

13th March 1935

THE  
**LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

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Volume III, 1935

(9th March to 28th March, 1935)

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**FIRST SESSION**

OF THE

**FIFTH LEGISLATIVE ASSEMBLY,  
1935**



NEW DELHI  
GOVERNMENT OF INDIA PRESS  
1935

# Legislative Assembly.

*President :*

**THE HONOURABLE SIR ABDUR RAHIM, K.C.S.I., KT.**

*Deputy President :*

**MR. AKHIL CHANDRA DATTA, M.L.A.**

*Panel of Chairmen :*

**SIR MUHAMMAD YAKUB, KT., M.L.A.**

**MR. S. SATYAMURTI, M.L.A.**

**LIEUT.-COLONEL SIR HENRY GIDNEY, KT., M.L.A.**

**SARDAR SANT SINGH, M.L.A.**

*Secretary :*

**MIAN MUHAMMAD RAFI, BAR.-AT-LAW.**

*Assistant of the Secretary :*

**RAI BAHADUR D. DUTT.**

*Marshal :*

**CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.**

*Committee on Petitions :*

**MR. AKHIL CHANDRA DATTA, M.L.A., *Chairman.***

**MR. S. SATYAMURTI, M.L.A.**

**DR. ZIAUDDIN AHMAD, C.I.E., M.L.A.**

**RAJA SIR VASUDEVA RAJAH, KT., C.I.E., M.L.A.**

**MR. N. M. JOSHI, M.L.A.**

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# LEGISLATIVE ASSEMBLY.

Wednesday, 13th March, 1935.

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The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock. Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

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**Mr. President** (The Honourable Sir Abdur Rahim): As regards questions, the Chair announced yesterday that, if the House wanted, the Chair would dispense with questions today and tomorrow. Is that the desire of the House?

**Honourable Members:** Yes.

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## STATEMENT LAID ON THE TABLE.

CASES IN WHICH THE LOWEST TENDERS HAVE NOT BEEN ACCEPTED BY THE HIGH COMMISSIONER FOR INDIA IN PURCHASING STORES FOR THE GOVERNMENT OF INDIA.

**The Honourable Sir Frank Moyce** (Member for Industries and Labour): Sir, I lay on the table a statement, furnished by the High Commissioner for India, showing all cases in which the lowest tenders have not been accepted by him in purchasing stores for the Government of India, during the half year ending the 31st December, 1934.

## HIGH COMMISSION-

## INDIA STORE

**ABSTRACT OF CASES** in which tenders for Stores demanded by the Central of the goods demanded, were accepted on the grounds of superior inspection, quicker

**HALF YEAR ENDING**

Stores ordered.	Contract Number.	Name of Contractor.	Amount of Contract.
-----------------	------------------	---------------------	---------------------

**PART A.—Cases in which lower foreign tenders, including British tenders for**  
*ten*

			<i>£ s. d.</i>
Mine ingot 1 ton	R. 1658/2062/12-11-34	The British Metal Corporation Ltd.	16 10 0 (From London stock, Rhodesian origin).

**PART B.—Cases in which the discrimination**

Harnettia folia 90 lbs. and Lobelia, B. P. 300 lbs.	R. 1554/2935/26-10-34.	Stafford Allen & Sons, Ltd.	21 0 0 (British).
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**PART C.—Cases in which the discrimination**

*Nil.*

**PART D.—Cases in which lower British tenders**

*Nil.*

RE FOR INDIA.

DEPARTMENT.

Government, other than the lowest complying with the technical description quality, superior trustworthiness of the firm tendering, greater facility of delivery etc.

31st DECEMBER 1934.

Lowest tender not accepted.	Reason for acceptance.
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*foreign made goods, have been set aside wholly or partially in favour of British ders.*

<p>£. s. d. 13 0 0 (Belgian).</p>	<p>The tender accepted was the most favourable bearing in mind the superior quality of the zinc offered and the higher cost of inspection abroad.</p>
-------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------

*is between British firms only.*

<p>18 2 6 (British).</p>	<p>The superior quality offered by the accepted tenderer represented more than the difference in the price.</p>
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*is between foreign firms only.*

Nil.

*have been set aside in favour of foreign tenders.*

Nil.

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

**The Honourable Sir Joseph Bhoré** (Member for Commerce and Railways): Sir I move:

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

**Mr. President** (The Honourable Sir Abdur Rahim): Motion moved:

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

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Sir, I do not stand to make any criticism today; but I would just like to make a few suggestions about the working of the Railway Advisory Council. This Committee did not publish any proceedings till the year 1929: from this year it began to publish its report. In the year 1932, the Council had no meeting, and, in 1933, it had only one meeting when they discussed the catering arrangements: last year, it held three meetings. This Council is the most important of the committees in connection with railways, and I would very much like that the Honourable Member in charge of the Railways may consider three suggestions which I make today. The first is that this Council is not authorised to pass any resolution. Members can sit down and express their opinions, but they cannot pass any resolution for the guidance of the railway authorities. I would like, therefore, to suggest that this Council should be allowed to pass resolutions. Of course, the value of those resolutions will only be advisory, they will not be operative, but it is desirable that the railway authorities should know the views of the Advisory Committee: they should not only be satisfied with the views of individual members, but of the Committee as a whole. My first suggestion, therefore, is that this Council, which is not now authorised to pass resolutions, should in future at least be authorised to pass resolutions which will, of course, be of an advisory character.

My second suggestion is that the meetings of this Council should be held oftener: one or two meetings in a year are not sufficient if the Council is to be of any help to the railway authorities.

My next suggestion is this: during the course of our discussions on the occasion of the budget and in questions and answers and resolutions, we make a number of suggestions about the improvements in railways. It should be the duty of this Advisory Council to take stock of all our suggestions and to frame certain recommendations which should be in the form of resolutions; and from the report of this Committee we will know that something definite is being done. This is my third suggestion for the consideration of the Honourable Member for Railways.

**Mr. N. M. Joshi** (Nominated Non-Official): Mr. President, may I say a few words? I am glad that my Honourable friend, Dr. Ziauddin Ahmad, has made some suggestions for improving the work of the Central Advisory Council. The railway budget is as large as our general budget, and that fact alone should convince the Members of this Legislature that we should give sufficient importance to the work of controlling our railways on behalf

of the people of this country. The machinery for legislative control of the Indian railways consists, in the first place, of the general discussions and the passing of the railway budget in the Legislature. Secondly, there is the Standing Finance Committee and the Public Accounts Committee which give some attention to the railway finance; but the Legislative Assembly has not got sufficient time to go into the details of the railway administration. The Public Accounts Committee and the Standing Finance Committee naturally pay attention to the financial aspect of the railway administration; but, besides the financial aspect, there are several other questions of policy which must be closely watched on behalf of the Legislature. I feel that that work can be done only by the Central Advisory Council.

Looking at the report of the Central Advisory Council, it is satisfactory to know that on the whole the work of the Council is showing some improvement, and I hope that if the Government of India and the members of the Advisory Council will give sufficient attention, that work can be improved still further. My impression is that the Central Advisory Council, instead of reviewing the whole administration and the policy underlying that administration, and making suggestions for improvement all round, merely takes up stray questions for consideration; and, while some of these questions may be important, on the whole the committee does not take the whole aspect of the administration into consideration. I would like the Central Advisory Council to take a review of the whole of the railway administration in its different aspects. I would like the Advisory Council every year to consider projects of new construction. The Finance Committee and the Public Accounts Committee examine the financial aspect of new construction; but, besides the financial aspect, there are other questions of policy, and I would like the Council to consider that question too. Then there is the question of rates and fares; and there is the question of the staff. It is true that the representation of minorities in the railway services was considered by the Central Advisory Council; but I do not know why the Central Advisory Council should not discuss the question of the conditions of service for the employees. Then, there is the question of stores purchase, the question of the manufacture of locomotives and such other questions in which the Legislature is interested. I would, therefore, like the Central Advisory Council to take into review the whole of the Railway Administration, and I support the suggestion of my friend, Dr. Ziauddin Ahmad, that the Central Advisory Council should pass resolutions. I do not know why my friend, Dr. Ziauddin Ahmad, should have said that the Central Advisory Council is not allowed to pass resolutions . . . .

**Dr. Ziauddin Ahmad:** That is a fact.

**Mr. N. M. Joshi:** I don't know why this Council is not allowed to pass resolutions. I don't know who can prevent the Central Advisory Council from passing a resolution if it insists on doing so. The Honourable the Commerce Member may not approve of it, but still, if a Council meets, I do not know who can prevent it from passing any resolutions. I would, therefore, like the Members of the Legislature, who are on the Central Advisory Council, to exercise their right. If, after all, the Honourable Member in charge does not agree to the passing of resolutions, well, he may not call a meeting; but we can ourselves call a meeting and pass a resolution . . . .

**Dr. Ziauddin Ahmad:** May I point out that I did want to exercise this right, but I was told that this was outside the scope of that Advisory Council.

**Mr. N. M. Joshi:** I cannot understand how anybody can prevent the Central Advisory Council meeting and passing a resolution. I, therefore, hope that the members of the Central Advisory Council will insist on their right of passing resolutions. Not only that, but I would suggest to the Government of India not to put obstacles in their doing by saying that it is not right to pass a resolution. Take, for instance, the question of . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair thought the Honourable Member wanted to make only a few suggestions.

**Mr. N. M. Joshi:** My suggestion is that the work of the Central Advisory Council should be regularised. I would go further than what my friend, Dr. Ziauddin Ahmad, suggested. He said that the Council should pass resolutions, but I would suggest that, in addition to passing resolutions, the Central Advisory Council should prepare a report, approve of the report and sign it, as the Public Accounts Committee does, and I don't know why this should not be done. It is in that way, Sir, that Members of the Central Legislature, some of whom will be members of the Central Advisory Council, will be responsible to the Legislature. How are the Members of the Legislature to know what their representatives did on the Central Advisory Council unless there is a report signed by them. I hope, Sir, my suggestions will be taken into consideration by Government.

**Prof. N. G. Ranga** (Guntur *cum* Nellore: Non-Muhammadan Rural): Sir, I wish to make a few suggestions for the consideration of Government in connection with this matter. I have gone through all the Reports of the Local Advisory Committees as well as the Report of the Central Advisory Council, and I find that the Central Advisory Council has not been given an opportunity to review the reports of the Local Advisory Committees with a view to taking advantage of the recommendations made by the Local Advisory Committees. As a matter of fact, there was one very useful suggestion made by one of the Local Advisory Committees that a particular kind of carriage was found to be extremely useful and convenient for third class passengers, and yet no notice of it was taken by the Central Advisory Council, and when I drew the attention of the Government by means of a question, I put the other day in regard to this suggestion, the answer I was given was that the difference between the cost of manufacture of the present third class carriage and that of the new type of third class carriage was negligible, and that the only reason why the Government of India wished to keep the present type of carriage was that it accommodated three more persons in each carriage, and so on. If only all the facts had been placed before the Central Advisory Council, it would have seen it fit to recommend to the Government of India that this new type of carriage should be adopted all over India on all the railways.

Secondly, Sir, there is the question of freights and rates. One of the members of the Central Advisory Council at its last meeting did raise the question of freights on agricultural products, but no special mention was made by any particular member about the various grievances of agriculturists, nor did the Chairman take the trouble to afford the members the necessary information.

Thirdly, Sir, there is the question of third class passengers. Most members of the Central Advisory Council seem to be more interested in the amenities that ought to be provided by the Government of India and the railways for second class, intermediate class and first class passengers than for third class passengers. But some of us did raise the question of the grievances of third class passengers, but no serious attention was paid either by the Chairman or by the Council as a whole.

Then, Sir, there is the question of the Railway Passengers' Association. The other day, in answer to my question, my friend, Mr. Rau, suggested, that these railway passengers' associations need not . . . .

**Mr. President** (The Honourable Sir Abdur Rahim): Is the Honourable Member trying to give instructions to the Council that has not yet been formed?

**Prof. N. G. Ranga:** I am making suggestions, Sir. It was suggested that these railway passengers' associations need not be given any particular opportunity to directly approach the railway officers, but they should be told to try and approach the local advisory committees, and so on. Therefore, I suggest—I do not know whether I shall be in order to make any suggestions to local advisory committees . . . .

**Some Honourable Members:** No.

**Prof. N. G. Ranga:** In that case, I suggest that the railway passengers' associations should be told to make their representations to the Central Advisory Council, so that this body may go into those grievances and make the necessary suggestion to the Government of India. I also endorse the suggestion made by my friend, Mr. Joshi, that the Central Advisory Council should be authorised to pass resolutions from time to time upon all questions that come up before them.

Then, Sir, it was stated that the Central Advisory Council met only once. There was a grievance made by Mr. Joshi that the Council did not meet at all during last year's budget, and, as a result of it, it met only last year and was also only once . . . .

**The Honourable Sir Joseph Shore:** That is an incorrect statement. The Council met twice.

**Prof. N. G. Ranga:** I am sorry, Sir. We have received so far only an account of one meeting of the Central Advisory Council, and naturally I made that mistake that it met only once. But I would suggest for the consideration of the Government that it should meet at least once in every quarter, so that the grievances of third class passengers and agriculturists and all others could be ventilated and considered better.

**The Honourable Sir Joseph Shore:** Sir, I do not propose to waste the time of the House in replying at any great length. I must repudiate the suggestion that the Central Advisory Council has not met sufficiently often and it has not been sufficiently interested in its work. My recollection of the last occasion is, we had a whole day meeting beginning at 11 and concluding at 5 in the evening. I offered to continue

[Sir Joseph Bhoré.]

the discussions the next day, and it was only at the request of Honourable Members themselves that we did not continue for another whole day.

I can give my friend, Dr. Ziauddin Ahmad, the assurance that I will look into the suggestions which he has made.

As regards the other two gentlemen, they have embarked upon a volume of suggestions to the Advisory Council as to how it should conduct its work, and I have no doubt that the members of the Council, when they are elected, will consider the gratuitous suggestions made by these two gentlemen as to how they should conduct themselves on the Central Advisory Council.

**Mr. President** (The Honourable Sir Abdur Rahim): The question is:

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

The motion was adopted.

#### ELECTION OF THE PUBLIC ACCOUNTS COMMITTEE.

**The Honourable Sir James Grigg** (Finance Member): Sir, I beg to move:

"That the non-official Members of the Assembly do proceed to elect, in the manner required under rule 51 of the Indian Legislative Rules, eight members to be members of the Committee on Public Accounts."

**Mr. President** (The Honourable Sir Abdur Rahim): The question is:

"That the non-official Members of the Assembly do proceed to elect, in the manner required under rule 51 of the Indian Legislative Rules, eight members to be members of the Committee on Public Accounts."

The motion was adopted.

#### ELECTION OF THE STANDING COMMITTEE ON ROADS.

**The Honourable Sir Frank Noyce** (Member for Industries and Labour): Sir, I beg to move:

"That this Assembly do proceed to the election, in such method as may be approved by the Honourable the President, of six members to serve on the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Road Account during the financial year 1935-36."

**Mr. President** (The Honourable Sir Abdur Rahim): The question is:

"That this Assembly do proceed to the election, in such method as may be approved by the Honourable the President, of six members to serve on the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Road Account during the financial year 1935-36."

The motion was adopted.

## ELECTION OF MEMBERS TO SIT ON THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH AND ITS GOVERNING BODY.

**Mr. G. S. Bajpai** (Secretary, Department of Education, Health and Lands): Sir, I beg to move:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, two members to sit on the Imperial Council of Agricultural Research and its Governing Body."

**Mr. President** (The Honourable Sir Abdur Rahim): The question is:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, two members to sit on the Imperial Council of Agricultural Research and its Governing Body."

The motion was adopted.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair has to inform Honourable Members that for the purpose of election of Members to the Central Advisory Council for Railways, the Committee on Public Accounts, the Standing Committee for Roads, 1935-36, and the Imperial Council of Agricultural Research and its Governing Body, the Notice Office will be open to receive nominations for all the Committees upto 12 Noon on Friday, the 15th March, 1935, and that the elections, if necessary, will be held on the following dates, namely:

1. Central Advisory Council for Railways.	21.3.35
2. Committee on Public Accounts . . . . .	23.3.35
3. Standing Committee for Roads, 1935-36 . . . . .	21.3.35
4. Imperial Council of Agricultural Research and its Governing Body . . . . .	22.3.35

The elections to the Committees which will be conducted in accordance with the principle of proportional representation by means of the single transferable vote will, as usual, be held in the Secretary's Room from 10.30 A.M. to 1 P.M. on each day appointed for the purpose.

## THE INDIAN TARIFF (AMENDMENT) BILL.

**The Honourable Sir Joseph Bhoré** (Member for Commerce and Railways): Sir, I beg to move for leave to introduce a Bill to amend the Indian Tariff Act, 1934, for certain purposes.

**Mr. President** (The Honourable Sir Abdur Rahim): The question is:

"That leave be granted to introduce a Bill to amend the Indian Tariff Act, 1934, for certain purposes."

The motion was adopted.

**The Honourable Sir Joseph Bhoré**: Sir, I introduce the Bill.

## THE INDIAN FINANCE BILL.

**The Honourable Sir James Grigg** (Finance Member): Sir, I beg to move:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax, and to vary the excise duty on silver leviable under the Silver (Excise duty) Act, 1930, be taken into consideration."

Sir, in making this motion, I propose to deal with two very important points raised in recent speeches made by Leaders of the Opposition. The first occurred in the speech on what I may compendiously call repression, made by my Honourable friend, Mr. Bhulabhai Desai. With all his inimitable skill in throwing dust into the eyes of jurymen, a device in which he is not only a past but a present master (Laughter), he gave a somewhat malicious analysis of the Central Budget in terms which I may perhaps paraphrase somewhat freely as follows: 45 crores for an alien army of occupation, X crores for police and other agents of repression, Y crores for the bloated salaries of parasitic civil servants, Z crores for pensions of retired parasites of this class, and one crore for the welfare of the country. My Honourable friend will forgive me if I say that he reminds me of a remark which was once made of a very famous, but slightly unorthodox Chancellor of the Exchequer, to the effect that he used figures as if they were adjectives, but I would like, in this case, to substitute for the word "adjectives" the word "epithets". (Laughter.) The Leader of the Opposition, or perhaps I might call him the Counsel for the Prosecution, knows perfectly well that under the present constitution there is a clear demarcation of functions between the Centre and the provinces, and that under this demarcation, broadly speaking, the Centre is responsible for defence and finance, while the provinces are responsible for, what I may call, the beneficent or welfare activities of the Government. No analysis of expenditure is legitimate which does not take into account the budgets of the provinces and the Centre together. Now Sir, I have had a rough analysis of the expenditure of the Centre and the provinces together made for the year 1933-34, and as far as I can make out, the amount of beneficent expenditure is approximately equal to the amount of the defence budget, namely, between 40 and 50 crores of rupees a year. So, it is a little grotesque to suggest that the care of the Government for the direct improvement of the lot of Indians is only measured by the one crore which has in this year's Central budget been allocated for rural development. You may argue, if you like, that a comparatively high proportion of national expenditure goes on defence against external aggression and preservation of internal order, but, I think, he would be a rash man who would deny that self-preservation is not Man's first law and I personally do not believe that in the present circumstances of this country and of the world that the amounts spent in India on this object are capable of very large reduction. In any case, in countries where there is great inequality of wealth and where large numbers of people are very poor, and where, in consequence, there are comparatively low limits to the taxable capacity of the country—in countries like that I think it is axiomatic that the cost of self-preservation is bound

to appear high in proportion to the rest of the budget. The real remedy for this, I submit, is not to neglect to provide against dangers of external invasion or internal disorder, in other words, to provide for what I call self-preservation,—the remedy is not, I say, to neglect to provide for self-preservation, but that the wealth of the country should be increased, which besides being a good thing in itself, has also a snowball effect in that it would increase the yield of existing taxes without increasing the burden and so would increase the capacity of the Government to set aside more and more expenditure of the kind which adds to the welfare and wealth of the country. The question is, how is this to be done? And here I come to my Honourable friend, Pandit Govind Ballabh Pant's speech. His proposal, or rather his apocalyptic dream—dream is his own word . . . . .

**Pandit Govind Ballabh Pant** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): You accept it as a dream. You said: "I am not going into the dream land . . . . ."

**The Honourable Sir James Grigg:** . . . . . is that Government should borrow 100 crores every year and spend them on promoting the welfare of the poor and the reconstruction of India.

**Pandit Govind Ballabh Pant:** I meant to say that Government should begin immediately with a loan of one hundred crores. It may be necessary to carry on every year for some time, but not necessarily.

**The Honourable Sir James Grigg:** I have looked up the actual text of his speech.

**Pandit Govind Ballabh Pant:** I have no objection. You may begin like that.

**The Honourable Sir James Grigg:** I might refer to it.

**Pandit Govind Ballabh Pant:** I stand corrected and accept that position. You proceed on.

**The Honourable Sir James Grigg:** The Honourable Member said: "that it will be necessary to float a loan of 100 crores a year in order to rebuild the economic life of this country". In other words, he hankers after, or perhaps I should say, dreams of applying to India President Roosevelt's New Deal. Now, why do I say that the Pandit's plan is to all intents and purposes the same as President Roosevelt's New Deal. I take it that there are three definite features of the New Deal and that these are first devaluation of the currency, secondly an enormous creation of credit and thirdly a limitless programme of public expenditure out of borrowed money. Now, whether my Honourable friend likes it or not, there is no doubt that in India a vast programme of borrowing is impossible without a vast manufacture of credit and that a large inflation of credit inevitably involves the devaluation or at any rate the depreciation of the rupee. Of course one of the main objects of the New Deal is to secure a rise in prices, and I suppose that one of the theories underlying it is that you first make everybody happy by raising prices all round—though that easy assumption that everybody will be better off if only you can raise prices sufficiently high seems to me to be a little open to doubt at the threshold—you first try to make

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people happy by raising prices all round, and then the very raising of prices will of itself lower the burden of the enormous debt that you have incurred in raising prices. That I take to be one of the underlying theories of the New Deal. Of course if the Deal is to work properly it should ensure that the inflation produces a rise in prices which at least corresponds to the amount of the devaluation, but is this the case? The United States has had slightly more than 40 per cent. devaluation. The new parity is 59·06 per cent. of the old parity but the rise in the general price index has been much less than this in spite of the fact that more and more special measures to accelerate the rise in prices have had to be undertaken. The United Kingdom has had a devaluation which is also in the neighbourhood of 40 per cent. slightly more than 40 per cent. and there, as far as I can remember, the rise in prices has been in the neighbourhood of ten per cent. India, of course, has had the same devaluation as sterling, that is slightly more than 40 per cent. and in India, as far as I read the figures, the general price level has not risen at all but the price level of agricultural products on the other hand has had a disastrous fall. That means that the two constituents of the Indian price index, manufactured goods and agricultural prices, show, in the case of manufactured goods, a rise, and, in the case of agricultural products, a fall, the net result being on balance no general rise in the price index. Now, Sir, I think it will be generally agreed that a process of inflation cannot by itself create new wealth. As Mr. Bernard Shaw said in the book which Mr. Desai quoted the other day, "The Intelligent Woman's Guide to Socialism", you cannot make a country rich by calling a penny two pence.

**Mr. Bhulabhai J. Desai** (Bombay Northern Division: Non-Muhammadan Rural): No. You can by giving a second penny.

**The Honourable Sir James Grigg:** Inflation can at the best effect a purely internal transfer of wealth—I say at the best. At the worst, it can be worse than this. It can involve a net loss of wealth, and this, I think, is the case with the debtor country where the rise in internal prices is less than the fall in the external value of the currency and I give examples just now to prove that practically invariably the internal rise in prices is less than the amount of depreciation required to produce that rise. Now, India must show a loss, being certainly a debtor country, when that takes place. India is quite clearly a debtor country and I ask Honourable Members to note that this is only one of the respects in which the circumstances of India are widely different from those of the United States, so that even if the prospects of success in the United States were much clearer than they are in fact, success could by no means be assured in India.

**Prof. N. G. Ranga** (Guntur *cum* Nellore: Non-Muhammadan Rural): What about Famine Protection Works?

**The Honourable Sir James Grigg:** I will come on to that. In fact I have already anticipated that interjection. It can in any case be said with confidence that the inflation *plus* devaluation part of the New Deal would result in nothing but loss for a country like India and the question now is whether the enormous expansion of public expenditure which is another essential feature of the New Deal can counteract or even reverse

this loss. Clearly the public expenditure can only result in a gain if it is devoted to projects which will increase the productivity of the country and show a definite prospect of an adequate return in the more or less immediate future. If it does not, obviously, every increase of borrowing will increase the rate of interest demanded by the lenders and plainly too the budget deficit will go on increasing. Clearly then more and more borrowing will be necessary and finally and inexorably we move on to the stage when lenders are unwilling to lend at any price. At this stage we resort to the printing press and so become inextricably involved in the process which took place in Germany and Austria in 1923, the impoverishing effects of which it will be quite idle to deny and which are clear for everybody to behold. So I come back to the assertion I made just now that if the New Deal is to succeed the money borrowed must be spent on projects which are going to show a more or less immediate return. Now, does anybody seriously suppose that there are in India at the present moment projects to the value of 100 crores a year, which could be confidently expected to be immediately remunerative? Let us first look at agriculture. Here, we have in a large part of the world a real over-production combined with an increasing unwillingness on the part of countries to accept agricultural projects and a desire to make themselves agriculturally self-supporting the instruments of this being higher tariffs, quotas and restrictions of all kinds. Clearly, therefore, no scheme for a large scale increase in agricultural production is likely to be remunerative in the near future and so we cannot expect any large part of our 100 crores is going to be utilised in ambitious agricultural schemes. I do not of course say that nothing should be done for the villager. The setting aside of a crore of rupees for grants to the Provinces is sufficient proof that I do not hold this view but what I do say is that whatever is done for the rural population at present must be done without any expectation of an immediate money return, and, therefore, must be done within the limits of the budgetary resources of the Centre and the Provinces taken together. And so I am afraid that we must, in the main, concern ourselves with small schemes in individual villages, and not with expensive and wasteful eye-wash. (Laughter.)

Now, what about industries? Here, again, we have got to deal with the general desire of the world for national self-sufficiency, and I am afraid that this means that any schemes we have got to consider in the industrial part of the field must almost entirely be schemes which relate solely to production for the domestic market. Now in this sphere, I should have thought that, in the circumstances of India today, it was fairly safe to start with the assumption that schemes which are pretty certain to pay can get all the capital they want, even now, without any intervention on the part of Government, and, at the risk of being accused of being a disciple of the dodo, I say that, if private enterprise can do a thing, it is wrong for Government to do it, because, when producers are not risking their own money, their efficiency, their enterprise and their energy is bound to suffer. If, then, undertakings which are likely to pay without any intervention of the Government can get all the capital they want already, then the sphere of Government in utilising these one hundred crores a year of borrowed money is confined to industries which cannot stand on their own feet within any foreseeable time; and, that being so, the whole justification for the New Deal disappears. There is no gain from the expenditure to counteract the net loss from the deflation, and let me add here, by way of digression, that in India, I feel absolutely sure, it is the cultivator who will suffer a disproportionate part of the loss. I feel sure, in India, inflation will raise the

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prices of imported manufactured articles to a greater extent than it will raise those of agricultural produce; and I feel equally sure that the benefit of such rise of prices as does occur in the case of agricultural produce will be largely absorbed by the middleman.

**An Honourable Member:** What about rural indebtedness?

**The Honourable Sir James Grigg:** And so the unfortunate cultivator will pay much more for what he buys and get little if any more for what he sells, and his last state will be much more desperate than his first. So we reach the conclusion that the Pandit's dream is not likely to increase the wealth of India, but is much more likely to land this country into still further distress and poverty.

**Prof. N. G. Ranga:** It will not be to the advantage of England.

**The Honourable Sir James Grigg:** I am talking about the interests of India. (Interruptions.)

**Mr. President** (The Honourable Sir Abdur Rahim): Order, order.

**The Honourable Sir James Grigg:** My friend, Pandit Govind Ballabh Pant, is entitled to ask me, in return: "what is your plan?"

**Pandit Govind Ballabh Pant:** Will you accept my plan?

**The Honourable Sir James Grigg:** No, I have rejected your plan. I said: "you are entitled to ask me, what my plan is". That is a perfectly fair question, and I confess freely that it is not possible to give a very spectacular answer to it. My answer is, first—and here I have no doubt that I shall excite the derision of all economic planners—my answer is, first, that we should pray for a disposition in the world to return to the doctrine of cheapness and free exchange and the abandonment of what Lord Hugh Cecil once called "the accused doctrine of scarcity". But this is a case where unilateral action is not of much use. I would in this connection ask the Honourable Pandit to reflect on the words of Mr. Wallose, the Secretary for Agriculture in the United States. He said, in a very remarkable pamphlet that, unless the United States are prepared to accept 500 million dollars more of imports from foreign countries, it will be inevitably necessary to plough up, to abandon the cultivation of 25 million acres of good, cultivable land. And I would like to say one word more to those who say that *laissez faire* is as dead as the dodo, I commend to them a study of what has happened in Australia. Such recovery as Australia has had has been almost entirely due to the single commodity, wool, and that is the one commodity with which there has been absolutely no attempt to interfere in any way. My second answer is that we must do what we can in innumerable small ways to improve the conditions and increase the efficiency of producers, particularly our primary producers. The first part of my answer is not likely to be very immediately effective. With the second, a start can be made at once, or, rather, the Government of India can make a start—the provinces have been doing a great deal in this line ever since the Montague-Chelmsford reforms came into being—and that is why the Government of India have this year set aside a crore from the surplus for

the purpose of economic work in the villages. This is a beginning, and I hope it is only a beginning, but it is an earnest of what I believe is the only way at present to deal with India's problem, and that is not to try large, grandiose schemes which, if they fail, will land India in incurable bankruptcy and make the people's condition much worse than before, and which are far more likely to fail than not, in my view certain to fail.

**Prof. N. G. Ranga:** In the same way, we are starting from individual villages and working out our programme.

**The Honourable Sir James Grigg:** Sir, I have thought it well to deal with the two important points which have been raised in earlier speeches by way of introduction to this motion. I have no doubt that a great many other points will be raised during the course of the debate, but to these I shall have an opportunity of replying, in winding up. For the moment, Sir, I have nothing more to say and I beg to move. (Loud and Prolonged Cheers.)

**Mr. President** (The Honourable Sir Abdur Rahim): Motion moved:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1908, to fix rates of income-tax and super-tax, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, be taken into consideration."

The Chair finds that notice has been given of an amendment to the effect that the Bill be referred to a Select Committee. The first motion is in the name of Pandit Nilakantha Das, and there is a motion to a similar effect in the names of a number of other gentlemen. The Chair wishes to know whether Pandit Nilakantha Das wishes to move his amendment.

**Pandit Nilakantha Das** (Orissa Division: Non-Muhammadan): No, Sir. I am not moving it.

**Mr. President** (The Honourable Sir Abdur Rahim): Does any other gentleman wish to move that motion? (Voices: "No, no.") The House will now go on with the motion for consideration of the Finance Bill.

**Pandit Govind Ballabh Pant:** Sir, I listened to the speech of the Honourable the Finance Member today as I did during the last five or six days with close attention. I hope I will have time to deal with the various points he has raised in his speeches. Sir, I was struck by the ease and the grace of the pose of the Honourable the Finance Member. He ever looks as fresh as the rose in his button hole. It was a mystery to me as to how a man involved in figures having to face all this criticism and carry on with him the load of millions of rupees on the one hand, and of millions of impoverished starving people on the other, could be so perennially gay. I was really perplexed. But his speech the other day gave me the answer and I would have almost shouted *eureka*. I found that he is not oppressed by any economic theories, doctrines or canons. He asserted with some emphasis that, as a rule, five economists hold six opinions and in this country as many as sixty. In fact, I could not easily understand how five could be converted into six; but I was reminded of the proceedings of the Standing Finance Committee, and I

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found the Honourable Sir James Grigg arrayed with other economists such as Sir Satya Charan Mukherjee. Seth Bhag Chand Soni, Captain Lal Chand and Major Nawab Ahmad Nawaz Khan have often made the six there against us of the elected five and thus I came to understand how five could be equal to six. He was in fine company. Even that was not enough. I think, Sir, that even Sir James Grigg could after all have two opinions, one in England and the other in India. (Hear, hear.) In England, the export of gold is prohibited. Planning is almost the order of the day.

**An Honourable Member:** No, no.

**Pandit Govind Ballabh Pant:** I will show it. Please have a little patience. Here he shrinks from both as one would from the serpent or the scorpion and he would like to encourage the export of gold and put his foot on any idea of planning. Or, I think Sir James Grigg could have two opinions, one as a private non-official gentleman and the other as Member imported from England, . . . .

**The Honourable Sir James Grigg:** Free of duty.

**Pandit Govind Ballabh Pant:** . . . for administering the affairs of this country, in a different economic field for the benefit of the country to which he owes allegiance above and in priority to everything else. So, if the Honourable the Finance Member held two opinions, added to the other four, the total would be six. None need dispute its arithmetic. But, Sir, I was further perplexed when he told us that in this country, in particular five economists had as many as sixty opinions. That was a still more difficult conundrum and a baffling puzzle to solve. I did not luckily find it very difficult when I got the light. The Honourable Sir James Grigg now looks with disdain, if not with contempt on the breed and tribe of economists. They are people deserving of no consideration, of no weight, and I am not surprised at it. He would not accept Sir George Schuster. He would not accept what Robertson or Bowley said. He would not accept what even Sir Arthur Salter has said. He has, in fact, as I read in a paper this morning, thrown all their reports into the drain. That is the import of his speech. I had read in my school days that certain class of people after climbing the steps turned their backs on them, but I notice there are others—more enterprising and thorough and daring adventurers—who not only turned their back on the ladder, but also gave it a kick with a view to breaking it to pieces. The Honourable Sir James Grigg had his day of economics, he had his field day, and now he is prepared to trample upon it. He will have nothing more of it. He will have no use of it. Why waste time? Economics might have had its day when he was sitting by the desk for so many years in England. But when he has come to this land, this land of the brown and perhaps of the black, why should he be guided by this economic sophistry? I can well understand that. But the reality is just otherwise. There is greater unanimity in essentials and fundamentals of economic thought and opinion today than ever before.

**The Honourable Sir James Grigg:** No, Sir.

**Pandit Govind Ballabh Pant:** It is easy to say, no, but it is not easy to demonstrate and to establish that "no". I am prepared to establish my "yes." Sir, what is the position today? I am prepared to accept that some of the sophistries, as they might be called today, some of the old doctrines of economics stand exploded today. Some of the canons have been exploded recently, but humanity is ever advancing forward in its dynamic course of progress, and it is but right and proper that man should benefit through experience, and he should live to learn and that he should outgrow his old habiliments and expand just as the bark of the tree expands with growing stem. So, I am not surprised at the growth, at the expansion of human thought even in the economic sphere. But, Sir, while everything else has changed, the Honourable the Finance Member is still rowing petty cruise to the Robinson Crusoe island in the stagnant backwaters of the surging economic sea. He refuses to take note of what has happened since the days of Adam Smith as he would not perhaps of what has happened since the days of Adam and Eve. He can only think of *laissez faire*. He is still lost in *laissez faire*.

**The Honourable Sir James Grigg:** Yes, what of that?

**Pandit Govind Ballabh Pant:** Do you observe *laissez faire* in your country? Please answer then: Subsidies in England, how many millions? Protective duties in England, how many millions? Subsidies by Runciman to shipping industry, how many millions? Subsidies to live-stock industry, how many millions? Bounties to wheat-growers, how many millions? Bounties to beet-growers, how many millions? Preferential tariffs against whom? Quotas and agreements for what purpose? Economic Council, its object? Development Board, its purpose? The Board of Trade, its constitution? Well, Sir, I will wait for a reply and I will expect the Honourable the Finance Member to enlighten me on these points and tell me how far these are consistent and compatible with the underlying principles of *laissez faire*. Not only that, labour regulation, wages control, regulation of social amenities and social utilities and everything that matters in life? Let him talk of *laissez faire*! *Laissez faire*! That broken thing, that reed which nobody can handle today except in pricks and bringing blood out of his own hand. Yet he is still hugging and clinging to that. That sounds disaster to this country. I feel when I face him that I am certainly almost a revolutionary I want a change, and a genuine march forward, and when a man is lost in the slough and backwaters, I discern no hope, no expectation, no possibility of any advance from or through him. I am really disappointed and distressed.

Now, Sir, what are the rock-bottom facts of economics today? I would ask the Honourable the Finance Member what is the  
 12 Noon opinion of Mr. Keynes about planning. He knows, of course, what Roosevelt thinks; he knows, of course, what Lloyd George's New Deal means; he knows, of course, what Sir George Schuster has been repeatedly saying since the day,—and there lies the irony,—he handed over the reins of office here to his successor. He knows also of the scheme that has been outlined by Sir Arthur Salter, and I believe he has read his book "Recovery". I believe he has also got Sir M. Visweswaraiah's book on "Ten Years' Planning". I do not know if the title of that book including the anathema P—L—A—N—N—I—N—G was not too much for him. Let me hope, Sir, that scientific training of youth has

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enabled him to reconcile himself to the reading of that book although it deals with planning. Then, has he ever read a book written by an initiate and not by a heterodox, Mr. Darling of the celestial Indian Civil Service? He may not take note of what we think and what we say. After all, we are men here . . . . .

**The Honourable Sir James Grigg:** I have discussed the question with Mr. Darling.

**Pandit Govind Ballabh Pant:** Then, I am sorry there is no hope for him and he is incorrigible. I had thought that there was still some room for new light and that his windows were open. But I find that no amount of fresh air can warm his blood or enable it to course in his veins as that of a live growing organism. Then, Sir, does he know what Laski thinks? Does he know what Lord Allen thinks? I have his book with me . . . . .

**The Honourable Sir James Grigg:** So have I.

**Pandit Govind Ballabh Pant:** I think he knows what Lord Passfield desires, and I think he knows what so many others like him think today, I should like him to give the name of one single man who is against planning and against . . . . .

**The Honourable Sir James Grigg:** Yes, Professor Lionel Robbins.

**Pandit Govind Ballabh Pant:** I doubt if he can be arrayed against so many names. Of course, he may have some weight when coupled with the Honourable the Finance Member, but by himself he is a solitary figure and cannot carry much weight. But, Sir, I recollect that I have digressed from his conundrum about five being equal to six and even sixty. The Finance Member seems to have in a way clearly gauged the situation. At the present time, the whole economic world holds opinions almost adverse to him. So, in order to make up the hallowed sixty, his own opinion should be given the weight of 59 as that of the rest of the world because of its unanimity it can count only as one; and where 59 are arrayed against one, safety lies only in inverting the figures, so none need blame the Finance Member for the importance and value he attaches to his unique opinion. The solution may look queer and the method of calculation original. But as the standard of valuation differs according to one's pre-conceived notions, I was not surprised at the appraisalment of the Honourable the Finance Member.

Sir, there was another remark which the Honourable the Finance Member made, and that was still more interesting. He said that in this country economics is mixed up with politics. I do not know if it is such a horrible heresy. In my younger days, when I was a student, we used to call the science of Economics as Political Economy, and it seemed to me that politics had something to do with economics. But the Honourable the Finance Member thinks there is nothing in common between the two. It also appeared to me then, as it appears to me now, that the supreme object of a State is to secure and promote the economic well-being of the people, the material happiness of the subject, as they say,—

I do not use the term in the political sense. But he thinks politics should not be mixed up with economics. So far as my country is concerned, I agree with him; and I will congratulate him if he can extricate the economics of this country from the mess of politics. That will be of great advantage to us. After all, Sir, how has this mixture, as you call it, or this amalgam if you choose, of politics and economics worked in this country? Can he conceive of the pegging of the rupee to paper sterling on pure economic grounds? Can any country at a time like this, when prices are falling tremendously, when old values have gone down and the old order is topsy-turvy, think of fettering its own currency by tying it to the tail of the currency of any other country? Can he think of it as economically conceivable? Is there any more reason in economics why the rupee should be pegged on to paper sterling in preference to the mark, the franc or the dollar? And does not that enable the Honourable the Finance Member and his country to dump their goods into this country with a preferential advantage today of about 40 per cent? And the more the sterling goes down in value, the greater the advantage to him.

**The Honourable Sir James Grigg:** Not at all if the rupee is pegged to it.

**Pandit Govind Ballabh Pant:** Of course, as sterling goes down, the rupee goes down, and, at least to that extent, in other countries the value of the rupee falls, while the value of the currency of other countries is appreciated. I imagine there are some gentlemen here who have their relatives and wards in France or Germany. Do they not know that since the rupee was pegged to paper sterling, they have to remit at least 50 per cent. more than they used to previously in order to maintain their wards in those countries? Does that not satisfy him? This is no place for going deeper into economic niceties, but I will expect the Honourable the Finance Member to accept the obvious. He may neglect that which is not equally patent, but, where a thing is obvious enough, he should have the magnanimity to make a concession in my favour. Sir, there then we stand; that is one of the results of the economics in this country being broad-based on politics. Then, Sir, is there any economic justification for raising a sterling loan at a higher rate in England while we can raise the money in rupees at a lower rate in this country? Is that, again, a pure economic proposition? Has he any economic explanation for Government stores being purchased at higher prices in England when we can get them cheaper in other countries? Sir, has he ever heard of the gold reserves of one country being maintained in another country, hundreds and thousands of miles away, while the former had been starving and had to borrow money at high rates of interests? Has he ever heard of gold being prohibited in every other country except our own and the export of gold being promoted here alone? Is that too a purely economic proposition? And, Sir, he will pardon me for saying something which is more direct and somewhat pointed, and I trust he will not regard it as more poignant.

If this had been a free country, would he have been imported from a place four thousand miles away to administer the economic affairs of 850 millions if it were a pure question of economics divorced from politics? Sir M. Visweswaraiya is an old experienced man: there are many others—

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Coyajee, Shah and others: and I think some other names might occur even to the Honourable the Finance Member. Would they not have been placed there in preference to him? Has he ever heard of foreigners being given higher wages and higher rates of pay than the sons of the soil for doing the same kind of work? And are not the benches opposite themselves—for whom I have great regard—getting more than an economic pay? Are we not paying them too much compared to what we would have to pay to our own indigenous men? Has he ever heard of money being remitted from one country to another in the shape of interest on securities and loans contracted by the Government of that country and yet being exempted from income-tax in the country of issue? Has he ever heard of pensions of Government servants being remitted from one country to another and yet being free from income-tax in the country which pays them? Has he ever heard of the salaries of men on leave being remitted from one country to another and yet being free from income-tax in the former? Let him not glibly talk of economics and politics in the same breath in this country. One living in a glass case can never be too cautious and would be well-advised in guarding against offering needless provocation to others. For my part, how I wish that in our country economics were pure, unadulterated, and crystal-like. For, how then could we have such a bloated military budget? How could we then have such a top-heavy system? How could we then have the restoration of the salary cut in these circumstances? Economics in this country is no more and no better than a football which only those who hold this country under domination are privileged to kick and play, whether out of bounds or high up in the air, but invariably for their own fun and recreation.

Yesterday, Sir, there was a discussion over the army budget, and there was a reply to the debate by the Honourable the Army Secretary. I was feeling all the time whether anybody ever looked at the question from the point of view of the capacity of the men who had after all to pay the bill. My Honourable friend today says: "Self-preservation is the supreme law. Self preservation is the domineering purpose of life". What for? For slavery? For being subordinate to other people? For ever to continue as the drawers of water, for ever to continue as the dogs in the empire? What for? What is the purpose of this self-preservation? And what for does this stage exist? Has that ever occurred to the gentlemen sitting opposite? I say self-preservation is no use unless there is a moral purpose behind and the State must be supposed to have gone down in the scale of civilisation if it thinks and believes that its object is fulfilled when man is allowed to exist, but only to die in driblets. That is what is happening here. For my part, I felt and feel today, to me it is inconceivable, that I should ever be a party to the allotment of any funds or to the appropriation of any revenues of this country for the purpose of the domination of a foreign people or for the purpose of perpetuation of foreign rule. Have you ever heard on economic grounds of the employment of foreign soldiers at four times the wages paid to the indigenous brand? I am, perhaps, required to use this terminology as motor cars and Indian soldiers and officers, according to the Army Secretary, belong to the same type or genus—they are all "things" in the vocabulary of those gentlemen there: but have you ever heard of such a thing elsewhere? I say, do not talk of economics on the floor of this House: otherwise, it will be very hard for you.

This is but a preliminary survey of what the Honourable the Finance Member said the other day. I will just refer to a few remarks that he made today. He referred to what the Honourable the Leader of the Opposition observed the other day. He aptly described him as the counsel for the prosecution and himself as the culprit in the dock. He has virtually accepted the facts on which the prosecution based their charge. I ask him now what is his verdict? He also constitutes the jury unfortunately here; and will the jury take an impartial, a judicial and a detached view of the case? If they do, then the case for the prosecution has been accepted by the culprit in the dock. He accepts that the facts are right, and so far as the Central revenues are concerned, they are mainly appropriated for the purpose of the so-called defence. After all, why do you want an army? I had with me and I have today certain quotations from celebrated Generals as to the purpose of this huge army and also of retaining the British Soldiers and officers in Commissioned ranks in this country; but I do not deal with them now: I want to confine myself to points of economics only in spite of the aversion that the Honourable the Finance Member may have for that: for, after all, that happens to be his dirty job here.

I will come to the other question, and that is of greater importance: as to how we can get out of the present mess, how we can relieve the misery and alleviate the sufferings of millions of starving people in this country. That is the issue, and I hope, on humanitarian grounds, in so far as the handicap of political considerations and his faithful allegiance to his country do not interfere, he shares that desire with me. There are certain salient and principal features of the present situation which must be taken into account before we reach any conclusion. India, I accept, is pre-eminently an agricultural country: I accept that 80 per cent. of our population is directly or indirectly sustained and maintained by agriculture. I concede that scientific technique and mechanisation can extract out of the soil a considerable amount much in excess of what human labour can get out of it unaided by such tools and instruments. I also concede that at the present time there is a move in various countries towards self-sufficiency. Every country wants to be self-contained, every country wants to be self-sufficient. I concede all these. I also concede, Sir, that along with it, as Adam Smith said long ago, the capacity of a man's stomach is limited, and even if you adopt the gluttonous methods of the old Roman Emperors, you cannot enlarge it materially. While it is open to a person to put on ten dresses, ten new coats or twenty in one day, instead of putting one dress for 20 years, it is not possible for a person to eat more than he can in 24 hours even if he takes his food 20 times instead of once or twice in the day. So I admit that there is a rigid limit to the amount of consumption of agricultural produce, while there is an unlimited scope for the expansion of commodities and articles produced by mechanical means. How does that help my friend? He tells us that agriculture has little scope; he tells us that every country has almost enough to maintain itself; he tells us that he will help the villagers. How is he going to help them, may I know? Will he enable the villager to produce more? To produce more with what, with the Meston Plough or with another Plough which may hereafter be called the Grigg Plough? Will that enable the villager to get more out of the soil as compared with what one can get out with the aid of mechanised technical skill and improved methods that are enforced in a large scale in other countries? That is desirable. Will he

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do it? Will that alone suffice? The output of the soil may go up. The land may be made to yield more than what it has been producing so far, but we know also that prices have fallen considerably,—and my friend knows that if we look at the index figures, we find that prices have gone down by about 46 per cent. We also find that today the world in fact produces more than it can consume in staples. We find also that modern methods of transport depending on petrol have ousted draught cattle and other animals which had to be maintained formerly out of the produce of the soil. There are millions in our country still ill-fed and starving for lack of means and resources. But there is very little room for export of agricultural produce, and there is still lesser room for export of agricultural produce at a profitable rate. I think it is a fundamental fact which the Honourable the Finance Member has to admit. I would like to ask him whether he disputes my analysis in any way, and, if so, how?

Then, Sir, the other factor is this. Today modern methods of production and mechanisation for mass production are employed to such an extent that it is difficult to consume all the products. In fact, since the War, the output of commodities and articles in the world has gone up by nearly one hundred per cent. By the year 1925, it had gone up by about 40 per cent, and between the years 1925 and 1929 the output increased still more rapidly and that was at the root of the slump, trouble and impoverishment in the midst of plenty in most countries.

Then, Sir, we are faced with another difficulty. You start a small industry. I don't mean to dispute the utility of small industries. They have a place, but if you have them to the exclusion of everything else, if you concentrate on them alone, and if you do not employ any other improved methods of mechanisation specially for heavy key industries, how are you going to compete with the world? How will you compete with the man who goes about with his cheap stuff produced on a vast scale by modern machinery? It is obvious that you cannot. Then, what is the way to face the present position? Of course, the fundamental fact is there. Unless you produce more, you cannot enable the average individual in this country to purchase more; unless you purchase more, you cannot consume more; unless you consume more, you cannot produce more. So, you are in a vicious circle. How do you get out of it? It is not quite an easy thing to get out of it. But if you are not equal to the task before you, then get out of it and make room for others. You must be equal to the task. You are there as a trustee of the nation. You are there drawing a pretty good salary, a handsome bonus and a pretty good overseas pay . . . .

**The Honourable Sir James Grigg:** No, I am not getting any overseas pay.

**Pandit Govind Ballabh Pant:** Well, I will vote for it if you make it votable. It is no good your saying that you are not equal to the task. One must be equal to the task, and if he is not, he should admit his helplessness and give way. Sir, I am surprised at the attitude of the Honourable the Finance Member. That he should try to nibble at these things in this crisis is simply unthinkable.

Now, Sir, having mentioned these two things, I shall mention the third thing, which is an important feature of the present economic system. We have been carrying on the policy of protection for the purpose of encourag-

ing industries in our country. You may call it a policy of discriminating protection. I may set certain gentlemen here at ease by saying that I am not opposed to such a policy of protection, provided it is supplemented by other things, for by itself, the policy of protection is not free from defects. It imposes a tax of a regressive type; that is, it enables money to flow from the poorer to the richer classes upwards, which is unnatural. The second thing that it does is that it places a premium on inefficiency. The third thing that it does is this, it enables the State to waste away the funds of the nation by giving them the opium of protection; under the guise of protection, Government secure large sums for waste and extravagance. The fourth thing that ensues from protection and the premium on inefficiency inside the country, and consequent inability to face competition with other countries is this, that whenever the artificial props are removed, the whole order crumbles down again. Thus, the policy of protection has its inevitable disadvantages. Besides, this policy leads to a certain amount of corruption inside the State. As there are so many industries ever trying to catch the ear of the Honourable the Finance Member . . . . .

**An Honourable Member:** You mean the Commerce Member.

**Pandit Govind Ballabh Pant:** Yes, of the Honourable the Commerce Member, though not in a rude way,—I find the Commerce Member is not here, but I hope when he hears of catching his ears, he will not be irritated. Well, Sir, while recognising all these adverse factors, there is no doubt that, in the present stage of infancy in industrial development, we cannot make any headway unless we have some sort of protection and safeguards in our country. We cannot produce indigenous goods and we cannot compete with the world otherwise. The nascent industries have to be protected. At the same time, our people are inconceivably poor, and protection imposes an additional burden on them, as for everything they purchase they have to pay more. These are the factors that I have to take into account. Sir, if you drop protection, you do not improve the position. More goods will be dumped, drain will increase, whatever metal is left will go abroad, and the inherent capacity of the country to purchase goods and to sustain itself will become worse still. There is another feature of the present stage of industry and that too must be borne in mind. Ordinarily, mechanisation leads to unemployment unless there is co-ordination. It may look strange, but it is true that the immediate effect of the extension of mechanical means is an addition to the numbers of the unemployed. Take the case of sugar industry itself. Modernised sugar industry has perhaps absorbed a few thousands of labourers, but it has thrown out of employment millions of villagers who used the indigenous press formerly. That is the case with railways also. The railways can transport goods in much larger quantities and with much greater ease, but they react on the general economic position of the country and they have thrown millions of transport workers out of employment. So, the growth of big industries, unless co-ordinated, leads to extension of unemployment, a sad case though it may seem. Let us recount the circumstances. Agriculture by itself is not enough to sustain our people, in the present state of affairs in the country, agriculture cannot be made profitable. That is No. 1. Small industries cannot compete with bigger industries, and goods produced by hand or by crude methods cannot stand any competition, that is No. 2. Protection by itself leads to certain consequences

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which are harmful. That is No. 3. The fourth point is that the poverty of the country is such that immediately we have to apply ourselves to the raising of the standard of living of the people. These are the four cardinal principles which you have to take into consideration. And where is the remedy to be found? I have no doubt in my mind, and I am as clear as anybody can be, that the remedy is to be found—the only possible remedy, the only effective remedy, the only efficient remedy that you can find lies in State planning—you may call it New Deal, you may call it by any other name you like. I have no quarrel.

**The Honourable Sir James Grigg:** Russia!

**Pandit Govind Ballabh Pant:** Russia in this respect is the best, if you agree with me,—Russia minus violence and some other things, about which I have my own fads, such as, rejection of God, in whom, in spite of the advance in modern world, I still continue to believe. Take these two things away, and add a little strictness in the matter of marriage. With these reservations, I have no quarrel with Russia and I agree with you. I am not afraid of the word, national socialism. I use it in its literal sense. It seems to play on the nerves of the Honourable the Finance Member. Why should we be afraid of it? If that is the remedy, why not make use of it? I am neither a socialist, nor a Communist, nor a capitalist; I am reminded of the answer which a telephone operator once gave to the Finance Member in my province. The Finance Member rang up the exchange, and the operator wanted to connect him with the desired number, but there was some little delay. It put out the Finance Member who asked him: "Are you a non-co-operator? Why this delay?" The man replied: "I am neither a non-co-operator, nor a co-operator, but a plain operator." (Laughter.) So far as I am concerned, I am neither an idealist, nor a materialist; I am a realist. I take stock of the situation. I take account of the factors that are before me, and I try to judge, to weigh, to appraise them, and to arrive at some constructive remedy and scheme for getting over the difficulty. I do not run away from them. Now, then, what is the remedy? The remedy is plain. Money is cheap today. The Government of India know as well as I do that they can have the money they want just for the asking. In fact, even this year they have made a provision for the redemption of loan to the tune of Rs. 50 crores. I know they have in their savings banks deposits about Rs. 55 crores. In their cash certificates they have another Rs. 15 crores, so that, if they had the will, there was the way. How have the railways been developed in this country? If the policy of *laissez faire* had been applied, would you have a mile of railroad in this country? Does not my Honourable friend, the Finance Member, know the methods that were adopted? Guarantees, bounties, and every sort of subsidy and help were given. Are not in England similar methods being pursued even now? What does he think of the Electric Board? Does it not consist of the representatives of the Government and of the people? What does he think of the Broadcasting Committee? Is not that, after all, a State financed industry? Are not there many other things? Then, why run away from the problem? State regulation and State control are the only methods by which, in the modern age of competition between corporate States concentrating on industrialism, backward countries can maintain their existence in the conflict all the world over. (Cheers from the Congress Party Benches.) There can be no doubt

about it. On the one hand, there is money available on easy terms; on the other, there are industries which we can develop. Our resources are unlimited. In our country, we have got iron, we have got coal, we have got mines, we have got copper; what have we not got, and what can we not do? But I tell you, we want a Swaraj Government. The Honourable the Finance Member did me a little injustice. I never expected him to borrow Rs. 100 crores today. I said that, if we had a Swaraj Government today, I would have most humbly suggested to that Government to launch on a large scheme of national reconstruction for the regeneration of my country and to borrow for that purpose Rs. 100 crores,—he says per year, I accept, per year, so long as my plan is not fulfilled, and when it is fulfilled, then to stop borrowing. What does the Finance Member say? One crore he has given for rural reconstruction. Does he know the number of villages in India? He is quite new yet and may not be knowing. But perhaps he does, I give him credit for that. If he had pleaded that there are many other things that a man must learn before he took a plunge into a large constructive scheme for raising the general standard of living in this country that would furnish some ground for a period of probation. He has already rejected the Salter report? Sir Arthur Salter was, as he certainly knows, the Economic Adviser to the League of Nations for as many as fourteen years. A man with that vast experience was brought to this country and he prepared a scheme, but the Finance Member, though quite new, discarded it within a short period of his arrival at Bombay. Then we had experts like Messrs. Bowley and Robertson, over whom, again, Government spent considerable sums of money. But my Honourable friend, fresh from England, and unfamiliar with the affairs of this country, —I would not say ignorant,—threw their report too into the drain as the *Statesman* put it this morning. This idea and scheme of planning is not a novel one. It has almost universal support and all shades of opinion, including the *Statesman*, the *Hindustan Times*, the *Hindu*, etc., are of one mind and one tune. These days I find the Government paying great respect to public press in this country, specially the Honourable Member sitting to the right of the Finance Member.

**Mr. M. S. Aney** (Berar Representative): He does not read. He says he never reads. (Laughter.)

**Pandit Govind Ballabh Pant:** Really! All the same, public opinion in this country on this matter is unanimous. The resources are sufficient. A beginning can be made. There is no other effective remedy out of the difficulty. Then, why don't you move, I know it will hit the industries in England. If we mechanise industry in our own country, foreign imports are bound to suffer. Look at the stupidity and the idiocy of the present world—the Honourable the Finance Member deplored the other day and he really looked pathetic that people in the world should desire to purchase and actually get goods cheap? After all, is it really a misfortune that goods should be available cheap? In fact, the present situation is intriguing. Is it not strange that we should make a grievance of it that Japan manages to supply goods cheap to us? Is it not stupid and atrocious that while the world is producing more than it can consume, people should be starving and stocks should be thrown into the sea or fire. That is monstrous and unpardonable. Let us beware. The laws of economics are inexorable and must be respected.

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I will now say a word or two about the Finance Bill. The Finance Bill proposes taxes in three forms, the salt tax, the income-tax and the postal receipts. I may at once say that, so far as I am concerned, I do not want this Bill, if I can thereby hasten the day of Swaraj. As I said, I do not want to provide a shell for the upkeep of a Government which is here to perpetuate our slavery and to foster foreign domination, but, still, if they are responsive to the wishes of this House, I will wait and see and then decide what to do. There are, as I said, three proposals. I must declare unequivocally that my very grain recoils at the idea of granting supplies to foreign people for the maintenance of their supremacy in this country. It seems to me to be immoral, and old fashioned as I am, I still attach some value to the eternal principle of morality. But, Sir, in spite of all the agony and in spite of the qualms of conscience, I would restrain myself as a practical man if Government shaped their policy with the set purpose of affording relief to the poor. That is the only criterion I apply. So far as the Finance Bill is concerned, there are, as I indicated, two or three main propositions. The first relates to salt. My Honourable friend knows as well as I do that the incidence of indirect taxation in this country is very high and it is necessary that this incidence should be lowered. Salt is an indispensable article which the poorest of the poor need. The Honourable the Finance Member wants to preserve and to give free ply to the law of self preservation. There is no better preserver than salt and let me remind him, that the builders of human destiny and the preservers of humanity are regarded as the salt of the earth, and if the Finance Member is true to the salt of the country, he must alleviate the miseries and sufferings of the poor. So I ask him to reduce the salt duty, if he cannot abolish it altogether. I ask him to raise the minimum level of income-tax, as, apart from other grounds, it is an uneconomic tax, for from about 275,000 assesses between 1,000 and 2,000 you expect only about 50 lakhs, while the remainder, almost equal in number, are expected to contribute about 17 crores. He knows, I think, that it costs him about ten lakhs a year to collect this tax. He contemplates an increase of about nine lakhs in the amount provided for the collection of income-tax in this year's budget mainly with a view to collecting the small meagre sums from this class who really cannot afford to pay. I ask him to accept Rs. 2,000 as the minimum limit for the purpose of exemption from income-tax. He knows that in this country there is no allowance for married people, children, etc. So, the least that he ought to do is to raise the taxable limit to Rs. 2,000. The third thing that I want him to do is to reduce the price of the envelope and the postcard. The poor man wants these means for intercourse, culture and education. I cannot understand the policy of the Government. They are introducing costly schemes of broadcasting for the ostensible benefit of the masses, but would maintain prohibitive rates for the postcard and envelope! The easiest means of communication between the villages and the cities and between the villages in this country is the postcard. Where is the sense, equity or justice in investing lakhs in broadcasting, while the postal rates are prohibitive. If you look at the chart attached to the report of the Postal Department that I have before me, you will notice that consumption of cards and envelopes is steadily going down as people are finding it hard and expensive to pay for them. In fact, in several places, motor buses are becoming popular means of communication. You have to compete with others too. If you reduce the rates and have some consideration for the poor man,

I am certain that these changes will not affect the revenue seriously. Firstly, I expect, as I have said, a larger surplus than the Honourable the Finance Member has provided for. Secondly, he has omitted some receipts which are potential on which we can count and we are entitled to count. We expect a contribution of about six crores from railways every year. It is only being postponed, and there is no reason why we should not take it into account when we calculate the revenue. The third thing which we should not forget is that we have not yet drawn upon the railway reserve of 27 crores of rupees. There are other ways by which the income of the State can be increased. I would suggest, for example, the raising of the limit to the deposits in the savings banks. I believe that if people are allowed to deposit money in savings banks without any restrictions, the deposits will go up by several crores, and you can get a good saving thereby. You can pay off the debts that have been incurred at high rates of interest by money raised at low rates and make a saving thereby. And, so far as I am concerned, I would not be sorry if you were to revise the income-tax schedule and levy higher rates for unearned incomes such as those out of interest; and also if you imposed a larger scale of duties on the profits of companies above a certain minimum, e.g., if companies which earned more than six per cent. paid a higher rate of duty, that too would be helpful. I think there are many ways by which the finances can be improved without adding to the burdens of taxation. I need not say more about the contents of the Finance Bill at this stage.

Sir, I will just read out, if I may, two quotations from two books and close my speech. One is from Mr. Darling's book, "Wisdom and Waste in the Punjab Village", about the utility of raising money by loan for the purposes of reconstruction. Mr. Darling says:

"The proposal to raise a reconstruction loan is likely to be condemned because it is novel and without precedent. But the situation in India is also without precedent: a population of 360 millions, of which less than 10 per cent. are literate, is about to embark on the hazardous course of democracy and self-government, and meanwhile the depression has doubled the burden of debt and reduced the standard of living to the pre-war level. In a sense, precedent may almost be said to exist. In the perilous days of the war India contributed £100 millions to its cost without considering too carefully how and when the loan would be repaid. These days too are not without their peril, for the world is full of explosive forces and in the hearts of the people are yearnings such as have never been there before. A reconstruction loan would have several advantages over the war loan. First and foremost, it would be productive. Secondly, it would be an internal loan and be mainly spent in the country. Thirdly, it could probably be raised at less than four per cent. and, finally, it would give employment to many idle matriculates and graduates. (*Laughter.*) And one more point may be urged. The moment is particularly auspicious for a big constructive effort. The changes contemplated in the political sphere demand for their success a corresponding change in the social and economic spheres, and, if leadership is good, they might well provide the necessary momentum."

Of course, Mr. Darling's politics are quite different from mine, but his views should weigh all the more with the Finance Member on that score.

There is, Sir, one more quotation I wish to give from Salter, which is the epilogue of his book, "Recovery", and I would beg of the Honourable the Finance Member to give some thought to it:

"Before the vast magnitude of the tasks ahead, man's spirit has for the moment faltered and his vision contracted. The public mood is apprehensive where it should be bold, and defensive where a broad and generous policy is most required. Everywhere men fly to new tariffs and restrictions, to nationalist policies, domestic currencies, parochial purchasing and personal boarding—like frightened rabbits each

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scurrying to his own burrow. Surely it is for the moment only. Which country of us has not, but a few years since, shown the resources we now require of courage, of personal devotion, of industrial and financial leadership, of public direction, in a need no greater and in a cause less worthy? We're, if we could but grapple with our fate, the most fortunate of the generations of men. In a single lifetime Science has given us more power over Nature, and extended further the range of vision of the exploring mind, than in all recorded history. Now, and now only our material resources, technical knowledge and industrial skill, are enough to afford to every man of the world's teeming population physical comfort, adequate leisure, and access to everything in our rich heritage of civilisation that he has the personal quality to enjoy. We need but the regulative wisdom to control our specialised activities and the thrusting energy of our sectional and selfish interests. To face the troubles that beset us, this apprehensive and defensive world needs now above all the qualities it seems for the moment to have abandoned—courage and magnanimity."

(Loud and Prolonged Applause.)

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions Muhammadan Rural). Sir, we have been accustomed for the last five years to have every year new proposals for fresh taxations. Those proposals came not only in the shape of the Finance Bill, but they came in the shape of protection and sometimes in the name of equalisation of prices. Sir, I congratulate the Honourable the Finance Member that he did not follow the course of his predecessors and that he did not impose new taxation. On the contrary, he has given some relief, and our criticism from this side of the House is that the relief that he has promised is not sufficient and it falls short of our expectations and it falls short of the recovery of trade.

Sir, I would first like to mention one or two points referred to by my distinguished predecessor, Pandit Govind Ballabh Pant—I endorse his theory of protection. I say also that I am not opposed to protection, but I am opposed to the manner in which the protection theory has been carried out during the year 1934 by our Government. I wish he had been in this House and supported me when throughout the year 1934 I fought and fought against the manner in which the theory of protection was being given effect to by the Government of our country.

Sir, the next thing is about the question of spending large sums of money on new undertakings. I think the Honourable the Finance Member has missed the real meaning and significance of the proposals of my friend, Pandit Govind Ballabh Pant. He really meant that at a time when people are starving, at a time when there is so little employment in the country, Government should not adopt the policy of retrenchment and make the people more miserable. They should, on the contrary, start some kind of scheme by which they may increase employment. People are suffering, no doubt, and they are feeling miserable, and I also say that we should not accentuate their sufferings and make the people more miserable. The Honourable the Finance Member asked—what are the undertakings which the Government of India should take up when they have something to spare in this direction. I suggest one scheme, and that is the scheme of metalling the *kutchas* roads. A responsible engineer calculated that if five carts pass a *kutchas* road per day, then the economic saving will pay the cost of construction and repairs to *pucca* roads. I also agree that many hundreds of crores may be usefully spent in this direction, and I think there are a number of other suggestions which can be taken up.

Now, I come to the Finance Bill. First, I take up the question of the export of gold. Sir, in discussing that problem, the Honourable the Finance Member falls into the error which is not uncommon in the art and science of reasoning, that it is the dual significance of one and the same word. My Honourable friend may have heard of the ingenious lectures given by Sir Bertrand Russell on one occasion about the foundation of geometry. He came afterwards to a very peculiar position on account of one and the same term being used in two different senses. He came to the conclusion that A was at the same time B, and not B. The conundrum was, whether the class of all classes is an individual or a class. Now, if you go on generalising and generalising, ultimately you come to the class of all classes, and I ask whether the class of all classes is a class or it is an individual. It is certainly both a class and an individual. The case of gold is similar. I ask, whether gold is a commodity or whether gold is a means by which we can regulate the finances of a country, we can regulate the exchange and we can establish the financial position of a country. These are the two ways in which gold could be used. The Honourable the Finance Member has been telling us that gold is a commodity just as much as wheat is a commodity and it can be sold freely like any other commodity. But, unfortunately, other countries are not treating gold as a commodity, and they are utilising their gold to stabilise their currency and to stabilise their financial position. It is on account of this difference in meaning, this dual significance which is given to treasure that all this confusion arises in India. In India, we consider gold as a mere commodity like other articles, but other countries consider gold as a means of stabilising their financial position, and they are conserving gold as much as they possibly can. I wish we in India may use our gold for this purpose, and we should not lead ourselves to the same kind of illogical conclusion as Bertrand Russell did in the significance of the expression "class of all classes". Every country has withdrawn gold altogether from circulation. They are not using it as a commodity, but they are only using gold at present as a means of stabilising currency of the country. I pray that our Government should use gold in the same sense and not use it in its dual significance which I have just described.

Now, Sir, the same is the case with silver. On the one side, the Government use it as a commodity. They imposed an import duty on silver which was six annas originally, and, thereafter, there was a surcharge of 25 per cent., and thus it was raised to 7½ annas. Fortunately, afterwards, it was reduced to five annas, and now the proposal is to reduce it to two annas. I am sure that the Reserve Bank will press upon the Government that there cannot be any import duty upon any particular article. It is not a commodity only, it is an article by means of which the Bank will stabilise the financial position of the country. The Government themselves have set apart large sums of money for silver redemption fund, and this in itself is a proof that they are not considering it purely as an article just as much as wheat or any other thing.

The next thing in connection with the export of gold to which I should like to draw the attention of the Honourable the Finance Member is the speech delivered by his predecessor, Sir George Schuster, on the occasion of the budget debate in 1933. He says (at the time he delivered his speech) the export of gold amounted to 107.08 crores or its equivalent of £80½ millions. To this he added 15 million sterling as the favourable

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balance of trade. Thus the total amount was 95½ million sterling. In this speech he gave the manner the Government utilised 95½ millions. He said:

"In the first place, Government has used about £34 millions in meeting its ordinary recurrent commitments. Secondly, it has used £15 millions in discharging the 5½ per cent, sterling loan which matured on January 1, 1932, thereby liquidating an obligation which cost it £825,000, equivalent to Rs. 110 lakhs per annum, and greatly strengthening its credit in London. Thirdly Government has added about £11 millions to its currency reserves and.....Government therefore made good use of the abnormally high amount of sterling which it was able during these fifteen months to purchase as a result of the gold exports."

Then, he continued:

"Out of £69½ millions sterling we used about £34 millions for meeting our current requirements and £35½ millions sterling for strengthening our position."

Further on, he says:

"It appears to be a fairly accurate estimate to say that in the fifteen months with which I am dealing about Rs. 15 crores or £11½ millions was required for the repayment of money invested in Indian treasury bills by foreign banks."

We expected that the Finance Member in his budget speech will give us a clear account of the manner in which he spent or he utilised these 220 crores which represents the amount of sterling gold exported from this country. I mean a scheme of this kind was really very desirable, so that we may visualise how far this export of gold was utilised to stabilise the financial position of our own country. The first thing that I should like is that at least this export of gold ought to have been utilised in transferring our sterling obligations into rupee obligations, but I find that, in spite of our export of gold to the extent of 220 crores, our sterling obligations are continually increasing. In 1933, our sterling loans amounted to 505.80 crores, and it rose to 512 crores in 1934 and 518.86 now. In spite of the export of gold, I regret that we have not been able to diminish our sterling loans and transfer it to the rupee loan, and this is a thing which really the Government ought to have done.

The next thing I should like to discuss is the theory of our taxations. Sir, I pointed out last year that:

"During the five years preceding, our income from customs remained almost stationary in spite of increase in taxation. In 1930-31, our income under customs was 46.81, we have added a customs duty of about 30 crores during five years and still last year our income was 46.87 crores. This year we estimated 48.48 crores, but I am quite sure that our actual income will fall short of our expectations. This shows that 46½ crores is practically the utmost capacity that this country can pay."

I really gave in the same speech which was on the 20th March, 1934, the details of the customs duties added year after year. From this it appears that the maximum capacity of our taxation was reached and the addition of any duty whatsoever in whatever form it may be imposed will not increase our net income, because the law of diminishing returns begins to operate. You cannot go on beyond the utmost capacity of the

people and the utmost capacity of the people, as I calculated, was only 46½ crores. In calculating any theory of taxation, there are two points which ought to be borne in mind and which are very often ignored by the Members on the Treasury Benches who are responsible to invent all kinds of hooks to pick out money from all the pockets that we have, concealed or open. I should like to point out to the Honourable the Finance Member that the income of the people of India since 1929-30 has diminished by 800 crores per annum, that is, the income of the people in India is today less than it was in 1929-30 by 800 crores. If the House desires, I can give you the method of calculation. It is less by 800 crores compared with what it was in 1929-30. Since the income of the people has decreased, it is evident that their capacity to pay taxes must equally diminish. That is point number one. The second point is that in this country we have got a special tax which I call an *invisible tax* which does not exist in any other country. What is this invisible tax? It is that every person who earns his money has to support his friends and his relatives who are not employed or who have little or no income. I went into the case, and I enquired a large number of persons as to what is the proportion of their income which they have to spend in support of persons who are unemployed, and I came to the conclusion that it is four annas per rupee. So out of every rupee which an earning member gets in this country, four annas goes to support his relatives and friends who are unemployed. This four annas in the rupee I call an invisible tax which does not exist in the calculation of the Finance Member, which in practice every person who lives in this country has to pay.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): The Europeans do not pay it.

**Dr. Ziauddin Ahmad:** I am just now talking only of Indians. Fortunately in other countries persons who are unemployed are paid by the State. They are supported by the State out of the visible taxes which the people pay to the Government. Here, in this country, the visible taxes that we pay to the Government do not go to support the unemployed people, but the unemployed are really supported by the little income of the persons who get something and the minimum figure under this account is four annas in the rupee. Therefore, these are the two factors which ought to be borne in mind when you begin to calculate any theory of taxation. Sir, my friend, Pandit Govind Ballabh Pant, has really gone into details about taxation, and though I believe our Fiscal Commission's report is a very valuable document and one of the best reports ever written under the direction of the Government of India, it has now become obsolete. Circumstances have enormously changed, the high tariff walls which have now been built up nearly by every country did not exist in those days, and it is now high time that we should revise our policy of taxation. No doubt we should protect our industries, but, at the same time, we should protect our smaller industries from the bigger industries. It is not only our duty to support and protect our bigger industries, but the protection of our smaller industries from our bigger industries is also an important point; and I doubt very much whether by imposing very heavy tariffs we can really protect any industry or find employment. It is a method by which the poorer people pay money into the pockets of the rich. So I would like to take this opportunity to suggest that the time has come when we should seriously consider the

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whole question of the policy of taxation. My friend, the Finance Member, in his speech said:

"Certainly that tariff is too high; certainly it is far too complicated; and on both accounts it is a restraint on trade and recovery."

I entirely agree with him, and I hope he will be able to find out ways and means by which he can materialise his statement, because, a mere statement of facts is not sufficient. We want really to carry it out into practice. That is a much more important thing for us. Of course, I am not in a position to give any definite suggestions about taxation, but I think the question of the quota system may be determined and explored a little more closely to see whether it will be able to find out some kind of solution for this difficulty.

Sir, I will now say a few words about the ratio.

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

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The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

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**The Honourable Sir Nripendra Sircar:** Sir, you may remember that I told you that I shall have to obtain from my friends their view as to whether there should be a sitting on Friday: after that, I took personally some trouble to find out also from my Muslim friends here as to what their views on this question were and whether they felt very strongly that they should not sit on Friday. We are quite ready to help them; but the position is this: if this matter is not finished tomorrow—and we are quite willing to sit longer today and tomorrow and do without questions and to agree to anything which this House and you, Sir, may ask us to do—it really means a gap of six days during the discussions, which, I am sure, my Honourable friends will agree is not very convenient. We are quite willing not to sit on Friday: I do not expect to get an undertaking from anybody that they will close tomorrow in the afternoon—that I do not expect, and I am not asking for any such undertaking; but, if my friends will give me some help if we put the closure tomorrow after sitting late as long as is necessary, I expect that help in return for our not creating any difficulty, whatsoever, in agreeing not to sit on Friday. I have explained my position very clearly to the House, and I leave it to the House and to you, Sir, to judge what should be done.

**Dr. Ziauddin Ahmad:** Sir, I have got no personal interest, because I am finishing my speech within half an hour; but I think it is really the privilege of the House, especially on the Finance Bill, that they should have their say in full: it is very seldom—I do not remember at all—that closure was applied. In fact this is the only occasion in which we can discuss all those matters which we could not unfortunately discuss on Resolutions for want of time and this is the only occasion when we can lay our grievances. It has, therefore, been the practice all the time that in matters of finance

and taxation, the representatives of the people are given the fullest opportunity to express the views of the taxpayers. I think there should be no time limit: we can easily afford to continue the discussion: we will finish the Finance Bill in time, the rules will not be violated and if there is any further business, we can sit for two days in April.

**Maulvi Muhammad Shafi Daudi** (Tirhut Division: Muhammadan): Sir, beyond the fact that the second reading of the Finance Bill may be finished by tomorrow. Friday next is a very exceptional Friday as you know very well; and, therefore, the Mussalmans would like to be free on that day, and I hope Government will see their way to accept the wishes of Mussalmans.

**Pandit Govind Ballabh Pant**: I doubt, Sir, if it will be possible to finish the discussion on the motion before the House in the afternoon tomorrow. There is no desire to prolong the discussion, but, from the very nature of the case, it seems difficult; specially I am in a very awkward position having taken so much of the time of the House myself, and I cannot possibly agree to any arrangement that will curtail the liberties of my colleagues here.

**The Honourable Sir Nripendra Sircar** (Leader of the House): Sir, we do not want to be accused of showing any disrespect to the strong feeling of the Muslim community, and we are quite willing to agree that the House will not sit on Friday. All I expected was—I do not want anybody to curtail his speech if he has something to say—that, as a matter of arrangement, my friends could help us to some extent. I made it perfectly clear to the House, even before my friend spoke, that I was not expecting anybody to give any undertaking that something will be done by tomorrow.

**Mr. President** (The Honourable Sir Abdur Rahim): It is certainly the desire of the Chair not to curtail the privilege of Honourable Members as regards discussion of the Bill before the House,—the Finance Bill. But, so far as the arrangements are concerned, the Chair is afraid, there seems to be no unanimity on the point. So far as the Chair has been able to follow the Honourable the Leader of the House, his section is not willing to give up Friday sitting unless the discussion of the Finance Bill . . . .

**The Honourable Sir Nripendra Sircar**: May I say, Sir, that that is not our intention? I did not say that unless they agreed to finish on Thursday, we insist on sitting on Friday. I wanted their help to bring matters to a finish as soon as possible, but I did not offer any objection to keeping Friday free: I did not make any conditions.

**Mr. President** (The Honourable Sir Abdur Rahim): Then the position as the Chair understands it now is that the matter remains uncertain. If the Chair has been able to follow the Honourable the Leader of the House, if, by tomorrow, it becomes clear some time or other that the discussion will be finished tomorrow, then the Government will not insist on a sitting on Friday . . . .

**The Honourable Sir Nripendra Sircar**: It is my fault, Sir, that I have not made myself clearer. I am offering no opposition to not sitting on Friday: I was only asking my friends to help and finish the matter as soon as possible.

**Mr. President** (The Honourable Sir Abdur Rahim): Then, the Chair takes it that the Government section offer no opposition to Friday being a non-working day of the Assembly; but the Leader of the House expressed a hope that it may be possible for Honourable Members to so regulate their speeches as to conclude the discussion tomorrow; but, as the Chair understands it, he does not insist in any way on that as a condition precedent to not sitting on Friday. Therefore, the Chair will, as it has already announced, waive questions tomorrow and agree to sit till 6 o'clock; and, if it is not finished, then there will be no sitting on Friday, but the discussion will be continued on Thursday, the 21st March.

**Dr. Ziauddin Ahmad**: Sir, before I take up the question of the ratio, I take this opportunity to thank the Finance Member for allotting a crore of rupees for rural uplift. I know my friends on my right could not thank him for this: they consider that this amount is hopelessly insufficient; but, looking at the past history of the case, I think we have secured something, because since the year 1933, I have been trying my utmost to impress on his predecessor that we should take into consideration the requirements of the villagers: I pressed hard on the occasion of the discussion on the Reserve Bank Bill that a portion of the profit should be set apart for the rural co-operative banks and for land mortgage banks. But the Finance Member at that time did not agree, and I proposed then that a great service would be done to the country if somebody took the Finance Member to some of the villages and showed him the actual conditions of the poorer people residing in those villages, and today I propose the same thing and say that whenever opportunities arise, the present Finance Member may kindly visit the villages and see for himself the actual conditions under which the poorer people live. We on this side of the House know full well all about these poor people, because we had to visit the villages in connection with our elections.

Now, Sir, coming to the ratio question, I do not want to make today any definite statement about ratio. We heard the emphatic statement of the Honourable the Finance Member that in his opinion the ratio of 1s. 6d. is definite and final, and no change can be effected in it. Let him not think of making any change, I won't join issue with him, but I should like to submit certain facts before him, and I want him to offer me a solution of those difficulties. It is a fact that we have to pay 70 crores of rupees every year on account of our obligations or commitments and also private remittances, and this fact cannot be denied. Sir George Schuster also admitted this fact on the floor of the House. May I ask the Finance Member how he is going to find out these 70 crores every year? Up to the year 1929 or even 1930, we have been paying this amount from the balance of our trade, but since 1930-31, the balance of trade is not sufficient to pay the entire amount which we have to pay every year. For example, in the year 1929-30, our import was 249, our export was 318, and so the balance of trade was 69, and it was just sufficient to pay our obligations. Next year, that is 1930-31, our import was 173 and our export was 226, and the balance of trade was only 53 crores. Here, again, it fell short by 27 crores. Then, in the year 1931-32, the balance of trade dwindled to 31 crores. In 1934-35, the balance of trade was nil, so that the Finance Member had really to find out the entire amount from other sources. In 1933-34, import was 117 and export was 150, and the balance of trade was 33. I do not ask him to consider the question of ratio, but I do request him to suggest a

method by which we can have a favourable balance of trade equivalent to 70 crores, so that we may pay our annual obligations. If this balance of trade practically disappears, how are we going to pay the amount, and the only way by which we can pay is by the export of gold. Now, Sir, this export of gold is not a thing which can go on indefinitely. We have gone on with the export of gold for about four years now, and we may possibly be able to continue the gold export for another couple of years, but we cannot possibly continue the export of gold, because we have not got an indefinite supply of gold with which to meet our obligations. Therefore, Sir, some method must be found to secure this balance of trade. Now, this balance of trade has been ruined, it has been upset, for two reasons. One reason is the high tariff wall which has been built up by which we have really annoyed other countries so that each country is now trying to have a balanced budget with India leaving no balance in our favour. The second reason is the high value of the Rupee. We on this side of the House believe that if the Rupee is devalued and it is reduced to 1s. 4d. or even to a shilling, then our exports would improve. Here we have got the example of Denmark and New Zealand which the Honourable the Finance Member quoted. If this method is not sufficient, then the burden of the proof lies on the Finance Member himself to suggest ways and means by which our balance of trade may be improved so as to meet our annual commitments to the extent of 70 crores. It is evident that England will never accept 70 crores in terms of wheat, oil seeds or other commodities. She will require money in sterling. How are we going to meet the difficulty unless some countries buy these articles from us and give us sterling in exchange? That is one difficulty which the Finance Member has to solve. Let him fix the ratio at whatever rate he likes, I shall have no quarrel with him, but he should suggest to us ways and means to secure the balance of trade in our favour so that we may pay our obligations.

Then, the second thing which I should like to mention is the high value of our agricultural products. The Finance Member in his speech has admitted that the prices of agricultural products are going up, and the proposal that has been laid before us this morning by the Honourable the Commerce Member about the reduction of the duty on wheat from Rs. 2 to Rs. 1-8-0 will further lower the prices of agricultural products. That will be a great blow to my friends in the Punjab, and, as has been proposed by the Commerce Member, if the reduction of duty on wheat is effected, it is a matter which would require the serious consideration of every one in this House. We on this side of the House think that to raise the price level of agricultural products, the devaluation of the Rupee is a necessary, though not, a sufficient condition. I think my friend, the Finance Member, knows the mathematical significance of "necessary" and "sufficient", and when we consider on this side of the House that the de-valuation of the Rupee is a necessary condition for raising the price levels, I say this is not a sufficient condition. There are other factors which ought to be taken into consideration to achieve our object. Sir, I may be entirely wrong, but I feel that these are really two problems for which a solution must be found by the Government. Sir, I don't believe in all the economic theories that are propounded in the world, but the problems are there, and a solution must be found out either by mathematical calculations or by politicians or by economists or by politicians—I don't care what theory is applied, but I want a satisfactory solution of these two problems. I must have a clear balance of trade of 70 crores to pay our commitments, and I must raise the price levels of our agricultural products, so that our people may be

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able to pay freely and the prosperity of our country may increase. I do not question the theories of economists,—I am not an economist myself, nor do I believe in the theories of economists. I said two years ago that economists have done more harm to the world with the exception of wars under the name of religion than any other body of people. They first advanced the theory that the prosperity of a country depended upon the favourable balance of trade, then the experience of Central Europe did away with that theory altogether. Then the economists advanced the theory that prosperity depended on the stability of exchange, and I said two years ago that that theory had been exploded, in fact there was only one man who understood all the details of these exchanges and that man was in the Lunatic Asylum. This was the quotation from Professor Gregory. Then, they started the new theory, and that is the stabilisation of prices, and so on and so forth. So the theories constantly change, and the countries have paid out enormous sums in order to meet the requirements of these theories. Therefore, I do not believe in any of these theories, but I want two things. I must have a clear balance of trade in order to meet my obligations to the United Kingdom, and I also want that the price levels of our commodities should be raised,—whether that is done by mathematical theories or by any economic theories, I do not mind, but I must have a solution of these two problems.

The next question is the question of education and the establishment of the new Board which the Government of India have sanctioned. In 1928, Sir Philip Hartog's Committee recommended the establishment of a Central Advisory Board. I moved a motion on the 16th February, 1932, demanding the immediate creation of this Board, and my Honourable friend, Sir Frank Noyce, on behalf of the Government, gave an assurance that the Local Governments had agreed, that the Government of India had agreed—at least I understood, though he did not say so exactly to that effect, that it would be established very soon. 1932 passed, 1933 passed, 1934 passed, and we are now in 1935. I am glad that the Honourable the Finance Member has acknowledged the necessity of establishing this new Board. But the amount that has been sanctioned is a very trifling amount, and I read on page 162 of the Demands that the amount is only Rs. 25,000. For such an important undertaking a sum of Rs. 25,000 is hopelessly insufficient. I agree that education is a transferred subject. So also is agriculture a transferred subject. But just as agriculture has got an Imperial Council of Agricultural Research to advise the provinces and carry on experimental work which the provinces themselves cannot undertake, and it co-ordinates the work of the provinces, similarly we should have a Central Advisory Body to advise the provinces in matters which they cannot undertake themselves and to co-ordinate the work. I gave notice of a Resolution on this topic, to which my Honourable friend, Dr. Bhagavan Das, gave an amendment which I accepted—we must rely in future upon this new Board to find out solutions of our existing problems which are still awaiting solution. One very important problem is that no Committee or Commission since 1882 has ever examined the educational problems as a whole. The Calcutta University Commission considered the problems of University education. The Punjab Enquiry Committee considered the problem of university education, but the problem of education as a whole has never been considered by any committee. I do not recommend any more Committees or Commissions, because we have got very sad experience

of them, but I think this particular body, if it is properly established, may be able to do committees of enquiries may have done. These partial enquiries are exceedingly harmful and they are very dangerous, at least, in my province, because my province of the United Provinces is like the sick, credulous old woman who will take any medicine prescribed by any physician or any person whatsoever. The Calcutta University Commission prescribed some solutions for the Calcutta University. The Calcutta University did not adopt them, but the U. P. adopted them *in toto*.

**Mr. B. Das:** Because you were a member of that Commission. That is why they accepted.

**Dr. Ziauddin Ahmad:** In spite of it. Now, the Punjab Government appointed a Committee, but the recommendations of that Committee have not been accepted by the Punjab Government so far, but our Government like the sick, old woman, came out with a Resolution. The Government of India have already issued a circular on this point, and it must have been written by the President of the Punjab Enquiry Committee, and, as in the case of appeals to the Railway Board all the opinions will be examined by the same authority who was the originator of the original scheme. I think a strong advisory Board would remove this apprehension and it is absolutely necessary for this particular kind of work.

Another thing which is awaiting solution and on which we feel strongly is the question of examinations. In the case of examinations, everybody is dissatisfied, and one gentleman from Trivandrum, Mr. Kuppasami, has gone so far—and he has given proofs and statistics in support of his proposition—he has gone so far as to say, "No injustice would be done to candidates if the marks allotted to them were simply drawn out of a ballot box". Instead of reading the answer books of a candidate, put the roll number in one box and all the marks in another and draw a lot, and no injustice will be done to the candidates, that is the value of marking in our schools and colleges. I shall not discuss the details. I have given my reasons in the book which I have already published.

The question of technical education is dealt with also in the circular of the Government of India. There are two distinct views about technical education. One is that it should be separated from the general education, and the other is that we should have a system by means of which general education and technical education may be combined together. These are very important but debatable points, on which we must come to some kind of solution, and I think this Advisory Board, if it is properly established and if it functions properly, should be able to tackle this problem. I individually believe that we should have a system following the polytechnics in England and not follow the German system where there is one university for general education and another for technical education, under the name of Hoch Schule.

Coming to primary education, we know that provinces are making experiments in primary education, but one province does not know the results of experiments obtained in another province, and the Board ought to be able to co-ordinate the work and make known the results of the experiments carried on in different provinces. The question of secondary education has always been left in the background, and that is really the weakest point in our whole system of education. Nobody has ever been able to tackle or solve the problem at all, and I think that even this

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circular places us in a very difficult situation. Everybody admits that we have got before us the very important problem of unemployment, and people think that the problem can be solved simply by rearranging the courses of subjects in various grades of schools by putting one year more or one year less in the high schools and the universities. This reminds me of the story which my Honourable friend, Sir James Grigg, related this morning, namely, by calling a penny a tuppence, you cannot become doubly rich. Similarly, by re-arranging your courses of study from one class of school to another class of school, you cannot solve the problem of unemployment, which is a very difficult problem and which educationists alone cannot solve. It requires the co-operation of the businessmen, the capitalist, the educationist, and, above all, the Government. Government should make up their mind that this problem should be solved, and then alone can a solution be found.

Let me deal with one or two other points. I take first the League of Nations. I urged half a dozen times last year the discussion of this question, but I could not ballot a Resolution in time. I repeatedly requested the Honourable the Law Member to give us time to discuss the question of the League of Nations, but he could not give us time to do it. I do not advocate that we should withdraw from the League of Nations, but I may point out that when we spend such a large sum of money on contribution and the Delegations to the League, and when the Delegations make some recommendations, those recommendations must be respected. I have here got the recommendations of the Delegation of 1929. I shall just read out three recommendations they have made. One is: "In the first place, we consider that some means should be found for increasing the interest of the Indian Legislature in the work of the League." That is their first recommendation, and the action that Government have taken on that is that no opportunity has been given to the Legislature to interest itself in the work of the League. Their second recommendation is: "The administration itself should be provided with a suitable machinery for a more intensive and adequate treatment of the League of Nations." No machinery is provided by the Government. They receive publications and books from the League and they do not even inform the Members of this House that such publications have been received and any Member can have them with pleasure. Perhaps they send the publications to some Departments or destroy them periodically when there is no particular place to keep. Their third suggestion is—and this is a very important suggestion—they recommended a permanent representative at Geneva representing India. Of course, he will be a representative of the Government, but as yet no action has yet been taken, and I have not seen any proposal discussed anywhere, either in this House or outside, it may have been confidentially discussed, I do not know. There is one more suggestion that they have made, and that is: "An active policy should be pursued with regard to the possibility of India being elected to the membership of the Council of the League." In spite of the fact that we are the fifth largest contributor to the League. India has never stood, has never competed, and has never expressed a desire to become a member of the Council of the League. This is really deplorable. Again, though our contribution is fifth from the point of view of money, the number of Indians employed in the League of Nations is very nominal. Any one who is interested in the subject may perhaps consult page 1280 and onwards of this book, that is, the League of Nations'

Official Journal. There the names of all the persons are given who are employed by the Secretariat of the League of Nations, and you will find that there are only seven or eight Indians there, out of whom two are in the permanent list and the rest are temporary. This is the treatment we received at the hands of the Secretariat. May I ask my colleagues on this side of the House whether the time has not come when we should consider whether our contributions to the League of Nations should or should not continue. We must have a fair return for our money, and, if people are not prepared to give us an adequate share of our money, then we have no alternative, however unfortunate it may be, but to separate and withdraw our connections from the League.

I will now turn to one or two other matters and finish in two minutes.

3 P.M. The first is the excise duty on sugar. Last year, we were discussing the question about the distribution of various duties among Madras and Bengal, but I, representing the United Provinces, watched the debate. If there is to be any distribution of the income from a particular commodity to a particular province, then am I not right in urging upon the attention of the House that part of the excise duty which you collect on sugar ought to be given to the United Provinces and Bihar? The reason is that on account of the sugar factories the roads have very much deteriorated. You get the money in two ways, in the shape of enhanced income-tax and in the shape of excise duty and it is only fair that a portion of it should be given to the repair of the roads, if not to the general revenues of the province.

I now come to the budget proper. First, there is the question of the post office. I wish to plead for the villagers and people residing in small towns. I think it is desirable to consider whether we should not give some relief to these poor people. I have not got the figures with me. The Honourable Member in charge of the Post Office wanted to discuss these figures, but I am not prepared to make a definite contribution to it at this stage. When the time comes, I shall do it, but we should seriously consider whether we cannot lower the rate on postcards and increase the permissible weight of the one anna envelope from half a tola to one tola. There is one thing which I should like to discuss in greater detail, and that is the income-tax level. I have got with me the correspondence from the various taxpayers in which they describe how unfairly they have been treated by the Government. I think we will discuss that question when the question of raising the minimum limit from Rs. 1,000 to Rs. 2,000 comes up. It is not really the small income that we have got to consider. We have to consider the infinite amount of troubles in which the poor people are involved by this lowering of the limit. Money is extorted from *ekka* drivers and betel nut sellers, who keep no account and who are illiterate, in the same way as land revenue is extracted by the Tahsildar.

I will now say a word about skins. This question of skins should not be considered from the point of view of one province. It should be considered from the point of view of all India. On account of the export duty, the trade was actually going down, and, by the removal of the duty, there is every likelihood that the trade will go up. The trade in both hides and skins had been going down. By the removal of the duty on hides last year, the trade is going up and the trade in skins is going down. This is clearly a proof that, by the removal of the duty on skins, trade will improve. As there are other members to speak, I don't like to take more time.

**Mr. F. W. Hockenhuil** (Assam: European): There is a tendency on this occasion for provincial representatives to urge their local claims on account of every conceivable grievance as also to provide the Finance Member with every variety of suggestion which involves new or increased expenditure, in their own territory. Reluctantly, Sir, I am constrained to follow this example, but I hope with some justification. As my claim could not appropriately be urged on any other occasion, and, further, last year, Sir James Grigg's predecessor really made the invitation in his budget speech wherein he stated:

"I may say, however, that we in the Government of India are prepared to recognise that there may be some special claim for assistance in the case of Assam."

On that occasion, I urged that the statement left some doubt in the minds of those of us who were concerned, regarding how far recognition went, and while recognition was one thing, action was another. There has, hitherto, always been the conclusion that there is the will for something to be done, but it is left to others to provide the remedy. Nothing happened last year, and, while leaving communications out of the picture for the moment, nothing has happened now with regard to the deficit position.

Certain Members, when this matter was before the House the other day, in good humoured interruption, suggested that all Local Governments had overdrafts, that in any case, a little more local taxation was the obvious remedy, failing which resort could be made to fresh borrowing. The attention of the Government of India has been regularly and repeatedly directed to the position, and, I hope, from their reticence, that they, too, do not view with equanimity the growing indebtedness of this province.

Now, Sir, Assam's financial embarrassments are a real problem, and not merely a temporary inability to balance its own budget. The first part of the problem may be said to lie in the fact that on existing lines, taxation within Assam's own boundaries is never likely to furnish sufficient funds to enable it to pay its own way. The province is dependent almost entirely on agriculture which fortuitously was flourishing in every department during the post War boom period when Assam, as a Governor's province, was incorporated. I need hardly remind this House of the changed conditions since those days; a change that has resulted in greatly depleted revenue.

The second part of the problem is the necessity, the urgent necessity, of the development of its own rich natural resources which in good time will render it self-supporting.

First, let me speak of taxation. And here, I would address myself to those who have not read the findings of the various impartial investigations of the problem. Those who have read them can hardly remain unconvinced. The Federal Finance Committee, the White Paper, the Joint Parliamentary Committee Report, have all pointed out the necessity for relief. Indeed the latter is so pointed in its recommendation that with your permission, Sir, I will quote it. Para. 260:

"It is certain that Assam urgently needs an assured increase in its revenue, but the question in what form this need is to be met, whether by fixed subvention or by assignment of revenue, is a matter of fiscal administration on which we do not feel called upon to express an opinion."

And, again, para. 270:

"The claim of Assam to an increase in its revenues has for some time been recognised as one which the Central Government must meet in some form."

Here, at long last, we have not only the recognition of a claim, but also the agency which will be expected to implement it. May I make one more quotation, from the report of the Government of India's representative—the Comptroller in Assam. He states:

"At the rate at which the revenue position of Assam is deteriorating, it seems very probable that it will soon fall behind Burma and Bengal which were the last in the race in 1932-33. There is no hope of such a change in the economic position of the country in the near future as is likely to render the financial position of the province satisfactory."

The impression may have been left on the minds of Honourable Members that because the results are so poor, Assam is not pulling its weight, or perhaps its full weight in the matter of taxation, Provincial and Central. Let me endeavour to correct this view. What is the province doing in the matter of taxation? I have here an interesting compilation of the comparative figures in the provincial and Central spheres of the whole of the provinces of India.

First, then, provincial: Assam comes fifth in the list. Bombay, Punjab and Madras only are much ahead of it in the *per capita* expenditure charged against revenue. In the realm of Central taxes raised in the provinces, Bombay and Bengal stand first and second, respectively. This is due solely to their large income-tax payments, which, again, is sure evidence of their wealth. It is wholly reasonable that the two most wealthy provinces should pay the largest contribution. Assam, however, which comes third in the list, and not very far behind either of them, is one of the poorest provinces in India, as her income-tax payments clearly show. The reason of her large contribution to Central revenues is the heavy excise duty on oil, which, in the last available return, amounts to Rs. 1-4-7 per head of population.

In spite, therefore, of Assam's position as third in the list of Central, and third also in the list of combined Central and Provincial collections, there is an overdraft of 2 crores 11 lakhs, an amount which exceeds the purely provincial heads of revenue in any one year by fifteen lakhs. Yet we are expected, and indeed are trying hard, to wipe out this deficit by annual repayments, which can only be done by incurring fresh loans, a state of affairs which, in a commercial undertaking, would not be tolerated for a moment. I ask the Government of India how long such a state of affairs is to be allowed to continue? But not only have we to contemplate the day to day expenditure, we have to develop and expand our resources, improve existing and create new communications, in circumstances so costly as to be incredible to those who are unaware of the conditions: and, further, endeavour to maintain and expand our social services.

I would acknowledge with appreciation the Finance Member's beginning in the matter of proposed improvement in communications, but while doing so, it must be borne in mind that these grants are for approved schemes, and while likely to be of inestimable value in the future, do not in any way relieve the strain and anxiety of the present straitened position regarding revenue. I acknowledge his reference to Assam in the budget speech the more readily, not so much for the amount of the assistance as for his real understanding of the problem.

[Mr. F. W. Hockenull.]

But there is another aspect of the picture—the effect of the continuous borrowing and state of bankruptcy upon the morale of the people of the province.

When we speak of the province, let us not forget that, besides the territory, the rice-lands and jungle, the forests and the tea gardens, there are the inhabitants to consider, and that prosperity or depression is not a question only of balance sheets but a reflection of the condition of these people. (Hear, hear.). We are apt to think of Government in the abstract as if it were a machine and not composed of men of like feelings with ourselves. Government have their own problem. It is their responsible duty to carry on. Without borrowing they cannot carry on. As honest borrowers, how are they to repay the loan? In circumstances so demoralising, the best tribute that can be paid to the Government and the Legislative Council is the admission of the Audit Department of the Government of India. They have steadfastly pursued a policy of stemming the tide of disaster, have effected economies almost to the point of deterioration, have honestly tried to establish equilibrium in the face of insuperable difficulties and are even now investigating the possibility of fresh taxation. Are they never to have the satisfaction of positive achievement?

And what of the people themselves? Their record in the working of the reforms is second to none. Given a fair chance, I am confident that they will maintain that record. What enthusiasm, what interest, can be expected for the next instalment, which, in present circumstances, can mean only further privation? I ask, Sir, that the Honourable Member will give this his urgent consideration and some hope of an early response to our appeal. (Applause.)

**Khan Sahib Shaikh Fazl-i-Haq Piracha** (North-West Punjab: Muhammadan): Sir, I have been looking forward to an opportunity to voice the grievances of the people of my constituency, but hitherto I could not find any. I am thankful to you, Sir, for giving me this opportunity to have a say and to represent the views of my constituents on two important matters. Sir, one concerns a most important section of the Muslims of India, that is, the Sayyids, and the other, to which I would like to allude, is the class of poor, helpless, petty zamindars of the Lower Jhelum colony who hold Government grants of land on horse-breeding conditions under the Army Remount Department.

Mr. President, you know with what respect and reverence the Sayyids are looked upon by the Muslim community, and you can, therefore, well imagine the feelings of the general Muslim public, on any untoward treatment the Sayyids are accorded by the Government. Sir, the Sayyids are a class of most courageous and brave people, fit in every respect to be enlisted in the army, but, so far as I know, the door of the Military Department is closed upon them and very many restrictions are laid upon their enlistment to the army. Sir, the Sayyids are a very important class of zamindars in the Punjab, with a strong build and stout physique, like that of our Honourable colleague Nawab Sir Sayad Muhammad Mehr Shab. There are among them landlords holding large areas in the districts of Shahpur, Jhang and Multan. They form the backbone of the Punjab Province wielding considerable influence with the general Muslim population. I don't know what reasons are there to justify the Government's action for restricting the enlistment of the Sayyids to the army. There is

a great feeling of resentment amongst this section of the Muallim community, and it might, after some time, develop into a serious agitation. The Sayyids are regularly organising themselves to fight their cause and I think the Government must have received representations on that account. I would advise the Army Department to take this matter in a very serious way, and to place the views of the Sayyid community, which I am voicing now, for action before the Government before any agitation is started by the Sayyid community.

Sir, the next point on which I wanted to make my observations is about the horse breeders who form the bulk of the voting population of my constituency who are in a bad plight and suffering under hard restrictions. Sir, it was in the year 1902, on the opening of the Lower Jhelum canal in the Punjab that the Government decided to distribute about 400,000 acres of Government waste lands to zamindar peasants on the horse breeding conditions in plots of fifty acres each, to produce remounts for the army, which spends a huge item on importing remounts from foreign countries. This colony of the horse breeders, besides rendering service to the Army Department, brings annually an income of several lakhs of rupees in the shape of the land revenue and water rates. Mr. President, when the declaration by the Government was made for the grant of lands on horse breeding conditions, the people, fascinated by the prospects, flocked from every quarter of the Punjab and agreed to leave their homes to do service to the Government and thereby earn their living by tilling the lands and breeding horses. Sir, the conditions for the horse breeding grants are very rigid and hard for the grantees and they need reconsideration and revision. Sir, a grantee holding land under the horse breeding conditions, has to permanently keep a mare of a very good type, approved by the Officers of the Remount Department, for regularly breeding remounts for the army, utilising only the services of a stallion selected by the Department. The grantee has further to fulfil many other conditions and observe several restrictions in order to keep on the grant and to save it from confiscation. Sir, these conditions may be divided into three heads, firstly conditions regarding the land in grant itself, secondly the conditions regarding the mare and its progenies and thirdly the conditions regarding the grantee himself. The land in grant is to remain the property of the Government and the grantee is to be only a tenant of the Government without any proprietary rights. **The grantee, therefore, cannot, without the previous sanction of the Financial Commissioner, transfer or attempt to transfer any right, title or interest in or possession of the property.** The grantee cannot even sublet the produce of the land for more than two harvests. Nor, can he sell any trees in the land, even though they may have been planted by himself. In matters of succession, the rule of primogeniture is to be observed and the other heirs of the grantees have got no right or interest in the grant, no matter how much hard labour or capital they might have put in, for the improvement of the grant land or the purchase of a mare.

Mr. President, as regards the mare and its progenies, the mare, in the first place, must necessarily be approved by an officer of the Remount Department. The grantee cannot sell or transfer the mare without the permission of the Army Remount Superintendent. The progenies of the mare, until they have attained the age of eighteen months, cannot be sold, but to the Government and at a price fixed by the Army Remount Department, however low that may be. Besides this, the grantee has to maintain and manage the mare and its progeny in such a manner and at such places

[Khan Sahib Shaikh Fazl-i-Haq Piracha.]

as the Remount Officer may think fit and has to present them as many times and at any place the Officer may choose to appoint. As regards the grantee himself, he has permanently to reside in his land, no matter if he may have his sons or servants to look after the mare or the crops. It is also incumbent upon him to render every sort of assistance to the administration in the prevention or detection of crime like a headman or a watchman of a village. Another condition was afterwards added which I will read out from page 79 of the Punjab Colony Manual:

"The tenant shall be bound to be and to remain at all times of loyal behaviour and to render active support to the Government and its officers in any time of trouble and disorder. The decision of the Local Government, whether this condition has been violated by the tenant, shall be final and, if the Local Government is of opinion that the tenant has committed a breach of this condition, it may resume the tenancy or any portion thereof, either temporarily or permanently, and such resumption shall not affect any other penalty to which the tenant may be liable under these conditions or otherwise.

If the tenant is ordered under section 118 of the Code of Criminal Procedure to execute a bond to be of good behaviour, or is sentenced to a term of imprisonment of one year or longer and the order or sentence is not set aside or the sentence not reduced to a term of less than one year on appeal or revision he shall be deemed to have committed a breach of the conditions of his tenancy and the Collector may order the resumption of the tenancy as provided in section 24 of the Act aforesaid."

Sir, when failure to abide by the aforesaid conditions makes the grant liable to confiscation, the House can well judge the difficulties of a poor grantee. In getting the tenancy of only about 50 acres of land the poor grantees have pawned themselves, their children, their cattle and the mare with the Government to serve them day and night like prisoners in jail without any apparent handcuffs or fetters. For a slight infringement of the conditions the grantees are either heavily punished with fine or with confiscation of the grant. The horse breeding grantees have altogether lost their personal as well as moral liberty. They have to keep in good humour the officers of every department and above all the employees of the Army Remount. Any person of the Remount service, from a stallion stable groom to the highest officer, can bring havoc upon the poor grantee, nay the police too is not the less strong in this matter. For the displeasure of any of them they can at any time bring the grantee confiscation rules into operation and the grantee can be turned out of his grant empty handed at any time. Some years back an agitation against these rules and the treatment of the employees of the Army Remount Department was started by the horse breeder grantees in the Shahpur district, but it was subsided with the wise handling of the affairs by the local district officers and the higher authorities. But the feelings are still there and it is just possible that a current of the same agitation may run again. The people are extremely anxious in getting the rules and the conditions changed and to secure the proprietary rights of the holdings they have on any reasonable conditions the Government may impose. A Colony Committee was appointed in 1908 to consider the question of giving proprietary rights in the grant colonies and for the information of the House I will read out a passage from the Punjab Colony Manual by Mr. Wace explaining the views of the committee on this question:

"In considering the conditions on which a colony should be established it is essential that from the first, it should be kept in view that the colonization stage is a temporary one, that the object to be aimed at is the final establishment of a prosperous and well-settled community to whom no right or liberty will be wanting

which is with advantage to the common weal enjoyed by the members of older communities. It is obvious that in order to secure the effective settlement of a colony to avoid the chaotic condition in which colonists would unregulated, establish themselves and to effect such improvements in the standard of comfort and well-being as can be obtained by temporary guidance and education it is desirable that conditions be laid down to which would be colonists must for a time submit themselves. But it cannot be contemplated that restrictions or conditions which detract from the liberty allowed by the common law to all good citizens should continue after the colonization stage is passed. To maintain such restrictions would be to render a district which had once been a colony a less free, and therefore in some respects a less desirable, place of residence than the districts from which the settlers were drawn. The hope may be indulged that, in some respects, the period of restriction and guidance may have abiding results in the habits and customs of the descendants of the first colonists, but it would be in every way unreasonable and inexpedient that restraints considered inappropriate for citizens elsewhere should apply to those citizens whose ancestors have brought new lands under colonization. It appears therefore to be axiomatic that special conditions imposed on colonists should be so contrived as to prepare them for the stage at which the colony would come under the common law of the province to which it belongs."

Then, they give their reasons why, after a certain stage, the restrictions over proprietary rights should be removed. They say:

*First.*—According to ancient custom the reclamation of waste and unappropriated land is recognised throughout Northern India as giving a title to proprietary rights, and in giving lower rights, Government will be open to the charge of conceding less than is due by ancient custom.

*Second.*—The wish of the colonists to acquire the proprietary status is a very strong one; it is based partly on sentimental, and partly on practical, grounds which are not unreasonable, and a concession by Government on this point is likely to evoke feelings of real gratitude.

*Third.*—The withholding of such rights has given rise to an idea, in the colonies and elsewhere, that Government regard with disapprobation the status of proprietors.

*Fourth.*—The grant at an appropriate time of such rights would be an immense stimulus in the progress of the development of the colonies.

*Fifth.*—Such a grant is necessary to allow the colonies when fully developed to come under the ordinary law of the Punjab.

*Sixth.*—The power of alienation implied in proprietary rights appears essential to the future economic evolution of the colony, restricted alienation would ultimately result in extreme sub-division of property and a consequent general depreciation of the average standard of prosperity. It permits of no rewards for energy on the part of those who remain on their lands and gives no stimulus to enterprise on the part of those, who might leave the colony were they not tied to it by their small holdings.

*Seventh.*—The concession need cost nothing to Government."

Sir, these are the views of the Committee which was appointed in 1908 and to which the Punjab Government and the Government of India agreed, but they ordered that excepting the Jhelum Colony, alone, where the question is reserved for further consideration in connection with the treatment of service grants, the colonists in other colonies, not holding on service condition, should be allowed to acquire proprietary rights. It is almost 27 years now that conditions stand unaltered and the question requires the consideration of Government. Sir the present system of popular election to the local bodies, the Legislative Council, Assembly and the Council of State, may be an advancement for other people but for these grantees it is a curse and a nuisance, for they are very often discouraged from exercising their own will in the matter of voting. (*Mr. B. Satyamurti*: "By whom?") By the interested remount officials. They cannot afford to incur the displeasure of any employee of the Remount Department in their district, whatever position he may hold, for the displeasure of any such person may harm them much.

**Mr. B. Das:** Sir, on a point of order. Last year, there was a ruling from the Chair that when we are discussing the Finance Bill generally every Department is criticised and representatives of those Departments should be present. Now, my Honourable friend is discussing an army question, but we do not find any representative of the Army Department present here. Now, can the Honourable the Leader of the House take notes on every subject and give a reply categorically? I do hope your ruling will be the same.

**Mr. President** (The Honourable Sir Abdur Rahim): There is no question of a ruling, but the Chair does think it is only right that the Honourable Members representing the different Departments of Government should be present when the Finance Bill is being discussed.

**Dr. Ziauddin Ahmad:** Sir, last year this question was raised, and I gave definite instances that if any gentleman on this side gives wrong facts, they ought to be corrected immediately by the Members of Government. Otherwise we build up a theory on wrong facts.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair has pointed out the desirability of Honourable Members of Government being present.

**Khan Sahib Shalkh Fazl-i-Huq Piracha:** Sir, I was speaking about interference in election affairs. The employees of the Remount Department are second Gods of the horse breeders grantees, and even though they may have no indication from an officer of the Remount, the knowledge of the connections of a candidate with any officer of the District Remount Department is a sufficient warning to the horse breeder voters against their ignoring these connections. Unfortunately the Remount Department probably has no fixed period of term for an officer whether of a lower or of a higher grade to remain at one station, like that of the civil departments. I would very strongly suggest that such officers as have to deal with the horse breeders directly or indirectly should not be allowed to stay for more than two or three years at one station. No officer of the department should ever be posted at such circle or in such an area where he has got vested interests of himself or his relations. I need not dilate on this point and I hope the department will take note of this matter.

Sir, I have a little more to say about the industry of horse breeding itself and I have got a note with me written by Major Vanorenen, a well known horse breeder of the Punjab in the Montgomery district, who is known to be an authority on the subject. In his opinion, the horse breeding scheme in the Punjab is not progressing owing to certain obstacles, removal whereof necessitates immediate consideration of the Department concerned. His reasons are:

“Firstly, a rigid system is instituted which prevents the more enterprising breeders from profiting by keeping better mares, in that they are compelled to sell their produce to the Army Remount Department at prices which do not vary proportionately to the quality of the produce. More or less the same prices are paid whether the produce are good or indifferent.

Secondly, there is no remunerative market for the young stock which are not accepted by the Remount Department. The number of stock not accepted because they are slightly below or above the rigid Army standard of measurement at too young an age to judge horses, is much greater than the number accepted. Breeders, having

to make room for later born produce, are compelled to sell the unaccepted stock at sacrificial and absolutely minimum prices to Bojpuri breeders who ruin them. Not only is this a severe discouragement to the breeders, but the wastage of stock is immense. If there were more encouragement to the breeders to keep their unaccepted stock, or to other zamindars to buy them, and rear them for a year or two longer, the large majority would develop into very good horses."

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair would point out to the Honourable Member that he is entering into details which are not relevant at this stage.

**Khan Sahib Shaikh Fazl-i-Huq Piracha:** I must mention all the difficulties that result from the restrictions and hardships under which the horse-breeding community is working in my constituency. I would strongly urge upon the Government the necessity of appointing a committee of the Members representing the Colonists in the Central Legislature to advise them in these matters and to reconsider the conditions which are laid upon these petty zamindars who have only small holdings to live upon.

**Mr. Akhil Chandra Datta** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, this Finance Bill deals with the duties on salt, silver, skins, postage rates and income-tax. Of these, the salt rate is continued, silver rates reduced, the duties on skins abolished, postage rates continued and income-tax and super-tax reduced. This Bill can be said to be the off-shoot of the Finance Bill of 1931, or rather the two Finance Bills of 1931. Now, Sir, it is a very striking coincidence that, in this period from 1931 to 1934-35, we are passing through a period of emergency legislation and emergency measures both in the sphere of politics and in the sphere of economics and finance. It will appear that in the sphere of politics in this period, we have got so many pieces of emergency legislation, sometimes beginning as an Ordinance and then being put permanently on the Statute-book. For instance, in 1931, we had the Indian Press Emergency Powers Act. In 1932, we had the Bengal Criminal Law Amendment Act, No. IV; in the same year, again, another Act, No. XI; then, in 1932, a third Act, the Bengal Suppression of Terrorist Outrages Act came; still another in the same year, namely, Act XXII, the Bengal Public Security Act; and still another, the Criminal Law Amendment Act of 1932, XXIII of 1932. Then, in 1934, we had the Indian States Protection Act . . . .

**An Honourable Member:** Louder, please.

**Mr. Akhil Chandra Datta:** I was submitting that from 1931 to 1934 or 1935, we have been passing through a period of emergency legislation both in the sphere of politics as well as in the sphere of economics and finance. In the sphere of politics, we have got so many emergency legislations, first coming as an Ordinance and then put permanently on the Statute-book. Similarly, in the sphere of economics and finance, we find there was that emergency legislation in September, 1931; although it was intended to be in operation for eighteen months only and was to expire in March, 1933; but we all know how it has been extended from year to year. There was first the extension in March, 1933, there was a second extension in March, 1934, and here we are going to have a third extension in March, 1935. In that fateful year, 1931, the rate of duty—I am speaking generally without going into details—was raised in the first instance from 15 to 20 per cent. Later on in the year, there came a crisis and there was another Finance Bill in September, 1931; and under that Act the duty was raised from 20

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to 25 per cent: the result was a total increase, if I have been able to calculate properly, by about 66 or 67 per cent. on the previous rate. Of course this increase was made purely for revenue purposes and not for purposes of protection or any other purpose; and all these increases were made in violation of the fundamental canons of taxation. This was done admittedly because there was a crisis to tide over and, therefore, at that critical juncture the Government did not pause to consider whether these emergency measures, etc., were proper or improper. If it is treated as a temporary measure for 18 months, of course it can be tolerated; but if it is made permanent, if it is renewed from year to year as it has been done, during these three years, it is high time to consider the ulterior and far reaching effect of this drastic taxation. There was the indiscriminate increase of 25 per cent in all cases without any regard to the fact as to whether the person taxed had the capacity to pay or whether the commodity taxed could bear the burden. In some cases, the surcharge was even on protective duties, and, therefore, the principle of protection was violated so far as the amount of protection is concerned. The tariff duties were already too high. These high surcharges on the already high revenue duties were in contravention of the law of diminishing returns. In some cases it had the effect of protecting some items which were not eligible for protection. These are all the fundamental objections to this general emergency programme of 1931; and, as I was going to submit, if it was for a temporary period, it could possibly be tolerated, but it is going to be made permanent. All this of course was for revenue purposes; but revenue is not all. Whether your object is revenue or any other, all the same it must inevitably have other reactions and therefore last year, when Sir George Schuster was dealing with this matter he said:

"As the need for revenue continues as urgent as ever, we propose to leave the other surcharges unaltered. This, however, only covers the revenue side of the matter, and there are, as I have already indicated, other possible reactions from the continued existence of these high duties which we cannot ignore."

I draw your attention, Sir, and the attention of the House to this promise made by Sir George Schuster:

"We propose during the coming year to examine this situation carefully from all points of view."

Unfortunately this year there has been again an extension, a fresh lease given to the life of these emergency measures, but it has not pleased Sir James Grigg to examine the situation. The promised examination, proposed and promised by Sir George Schuster, has not been made by his successor, yet all the taxes have been renewed. Of course, I am speaking very generally. All the drastic surcharges and new taxes and duties have been renewed except with regard to raw skin and silver and partly also with regard to income-tax. I say, Sir, that it was a very serious matter which Sir George Schuster raised. He promised an examination of the whole situation very carefully and from all points of view, as he said. Nothing of that sort has been done. On the other hand, we find that all the taxes are being renewed. I feel, Sir, that my Honourable friend, Sir James Grigg, quite forgot the fact, that he was not writing on a clean slate. There was a previous history behind it, and I feel, Sir, that he owed it to his predecessor as well as to this Honourable House to examine the whole situation in that light, and then and not till then, was he justified in renewing all these taxes and duties.

Now, Sir, this year it has been said that there has been a surplus. It is a fictitious surplus, because when all these taxes are not abolished, it cannot properly and reasonably be called a surplus at all. What has been done this year? We are grateful to Sir James Grigg for the partial relief he has given in regard to income-tax. We people are grateful for small mercies. He has done two things,—he has restored the salary cuts, and he has also given relief partially in respect of income-tax. My grievance is that before restoring the salary cuts, all the surcharges or quasi-surcharges in respect of income-tax should have been abolished. What is really the implication, the necessary result of these two things, namely the restoration of pay cuts and not raising the exemption limit from Rs. 1,000 to Rs. 2,000? It only comes to this. You are taxing a monthly income of say Rs. 83. If the annual income of a man is Rs. 1,000, then his monthly income comes to about Rs. 83, and so you are going to tax a monthly income of Rs. 83—for giving relief to an officer earning Rs. 100, Rs. 500, Rs. 1,000, Rs. 2,000 a month. That is what it comes to. In this connection it is worth considering how the financial position of other people has been affected as a result of the depression. Take the case of the landlords, the moneylenders, lawyers, medical men and other professions, everybody's income has been affected, everybody's income has been reduced not by five per cent. but in some cases by 50 per cent. or even 75 or 80 per cent. If that is so, are you justified, I ask, in taxing incomes between Rs. 1,000 and Rs. 2,000 to give relief to people who are earning more than 20 or 50 times that amount? Is it justice, is it equity? Therefore, I feel I am entitled to say that you are taxing the poor people to help those who are comparatively far more rich.

Let us consider another aspect of the question. I say that even in spite of the five per cent. cut, the position of Government servants has not in any way been affected very materially by this depression, because the prices of articles have fallen and the cost of living has been reduced. Therefore, the poor people, other than Government servants, feel that it is a selfish arrangement that has been effected, they feel that charity has begun at home, and that the Government and the Government servants do not exist for the people, but the poor people exist for the Government and Government servants. The question is how to balance the budget. What is the remedy? The remedy lies in the curtailment of the expenditure and the reduction in the cost of the top-heavy administration. I shall not dilate on this point, because it is a matter which has been hammered on for the last 50 years, and it is no use repeating the old arguments over and over again. It appears to me, Sir, as if a Court of Wards has been appointed to look after the interests and welfare of disqualified Indians, because it is said that Indians are incapable of managing their own affairs, but how does the Court of Wards—I mean the Government of India—deal with their wards? It is the duty of the Court of Wards to pay due attention to its wards, to give proper education to their wards, to make proper arrangement for their food, to look after their health and sanitation and generally to look after their welfare, but here we find that the entire income of the State is eaten up by those who are administering the affairs of disqualified India, and, after meeting their own expenditure, there is hardly anything left for the use of the disqualified proprietors. I should say that this amounts almost to a breach of trust. It is said that the British Government are our trustees. I do not know, Sir, who executed that deed of trust. Supposing they are our trustees,—they may or may not be our trustees,—but supposing they are our trustees, then I say they have committed a breach of trust because, before they take their fat and handsome salaries, they ought to

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have provided for the necessities of the people whose affairs they have taken upon themselves to manage. Then, Sir, the scale of salaries paid in this country is simply extravagant, it is unreasonably high . . . .

**The Honourable Sir Nripendra Sircar:** Much less than the fees of lawyers.

**Mr. Akhil Chandra Datta:** On that matter I think the Honourable the Law Member is more guilty than anybody else among lawyers. Nobody has charged larger or heavier fees than my friend over there. Now, as the question has been raised, shall I say a word about the lawyer's fees? I really feel, Sir, that it is not proper for lawyers to charge exorbitant fees . . . .

**The Honourable Sir Nripendra Sircar:** I won't charge them again.

**Mr. Akhil Chandra Datta:** If you go back to the Bur, you will again charge the same exorbitant fees. I think if we take into account the salaries of Executive Councillors and other high officers of Government, I don't think it can be said on a fair comparison that the lawyers charge very exorbitant fees.

Now, with regard to the question of income-tax, may I take the liberty of making a suggestion, Sir. For broadcasting we have allotted Rs. 20 lakhs, and for the North-West Frontier Province Road we have allotted Rs. 25 lakhs. My own submission is, so far as this allotment for the North-West Frontier Roads is concerned, it will be perfectly clear from the statement of the Honourable the Finance Member, that this is really a misplaced grant, this is really an item of military expenditure.

Then, there is this amount of Rs. 93 lakhs for Civil Aviation. Civil Aviation is a very good thing in itself, but it should not be done by taxing the poor people. The salary cuts come to Rs. 55 lakhs and 53 lakhs in the Civil and Military Departments respectively. If all these amounts are not devoted for the purposes for which they have been proposed, but if they are devoted for the purpose of giving relief in the income-tax, that will be more proper and more reasonable. The amounts set apart for broadcasting, the North-West Frontier, Civil Aviation and the restoration of the salary cuts, will be sufficient to abolish the entire surcharge on the income-tax; they will be sufficient to raise the exemption limit to Rs. 2,000, and you can also abolish the surcharge on super-tax. There is one item, for instance, in the case of every company and registered firm, whatever its total income, the tax is two annas and two pies in the rupee. In other words, more than one-eighth of the profits, however small the total profits may be, is to go to the Government. When you add to that the surcharge, that makes it really oppressive. It really becomes a restraint on trade, as has been so truly observed in his budget speech by the Honourable the Finance Member. The most important problem for India at the present moment is the question of prices of agricultural commodities. That is a question on which so much has been said and so much has been written that I have nothing new to say. May I say only this, that recovery will not come of itself like a windfall. As in other countries you have increased taxation, but this cannot continue for any length of time, for either this year or next year the taxes have got to be reduced. It is admitted, therefore,—it is not a controversial matter—it is admitted that there must be some plan for recovery, call it constructive economic planning, or call it planned economy. You may flout it; it may be as

blessed as Mesopotamia. You may not accept devaluation of the rupee as a partial solution. You may not accept the method that has been adopted in America. You may not accept President Roosevelt's plan. You may not take a lesson from Japan. All the same, there must be some way found out for recovery. What is your plan? That is the question of all questions. Increased taxation cannot be the panacea of all economic evils. It will not only not ease the situation, but will aggravate it. It will be from the frying pan into the fire. It may cure the disease, but will kill the patient. I am not an economist, I am not an expert in this matter, I have no pretensions to give advice or to make suggestions. But as a layman and as an Indian, all that I understand is that there must be some way found out for recovery. It is precisely the business of the Honourable the Finance Member. This has not been done, although this matter was elaborately discussed in the budget speech last year. Sir George Schuster said:

"True, we must have a plan, but before we have a plan, we must know our position. We do not know what is the statistical position. We must have time to study the problems and to be sure of our own position."

This is what I find was said last year in the budget speech:

"Now, in working on all the three main lines (*about the improvement of the condition of the agricultural masses*) which I have mentioned it is essential that Government should be able to give scientific study to the problems and have accurate statistical knowledge as to its own position. We have made several changes lately in our organisation in order to facilitate this. We have for some time had an economic sub-committee of Council, and we have recently set up a central bureau for Economic Intelligence and Statistics at Government headquarters. . . . Further developments on these lines will depend on the recommendations to be made by the two economic experts from England—Professor Bowley and Mr. Robertson—who are now examining the position in consultation with three Indian economists."

That was what we were told in March, 1934. In March, 1935, we are told: "Oh, that is nothing. Professor Bowley and Mr. Robertson are no good at all." Last year we were asked to wait for the report of these two gentlemen, and this year we are told that their report is worthless. I do not understand why it was said: "We must study this question. We must know what our position is. We must study statistics and so on. Our statistics are at present incorrect and unreliable." May I ask what the Director General of Commercial Intelligence and Statistics is for? We have got a department for that purpose. We were told: "All these statistics are wrong and unreliable and we must make a fresh study." These two gentlemen were brought out from England at the cost of the rate payers and now we are told that their report won't help you. Their report does not make you wiser. When and from what quarter do you expect light? Who will advise you? When are you going to make up your mind? This is the fifth or sixth year of depression. You have been talking about this problem of low prices, and every year in this House this subject has been discussed, and this being the sixth year, may we know when are you going to know your own position and when are you going to have a policy formulated? The question was categorically raised by Sir George Schuster himself last year,—how long the present state of affairs were to continue? His answer was this:

"But the fact that we have survived without disaster so far does not mean that serious problems are not being set up. It is a question of how long the present state of affairs can continue. Undoubtedly in the early stages of the depression savings in cash and other forms were drawn upon, and this cannot last for ever. Moreover, the accumulation of arrears of rent and interest may lead to a serious situation. We have

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throughout watched this situation carefully in close consultation with Provincial Governments, and we have now with the cordial approval of these Governments arranged to have a conference in April at which we can together review the whole situation and consider this problem of indebtedness together with all possible lines of concerted action to improve the general economic situation."

That Conference was held in April last. I have got a copy of the report of its proceedings. Sir George Schuster also investigated the question as to how far the purchasing power of the people can be stimulated by public works. Sir George Schuster was constrained to say:

"It is quite possible that the proper time has come when we may utilise this method with beneficial results."

He then said:

"For all these reasons, we have been diligently exploring possibilities."

He says further:

"In any case this is a line of policy in which the main initiative must be taken by the Provincial Governments and it is one which we propose to explore fully with them at the forthcoming conference, to which I have just referred."

Yet, we have not been told this year what is the result of all that discussion and what were the recommendations, whether any policy has been formulated, and if so, whether any action has been taken to give effect to that policy. So that, Sir, it appears to us from the promises made last year and from the attitude taken this year—I do not think anybody can quarrel with us when we say—that the Government are not at all keen about it, that they are absolutely indifferent and are treating these matters light heartedly. Although there was a promise made last year, our present Finance Member has not thought it fit even to refer to these things in his budget speech or anywhere else. Now, Sir, I am not going to make a speech on the subject of the gold standard. I shall confine myself to asking some questions. Some of these, if not all, have been put, but I have put them together and I shall be grateful if categorical answers could be given on these points by the Honourable the Finance Member. My questions on this subject are these:

Why do the other countries not part with gold? Can he explain why all countries are scrupulously safeguarding their resources of gold? Is it true that the export of gold helps the Government to carry out their remittance programme? Does he believe that the export of gold can and will continue for good, to enable India to meet her foreign commitments? If not, is it not the duty of the Government to explore all possible avenues to increase her trade balance? What is his policy to achieve this purpose? What step has been taken to give effect to this policy? Does he seriously believe that gold is as good a commodity for export as other commodities like jute, cotton, rice, etc., and that there is no fundamental difference between gold and other commodity? Has India a huge and unlimited surplus stock of gold? Does India produce gold? Does not gold represent the most dependable purchasing power, which is not possessed by any other metal or commodity? Does not this distinguish gold fundamentally from other commodities? Is he aware that even the *Economist* admitted a few weeks ago that the continuous exodus of gold is a sure index of the distress prevailing in India? Is it a fact that during the last thirty years India imported nearly 700 crores worth of gold and that during the last four years 222 crores have been exported? Is it fundamentally sound to fall back on her reserve capital instead of developing the normal trade balance in merchandise? Is it a fact that India's trade balance in merchandise is steadily diminishing?

There is just one other matter on which I want to say a few words, and that is the question of the allocation of the jute duty. Bengal claims the entire proceeds of the jute duty as a matter of right. This question has been dealt with by my Honourable friend, Pandit Lakshmi Kanta Maitra, in the course of the general discussion of the budget. I shall not repeat those arguments. I shall only add one or two arguments which were not touched upon by him. At the very outset I am anxious to point out, that so far as this Legislature is concerned, it is not of very great importance. After all, it is a question of one or two years, because, under clause 137 of the Government of India Bill, this question of the allocation of the jute duty will be decided by His Majesty in Council and it is laid down there that either half or more than half . . . .

**An Honourable Member:** Not less than half.

**Mr. Akhil Chandra Datta:** The provision in section 137, clause (2), is this:

"Notwithstanding anything in the preceding sub-section, one half, or such greater proportion as His Majesty in Council may determine, of the net proceeds in each year of any export duty on jute or jute products shall not form part of the revenues of the Federation but shall be assigned to the provinces or Federated States in which jute is grown in proportion to the respective amounts of jute grown therein."

So, any provision that is made here will be for this year or the next year. Now, the point to which I draw the attention of the House is this. It appears that under the Weston Settlement, the percentage of total provincial revenue retained in the provinces is this: Bengal retains only 30 per cent. whereas Madras retains 60 per cent. the United Provinces 78 per cent. Punjab and Assam 85 per cent. Central Provinces 90 per cent. and Bihar and Orissa 92 per cent.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): What about Bombay?

**Mr. Akhil Chandra Dutta:** I don't think I have got that here.

**Sir Cowasji Jehangir:** It is worse off than you are.

**Mr. Akhil Chandra Dutta:** I thought I would be asking for permission from Sir Cowasji to discuss this question. With your permission, I am discussing it and also with the permission of Mr. Joshi who is not here. Two arguments are advanced against our demand for the jute duty, namely, that there is permanent settlement in Bengal which is responsible for the deficit of that province and that there is the additional cost on account of the terrorist movement. So far as the permanent settlement is concerned, instead of giving my own argument, may I invite the attention of the House to the argument that was advanced by Sir Nripendra Sircar in England. I cannot put it better than he has done, and, therefore, I shall quote from his speech:

"The fact that most solemn pledges had been given by the then Central Government, and that reliance on those pledges has resulted in an extraordinarily long and complicated chain of sub-forefeudation—all such considerations cannot be ignored. Trusting, however, these solemn pledges as mere scraps of paper the matter may be considered from the strictly business point of view."

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[At this stage, Mr. President (The Honourable Sir Abdur Rahim) vacated the Chair which was then occupied by Mr. S. Satyamurti (one of the Panel of Chairmen).]

What follows is important:

"The introduction of the Permanent Settlement, and the various Tenancy Acts which followed it, have enabled the Bengal tenant to pay rent at a low level. One has only to compare the low rent paid by him with those paid in other provinces. If the tenant is rack-rented, he cannot possibly bear the burden of the Jute Export duty which really means an addition to the land revenue."

Had there been no permanent settlement and no special taxation on jute, the rent of the tenant would have been greatly enhanced and Bengal would have enjoyed a corresponding increase in land revenue. Therefore, the benefit from jute, the peculiar crop of Bengal, has been taken, not by Bengal, through enhancement of the Land Revenue, but by the Central Government, through an Export Duty.

**Mr. A. H. Ghumavi** (Dacca cum Mymensingh: Muhammadan Rural): What is that book, Sir?

**Mr. Akhil Chandra Datta:** A compilation of the speeches and writings of Sir Nripendra Sircar in England. Then, as regards the cost of the terrorist movement, I shall simply lay the figures before the House, and they will speak for themselves. The cost of the terrorist movement in Bengal was this. In 1931-32, only 21½ lakhs; in 1932-33, 47 lakhs; in 1933-34, 53½ lakhs; in 1934-35, 62½ lakhs.—and we know that the deficit has been for these years two crores, and the total jute duty is over three crores. Therefore, the cost of the terrorist movement should not stand in the way and cannot account for the deterioration in the financial position.

One word about the postal rates. Now, this is a matter which has been discussed thread-bare on many occasions. I shall say only one word about this, and that is this. Looking at the matter from the point of view of the Government, I think it is quite desirable that the postal rates should be reduced, because I cannot imagine any other case in which a reduction will please so many people of this country all round. Such a reduction of postal rates will be a relief to as many people as there are in India. Everybody, the poorest man, will be benefited, and that is an aspect of the matter which I submit should be considered in this connection. There are other matters upon which I should have liked to speak, but I shall not take up any more time of the House. (Applause.)

**Pandit Nilakantha Das:** (Applause.) Sir, it is rather sometimes painful to be dragged into academic discussions on financial measures or other measures like this in this House, but we have got to do it. We are not responsible, Sir, in any way for the Finance Bill, and we never hope to be,—rather we are precluded by all means from taking any active part in framing the financial policy of our own nation. It is not the custom to send the Finance Bill to a Select Committee, but still I gave an amendment to that effect, hoping that we should at least be allowed to sit and discuss across the table the provisions of that Bill, and, if possible, that we shall thus be able to re-shape the Bill according to the needs of our nation,—at all events, we hoped, if possible, that we might contribute

something towards the re-shaping of the Bill; but it was found that no useful purpose would be served by moving that amendment here. The Bill is there, and it must be taken as such. We are here to amend it—for what purpose? We do not know.

Coming to the policy of the Administration of this country including its financial policy, it may be defined in one sentence. The whole and sole object of this has been, and still is, to find a market for British industrial products. . . .

**The Honourable Sir James Grigg:** Absolutely untrue.

**Pandit Nilakantha Das:** I shall prove it.

**The Honourable Sir James Grigg:** You will not, you cannot.

**Pandit Nilakantha Das:** . . . . and the suitable investment for British money. I am not depending upon mere inferences, and let not anybody understand that, because I am a nationalist and a Congressman, I say this. I shall not delve into the ways adopted during the eighteenth century. They may be very very unpalatable, and I hope my Honourable friend, the Finance Member, will agree with me that, in those dark days, that was the object of the then policy of the Government of India. Even in the latter half of the last century, whether we required our railways for our development or not, nobody knew, we did not know, money came forth on guaranteed interest and that rate of interest we are still paying on some of them, and then, when a great number of lines were built, doubled, and sometimes quadrupled, and materials were purchased and wasted, and when, even in spite of all this, we were still economically at least vegetating, some cotton mills were set up in Bombay, and an import revenue duty was levied on cotton goods, at once the cry from England was there—"no import duty; if you have it, you must have a countervailing excise duty". Sir, that cotton excise duty was a scandal so long. This cannot be denied. Then, even in spite of that, I may say that the policy of Imperial preference for purchases began just in the beginning of this century. Now, what does all that show? Lord Curzon turned it down in 1903. He was afraid of reprisals of Indian articles in other countries as measures of retaliation. But, at that time, the unemployment in England was not a keen question. Then, just after the War, when other countries in the world were growing in industrialism and in industrial outlook, and there were competitors and England was in danger of being dislodged from her unique industrial position, what happened? Just before the Montford reforms, in the Imperial Council that preference showed its head again. It is not really protection for "Indian industries". I shall come to that later on—it is not for the protection of our industries that the policy of protection is there. What was there at the basis of that policy? Preference to British industries. There was a Resolution specially for British preference, and that came in 1922, under the new reforms. The result of it was the Taxation Enquiry Committee. What were the terms of reference? This is what was included definitely therein: preference to Imperial or British products. But now the world has changed and the eighteenth century methods of rule by the rod are not perhaps considered advisable. So, we are deluded with forms of Commissions and Committees. Some of my Honourable friends just now complained that there was this Committee and there was that Committee and

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their conclusions were not listened to. But it is not that the Government is for the Committees, but they are for the Government. If it is to their interest, the Government will follow their recommendations. Otherwise not. So the policy of preference was simply veneered over by these committees and commissions; and so are measures sometimes also glossed over even with the word constitution and even with the League of Nations. What are all these to us? Simply some forms with which the whole thing is veneered over so as to make it appear that it is something in accordance with the constitution or this or that. In 1924-25, the thin end of the wedge, as my late Leader, Pandit Motilal Nehru, said, was introduced in the shape of protection to steel industry, and preference came later on in 1927. In that preference what was the condition? When we gave preference to steel, we were producing on some of the items not even two per cent., but yet we gave a tariff preference. If the Honourable Member wants it, I shall show the figures. Indian production of galvanised sheet was not even two per cent. of our total consumption, it was a little over one per cent. and we put in 1927 the protective tariff. It was partly protective tariff and bounty in 1924, and, so far as protection was by bounty, it was good. But the bounty was meant only to lure the nation to give a tariff protection to an industry producing only less than two per cent. of our requirements, and our industrialists and our big men backed the measure even with a British preference. Even now we produce galvanised sheets about 30 per cent. but this percentage is not so much due to the promotion of our own industry as it is due to a reduction of consumption. It may also be partly due to world depression, but the high indirect taxes and the protective tariff in themselves are responsible for the decreasing purchasing power of the Indian taxpayer. Now, what is the consumption of the steel that we were protecting by tariff? Today it is less than half. When we began protection in 1926-27, it was 14 lakhs of tons and now it is five.

**The Honourable Sir James Grigg:** Whose fault is it? Whom are you blaming for that?

**Pandit Nilakantha Das:** I am blaming the protection by tariff which has led to the loss of purchasing power and specially when that tariff is levied with a view to preferring British goods and ostensibly to protect our industries producing a very small fraction of our requirements. You are not promoting our industry, and everything nowadays is laid at the door of the world depression. But do the world depression and the Indian depression mean one and the same thing? We have got a very extensive home market, we have got natural resources and we have hoarded gold in this country, and there are various other means by which we could have thwarted this world depression, at least sixty per cent. of it. But where are we today? We are more depressed; our purchasing power is much less than it is in any other country, it is much less than that of any other taxpayer in any other part of the world. But India is a rich country, we have got an extensive home market and vast resources. During all these years, you have purchased so many things. What have you produced here? You have given protection to so many industries. Even with regard to this steel industry for which you have cleverly changed a bounty to tariff protection, you have slyly, without the knowledge of the public, diverted even the contracted purchases of certain articles from Indian companies to firms in England. Even in the year 1931-32, when

the purchases for India were the ~~smallest~~, the Government purchased the least in India. India perhaps got only whatever was left after satisfying Britain. Did the Honourable Member ever notice this fact?

The Industrial Commission recommended, in order to give impetus at least to our industry, to establish a Stores Purchase Department under the Government of India. The Department is no doubt there in name. I have myself pressed the point very often as to why all the purchases cannot be centralised in the Indian Stores Department. That was never done. There must be a Marshal General here and an Agent of Railway there, a Controller of Purchases here and another there. There must even be some patentees here who will supply articles at monopoly price. Some Honourable Members may be surprised, that even servants of the Government who are interested in purchase can hold patents and monopolies. We have got our Department of Standardisation. I was surprised to find that a question was put in the Council of State in 1933 by the Honourable Mr. J. C. Banerjee. The question was:

"(a) Is it a fact that Mr. John Dallas Wrench, Mechanical Engineer, Railway Board and Mr. J. C. Mahindra obtained a patent for non-slipping fastenings for securing railroad sleepers to rails? If so, is it the same Mr. Wrench who is now a Member of the Railway Board?"

(b) Are Government servants allowed to take patents for articles supplied to the Department in which the officer is employed?"

The answer, which the Honourable Sir Guthrie Russell gave, was:

"(a) Yes.

(b) Government servants are permitted to patent any of their inventions."

I know, as a matter of fact, even in the case of bridge making, our Railway Engineer and an Englishman planned some parts which could not be purchased in this country. Some firms in England held the patents for these parts. These standardised patents may be English or may be Indian. But a patent is a patent. It is a monopoly which leads to corruption. As a matter of fact, the other day, I put a question about Diesel oil engines, and the reply was that some of the parts are patents still. The reply was perhaps that the whole engine was a patent sometime ago, but that the patent has expired; but still some parts are patents. As to the rails, for instance, we have got a contract with the Tatas to supply all the rails. The Tatas are dying for want of rail orders. Still, under the name of 'sorbetic' rails, a good lot is being purchased, year after year, from England. Sleepers and their fashionings also are similarly brought from England under various pretexts. I asked a question here as to the reason why these sleepers are purchased in England. When I was here last time I wanted to see that no purchase of any article which can be produced in India should go to any other country. And it was so in 1929-30 when no sleepers or rails were purchased from outside.

**Mr. P. R. Rau** (Financial Commissioner, Railways): Sir, on a point of order. My Honourable friend has got on the order paper questions in regard to all these facts. Is it not better that he should wait and hear those answers rather than make statements without giving this side an opportunity for a reply?

**Mr. Chairman** (Mr. S. Satyamurti): There is no point of order, but the Honourable Member will be well advised to wait till answers are given to those questions, and not refer to them now.

**Mr. P. B. Rau:** The questions are coming on in a few days.

**Pandit Nilakantha Das:** I say what I know.

**The Honourable Sir James Grigg:** Why do you ask then?

**Pandit Nilakantha Das:** So that my friends may know. If I am mistaken, I may be corrected here. Why should I be precluded from saying what I know? It is not your property or any other man's property that I am using. What I mean to say is that they are purchasing from England in spite of the fact that the articles can be purchased in India, and that is a fact. If my Honourable friend, Mr. Rau, does not like it, I will not say any more, for, this being a discussion on the Finance Bill, this much will be enough. Let Honourable Members know that this is the basis of the entire policy of the administration.

Then, what are the methods of administration? To make money any how and to spend it for certain purposes which would better be left unsaid in so many words. It is for perpetually keeping Indian culture and Indian intellect under bondage. I do not say economically, that is a plain question. Of course, I did not enter into the question of foreign loans, to which let me refer here in passing. The other day, I put a question on the subject if there is any distinction or any account between Indian and foreign loans and if there is any plan for converting foreign loans into Indian loans. I did not ask anything about the interest. I shall surely be told that that is entirely a business proposition. But my view is that Indian interest is lower than English interest, and so, it was two years ago, when at a higher interest, money was borrowed in England. That I know, but still I believe that even at a little higher interest money should be secured in India and foreign loans should always be repaid, for, in our loans, we do not get money and pay interest alone. We get English products for loan, as we are often simply lured into it. When my Honourable friend, the Deputy Leader of my Party, was asking for a planning and a loan of 100 crores for development, the Honourable the Finance Member was perhaps laughing to mean that it was not a possible proposition. He has, I think, interrupted somewhat to that effect. Evidently he did not relish it.

I will tell you how it was possible when English articles could not find a market in the world. In the Imperial Economic Conference of 1923, Sir Charles Innes, the then Commerce Member, was representing India, and there were talks about mutual advantages to India and England, and that by means of loans by purchase of articles, etc., and there he says:

"India is buying much, but the question now is, cannot she buy more? I have no difficulty in answering that question.....Every thinking person in India is agreed that what India wants is a bold constructive programme of development."  
(*Report, page 54.*)

This is just on the eve of borrowing 30 crores for five years, and this bold programme for borrowing and development was passed in this House. Then:

"In order that full use may be made of her great resources large sums have been set aside for rehabilitation of her railways", etc.

"Government estimated that something like 70 million sterling would be spent on imported stores during the next five years for railways and other development schemes. As in the past, so in the future, I have no doubt that the skill and enterprise of the British manufacturer will see to it that the vast bulk of their monies (i.e., Indians' monies) will be spent in this country." (*Report, page 56.*)

This did not satisfy the Chairman, who said:

"Take India. Mr. Innes gave us a picture of a big programme. There was, if I remember aright, 70 million worth of orders which would be placed for five years. What I would put to you is, supposing assistance were given in the matter of interest, would it be possible for India to increase the programme above the figure at present in their minds and/or alternately—I put it for preference 'and'—while increasing the aggregate of the programme to take some of the orders of the later years and put them in earlier years? For instance, you have this programme spread over five years, that is to say 15 million pounds a year. Now can you take all or any part of the last two years' programme and put it in hand in the first two years if some assistance were given in the matter of interest? Those are the kind of things which I wish to see if we can accelerate to our mutual advantage." (*Report, page 158*)

Mark these words, "to our mutual advantage". Then our representative makes this reply after expressing satisfaction that such a proposal was made:

"At the end of this year we shall have spent—on railway material alone—35 million pounds in the course of three years, and about 90 per cent, has been spent in this country. With the full assent of the Legislative Assembly, only last year, we decided that we must make a real effort to rehabilitate our railways, and for that rehabilitation programme we have set aside the sum of 100 million sterling. We anticipate that in the next five years 57 millions will be spent on material usually imported into India, and of that 57 millions I am sure that the British manufacturer will see to it that the greater part is spent in England.

That is by no means the whole story. I have referred so far only to the rehabilitation of the railways. We hope to be able to embark upon some new construction, although I recognise that new construction does not interest His Majesty's Government as much as rehabilitation at the present time." (*Report, page 167.*)

The last sentence is significant, for new construction means purchase of earthwork, gravel, concrete, wood sleepers, and many other things, which are necessarily purchased in India.

Then, he referred to the scheme for the development of the Bombay City which would cost many million pounds. He also refers to the Sukkur Barrage and many other provincial schemes and says that orders for many millions of pounds will go to England. This is how development is good: and what is good for the gander is not good for the goose. Both borrowing and development are there when some development of English industry or to find markets for the products thereof were necessary; but when my Honourable friend said, "Borrow 100 crores", he was not in the Treasury Benches, he was not in the confidence of the Finance Department—it may be 100 crores or it may be 10 crores or more or less, it does not matter—the principle is the national development and national uplift. I say, these two things ought not to have been so very unpalatable had it not been for the fact that our Government is run with an object which is not primarily the promotion of Indian interests.

Take, again, the policy of taxation. I have already said we are being enslaved even in culture, in theorising and in everything. We have to take it for granted that whatever is good for England is good for us. The argument is always trotted out "Army? Look at England. Navy? Look at England. Industries? Look at England. Take the Ottawa Agreement: we make all arrangements with the dominions: why should you not be there?" I was once reading, that even in the matter of the Tata Iron and Steel Company, when they first wanted money for floating the company, Mr. Jamshedji Tata went to England twice or thrice for raising it, and he also brought out English experts to find out areas of coal and iron, neither

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the money was available, nor could the experts find any iron ore. In disgust, he gave it up: fortunately for him, the swadeshi movement came and somebody put it into his head—I think it was Mr. P. N. Bose who pointed out the iron and the coal near the iron. Money was raised in India, and, in three weeks' time, more than enough money was subscribed, and so it is now an Indian company. Whenever we think of anything, we are asked to go to England and see whether it is or is not done in England. We have got our Ottawa Agreement that way and also our high tariff wall all round.

In this tariff, if you analyse the income from taxes you find Rs. 16 crores from income-tax and 61 crores from customs excise, including salt. The entire tax income is 78 crores: practically customs and income-tax are the only two heads that give the taxes. By customs we are paying 61 crores: that means each man in India pays, taking 28 crores as the population in British India . . . .

**An Honourable Member:** You must include the States also.

**Pandit Nilakantha Das:** Very well; it is about Rs. 2 per head; and if you analyse some of these taxes like salt, matches, kerosene, and perhaps sugar—our people do not get sugar, but never mind—about six annas or more of this is poll-tax which every man must pay.

We know the paying capacity of our people today. The price of the produce—the price of food grains in our country today is well-known—over and above that, you have got rice export duty, which is under consideration—I know it would be long before the decisions are published, as my friend, Mr. Satyamurti,—you, Sir,—asked the other day and got a reply. How does it all affect the taxpayer? Today, in my part of the country, I know that one acre of land, according to the settlement officer's calculation, costs Rs. 20 to Rs. 21 to cultivate it and it produces 15 to 16 maunds of paddy on the average: the price of paddy is between 1-4 and 1-8 per maund: where is the margin? Rice is not demanded in foreign countries; hence it is not a thing to be explained to anybody that today the export duty falls upon the ryot, the producer and not upon the consumer: it cannot be transferred to the purchaser and falls upon the producer as an additional land tax. As I was saying, 15 maunds of paddy means 10 maunds of rice: and on each maund of rice there is a duty of 2a. 3p. Then on each acre of land the peasant pays an additional tax of Re. 1-8 all over India; whether Government gets the money or not does not matter; the peasant pays it indirectly to somebody: he does not get it; and so, when this is the condition, where is the margin for him? In the name of industry or whatever you may call it, you are going on putting indiscriminately indirect taxes. I see the expenditure is there and I cannot change it; but to live for the time being I propose this: you reduce indirect tax wherever possible—and not the direct tax. But when the opportunity came, you trotted out the plea that you were pledged to reduce the surcharge on income-tax; and that will be reduced by one-third in the same way as the tax on incomes from Rs. 1,000 to Rs. 2,000: that is only Rs. 75 lakhs. Of course this may not be palatable even to many of my own friends, but I feel it very sorely that when the man is paying at least Rs. 2 to the Government Treasury and about that sum, if not more, to the pockets of our industrialists in protection, and over and above this loses in export duty, he is being taxed

to the tune of Rs. 4 or more on the average. With what heart do you not think of reducing some tax either from salt or from kerosene which is an article of his daily use? He is not living today. As I said, he is simply vegetating. How this poor man is able to keep his body and soul together is really a mystery to me. How long can this state of affairs continue? How long can the Government make money like this? Of course, those people who are paying surcharges are certainly in affluent circumstances, and it is not so difficult for them as it is for the poor people to pay for the State.

Look at the civilized countries of the world. England is always cited  
 5 P. M. as an example, and so we shall take England first. There the customs revenue in 1933-34 was 209 million pounds, excise 117 million pounds, thus indirect tax total is 326 million pounds. Then, again, income-tax 336 million pounds, other direct tax, such as estate duty etc., 112 million pounds, and all told the revenue yield from direct tax is 448 million pounds. Now, let us take the United States of America, and there the yield from income-tax was 10,57 million dollars, customs 328 million dollars.

**An Honourable Member:** For what year?

**Pandit Nilakantha Das:** It is perhaps for the year 1932-33 the latest year available, whatever it be.

Now, let us take Japan which is protecting all her industries.....

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

Japan's development of industries under the fostering hand of the State is really unrivalled. Japan's revenue from income-tax was 198 million yens, and that from customs was 113 million yens. Even in England, it will be observed that whenever they thought it necessary to impose an indirect tax, they always took care to see that it was not put on articles of necessity or on the means of production, because if they did so, it would retard the industrial progress. Now, if you analyse the position in India, what do you find? Tax on articles of necessity, including salt, which is really the greatest necessity of life, both for men and animals, and on means of production is 78 to 80 per cent. of our entire indirect tax revenue of 61 crores. In England, it is 20 per cent. of the entire indirect tax revenue.

**The Honourable Sir James Grigg:** Indirect taxation in England is about 40 per cent.

**Pandit Nilakantha Das:** I could not calculate exactly some of the items but certainly it is just half of what it is in India.

**Mr. M. S. Aney:** What is the percentage out of that 40 per cent. regarding the incidence of tax on articles of daily necessity?

**Pandit Nilakantha Das:** 40 per cent. is the taxation realised from customs and other indirect taxes, and 20 per cent. of this 40 per cent. is the amount of tax on necessities of life like tea, coffee, etc., and means

[Pandit Nilakantha Das.]

of production like oil, etc., whereas, in India, the tax realised from means of production and necessities of life is 78 to 80 per cent. of the amount of indirect tax.

Sir, I was very glad to hear the other day when my friend, the Finance Member, said that he did not like the indirect tax. I thought some provision was going to be made in the Finance Bill to give relief to the poor man in respect of the indirect tax, but, instead, I find that direct tax surcharges are reduced and the surpluses, which ought to be real surpluses, are considered to be windfalls, and something is given to the village industries in which I am not very much interested. Of course, I would much appreciate if the rural uplift movement worked well, but we have to wait and see the progress of this movement. We do not know how much of the money allotted for the village uplift movement will be swallowed up by experts. I have known what many of these experts do. Perhaps an expert drawing Rs. 2,000 a month or more, with overseas allowance, would, sitting on a telescope with half a dozen butter flies or a dozen larva under it in a palatial house erected for the purpose . . . . .

**The Honourable Sir Nripendra Sircar:** You mean a microscope?

**Pandit Nilakantha Das:** Yes, I mean a microscope, and these experts will perhaps say that they are carrying on researches into the causes of some pest in paddy. Then there are also the Publicity and Propaganda officers, the travelling allowances, in addition to all the high salaries to be taken into account, and so, considering all these items of expenditure, it remains to be seen how much of the money allotted will go towards giving relief to the poor people. Sir, I am really very apprehensive of Government trying to dole out a crore of rupees in this fashion, for I apprehend that, on account of this, they may become even more unpopular in the long run than they are today. Therefore, my friend must take care to see that a proper distribution is made to the people and the major portion of the allotment is not swallowed up by the Government officers who will either be engaged in the work or be sent round the villages by their travelling allowances and high salaries. Now, I know there are many research schemes under consideration. We have become slaves of experts. I have put a question asking how many Indians are there in these Research Departments, but I have not yet got a reply to my question. There is the Agricultural Research scheme, Marketing Board and so many other schemes all over the country, and almost at the head of every scheme, there is an Englishman, and not an Indian. I was speaking here of scandalisation . . . . .

**Mr. M. S. Aney:** Scandalisation? Perhaps you mean standardisation?

**Pandit Nilakantha Das:** It is the same thing. Our friends are talking of Indianisation, and the Indianisation, that is being carried out, does not secure sufficient jobs for Indians. Sir, I submit the services ought to be modelled on the conditions prevailing in the country, and in fixing the scale of salaries to officers whom you appoint, the circumstances of the country have to be taken into consideration. We must have Indians in all our services. What is the good of giving so much money to outside experts? I have perhaps taken a very long time. . . . .

**Some Honourable Members:** No.

**Pandit Nilakantha Das:** Now, I shall directly come to some of the features of the budget. Much has been said on the export of gold and our ratio and rupee being linked with sterling and with gold. I leave that.

Here I point out some interesting item. I observe in the budget that we are going to have no more revenue from provision opium perhaps from this year. My Honourable friend, Sir Leslie Hudson, is not here today, but he was expressing sorrow the other day that China eats opium but she does not eat opium from us. Let the Chinese eat opium, but we shall not be a party to selling them opium. It is their look out to put their house in order.

**Sir Cowasji Jehangir:** They are having opium from other places.

**Pandit Nilakantha Das:** If you can sell to China or in the North Pole, that is a separate issue, that is not under discussion now,—perhaps I may agree with my Honourable friend, Sir Cowasji Jehangir, when I consider that question. But, what is the position now? In India what are you doing? I speak of excise opium. This excise opium is sold at the cost price to provinces, that is, the price is practically fixed, or if it varies at all from year to year on account of depression, it should be less, it cannot be more. The revised estimate for this year for excise opium is 44,86,000. I do not discuss here whether provinces are selling it to their own clientele at a bigger or a smaller price, or what money they are making. That is not my concern now. But, I find that the estimate for the next year is 50,80,000. How is this increase accounted for? Probably, when you are not selling any provision opium you want to make money somehow, and it may be a plan, though my Honourable friend is opposed to planning, the increase in the sale of excise opium may be either to make a profit over the cost price, or to push more and more opium in provinces with some end in view. Which is it?

As regards roads, some money was available from the so-called wind-fall.

**An Honourable Member:** No.

**Pandit Nilakantha Das:** Oh, no. It is from the motor oil. That goes to the North-West Frontier. If so, why should it not come from the military budget? As a matter of fact, this inter-provincial road policy, as I understand it—I have made some enquiries—is more for the military purpose than for the civil purpose. Motors are running on the poor district board roads, but the boards are not getting any money from this Road Fund. It is for inter-provincial roads, for which a standard is fixed—perhaps some cast iron plates are in contemplation for metalling or so,—that is what I read somewhere,—in order that armoured cars or motors weighing so many tons at such and such speed can go on the road. Such roads are made from the inter-provincial Road Fund. What does it show? Is it for the good of our people, for the cartman who plies his cart? As a matter of fact, I have seen on these inter-provincial roads

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our cartmen are asked to ply their carts just under the road in the mud, and those pucca roads are kept for motor cars. This is how the road money is being spent.

I shall not take more time of the House. My last point is this scramble for jute duty, oil duty and so on. I come from a poor province. My constituency is being formed into a new province and when all the money is being divided, I must ask for something. My Honourable friend, the Finance Member, perhaps will say, you take this much of subvention, and be satisfied. But why should I ask for subvention? As regards the jute duty, I can understand. That duty is not transferred to the consumer, now that there is no big demand abroad. Most part of it is borne by the producer; so there is some reason for its being demanded. But my Honourable friend over there was asking for Assam, and he was speaking of income-tax as a contribution from the provinces, if I heard him aright. At a distance I could not hear him. But who is really paying more to the central revenue? The direct or the indirect tax-payer? 61 crores are paid by indirect tax. I ask, out of these 61 crores, how much does my poor constituency pay, which is not jute, which is not oil. Why should I get subvention? I demand a share in the money which each man in my constituency pays to the Central Government.

**An Honourable Member:** In the form of?

**Pandit Nilakantha Das:** In the form of indirect tax, and specially for protection. Why should Government pay itself 11 crores in the name of protection? The consumer pays today to Assam in the shape of excise duty on oil. Besides, without the countervailing import duty on oil, Assam oil would get no revenue.

**Sir Cowasji Jehangir:** Who are you?

**Pandit Nilakantha Das:** I come from the constituency which I represent—Orissa.

**Sir Cowasji Jehangir:** Are you not an Indian?

**Pandit Nilakantha Das:** Yes, I am an Indian.

**Sir Cowasji Jehangir:** That is all right.

**Pandit Nilakantha Das:** If every one is taking his share, I should demand mine, and my share stands more on reason. If all the money that we pay to the general exchequer, rightly or wrongly, is divided like this, in jute export and oil excise, and so on, then my claim is, I want my proper share. Let them raise the import duty if they like, or the income-tax, or even let them levy a poll-tax from me, let them even protect industry by tariff where necessary. I am ready to pay, but let not the Government make money out of protection for budgetary purposes. That protection money should be divided amongst those people that are paying for the protection.

**Mr. M. S. Aney:** Is the steel industry within the jurisdiction of Orissa or of Bihar?

**Pandit Nilakantha Das:** If the Tata Steel Works were in Orissa, I should have some consolation, but that is not so. And the Vizagapatam Harbour, which will drain the entire western Orissa of its agricultural and forest products, is not in Orissa. Tatas live upon our iron, our manganese, and I may tell you that it has only recently been discovered that besides the store of iron ore in Mayurbhanj, which is being worked, there is an inexhaustible store of iron ore in Keonjhar which contains 67 per cent. of iron,—perhaps nowhere else in the world so big a percentage of iron is found in the ore. And all this is in Orissa, but not in Jamshedpur. All this will be exploited from my land, but I will not get the advantage or benefit of it. Orissa has been neglected and uncared for under this Government for 150 years and Orissa has been made poor now. It was an empire. On three sides it had powerful empires like Bahmani and its off-shoots, the Vijayanagar and Bengal. All these people had always an eagle's eye, a vulture's eye on Orissa. But Orissa held out as an empire for 450 years before it fell, as the last independent empire, during the days of Akbar. Orissa is poor today. You laugh at it when you speak of some subvention to it of 25 or 30 lakhs. But, I want money which I claim as a matter of right, I pay for protection all along, poor as I am, and I have no industry, in my Province. You give me some industry. I shall be satisfied. Still, I would urge that this protection money should not be swallowed by Government for budgetary purposes. If not to Orissa, let it be given to Bombay, to the Central Provinces or any other province. It is money given for industry, and must be set apart for the promotion of industry. Let it be given to the village industry, or any new industry. People that are paying it are not paying it for revenue. If you make money out of protection, then you will naturally delude us more and more into protection of industries, when protection is either useless or unnecessary. You will exploit our national sentiments for the growth of our national industry and a vested interest will be created behind you to support you with or without reason. Don't put us to that trouble. You give it in bounty to other industries. I quite agree to that, but never make revenue out of it.

**Khan Sahib Nawab Siddique Ali Khan** (Central Provinces: Muham-madan): Sir, I may be allowed to express my gratitude to you for giving me an opportunity to make my second speech. As a matter of fact, I was very keen on taking part in the general discussion of the budget, in order that I may place the grievances of my province before this Honourable House. With this idea in view, I stood up for about 14 times, but unluckily I did not catch your eye. I beseech you not to think for a moment that I want to blame you for it. May, I respectfully submit that, to a greater extent, the old Members of this House are responsible for it, who want to participate every time in the debate and who do not realise the difficulties of back benchers like me. (Laughter.)

Sir, before I begin, I want to make it clear to the House that I, as a representative of the Muslims of the Central Provinces am in duty bound to express their grievances on the floor of this House. I hope my Honourable colleagues from the Central Provinces will bear me out that

[Khan Sahib Nawab Siddique Ali Khan.]

I would not have failed in my duty as a Member of this Honourable House to express the grievances of other communities also but I find that the other communities do not need my assistance and they have no grievances to my knowledge and hence I confine my remarks at present to the needs of my community only.

Sir, since the inauguration of the Montague-Chelmsford Reforms, to our sad disappointment, not a single Muslim was appointed as an Executive Councillor of His Excellency the Governor. Nobody can say that there was dearth of an able and an efficient Muslim to occupy that high office. But, I am at a loss to understand as to why the claims of Muslims were ignored in this direction.

**Mr. President** (The Honourable Sir Abdur Rahim): That has nothing to do with the Central Government or the Finance Bill.

**Khan Sahib Nawab Siddique Ali Khan**: May I respectfully say that during the last time when Murtuza Sahib wanted to express the grievances of the Muslims of Madras . . . . .

**Mr. President** (The Honourable Sir Abdur Rahim): That is a provincial subject. The Honourable Member can go on.

**Khan Sahib Nawab Siddique Ali Khan**: The same is the case in the Judicial Commissioner's Court. After several representations, the late Khan Bahadur Ghulam Mohiuddin, Bar-at-Law, was appointed as Additional Judicial Commissioner, but, to our great sorrow, probably 2½ years after his appointment, he breathed his last. After his death, no Muhammadan was appointed as Additional Judicial Commissioner. Sir, I urge on the Government to consider the claims of the Muslims of my province in this respect and to appoint at least two High Court judges in the near future when the High Court comes into existence. Sir, again, the representation of Muslims in Audit and Accounts Services and the Income-tax Department is very meagre. In the Accountant General's office, the percentage of Muslims is only 6·7 and in the office of the Deputy Accountant General, Posts and Telegraphs, the percentage is 11·5. Sir, I am subject to correction, but my information is that there are hardly three per cent. Muslims in the Income-tax Department. Sir, I hope that all Honourable Members of this House will support me when I make a demand that the long standing grievances of the Muslims of the Central Provinces should be redressed and that they should get an adequate share in the services.

**Mr. A. H. Lloyd** (Government of India: Nominated Official): May I correct a point on which the Honourable Member has been misinformed? The percentage of Muslims in the Income-tax Department in the Central Provinces is at least ten per cent.

**Sardar Sant Singh** (West Punjab: Sikh): What is the proportion to population?

**Mr. A. H. Lloyd**: I believe the proportion is about 4 per cent.

**Khan Sahib Nawab Siddique Ali Khan:** Sir, the Muslim representation in the services has by now become a chronic disease. The Government of India have issued a Resolution fixing 25 per cent. places for the Muslims, but they have not provided any machinery to see that their orders are really carried out. There are certain problems which are still left unsolved in this connection. In the case of post offices, the Government of India have laid no scheme before us for the distribution of 25 per cent. among the various provinces. It is evident that the proportion will not be the same in all provinces, but the percentage should be so distributed that the total may work up to 25 per cent. No such scheme has ever been laid before the Assembly. The distribution of 25 per cent. by railways was very much objected to by the Muslim Members. The Government carried on this distribution in spite of the protests of the Mussalmans and in spite of their departmental recommendations to the contrary.

Sir, I take this opportunity to press two points on this occasion. A large number of Mussalmans do not take interest from the Post Office Savings Banks and the Imperial Bank, and they will not take interest from the Reserve Bank also. I suggest that this sum should be credited to a special account. The fund may be administered by the Government, assisted by a small committee of the Legislature.

Sir, I very much appreciate that the Finance Member, the other day admitted the need of the agricultural classes and set aside a sum of Rs. one crore for rural development and 40 lakhs for road development but the amount is not sufficient. It will not be out of place to bring to the notice of this Honourable House one very important thing which deserves serious and sympathetic consideration of the Honourable Members. It is the sorry plight of the cultivators of my province. Year after year they are faced with famine and poverty, due to scarcity of rain, frost, and, in some places, abundance of rain. I shall, therefore, request the Honourable the Finance Member to give a liberal share to my province and thereby relieve the peasants of their growing distress. The Provincial Governments are unable to undertake the work of ameliorating the condition of peasants without the assistance of the Government of India. I, therefore, suggest that the amount provided in the budget should be given in the shape of grants and on the condition that the Provincial Governments should spend about the same amount from their own resources.

Sir, the most delightful part of the budget, which was presented the other day in this House, is the reduction of the surcharge on income-tax by one-third, and I take this opportunity to impress upon the Honourable the Finance Member the extreme desirability of removing the tax altogether in case of incomes between Rs. 1,000 and Rs. 2,000. By this tax, the sufferings of the people are great and the income of the Government is very nominal. According to the Finance Member, the income from this source is 75 lakhs. He has himself promised to reduce it by one-third and consequently the income will only be 50 lakhs. The figures for the collection of this amount are not given, but it may safely be put down at 20 lakhs, and, consequently, the net income in the coming year from this source will only be 30 lakhs. This amount is very trifling compared with the miseries it involves. The poor shopkeepers, who are

[Khan Sahib Nawab Siddique Ali Khan.]

not accustomed to keep accounts, are assessed to imaginary figures, and the amount is collected by inflicting great pains upon them and by sending them to jail.

Sir, the other day, my Honourable friend, Mr. James, initiated the discussion about the re-shuffling of the portfolios of the Executive Council. I got up but I could not have the opportunity to speak on that occasion. I should like to emphasise here, and I believe I share the views of many others on this question. The re-shuffling of portfolios should not be taken up in parts but should be considered at a time when the Provincial Autonomy is established or reforms are introduced at the Centre. But to go on changing the portfolios year after year will create a great confusion in the administration.

Sir, I should also like to draw the attention of the Government to the fact that the Mussalmans of Berar at present have got no voice in the election of their representative in the Assembly. This is a standing complaint which has several times been brought to the notice of the Government. It was expected that a Mussalman would be nominated this year from Berar as a Member of the Legislative Assembly but, alas, the Government did not take any notice of the wishes of the Mussalmans of Berar.

Sir, I have repeatedly heard the complaint that the question of Berar should not be decided without inviting the opinion of the people of Berar. May I remind my Honourable friend, Mr. Aney, the representative of Berar, whether he was consulted when Berar was separated from the Nizam's territory and why on that occasion he did not raise any voice? If Berar is to be separated from the Nizam's Dominions and attached to the Central Provinces, then, not only the people of Berar, but the people of Hyderabad should also be consulted, and I should like to know whom the British Government consulted when drafting the Government of India Bill? I wonder why the main issue was left out, and only concentration is made on the consultation of the people of Berar.

Sir, provision has been made in the Budget for the scheme of broadcasting and I would, therefore, suggest, that a broadcasting station should be established at Nagpur. It is the centre of India and the broadcasting station can cover a large number of Indian States including Hyderabad.

Sir, before I conclude, I want to say a word about the aviation in my province. A Flying Club was started at Nagpur under the distinguished patronage of His Excellency Sir Montagu Butler, the ex-Governor of the Central Provinces and Berar. Wing-Commander Cooper also visited Nagpur twice and selected a site for the landing ground. But no subsidy was given to us by the Government of India. The Flying Club, therefore, exists in name only and we fly in imagination. (Hear, hear.) I hope the Honourable the Finance Member will consider our claims sympathetically and favourably.

**Qazi Muhammad Ahmad Kasmi** (Meerut Division: Muhammadan Rural): Sir (Applause). I must really thank you for this opportunity I have got of expressing my views on the budget. It is no use repeating complaints, Sir. My predecessor did it when he got the second opportunity, that the back benchers are really suffering from a disadvantage by their position. Personally, Sir, I was anxious to speak, only because I

happened to be nearest to this City of Delhi, belonging as I do to the Meerut Division, and because the people of my constituency were just clamouring that it is a strange thing that just as the Urdu proverb says :

*"Charagh tale andhera."*

"The persons who belong to the nearest place are not taking any part in the discussions of the Assembly"—because myself, who is the Mussalman representative and my Hindu colleague from the same constituency have not had the opportunity of speaking at all.

Now, Sir, taking the Finance Bill which is under discussion today, I do not want to take much time, because I do not want to be an example to others to prolong my speech at the expense of the time which can fairly be claimed by other Members also. Sir, the present Finance Bill proposes certain taxation to be realised. There is no doubt that in the world no Government can exist which does not realise taxes from the people. The only question is—what is that Government which has got this right of taxation and the right of governing the people? It is a well-known principle that that Government is a "Government by the people of the people and for the people". We know definitely at this stage that the present Government is not a "Government of the people", it is not a "Government by the people", but if it has got one single ingredient, that is, it is a "Government for the people", well, then, I think, it might be justifiable for them to raise taxation for the government for the people. Now, Sir, we have to consider whether the present Government is "for the people". If that ingredient is missing I say, the right of raising any taxes from the people of India is not established. Let us see, then, what this Government have been doing. It is well-known that India has been suffering, along with the rest of the world, from the depression for the last five years. There have been conferences all over the world, and different nations have been trying to solve the question of this depression. We have to see how far our present Government have solved or are trying to solve or have taken any steps to solve the present problem of agricultural depression. There may be a reply that they have passed certain debt legislation which, fortunately or unfortunately for the United Provinces, has been passed by the United Provinces Council, though such legislative measures have not received the sanction of the Governor General, but, Sir, the question is, what is the principle of the Debt Acts? Can they ever solve the problem of the depression, or can they ever relieve the difficulties of the agriculturist? The main principle of the Debt Acts is that there must be a reduction in interest, that there must be instalments, and that the value of the property in cases of sale in execution decrees must be increased.

**Mr. Fakir Chand** (Jullundur Division: Non-Muhammadan): They wipe off the debts.

**Qazi Muhammad Ahmad Kazmi**: Well, I think there is a little difference between myself and yourself on that point. So these are the few things which have been the objectives, as far as our United Provinces Acts are concerned, and I think that all our Debt Acts are based on the same principle. The question is that the thing they assume is that there is something with the debtor to pay. The presumption is that the debtor has

**[Qazi Muhammad Ahmad Kazmi.]**

got to pay something out of his pocket. The paying of that thing is determined by these Acts, but I submit that in cases where the tenant has not got sufficient to meet the rent or land revenue, and to meet his own necessities and the necessities of his family, then what happens to the question of payment? The utmost that can be said for these Acts is that they in some way or other postpone the evil day for the tenant and do not postpone it for a very long time because, when the instalment falls due, he has to pay it and when he fails to pay it the whole money becomes due, and the property is sold. It does not matter at what price it is sold, high price or low price. It is immaterial to him, because sometimes it happens that even if the whole property is sold away, part of the debt might still remain, or, if he is fortunate, the whole might be cleared away from the sale of the property. All this is immaterial for the purpose of the tenant. My submission is that this legislation of debts is absolutely an eye-wash, and, as my Honourable friend just now remarked, it has only agitated the minds of the bankers on the one hand and of the poor agriculturists on the other. The bankers think that something has been taken away from them, that their debts have been wiped off; but they do not consider for a moment that what else can they get except the property of the man for the debts he owes. Supposing the property is sold in execution of the decree in spite of the fact that the agriculturist was carrying on the cultivation of the land with his own hands. Now that property has gone to the banker. Does he think that when the agriculturist could not succeed in realising anything from the property while he was cultivating it with his own hands and realised nothing out of it, does the banker think that as soon as that property comes into his hands through sale, he could get anything by renting it to other people? As a matter of fact no value is got out of the land, no income is got from the property whether it remains with the tenant or with the *sahukar*. A land can be valuable only when something could be got out of it. What is the use of having the whole range of lands on the Himalayas unless you get something out of those lands. Therefore, unless you get some valuable produce out of the lands, there is no use of having those lands at all. My submission is that the first essential function of the Government is to raise the price of products of the land and then there would have been no necessity for all these laws and for all these eye-washes and for all the heart-burning between the capitalists and the agriculturists and labourers. India is not all alone in this matter of depression that is going on in the world. Is there no other nation in the world which is undergoing similar difficulties? I say, you need not even study deeply, but only read the papers and you will find that America was suffering from the same malady and disease and the whole world was suffering from the same disease. England forced herself away from the gold standard, because she found that gold was being drained away from her country. America also resorted to the same method, and why? Not because it was wanting in gold, not because there were any creditors on the market who were demanding gold, but because America was suffering from a plethora of gold. Gold was in plenty in the treasury, and they thought that while other countries were abandoning their gold standard, the products of their country also were becoming lower and lower in price. So America thought, in the interests of the agriculturists, in the interests of the industrialists, that she should abandon the gold standard. Mr. Roosevelt, with a courage which is seldom to be seen in the world, collected

the whole gold of America in the Federal Bank and gradually made currency notes inconvertible, or, in other words, left the gold standard. Gradually, the value of the dollar was reduced by 40 per cent. That is 100 dollar note carried in the market only about 60 dollars of gold and what was the result? The result was that prices advanced. The wheat growers, the agriculturists of America, who were suffering from the greatest depression, people who had sold their farms, who had mortgaged their lands and who had withdrawn their children from schools and colleges, all began once again doing everything with their own hands, because it was felt that they had something to stand back upon. It was felt that they had something with which they could pay up their dues and still retain something to support their future lives. This is what happened in America. It has happened not like India in the course of five years, but in the course of two years. America did not stop there, but she began to stabilise her currency at that sixty per cent. So my submission is that it is absolutely callous for Government not to take care of the agriculturists, not to take care of the persons on whom they rely, not to take care of the persons who contribute most of the revenues to the Government. If such a callous policy is followed, can it be said for a minute that they are entirely blameless? Only the other day, the Honourable the Finance Member, whom we have often heard with pleasure, and I say, Sir, to his credit, that he is mostly moderate in his expressions and is modest in speech, the other day there was a remarkable change in the Honourable the Finance Member when he started talking about exchange. When the question of ratio was raised, I saw that it brought about a considerable change in the attitude of the Finance Member, and, in a firm way, he said that so far as ratio was concerned the Government had decided that there could be no change. So my idea is that so far as this present problem is concerned, it is a definite decision of the Government not to change the ratio, not to argue with us on that particular point and not to satisfy us on that point. Why? The Government are not out to relieve the sufferings of the masses, to relieve the sufferings of the agriculturists and to relieve the sufferings of the labourers in the industries. The Government are not prepared to satisfy us, they are not prepared to argue with us, but only want to say once and for all that they are not going to change this ratio. This only shows the way in which the question is being dealt with without looking to the interests of the country.

**Mr. President** (The Honourable Sir Abdur Rahim): If the Honourable Member has much more to say, we will resume the discussion tomorrow.

**Qazi Muhammad Ahmad Kasmi:** Yes, Sir.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 14th March, 1935.