpose of hunting out opportunities for cutting out waste, I think a Committee with one or two outsiders on it would be a thing of value. Then when you come to questions of policy, they again may be of two kinds. There may be a matter of policy such as eliminating, let us say, the civil aviation services or cutting down our policy of giving money for agricultural research. That is a question of policy, but it raises no constitutional issues, and on a question of policy of that kind I venture to think that this Government, although it is an official Government, would naturally wish to be guided by what is the public opinion on the subject; and therefore Government themselves would want to consult with representatives of the public in considering whether economy has to be achieved by a policy of that kind. So that, in that way again, a representative Committee might be of value. Then there is the other branch of questions of policy which at the present juncture raise constitutional issues. There I quite agree that no committee

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could come to any final conclusions independently of the settlement of the constitutional issue. But I did try in my Budget speech to make it quite clear how I thought that this Committee which I proposed would work in with what I described as the wider inquiries and the wider issues; and even in connection with these wider inquiries and these wider issues, there is I think a great deal of preparatory work that can be done, and it would be of great value to get on with that even now. Having said that, I should like to say one thing more and that is that we are only making this suggestion in order to satisfy Honourable Members opposite; for, as far as I am concerned, and as far as my own conscience goes, I am satisfied that—barring possibly a few details here and there—there is not much field for retrenchment in the Central Government services just at present, (I mean for retrenchment in the form of eliminating waste,) because just at present the machine of Government has got to perform a double task. We have got to deal with our current work and with the constitutional reforms as well.

Sir Hari Singh Gour: Do I understand the Honourable Member to say then that the Committee will be merely eye-wash?

The Honourable Sir George Schuster: Sir, I am sorry I could not quite follow the Honourable Member?

Sir Hari Singh Gour: If the Honourable Member is of the same opinion this year as he was last year that there is no room for economy in the Central Government establishment, what is the use of this Committee which will be merely eye-wash?

The Honourable Sir George Schuster: If my Honourable and learned friend is always ready to accept my opinion as completely infallible, I have no doubt he will accept that position. I am merely telling him what my opinion is. But I want him to satisfy himself; and having made this offer I think it right and honest for me to say that I do not believe that, in the mere form of elimination of waste, you will find much meat to take off the bone. I think it has pretty well come down to the bone now. But if you like to come in and have a try, I am inviting you to do so, so that you can see that we have got nothing to conceal. If we can satisfy public opinion on the point, something at least will be gained. I wanted to make that clear, because having made this offer, there were two things which I wanted to say when my Honourable friend interrupted me. The first was that I do not myself believe that you will be able just now to achieve very much in this particular form of economy. The second is that I think you ought to take into account that all Government Departments are now extremely hard-worked with this constitutional revision; and it is a question whether it is in the public interest to introduce the extra work which such an inquiry sitting just now brings. These are the considerations for Honourable Members to take into account. As far as we are concerned, our only object is to satisfy them that we are doing our job as best as we can and that we are not attempting to conceal from them any hidden methods of economy which more competent people than ourselves could discover.

Then, Sir, on this question of taxation—I do not wish to detain the House much longer and must apologise for having kept them so long—I have heard very little criticism of our Customs proposals. The chief attack

has been directed at the income-tax proposals. As regards the income-tax proposals, I fully recognise that they do represent a serious imposition and a serious sacrifice for a great many classes in the country. I had hoped when I put the proposals forward that they would represent no more than an emergency measure to remain in force this year, and that by the end of this year we shall have taken stock of the situation and we should know on the one hand whether the present economic depression was really permanently fixed upon the country and whether we have really got to reckon on the present level of prices continuing for the indefinite future, and on the other hand we should also have explored various avenues for future economy and we should have a clearer vision of the constitutional issues. Apart from that we might also explore certain new methods of taxation, and these were referred to in my Budget speech in a passage from which my Honourable friend Mr. Sarma quoted in the course of the debate today. I have great hopes that it will not be necessary permanently to maintain income-tax at this level, and I would ask my Honourable friends opposite to look at the proposals particularly in that way. If they have any constructive suggestions to make which will enable us to get out of the difficulty, we of course will give them our best consideration. But after a very careful exploration of everything that can be done, and after considering what we could estimate as our prospects next year, I venture to say that there is no other source of taxation for filling up the gap except a temporary imposition on the income-tax, and that there is no way which will be sound in the country's interests of making that gap appear to be smaller. I think we have gone as far as we could in our optimism about revenue estimates. I think we have gone as far as we could in our cuts in expenditure, and I think we have gone as far as we could in every direction to explore every alternative source immediately available for raising revenue. Therefore I would ask my Honourable friends in the course of the next few days to consider very carefully their position; for, after all, it is their position mainly, and not ours, which we are considering. It is they who will be concerned with the future; it is they who will suffer if we do not meet the present position adequately. I hope that as a result of that consideration they will look at my proposals rather differently from what has been indicated in certain of the speeches today. I also hope that they will reconsider the whole idea about the exploration of methods of economy for the future and give me some chance of knowing what they really want on this question; for I venture to say that this is one of the most important questions before the country. When in my Budget speech I put forward the opinion that the Government of the country till now had not been very costly, I was not intending to suggest that certain offices in the Government did not bear a rate of pay which was high compared with standards in other countries. What I meant to say was this; that, working with an official Government, in spite of the fact that certain officers have been highly paid, I thought the total cost of the Government of India has on the whole been comparatively cheap. But it is impossible that members of the Government in the future when they have to work with more representative government, will be able to work with such a small number of offices or with such a small number of officials. What is possible under an autocratic government will certainly not be possible under a democratic government. A democratic constitution is certainly going to cost more, and unless you can reduce the standard of pay throughout the services, I do really foresee very great difficulties before this country.

Some Honourable Members: Hear, hear.

The Honourable Sir George Schuster: Therefore I think it is time that attention was given to that subject now, and if we can carry the matter any further by discussion between the Government and any representatives from the other side so that we may explore how this whole matter is to be further studied, I think we shall have achieved something useful during this session.

Sir, I must apologise for having kept the House so long. I have no more to say at this stage. (Cheers.)

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