

Friday, 6th November, 1931

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FOURTH LEGISLATIVE ASSEMBLY, 1931



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Legislative Assembly.

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LEGISLATIVE ASSEMBLY.

Friday, 6th November 1931.

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

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL—*contd.*

Mr. President: Further consideration of the Finance Bill.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadian Rural): Sir, I began yesterday by saying that we shall refuse all supplies unless our grievances are redressed. I need not reiterate all the grievances which we have and which need immediate redress. But, Sir, there are certain recent occurrences which I shall place before the House for the edification of the Honourable Member in charge of the department of which I am speaking, and those occurrences relate to the unfortunate affairs at Hijli. Sir, it is more than a week since the Report of the Committee appointed by the Government themselves has been published,—remember that this Committee consisted of members who were nominated by the Government themselves,—and this Committee has described in no unmistakeable language as to how this unfortunate incident occurred and whether there was any justification for the wanton murder of those helpless detenus in the Hijli detention camp. When asking for the military expenditure, the Honourable the Finance Member said that it is absolutely necessary for the peace and progress of India that it should be free from attacks and outside invasions. What is an outside invasion after all compared to the Hijli affair? When an invader comes, he kills and loots. Now, here we have in this Hijli detention camp an example of the killing by methods, the like of which could not be expected even from an invader. Would the killing methods which the invader would employ upon Indians be more brutal than those employed at Hijli? No, they will fight hand to hand; some of the invaders would be killed on their side, while some on our side would also be killed; but here in Hijli what is the position? You take away men under certain Ordinances on the ground that it is necessary for the safety of the Empire, and then by a concerted conspiracy, you kill them in the very detention camp where you confine them! Can the killing methods and murders of an invader be more brutal than the methods employed at Hijli? Then again, Sir,

The Honourable Sir James Orerar (Home Member): I regret to have to interrupt the Honourable Member. The actual facts of the incident have been the subject of an inquiry of a judicial character and I feel that it is entirely improper and unwarranted on the part of the Honourable Member to suggest that it was the result of a concerted conspiracy.

Mr. Amar Nath Dutt: Yes, this is not my characterisation, but the characterisation of that great poet of Bengal who has characterised these

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murders as concerted homicidal attacks, and I may also state for the edification of the Honourable the Home Member that he has characterised this incident as a ring dance of vengeance and violence. I know that such condemnation has no effect upon the Honourable Members opposite; I wish it had; but at the same time I shall be failing in my duty if I do not state before this House the reasons why I oppose this Finance Bill, and the reason is that the Government which you represent do not deserve the support which you want from us. And why? Because of the actions like those at Hijli. This is not a solitary instance of the brutal murders committed. Sir, when the other day we expressed our sincere indignation and horror at the murder of some officials, we were characterised by that great and sincere gentleman as hypocrites. I think he is the one sincere man who does not feel sorry at the murder of these unfortunate detenus at Hijli. We had eloquent effusions from him when the murders of those officials were the subject of discussion in this House, but not a single word up till now, though this House has been sitting for the last three days, has escaped from his lips about this unfortunate incident, nor have we heard a word from that fair and honest critic of the Government who has got a certificate from the Bengal Government and who sits here reading some papers without listening to the debate about this unfortunate incident, in his lengthy speech which he made yesterday. Sir, on behalf of Bengal, on behalf of afflicted Bengal, on behalf of tyrannised Bengal, on behalf of impoverished Bengal, I do protest against any taxation which this Government want to impose on us for their upkeep. There is a place called Tirol where people who are suffering from insanity are taken before a goddess and some iron amulets are placed in their hands in order to cure them of insanity. I believe it is a disease in the body politic of the present-day Government which requires to be cured, and some Members sent to Tirol. No one who is sane and who is outside Bedlam can ask for any amount to keep up the present administration by further taxing the impoverished people. When the invaders come, they rob you; they rob the rich, but not the poor. But here you want to rob not the rich, but the poor, and how? You want to introduce a 10 per cent. cut in the salaries of people who are getting such small sums as Rs. 100 a month. You do not seem to realise their difficulty, and how they can make both ends meet with Rs. 100 or Rs. 150, and you come down with a tax on their income and also with a cut in their salaries. This is nothing but sheer exploitation, wholesale exploitation, far more severe than one would suffer if a Mahmud of Ghazni or a Tamarlane came to India at frequent intervals. In connection with this I may say one or two words more, because I know there are several Honourable Members who want to speak, and I shall try to be as brief as possible. Only one or two words about the military expenditure. It may be said that I am a mere lawyer and what do I know of the Army and its exploits? I do admit that. I also admit that I have never set a squadron in the field, but at the same time, I should like to know whether India needs an army of the size which she has at present. For nearly half a century,—even my amiable friend over there, Mr. Arthur Moore has admitted—the cry has been that the Army expenditure must be considerably reduced. It cannot be denied that half of the Army is an imperial army kept for the prestige of the British Empire. And should not England contribute something towards the cost of this Army? Then again, if you Indianise the Army you will be able to reduce the expenditure to one-half. I need not reiterate the principles which were enunciated by the Brussels Conference some

years ago that no country should spend more than one-fifth of its revenues over the army. Now, Sir, you may say that it will not be sufficient to keep the invaders away from India. With the example of the brilliant fighting material which we sent over during the Great War, who fought for you and saved your Empire, I think there is still some patriotic feeling left in the Indians, who would easily enlist themselves in order to have a national militia if the occasion arises. Even if you retain the numbers of the present Army, if you Indianise it, you can reduce the cost to one-fourth of what it actually is. I believe Rs. 10 crores for the Army is sufficient. I see that my Honourable friend the Finance Member and Sir James Crerar are laughing at this statement of mine. Probably they think that it is a ridiculous statement that I am making. No, Sir. It is not a ridiculous statement that I am making. It is impossible for them to understand what I mean (Laughter from the European Group) unless they can understand where the shoe pinches. Sir, we have on the rolls of the Indian Civil Service honoured names like those of Allan Octavius Hume, Sir William Wedderburn, and Sir Henry Cotton, and I have witnessed with pain the members of that service of the present day, who would not understand our grievances, would not understand our sorrow and humiliation, but would only ridicule and hurl abuses if we say anything sincere or even if we express regret at the murder of officials. I am not going to imitate their ways.

Sir, reference has been made to the Bible of that Army expenditure, known as the Inchcape Committee's Report, and the Honourable the Finance Member congratulated himself by saying that Rs. 46 crores was not even dreamt of by the Inchcape Committee. All I can say is this. When your deficit is Rs. 38 crores for the next 18 months, I tell you, if you were wise you would at once put your hands into the Rs. 46 crores which still remains of the Army expenditure. And if any invader comes, let us see whether we can defend ourselves or not. No, you won't do that. You have your own kith and kin in the Army and they say blood is thicker than water. Sir, I am obliged to utter these unpleasant truths, but it is in the interests of my country, and when I find that the poverty-stricken millions of my countrymen are still to be exploited for an imperial purpose, I cannot but enter an emphatic protest against the passing of this Finance Bill.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Mr. President, I think every one recognises that the Honourable the Finance Member is perhaps the most harassed individual in India to-day. Ever since he assumed charge of his portfolio, he has been engaged in a desperate struggle against a situation created partly by the financial policy thrust upon the country by his predecessor and partly by the collapse of currency and credit throughout the world. Every one watches with sympathy the Honourable the Finance Member grappling with problems which are not of his own creation, and concedes that so far as he is concerned he is doing his best to serve the country whose salt he is eating. But when my Honourable friend expects the opposition to suspend its judgment, to spare criticism and to offer nothing but constructive criticism, in some measure I think he is asking for the impossible. I see my Honourable friend sitting day after day with an air of resignation, sometimes of unutterable boredom, and often of pained surprise that human nature should be so perverse, that his critics should not recognise his integrity of purpose and the difficulties by which he is surrounded. The

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other day, in moving the consideration of the Finance Bill he asked his critics to face realities; he asked them not to indulge in destructive criticisms. When he made this appeal to the House, may I point out to him that he forgot the constitution under which we are working? He seems to have entirely overlooked the fact that, year in and year out, this side of the House, whether in the reformed Legislature or in the pre-reform era, has been making suggestions by the cartload, good, bad and indifferent, only to find them all rejected, uncerecermoniously, and I ask my Honourable friend what possible encouragement has he or any of his predecessors or anybody on the Government Benches given to this side of the House to offer constructive criticism? I will make my Honourable friend a sporting offer now. Let him withdraw the Budget, and we on this side of the House are prepared to produce a Budget in which the revenue and expenditure will be equally balanced, without many of the objectionable features of taxation which he has introduced in his Budget. Is my Honourable friend prepared to accept that offer? Is my Honourable friend prepared to accept any of the constructive suggestions which have been made and which will be made in the course of this session? When my Honourable friend comes forward and says he is prepared to accept reasonable suggestions, then will be the time for him to ask us not to indulge in destructive criticism.

Now, Sir, I have got a three-fold objection to this Budget. In the first place I fail to understand why my Honourable friend should have thought it necessary to provide for revenue for a period of 18 months. When he framed this Budget, it must have been done on the facts and figures as they appeared to him some time at the end of August, that is to say, within five months of the financial year. In those five months he found his previous estimates out by a very considerable sum, something like 19 crores of rupees. What is there to show that within the next five months which remain of the financial year, his estimates may not be completely upset and a different aspect put upon things? 19 crores deficit was shown in the results of the first five months of this year. Since then a change of world wide importance has taken place in the financial situation, and that is the going off the gold standard on the part of Great Britain. The effects of that great move have been noticed already in India in a substantial measure. Cotton has appreciated by something like 50 rupees per candy, jute has improved substantially, rice and other commodities have also gone up in value, and there is an all-round buoyant feeling due to the fact that we are no longer pegged to a high exchange. How can the Finance Member at this stage say that within the next 6 months or 12 months the position of India will be as he found it in the first five months. It may change in a remarkable way. Assume for a moment that it does not change for the better, what happens? There is the Budget session in March, and the Finance Member will be able to come forward before us and say, "Well, I am sorry to have to state that the financial situation has not improved and I shall have again to provide for a deficit Budget and to impose taxation to balance it". I therefore cannot agree to his providing for a revenue for a full 18 months when the next few months may be pregnant with very great possibilities. After all we do not know what cuts in expenditure may be possible during the next few months, and it may well be that the Finance Member, by imposing this heavy taxation, is providing for a large surplus at the end of

18 months. We may be right, we may be wrong in this view, but after all there is no earthly necessity for his coming forward at this stage to impose upon us taxation for the next 18 months.

My next objection is that the retrenchment that has been carried out is inadequate in some particulars. I shall readily admit that I was greatly impressed by the statement made by my Honourable friend when he particularly dealt with the question of retrenchment as it affects cuts in pay. I think from his own point of view he made out quite a good case, but there are certain objections which I want to point out—objections which go to show that retrenchment could have been carried further, and the necessity for at least some of this taxation obviated. I will deal of course with what nobody in this Assembly, or any other Assembly that I can imagine for the next few years, can get away from, and that is the question of military expenditure. The Inchcape Committee brought it down to 57 crores from pretty well 71 crores, and they recommended that within a measureable period of time when prices came down the Budget should be brought down to less than 50 crores, and they added in their Report that, even this was more than the taxpayer in India should be called upon to pay. Since that Committee made the report, two outstanding events have occurred so far as the Military Budget is concerned. In the first instance the Inchcape Committee reckoned on a 1s. 4d. exchange in making up their calculations. The exchange went up to 1s. 6d. soon after, and it was pegged there. The result was that a great deal of the stores and materials which are bought from foreign countries were obtained at a discount of $12\frac{1}{2}$ per cent., which in itself should have resulted in a very substantial saving, and I find it admitted in one of the financial memoranda attached to this Budget or the previous Budget—I forget which—that a great deal of the savings on the 57-crores Budget of the Committee was effected because of the factor of exchange having changed from 1s. 4d. to 1s. 6d. Then again, the prices of commodities have come down very considerably in the last few years, and I maintain that if the Inchcape Budget was 57 crores, it should have been possible within two or three years to bring it down to 50 crores. The more I study this question, the more I feel convinced that the military Budget should not have exceeded 50 crores in the last four or five years. What would have happened if it had been brought down to that figure? In four or five years, 20 to 25 crores would have been saved to the taxpayer. I quite admit that my Honourable friend, with the assistance of the Commander-in-Chief, has done his best, and I am prepared to concede that a cut of $4\frac{1}{2}$ crores in the military Budget at one stroke is a substantial concession to popular demand, but I say that that is not the last word on the subject, and I maintain that the military expenditure is capable of still more drastic reduction than has been found possible this year. We have, from time immemorial, whenever we talked of the military Budget being reduced, been faced with the bogey of invasion and the threat to internal security. In this connection I just want to put one question to my Honourable friend and his military advisers. How often in the course of the last 50 years have the military forces of India been stretched to their fullest capacity? Can you give me one single instance in which they were so stretched? You have during this period had many expeditions outside India, where large bodies of Indian troops have done meritorious service, and their absence has not imperilled in the least the security of this country. I referred to this point two years ago in my Budget speech.

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You have to choose between a state of acute distress in this country, carrying with it the seeds of widespread discontent and agitation and the maintenance of the Army at the present strength. Which are you going to choose? Let it not be forgotten that, after all, the Army exists for the people, and not the people for the Army. I say without exaggeration, and I am not given to tub-thumping, that the Army has during all these years sucked the life-blood of the people, and it ought no longer to be allowed to go on sucking it. I am not a military expert. I am not prepared to say what the size of the Army should be. My only point is that the size of the Army should be exactly what the country can afford to maintain. In this connection let me for a moment turn to what has been done in England. My friend Mr. Chetty gave figures yesterday, which went to show that, as compared with a 40 per cent. increase in England since the pre-war period, the increase here has been very nearly 100 per cent., but this figure of 40 per cent. increase since 1913 in England becomes a great deal more striking when taken in relation to what England has been spending on other services. In 1913 the Budget of England was 188 million pounds in 1929-30 it was 829 million pounds, that is to say the Budget went up by very nearly 500 per cent. and yet the expenditure on the Army was kept at 40 per cent. In this same period on education England, which spent 14 million pounds in 1914, spent 42 millions in 1929-30; likewise on agriculture, health and various other services the expenditure of England during this period has gone up by something like 400 to 500 per cent., and yet they were able to keep down their Army expenditure only to 40 per cent. over the 1913 figure. That should I think serve to remind my Honourable friend and the Government Benches that, after all, there are other considerations than those merely of military defence.

There are just a few observations that I would like to make on the question of the cuts in pay. I quite grant that a serious effort has been made to meet the view point of the various Retrenchment Committees which have done such meritorious work, but I am not enamoured, in spite of all the arguments of the Honourable the Finance Member, of an all-round uniform cut of 10 per cent. (Hear, hear); and so far as I am concerned I am prepared even to sacrifice revenue if need be, but I am not prepared to tax the lower-paid employees of Government on the same scale as the higher-paid employees. If you like, if you think a great injustice would be otherwise done, by all means keep your higher-paid employees on a cut of 10 per cent.; but I say, reduce in the case of the lower-paid employees the cut that you have sought to impose; and so far as I am concerned, I am prepared even to give up a little revenue. After all, do not forget the very acute distress which has been caused to the lower middle classes through the unemployment prevalent in this country. Whom does that unemployment hit the hardest? The lower middle-classes, who probably have found that, instead of two or three bread-winners in the family, there is now only one left, and that the others have to be supported. In this connection I would also like to inquire of my Honourable friend as to why it is that he has come forward with the proposal that so far as the Post and Telegraphs are concerned there should be a cut in everybody's salary even under Rs. 30 a month, when that is not sought to be done with regard to the other services. With regard to the police and the Army and the various other services you have sought

to lay down a minimum, but with regard to the Post and Telegraphs you want to tax everybody. I do not think that that is fair, and it is calculated to cause a great deal of heart-burning and a sense of injustice among a class of employees on whose honesty and efficiency depends a great deal of the comfort and amenities of life in this country.

Mr. Lalchand Navaraj (Sind: Non-Muhammadan Rural): It is so for the Railways also, I believe.

Mr. H. P. Mody: Now, Sir, my third objection to the Budget is that my Honourable friend cannot get away from customs and income-tax whenever he wants to increase taxation in this country. The same class is being taxed repeatedly, and my Honourable friend seems to think that that class has got inexhaustible resources and can be fleeced and bled as often and as much as he likes! I think I mentioned during the last Budget debate, that the number of assesseees to income-tax in India is something ridiculously low, namely, 330,000 people. I do not know whether that figure is absolutely correct. Is that correct, may I ask?

The Honourable Sir George Schuster (Finance Member): I have not the exact figure with me, but I think that is approximately correct.

Mr. H. P. Mody: I am grateful to my Honourable friend for the information.

The Honourable Sir George Schuster: I may point out to my Honourable friend that, according to the proposals of this Finance Bill, the number of income-tax assesseees will probably be increased by another 330,000. I hope that will meet part of his objection. (Laughter.)

Mr. H. P. Mody: I will come to that presently. What is the position? 330,000 persons, which means less than a thousandth part of the population, are asked to pay a fifth of the total tax-revenue of the country. The total tax revenue of the country is Rs. 85 crores, and 17 crores was budgeted as the amount which the income-tax would yield. You are already taxing these 330,000 people to the tune of 20 per cent. of the full tax revenue, and you propose further heavy increases. Now is that just, is that justified by any canons of taxation or of fair play? What would be the consequences? Even within these five months it is found that, in spite of putting up the income-tax heavily in March last, there was a deficit of a crore and a quarter. After all, the Finance Member must remember that the capacity of the taxpayer is very limited, even if the rapacity of the tax-gatherer be unlimited.

Then, Sir, I want to invite the Honourable Member's attention to the burdens on trade and industry which are continually being foisted upon this country. I am not going at this stage to talk of the various direct burdens which have been imposed upon them. I want only to invite the attention of the House to one factor, and that factor is the bank rate. Sir, the bank rate today is kept at 8 per cent. when the inter-bank call rate is not more than $5\frac{1}{2}$ per cent., and was less than 4 per cent. only very recently. The inter-bank call rate is the sure indicator of the supply and demand position so far as money is concerned, and while that keeps at a very low figure, the bank rate is being maintained at 8 per cent. I do not know whether it is under the instructions of my Honourable friend that this bank rate is being maintained. Taking the position of the five leading banks, I find that something like 60 crores has been

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lent out to trade and industry in loans, cash credits and bills. I am not talking of the much larger figures of the advances for internal trade, but am talking only the position of these five banks and their cash credit and loan position, and I find that it is something in the neighbourhood of Rs. 60 crores. Now a one per cent. difference in the bank rate means a loss or gain of 60 lakhs to the trade and commerce of this country, and a difference of 2 per cent. would mean a loss or gain to the trade and commerce of this country of one crore and 20 lakhs. When my Honourable friend is borrowing at $7\frac{1}{2}$ per cent. on three and six months' Treasury Bills, how can he possibly expect the industrialist to finance concerns, particularly when he has to face the difficulties of a period of acute depression, and when his own resources have been strained to the utmost? And if trade and industry are not going to be helped by the maintenance of the bank rate at a reasonable figure, how is it possible for the Finance Member to obtain the taxes which he anticipates would accrue out of these imposts? The fundamental basis of all taxation, Sir, is economic recovery, and unless that recovery is forthcoming through the improvement of trade and industry and agriculture, I wonder how my Honourable friend is going to get all the revenue he is budgeting for? That leads me to support the demand made by my Honourable friend, Mr. Arthur Moore, when he said that the basis of taxation must be broadened. Sir, the time has arrived when the Finance Member should consult a few people with a view to find out whether the basis of taxation should not be broadened and other sources of revenue roped in. (Hear, hear.) I think the serious consideration of that problem is urgently called for. Otherwise what happens? Year in and year out, whenever the Finance Member is faced with a deficit, he immediately pounces upon the customs and the income-tax to balance his Budget, and the same process goes on year after year. Sir, the time has arrived for a very serious consideration of the basis of taxation, and the various suggestions which my Honourable friends have made here in the course of this debate and the last two or three debates ought to be taken into consideration when next framing the Budget.

The Honourable Sir George Schuster: Has my Honourable friend got any suggestions of his own to offer?

Mr. H. P. Mody: If my Honourable friend is disposed to receive them earnestly, I will give him as many as he wants. I am prepared to offer a great many suggestions to my Honourable friend, but I am not prepared to offer them merely for the purpose of their being discarded unceremoniously. You will remember, Sir, that in the earlier stages of my remarks I made this sporting offer to my Honourable friend that we are prepared on this side of the House to produce a budget, an evenly balanced budget, without many of the obnoxious features of the Finance Member's own Budget. (Hear, hear.) I just forgot one point, and that is with reference to the taxation of incomes between Rs. 1,000 and Rs. 2,000. My Honourable friend suggested that this was a sort of thing which ought to gladden my heart, but it does not, I am sorry to say; as a matter of fact I feel very depressed at the prospect of a large number of people being taxed out of existence in the manner suggested by the Honourable Member. Already that class has been hit very hard, and the proposal to tax incomes between Rs. 1,000 and Rs. 2,000 ought to be stoutly opposed by every single Member of this House. Sir, I have made a few general

observations, as few as I could make them, on the general aspects of the Budget. I do not want to say anything on particular items figuring in the Budget. I shall probably, with your permission, Sir, have other opportunities of speaking on them. When the taxes on cotton, on income and on machinery and various other items come to be debated, I shall lodge my objections in the manner I think best. I do not think I need take the time of the House any more now. I hope that, so far as this Budget is concerned, if it is to find acceptance on this side of the House it will be radically altered before it is put to the vote.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, the Honourable the Finance Member, in his opening speech, asked the Members of the Opposition to eschew sentiment and face realities. Sir, the Members on this side of the House ask the Honourable the Finance Member and his colleagues to do the same. For, what are the realities? The only reality in this constituted Assembly is the preponderance of the elected representatives of the people, and the only unreality is the minority Government who are able to over-rule the majority of this House. That is a fact which the Honourable the Finance Member might have remembered when he asked the representatives of the people in this House to face realities. Sir, for the last 10 years and more the representatives of the people have been crying themselves hoarse against the increasing burden placed upon the people of this country, a burden which Honourable Members will see has grown by leaps and bounds since the advent of the reforms. In spite of the devolution of power, in spite of the decentralisation, we find that the civil expenditure of the Central Government has increased by no less than 50 per cent. From Mr. Layton's note on page 222 of Volume II you will find that, while the civil expenditure of 1921-22 stood at Rs. 8.64 crores, the civil expenditure budgeted for 1930-31 rose to Rs. 12.20 crores; that is to say, the civil expenditure of the civil Government during the last 10 years, in spite of the devolution of power and general decentralisation on account of the Reforms Act of 1919, has gone up by 50 per cent. The history of the military expenditure is vividly portrayed in Mr. Layton's note to which I shall refer. In 1921-22 the military expenditure was said to be 69.68; in 1930-31 the expenditure is shown as 54.35. But, Sir, that does not state the fact correctly. Only the other day I asked the Honourable the Finance Member to state whether the table which I had prepared of the military expenditure in this country was not correct, and he said that it was correct barring a few typographical errors which do not count. Let me give Honourable Members the figures. In 1910-11 the military expenditure, gross, was 20 million, nett 19 million. In 1928-29, revised estimates, the military expenditure was gross 58 million, nett 55 million.

The Honourable Sir George Schuster: Will the Honourable Member tell me what figures he is using? He is talking about millions, but I rather think the last figure given is in crores of rupees.

Sir Hari Singh Gour: These are the figures which we got from the India Office. They are given in the Memorandum on page 336. I drew the attention of the Honourable the Finance Member to the Central Committee's Report. These are the figures which the Honourable the Finance Member said were correct.

The Honourable Sir George Schuster: Where does the Honourable Member get the figure of 55 millions from?

Sir Hari Singh Gour: These are the figures which I asked the Honourable the Finance Member about the other day and he said that they were quite correct. I got these figures in England and consequently you will have to read it in pounds, not in rupees. I will pass the book on to the Honourable Member. In 1910-11 the military expenditure was gross £20 million and odd; we will say roughly speaking, and nett £19 millions. It has gone up in 1928-29 to 58 million gross and 55 million nett. That is the fact.

The Honourable Sir George Schuster: I do not know what my Honourable friend is quoting from, but I can inform him that, wherever he is quoting from, the figures must be wrong.

An Honourable Member: It must be crores.

Sir Hari Singh Gour: Yes, crores of rupees. This is an official publication. They are shown as pounds in earlier years and rupees later. Now, Honourable Members will remember that the Honourable the Finance Member has been every year speaking of the military expenditure as either 54 crores or 46 crores as he did in his latest statement the other day. Sir, we on this side of the House have always challenged the correctness of those figures. Honourable Members are aware that when the Honourable Sir George Rainy introduced his Railway Budget, he pointed out that there was a loss of no less than Rs. 3 crores on what is known as strategic railways, railways which are built and maintained for military purposes. We have a further expenditure of over Rs. 2½ crores upon the watch and ward on the frontier. Then we have a very large amount of loss due to the concessions made by the railway for transport of military supplies, and there is the loss of revenue on account of concessions given to military officers travelling on the Indian railways. On the top of it all, we have the expenditure incurred upon cantonments, upon hill stations, on the wireless, upon hospitals and roads and the Navy. The cumulative effect of it all is an increase on the revenue side of the expenditure which would, if properly calculated, come to about Rs. 65 to 70 crores, and the question is whether this country is able to bear this enormous expenditure. Mr. Layton, in his note, on page 216 says:

"An outstanding feature of this summary is the high proportion, 62½ per cent, which current expenditure on defence bears to the total expenditure of the Central Government, a higher proportion in fact than in any other country in the world."

He later on points out:-

"Security is of course essential if the production is to develop, but it cannot be claimed for expenditure on defence either that it is a mere redistribution of income or that it promotes productive efficiency. Indeed economically speaking it is a most burdensome form of expenditure and this is particularly the case."

Mark these words:

"and this is particularly the case where as in the case of India the army contains a large element drawn from elsewhere."

Sir, this is the opinion of the accredited economical adviser of the Royal Commission, and I submit that he had accepted the figures given to him by the official departments, namely, 54 crores of rupees, overlooking the very large sum of money which should be added to the military burden of this country if regard is had to the facts I have already stated. Sir, the one fact that emerges from this examination of the question of military

expenditure, is that this expenditure is out of all proportion to the expenditure of any part of the civilised Governments of the world. Immediately after the war we had an economic conference in which the India Office were represented. In that economic conference at Brussels, to which reference has already been made, the following passage occurs:

"Nearly every Government is being pressed to incur fresh expenditure largely on palliatives which aggravate the very evils against which they are directed. A country which accepts a policy of budget deficits treading the slippery path which leads to general ruin. To escape from that path no sacrifice is too great. ("Hear, hear" from Treasury Benches). The statements presented to the Conference show . . ."

Please hear, hear a little more and see what follows:

"The statements presented to the Conference show that on an average some 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments and to preparations for war. The Conference desires to affirm with the utmost emphasis that the world cannot afford this expenditure. Only by a frank policy of mutual co-operation can the nations hope to regain their old prosperity and to secure that result the whole resources of each country must be devoted to strictly productive purposes. The Conference accordingly recommends most earnestly to the Council of the League of Nations the desirability of conferring at once with the several Governments concerned with a view to securing a general and agreed reduction of the crushing burdens which on their existing scale of armaments are still imposed on the impoverished people of the world, sapping their resources and imperilling their recovery from the tragedies of war."

That, Sir, is the statement which was made with special reference to military expenditure of 20 per cent. of the revenues of the countries concerned; but what would have been the situation if the Brussels Conference had been informed of the military expenditure of the Government of India, which runs to 52½ per cent. according to Mr. Layton's note, to which I have already referred?

The Honourable Sir George Schuster: I really must interrupt the Honourable Member. 62½ per cent. represents the percentage to Central Government expenditure. I think if he reads the Report further, he will find that the percentage to total expenditure, which includes Provincial Governments—and you must remember in India the Central Government performs only a few functions—is something like 25 per cent.

Sir Hari Singh Gour: Even if you were to add to the revenues of the Central Government the revenues of the provinces, which approximately come to about as much as the revenues of the Central Government, the expenditure would be over 30 per cent. That, I submit, is in itself a grossly appalling sum for a poor country like India to spend upon her defence; and when we remember that the vast expenditure under the various heads to which I have adverted brings it to a much larger figure than the military expenditure professedly incurred by the Government of India, then I submit that we on this side of the House have a much stronger case than we had upon the statements of the Treasury Benches. Sir, if the military expenditure had been incurred upon the defence of this country, it would be lamentable but unavoidable. But what are the facts? As far back as 1917 Lord Curzon, who had special knowledge of the arcana of the Government of India, writing in his introduction to the book called "The Indian Corps in France", made the following statement:

"During the past half century the foreign campaigns in which that army (that is the Indian army) has been employed, greatly to its credit and glory, have extended from Egypt and even Ashanti on the West to China on the East and have embraced most of the intervening countries. Even before this war began it was the pride of

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the Indian Army that its British units saved Natal in the Boer war of 1899-1900, that it rescued the legations at Peking in 1900 and that on its banners were inscribed the names of hard-fought engagements in almost every part of the African and Asiatic continents. The Indian Army, in fact, has always possessed, and has been proud of possessing, a triple function: the preservation of internal peace in India itself, the defence of the Indian frontiers; and preparedness to embark at a moment's notice for Imperial service in other parts of the globe. In this third aspect India has for long been one of the most important units in the scheme of British Imperial defence, providing the British Government with a striking force always ready, of admirable efficiency, and assured valour."

And I might add with not a cost of a single cent. to the revenues of England. (Hear, hear.) That, Sir, is in a nutshell the history of the Army in India. As the *ex-Viceroy* wrote, it is maintained for Imperial purposes, and British troops in India are stationed here because India is regarded as the strategic base for the defence of England's possessions in the Middle and Far East. The troops might just as well be stationed at Aldershot as they are stationed in the various cantonments in India, and I therefore submit that I see no reason whatever—and the Members on this side of the House see no reason whatever—why the poor resources of this country should be utilised for the maintenance of this garrison here. Honourable Members are aware that when the Imperial garrison was maintained by the various colonies, which afterwards developed into self-governing Dominions of the British Commonwealth, it was not the Colonies that paid for the Imperial garrisons stationed there, but the Imperial Government, the British Government. I cannot understand why India has been made an exception to this general rule for over half a century. Imperial troops were stationed in Australia, in South Africa and in Canada at the expense of the British exchequer, and for a long period these troops remained in those Colonies even after a substantial measure of self-government had been conceded to them. I do not understand why the Government in India should not insist upon the payment by the British exchequer of the British Army maintained and stationed in India.

We have been told to face realities. The Honourable the Finance Member could not be unaware of what the realities were and are. When 12 Noon. the Act of 1919 was drafted, speakers in both Houses of Parliament pointed out that the letter of this Act of 1919 must be treated as implemented by the Report of the Joint Select Committee of Parliament, and in that Report the following passage occurs, and I wish to draw the attention of the Honourable the Finance Member to it, because while he wants us to eschew sentiments, he wants us to face realities and that is exactly what I ask him to do. The Joint Parliamentary Committee said:

"The Committee has given most careful consideration to the relations of the Secretary of State with the Government of India and through it with the Provincial Governments. In the relation of the Secretary of State with the Governor General in Council the Committee are not of opinion that any statutory change can be made so long as the Governor General remains responsible to Parliament. But in practice the conventions which now govern these relations may wisely be modified to meet fresh circumstances caused by the creation of a Legislative Assembly with a large elected majority. In the exercise of his responsibility to Parliament which he cannot delegate to any one else, the Secretary of State may reasonably consider that only in exceptional circumstances should he be called upon to intervene in matters of purely Indian interest where the Government and the legislature of India are in agreement."

Will the Honourable the Finance Member take this House into his confidence and say whether this convention as recommended by the Joint

Parliamentary Committee has been observed from 1921 down to date and how often it has not been broken in the month of September 1931? (Cheers.)

The Honourable the Finance Member, and following his lead, the Honourable Mr. Moore, whose speech greatly surprised me and those who are of my way of thinking, said that we are now budgeting for an expenditure for the next 18 months, and Mr. Moore in his speech yesterday said that in doing so the Government of India are following the precedent of the British Parliament. The Honourable Mr. Moore is a journalist; he could not have forgotten the procedure that was adopted by the British Cabinet. After formulating their proposals for additional taxation they immediately advised the King to dissolve Parliament and took the public into their confidence and asked from the public a mandate for the future taxation of the country. That is what the British Parliament did. That is the precedent of the British Parliament. We cannot follow that precedent here. Is the Honourable the Finance Member prepared to advise his colleagues that, after the publication of this Bill, the Legislative Assembly should be dissolved and a fresh election should take place? And if he were to give that advice, he knows what the result would be, and therefore we might as well take the result as an accomplished fact. If the procedure which I have idealised were to be followed, there would not be one single Member returned to this House who would support the Finance Member's Bill. That, I submit, would be closely following the precedent of the House of Commons, and I therefore submit that you cannot draw upon the analogy of the British constitution for an extremely anomalous position created by the Government of India Act.

Look at the Government of India Act itself. Some of my Honourable friends did me the honour of asking me whether in one year there can legally be two Finance Bills. Well, Sir, I have considered that question and I find that this Government of India Act is full of pit-falls. Under section 65 of the Government of India Act the Government of India are empowered to make laws for all persons and all courts and all places and things; and then we find section 67A which particularly deals with the question of supplies and it says this:

"The estimated annual expenditure and revenue of the Governor General in Council shall be laid in the form of a statement before both Chambers of the Indian legislature in each year. . . .

The proposals of the Governor General in Council for the appropriation of revenue or moneys relating to heads of expenditure not specified in the above heads shall be submitted to the vote of the Legislative Assembly in the form of demands for grants."

So far as section 67A is concerned, it lays down a self-contained procedure and that procedure is that once in each year the Government in India shall prepare an annual statement of expenditure and revenue, and so much of it as is permitted to be submitted to the vote of this House shall be submitted for its vote. I beg to submit that while it is perfectly legal for the Government of India to introduce not one but half a dozen Finance Bills in the year, the question still remains whether in the circumstances of the present case we would not be deprived of the right we possess of voting supplies in the month of March 1932 if we were to accede to the demands of the Honourable the Finance Member by giving him supplies for the next 18 months. Let me visualise for a moment the position into which we should be thrown in the month of March. According to the statement made by the Honourable the Finance Member—and I accept it—if we were to give him the supplies he wants, he will have a surplus of

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Rs. 7.70 crores for the next financial year. If in the month of March we were to reduce expenditure and there remains this surplus, we should be budgeting for a surplus which was wholly unnecessary either in the current year or in the next year. Supposing that, without having recourse to the surplus we were in a position to balance the Budget by making other retrenchments which the Honourable the Finance Member has himself foreshadowed, we should be granting him supplies in excess of the immediate requirements of the national emergency. Now then the House is put into this dilemma. You have cut down expenditure and you have not the means of cutting down the revenue, because you have already hypothecated the revenue of the next 18 months by your precipitate action in November 1931. That is the position which Honourable Members of this House would be confronted with, and I ask the Honourable the Finance Member whether he can seriously ask this side of the House to voluntarily place the Legislative Assembly in this dilemma in which it would inevitably be placed by voting supplies for the next 18 months. Sir, under the Government of India Act the Governor General in Council is entitled to levy taxes, and he levies these taxes; but under the Government of India Act he is not bound to say that the taxes shall be applied in the particular manner in which you desire that those taxes shall be applied. The proposal for appropriation must come from them, and you have to be consulted whether the appropriation is to be made or not. I remember, Sir, last year, and if I remember aright even the year before last, when the Honourable the Finance Member made his statement and taxed this country to the tune of 5 and 15 crores, respectively, he said he was budgeting for a small surplus, and he said that with the advent of reforms the provinces would be languishing for want of funds, and the surplus which he was keeping as an asset would be given to the needy provinces. Well, Sir, probably that same promise holds good as regards the surplus of the next year. But I ask the Honourable the Finance Member what guarantee is there that, with this surplus given to him in advance, the retrenchment campaign would not be relaxed? We know very well when you have got plenty of money in your pocket you do not feel inclined to do the same economies which you would do if you were hard up. That is experience of every day life, and if the Government of India were today placed in possession of a plethora of funds, I am afraid that there would be a pause to the retrenchment campaign upon which the Government of India have now embarked. I therefore suggest that the Honourable the Finance Member should seriously reconsider the position and amend his Bill so as to enable him to balance his Budget of the current year, and if he finds that more money is required, if he finds that the economies he has made and is about to make, do not give him sufficient money to balance his Budget, let him come before this House in the proper time and ask for fresh supplies upon grounds which he must then disclose. He has himself in his speech pointed out that he is still exploring the other avenues of retrenchment. This is what he has said:

"In the case of the Railways, the execution of retrenchment measures has already proceeded very far. Government are considering the other measures, and in particular the recommendation for a further Report by an expert Railway Committee on the more technical aspect of the working of the Railways is being followed up."

Then speaking under a different head on the question of Post and Telegraphs, he said this:—"Further economies are in view". As a matter of fact in the Post and Telegraphs Retrenchment Committee's Report, of

which Honourable Members have got a copy, there is a clear statement that, owing to the shortness of time, they were unable to make other recommendations of retrenchment which they would otherwise have done. I therefore submit that the position in which the Legislative Assembly today stands, speaking generally, is not very different to the position in which it found itself in the month of September when the Honourable the Finance Member introduced his Bill. In other words, we are not yet in a position to know to what extent economies have been effected, to what extent economies are possible, and to what extent economies will be effected in the next six months. But there is one alarming feature in the Honourable the Finance Member's speech. The main question on which we on this side of the House and the Honourable the Finance Member and his colleagues are at variance is economy in the military expenditure, and speaking of the military expenditure I find, Sir, that in his statement there is one alarming sentence to which I should like to draw the attention of Honourable Members of this House. He says:

"The one point which I wish to emphasise here is that military expenditure has now been reduced to a point which leaves no appreciable margin for further reduction except by the actual reduction of fighting troops."

Is this a cryptic way of stating that, so far as the composition of the British and Indian troops in this country is concerned, the Government of India are still as impotent and as powerless as they were on the recommendation of the Inchcape Committee? If the Honourable the Finance Member will turn over the pages of the debates in 1923-24, he will find that while the Government of India had recommended the reduction of white troops, the Under Secretary of State for War in the House of Commons declared that the Cabinet had overruled the Government of India because any reduction of white troops in this country would entail an additional burden upon the British taxpayer. I wish to ask once more whether the Government of India have not represented to the Home authorities that the reduction of white troops in this country is a first necessity, and now, an impelling necessity calling for immediate action? Sir, on the last occasion when I took the opportunity of speaking on behalf of these Benches, I pointed out to the Honourable the Finance Member that there must be a reduction of the white troops in this country, and if there is no reduction, the proportionate cost must be borne by the British exchequer. The Honourable the Finance Member ejaculated an interruption and said you cannot reduce the white troops in a single day. Sir, the Finance Member knows full well that this is an old cry. Since 1921, since the inception of reforms and the constitution of the first Legislative Assembly we have been pressing upon the Government of India for the Indianisation of the troops and for the reduction of the white troops. In doing so we are not impelled by any racial antagonism. Our main principle was, and that principle holds good today, that while it is confessed by the official Benches that the cost of the white troops in India is five times as much as of the Indian troops,—and I venture to submit that it is nearer to six times than five times the Indian troops,—the mere change in the composition of the white troops in India and their replacement by the Indian troops would entail economies to the extent of four-fifths if not five-sixths. I therefore submit that we are pressing not for the reduction of the fighting troops but for the replacement of the British troops by the Indian troops. By the plain rule of three, if the British Tommy costs five or six times as much as an Indian soldier and we have

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got about 63,000 white troops in this country, we shall be able to maintain an army of about 300,000 soldiers, all Indians, in this country for the same money, and nobody can ever deny that the Indian soldier has proved his worth in the battle-fields of Flanders, where you find his heroism and valour emblazoned upon the pages of this official History of the War. On every page of this book published under the authority of the India Office you will find unstinted praise of the valour and heroism of the Indian soldier. His power of leadership, which was at one time denied, has been proved in the fiery furnace of war. When the European officers were all shot dead, an ordinary subedar took up the escort and displayed a valour and courage the like of which has not been excelled in any other theatre of war. That I submit is a living example of what an Indian soldier, organised and trained, equipped and disciplined, can achieve in any theatre of war. That being the case, it is idle now to think of keeping a foreign army costing five or six times as much as an Indian army, unless the main purpose of maintaining that army in India is the Imperial purpose and not the immediate purpose of the defence of this country. Sir, it is a long history, but I wish to cut it short. In the first Assembly we had the alarming report known as the Esher Committee's Report upon the function of the Indian Army. That Committee, appointed by the British Cabinet, wanted to hook in the whole of the Indian Army as a part of the Imperial defence, and at the cost of India. We immediately protested against it, and a committee was appointed with the concurrence of the Government of India. Unanimously, with the concurrence of the Government of India, it decided that the main and primary and sole purpose of the Army in India was the defence of India. The then Commander-in-Chief took action, but after the change of Government in England and the change in the personnel of the Secretary of State, the late Lord Rawlinson came to this House and said that he was a soldier, and when he made his statement he did not really understand its full implications.

Sir, I know to what extent the Government of India have been supporting the national cause, and I equally know to what extent they are thwarted by Whitehall. The history, if it is ever disclosed, the history, if it is ever written, will be a history of constant struggle of the Government of India to fight the cause of India with Whitehall, and that I submit is the anomalous position in which the Government of India find themselves today. Even as regards this Finance Bill, if the full history were known,—and the little history that is known makes us declare with a certain amount of confidence that the Honourable the Finance Member has done his very best to serve this country honestly and faithfully and carry out those words which my Honourable friend Dr. Ziauddin Ahmad so appositely read from his first Budget speech of 1929. But what is he to do? He is all alone, and as has been pointed out, the Government of India is a subordinate Government 8,000 miles away. The policy is a policy not dictated by the Government of India, and the one cry, the one lament that we wish to give expression to is that under the Parliament Act and under the Joint Parliamentary Committee's recommendations it was the duty of all concerned to give the Government of India autonomy in their own homes and to give them the power of formulating and carrying out their policy when they were in agreement with the elected Members of the Legislative Assembly. That, Sir, was the intention of the Act of

1919. That, Sir, is the intention which has not been fulfilled, and it is idle now to ask Members on this side of the House to face the realities when you yourself are living in an atmosphere of gross unreality. I am quite sure that many Honourable Members on the Treasury Benches must be at times feeling extremely uncomfortable having to serve two masters; having at times to compromise with their official conscience. They feel for the best interests of this country, they feel that they must carry the elected Members of the Legislative Assembly with them, but then comes a cable, "Carry out our orders because you are under the direction, supervision and control of the India Office". That is an extremely anomalous position. It is an anomalous position which has been recognised by the Government of India and by all concerned who have written and spoken on the subject, but in this short stage of transition I would ask the Honourable the Finance Member to exercise his good offices to see that at least on this occasion, this exceptional occasion, the like of which has never occurred in the life of four Assemblies, he carries the Legislative Assembly with him, and that he has the courage to say to those who would thwart his will that the convention which has been laid down by the Joint Parliamentary Committee is a convention which cannot be lightly treated or dismissed as of no moment. If he does that, I am quite sure that he will find every one of us responsive and able to help him. We are not here to non-co-operate with the Government; we have come here to co-operate, and for the purpose of co-operating with you we want you also to co-operate with us, and that is all that we want. If you had done that, you would have been able to tide over this grave and great crisis; you would have balanced the Budget; you would have given the Legislative Assembly time to think; and in the month of March next you would be able to see more light than you are able to see today. I therefore strongly support the proposal made by my Honourable friend Mr. Mody in his eloquent and able speech, on which I congratulate him, that the Finance Bill should not extend to a period of 18 months.

There are two other points upon which I should like to speak before I close. The Honourable the Finance Member says in his speech that, "All parts of our plans are inter-dependent". Well, Sir, in a taxation proposal I do not see any logic of interdependence between the various parts of it. As my Honourable friend Sir George Rainy said the other day, his colleague was anxious to get whatever he can from whomsoever he could, and that being the case

The Honourable Sir George Rainy (Member for Commerce and Railways): Is the Honourable Member quoting from any public utterance of mine?

Sir Hari Singh Gour: That being the position, there is no such thing as interdependence between the various parts of the Bill. You want money; there is no logic in your measure, no science behind your demand; it is by force of sheer necessity that you are called upon to raise these taxes, and therefore you should not invest your proposals with the sanctity of logic and science and say that your proposals are all interdependent. Take what you can to balance your Budget and be happy. We are prepared to help you to that extent, but we are not prepared to fill your pockets with Rs. 8 crores, the expenditure of which we have no means of checking, and which we know full well, as we do from your past conduct before and since the reforms, you might not use wisely for the benefit of India.

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Then it has been said by the Honourable the Finance Member that Members on this side of the House have been indulging in destructive criticism. They have not made any constructive proposals. I wish I knew what it meant. How can we make any constructive proposals when you sit on that side of the House and we on this? Change places with us and then it will be time for us to make constructive proposals. This is a place sacred to destructive critics. That is a place which is the shrine of constructive proposals. (Laughter.) You cannot possibly expect people in the Opposition to make constructive proposals which they have no means of carrying out. As my friend Mr. Mody very rightly pointed out, give him a chance to prepare a Budget and he will produce a Budget which will be more acceptable to the people of this country than the Budget which you have proposed, or rather the Finance Bill that you have introduced. It is idle to talk of destructive criticisms and constructive proposals. What really matters is that, situated as we are, in the lamentable position in which we find ourselves placed, with a majority without responsibility, we are doing the best we can to assist, and we are happy to assist you because we feel that your time for departure is drawing near and it is just as well that we should part as friends. That being the position, I have given you the terms upon which we are prepared to assist. If you accept those terms, well and good. If you don't accept those terms and carry this measure over our heads, the responsibility will be yours, not ours. (Applause.)

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

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

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, the time with which we have to deal has got very serious and grave aspects, and we cannot light-heartedly treat the situation, and neither can we stop the financial improvement of the country by an appeal to mere sentiments at this time. We know that the collapse of the currency, which came about in certain countries, had been the result of not balancing their Budgets and the primary duty of every Government and of every responsible person in the country is to see that the Budget is properly balanced, without which the credit of the country cannot stand. We have to see how far we can balance the Budget, and what is the best way in which it ought to be balanced. For one thing, the grave aspects of the situation which had been revealed by the Honourable the Finance Member in his speech at Simla when introducing the Finance Bill took everybody by surprise. Of course we all expected that the financial condition was going to be serious, but we did not think that it was so bad as it was revealed on that day. One thing we saw was that, last March, when the Budget proposals came before this House and taxation was increased and a great deal of increment was proposed in the rates of income-tax, in spite of that we found there was a loss of a crore and a quarter in the income-tax alone, which shows that the trade depression was so extensive and the income of non-officials had gone down so tremendously

below their previous incomes that that could not but be the case. In spite of the increase in the income-tax, the returns of collections came to a crore and a quarter below expectations, which shows really that this decrease in incomes, coupled with the increase in the income-tax rates, explained the loss of income of private individuals.

The Honourable Sir George Schuster: The decrease of $1\frac{1}{2}$ crores is below the estimate of the income-tax, with the increase: we have not lost both the increase, and $1\frac{1}{2}$ crores on the top of that.

Mr. Muhammad Yamin Khan: I was saying that there was an estimate that so much would be the receipt from the income-tax by putting on the increased taxation; so that increased income, which came in compared with the last year into the treasury, and this $1\frac{1}{2}$ crores which was expected to be realized but which was not fulfilled has all been due to the loss of income of private individuals. The Government Members have not been touched at all in this respect, and in spite of whatever they have contributed as increased taxation, there has been a decrease of a crore and a quarter. The diminished returns of income-tax are the index and the net result of the decrease in the income of non-officials.

Now, Sir, when we find this serious situation, and when we find in one passage of the Explanatory Memorandum of the Honourable the Finance Member wherein he says that the net deterioration of 10 crores in the customs revenue in the current year is due to the prevailing trade depression and the reduced purchasing power of the people, and when he distributes that in the following paragraph, all this shows that he admits one fundamental principle, viz., that the purchasing power of the people has gone down far below what was assumed, and the trade depression is only due to this factor that the people cannot purchase the commodities which they have hitherto been accustomed to purchase. This shows that India as a whole has been losing its purchasing power to a great extent. Now, curiously enough, the policy which is being adopted at present is further taxation on all goods. Now if a man's purchasing power has been reduced from one rupee to eight annas, and he cannot purchase an article which he used formerly to purchase with a rupee, if you tax that article again and it costs now Rs. 1-4-0, how can that person be expected to purchase this article when an enhanced customs duty is levied on it? This is the crux of the situation. Now if this policy of increasing taxation in the shape of customs and of increasing income-tax is followed for this year and for the next year, I do not know where the country will be standing and what will be the real gain which will come. To take an illustration from the taxation imposed last session. The net result for instance of an increase in the duty on spirits and liquors has been an absolute loss of income of 70 lakhs. That is shown therefore as a minus. Now spirits and liquors are things which are not consumed by the poor people but by the richer classes who can afford to indulge in that luxury. Well, if these richer classes of people could not purchase their spirits and liquors to the extent assumed in the Budget, and which has therefore brought a loss of 70 lakhs of rupees to the Government treasury, then we can understand that this had been solely due to the increased taxation resulting in decreased consumption. The same is the position as regards sugar, tobacco, minerals, motor cars and cycles. Well, all this had been the net result of the unsound increases of taxation, because the essential fact is that people have not got the money. If you put on a higher price, then a man thinks twice whether he should purchase the same amount or

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whether he should satisfy himself with half the quantity. I have been talking to a friend, Sir, and he told me that the result of the Government proposal to increase the duty on whisky is that he used to consume 6 bottles a month, and now he will do with 3 bottles a month. Now, if he consumes only 3 bottles a month instead of 6 bottles, although the Government increase the duty by 25 per cent., the net amount they will get will be less. They won't get 25 per cent. over the 6 bottles. This is the result in the case of each commodity which is proposed to be taxed.

Another thing, Sir. I am acquainted with my provinces, but not so much with conditions in other provinces. In my own province we zamindars have been so hard hit that our purchasing power has gone down not merely by 50 per cent. but more. We have lost about 85 per cent. of our purchasing power. The Government of the United Provinces, as a result, passed orders that the tenants were to pay the same rent which they used to pay in 1901, that is, 30 years ago. If a zamindar realises the same rent which he used to realise 30 years ago, and his expenditure remains the same as it was in 1930, certainly his purchasing power comes to zero. In spite of this, the reduction which is proposed in the land revenue is very nominal. While we have to forego Rs. 5½ crores in rent, we are given relief only to the extent of Rs. 73 lakhs in land revenue. This shows that the richer classes have nothing to purchase with in the next 10 months and Government cannot expect those people who can afford to pay for their luxuries to indulge in their luxuries in the next 16 months. The tenantry is asked to pay only 50 per cent. of their rent. That reveals their condition. It shows that the tenant has got no money to pay at the present moment and he is not likely to get any in the near future. Therefore he is asked to pay only 50 per cent. of his rent. So their purchasing power also is gone. So, 80 per cent. of the Indian population has lost all its purchasing power. They cannot purchase articles even at their present prices. So, all the increases proposed by the Honourable the Finance Member, instead of bringing in enhanced revenue, will tend to decrease the customs receipts, and the net result will be that, instead of getting 25 per cent., they will lose 50 per cent. That is the state of the country. If we simply make up our programme on paper we will be deceiving ourselves. We must go by hard facts. We should not expect a man who cannot spend a penny to spend a rupee. These hypothetical figures, which have been brought before us, are based on the assumption that the people will go on purchasing the same quantity which they had been purchasing in the last year with reduced prices. I am afraid this will not be the case. We know that 85 per cent. of the population who are entirely dependent upon agriculture have lost more than 50 per cent. of their income. Is there any justification for keeping up the same expenditure which we have at present? If we can revert to our income of 1901, why can't we revert to our expenditure of 1901? If the Government used to pay in those days

Mr. President (Referring to an Honourable Member who was reading a newspaper in the Chamber) Order, order, newspapers are not allowed to be read in the House.

Mr. Muhammad Yamin Khan: If the salaries were paid by grades in 1901, is there any justification why, for these 18 months, we should go on paying by time-scale, and why the increments which have been given

should continue? We have been asked by the United Provinces Government to be patriotic and be satisfied with what we used to get in 1901. My answer is this. We are quite satisfied to get this, provided the Government side is also prepared to accept the same salaries which they used to get in 1901. We are quite prepared to be content if the whole expenditure and income reverts to what it was in 1901.

The Honourable Sir George Rainy: May I say I have not the least objection to accepting the income of 1901.

Mr. Muhammad Yamin Khan: My Honourable friend has been really very patriotic when he voluntarily surrendered 15 per cent. of his salary

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): I hope it includes the Lee concessions also.

Mr. Muhammad Yamin Khan: I have not the least hesitation and I congratulate the Honourable Members of Government for having voluntarily surrendered a portion of their salary. But I find a great deal of grumbling in other quarters. I find that people are not even willing to have a 10 per cent. cut in their salaries, and the Government have not accepted the very moderate suggestion which was made by the main Retrenchment Committee unanimously, and which was not going to be hard on the poorer people. We had given the benefit of the lower pay to everybody. If a man getting Rs. 30 had to give up half an anna in the rupee, the man getting Rs. 100 would get the benefit of this. He will pay half an anna only on the first Rs. 30 and one anna on the remaining Rs. 70. The graded scale of cut, which had been accepted unanimously by the Retrenchment Committee, would not have meant a great hardship. It might have meant a little hardship to men drawing over and above Rs. 3,000 for the portion which constituted his salary over the Rs. 3,000. But this has not been accepted, and it is suggested that the 10 per cent. cut should include the enhancement in the income-tax. May I ask, Sir, in all seriousness, where is the responsibility being shown by the Government? Is it the responsibility which is an example for the other people to bear cheerfully their reduced circumstances? The example must come from the people who preach. When we have lost 50 per cent. of our income and when we are paying taxes on this reduced 50 per cent. which we have got, we find that the Government are not willing even to allow the Government officials' pay to be reduced below 10 per cent., not even to accept 10 per cent., because the contributions which they will make in the shape of income-tax are to be borne by everybody, official or non-official alike. By calculation we have found that in some cases the cut comes only to 5 per cent. and if the retrenchment in the case of people who live in luxury is only 5 per cent., is it right and proper to convince or try to argue with the poorer classes that they should be satisfied with their lot and should be satisfied with purchasing their necessities at double the cost at which they are purchasing them today? I am convinced that the reduction in the prices has not very materially affected the richer classes. They have not gained so much; perhaps they have gained about 2 or 3 per cent. in their daily expenses, while it has given good benefit to the poorer classes. A man who used to get Rs. 20 a month, could quite easily live on Rs. 10 a month. His present salary of Rs. 10 will be the same as the Rs. 20 two years ago. I quite see that, Sir. But we have to remember that that man was living

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barely from hand to mouth; he had the barest, simplest, necessities of life. The richer classes are not living from hand to mouth. They have got their luxuries, and when they are not prepared to give up their luxuries, how can they expect men who used to get Rs. 15 or 20 formerly, and who get about Rs. 25 or 30 now, and who have accustomed themselves to that way of living to give up a part of their earnings? That is very unconvincing and it will be very difficult for any Honourable Member of this House to try to convince his constituency on this ground. A certain association came before the Posts and Telegraphs Retrenchment Committee, and their spokesmen said that they were not willing to give up a portion of their salaries unless and until the allowances of the higher officials were cut. We tried to argue with them and convince them that the Lee concessions were not allowances, and afterwards their representative was convinced that they were not allowances. These people could not see their way to accept any retrenchment in their salaries before the pay of the higher officials was reduced, and they did not see any justification for those high salaries. The spokesman said: "I have earned my salary; this is mere allowance and they have not earned it. Why should it not be cut first before you touch my salary." We argued at great length and convinced them, and they were ready to forego a portion, provided everybody did the same proportionately. The Secretary of State for India sent this message which has been quoted by my Honourable friend the Finance Member:

"Further, in regard to officers protected by the Government of India Act or in regard to whom the Secretary of State has himself to make rules, I am authorised to say that His Majesty's Government are satisfied that a financial necessity exists, amounting to a national emergency, which requires that a reduction should be made in pay and that His Majesty's Government have undertaken to introduce legislation in Parliament at the first practicable opportunity. The legislation would be of an emergency character and would authorise the Secretary of State in Council to reduce the salaries of officers protected under the Government of India Act for a limited period and subject to a maximum of 10 per cent. which would be inclusive of the enhancement of income-tax contained in my present financial proposal and subject to a discretionary power for the Secretary of State in Council to make exceptions in case of hardships."

I think, Sir, that when he was dealing with the class of people over whom the Government of India have got proper control and for whom they can make rules, he was acting as the true follower of Mr. Ramsay MacDonald; but, Sir, when he was dealing with the people about whom he had not authority, he was not acting in the spirit of a Conservative Secretary of State or the follower of Mr. Baldwin, but he was showing the spirit of Mr. Henderson, and he was acting as a Labourite who was not willing to part with his portion of salary and he wanted that this class should live on the savings or the Provident Fund of the nation. This spirit looks very bad and he did not realise that it would create a very bad political atmosphere in India. People who would be cheerfully willing to help the Government would be criticised not for the fault of the Government of India but for the reactionary use of the powers vested in the Secretary of State. The protection which is given to a certain class of officials on account of the powers vested in the Secretary of State creates discontent not only among the people employed under the Government of India and under the orders of the Government of India, but also in the whole country. I have to ask Honourable friends near me whether they have got the same income this year which they used to

have two years ago. None of them can say that he has lost only 10 per cent. Probably they have been hit more hard than most of us have been. Their commerce has been at a standstill. They have not got the same income. They have been cheerful, but in spite of their bearing this burden, why should the burden not be borne by the authorities who have got the destinies of the country under their control? None of us would be unwilling to allow any taxation which the national emergency will require. We have never hesitated and we will never hesitate, provided we find that the same spirit to meet the national emergency is shown by that portion of the Legislature and that body which really controls the destinies of India. Non-official Members are willing to vote, but they want that the same sacrifice should come from the other side also. As for myself, I would unhesitatingly bear any responsibility which might come to me and would give my vote in favour of any taxation if I found that there was a necessity. I will never grudge that, because it is our primary duty when we have come into this House to see that we should not ruin our country or our country's credit. But at the same time we have to see that the Government which is the better half of the Legislature (Laughter) . . .

An Honourable Member: The fatter half you mean?

Mr. Muhammad Yamin Khan: . . . also bears that burden according to the proportion that we have been bearing. The policy of further taxation is, I think, suicidal, and this glass, if it is not broken already, is going to break on the stone very soon. You cannot keep up these high prices very long. This will stop the whole trade of the country and everybody will suffer: nobody is willing to purchase—they have got no means to purchase; and you are reducing the purchasing power by taxation still further. Increased income-tax will bring less to your coffers in the shape of less receipts in customs duties. A man cannot pay more than what he has got in his pocket, and if you reduce his purchasing power you cannot expect that the country will continue to purchase as before.

There was only one class which was not hit hard up till now and it is not going to be hit up till the first of December; and that is the protected class of the Government officials. Everybody else has lost; but when you are going to decrease their income also in this shape, then this thing will never continue. What I apprehend is this: whatever figures have been shown as receipts will not be realised. You will never get the income which has been shown, and therefore I say this is the time when the policy ought to be changed by the Government in the shape of a further retrenchment. When we sat in the Retrenchment Committee we never knew that there was going to be a deficit of the magnitude which has since been revealed to us. We never knew that this was the condition. It was known to us after the reports had been submitted. If it had come to the knowledge of the Retrenchment Committees that this was the state of affairs and that things were so serious, probably the Committees would have thought twice before submitting the reports they have submitted: they would have devised other measures of retrenchment. I think we should see that everybody from the official side comes forward to follow the very good example which has been set by His Excellency the Viceroy and the Members of his Council; they should part with so much of their salaries as would properly balance the Budget. (Laughter.)

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I find that in 1929 the expenditure was Rs. 132 odd crores, and the revenues were Rs. 1,32,69,00,000; and we had a surplus of Rs. 27 lakhs. Now in 1931-32 it is proposed that the expenditure should be Rs. 136 crores 94 lakhs or Rs. 137 crores nearly. That means an increase of Rs. 4½ crores since 1929, that is, since two years ago. How does this increased expenditure come about? Why cannot it be reduced at once, we cannot understand. It is explained that there have been certain extraordinary items of expenditure. Certainly there have been; but Rs. 5 crores is a big sum to spend within two years' time. If the Finance Member had made a ten per cent. cut in that expenditure all through, we would have had a reduction at present of Rs. 13½ crores

The Honourable Sir George Schuster: Is my Honourable friend suggesting that we should take ten per cent off the interest we pay on Government securities? The 136 crores to which he is alluding includes interest paid by railways and on Government advances and to the holders of our own Government securities. I suggest to my Honourable friend that, if he is going to compare expenditure, he should confine his remarks to the actual administrative expenditure of the Government of which I have given very full and accurate particulars.

Mr. Muhammad Yamin Khan: I am thankful to the Honourable Member. Of course I did not have the Explanatory Memorandum in which these figures are given. Of course the interest charges are included, which the Government are getting in the shape of income and paying out in the shape of expenditure also. But what I believe is that the income may come in the shape of interest, but if it is to be debited to interest on loans, that cannot be decreased. I would much rather like that my Honourable friend may just quote to me how much are the interest charges; when we exclude interest charges which we have to pay on account of loans, I suppose they may come to something like 2 or 6 crores: then I put down the safe figure at Rs. 6 crores

The Honourable Sir George Schuster: It is more like Rs. 30 crores for the railways alone.

Mr. Muhammad Yamin Khan: If they come to something like Rs. 30 crores, then we have left Rs. 107 crores, and ten per cent. of that means a reduction of Rs. 10·7 crores

The Honourable Sir George Schuster: I would ask my Honourable friend not to try and make calculations on the floor of the House. I have provided him with very detailed explanatory figures showing exactly what the Government's real administrative expenditure is. I suggest that my Honourable friend might take advantage of the information that has been supplied.

Mr. Muhammad Yamin Khan: I am very thankful. I am not such a great expert in financial figures. (Laughter.) I admit it; but as a layman I can see that by putting down even so much, I do expect at least something like Rs. 10½ crores, which could have been easily saved by a reduction of 10 per cent. But what I find is actually only Rs. 8½ crores. That is going far below the expectation of even 10 per cent. all through in all

departments; and I say even if this reduction of 10 per cent. is not sufficient, it should be further increased. This is a time of national emergency. What I fear is this. Even if we vote for all the revenue that has been proposed, we will find at the close of the next year that the Budget will not be balanced and that is my fear.

I think there are two ways of meeting this grave situation. One is by further taxation, and another is by the reduction in expenditure. We know that by further taxation we cannot bring in that revenue which we expect. Therefore, the other remedy which we have got is only further retrenchment in expenditure without which we cannot do, and if the cut is for only 16 months, everybody can cheerfully bear it by foregoing some of his luxuries, because as a friend told me, he was spending nearly Rs. 250 a month on his beautiful garden, but on account of reduction in his salary, he is going to cut down the luxury of maintaining a beautiful garden and he will not spend so much on it in future. Of course, it may be a luxury to him, and he will in future keep up a smaller garden; he will not have beautiful palm trees, but he will be quite content with grass and lawns in the house. Similarly, I cited the example of a man who wanted to curtail his expenditure on whisky from 6 to 3 bottles only. You are not paying your Government servants so much as they need, and by these taxes and other things you are taking away from them nearly 25 per cent. from their income and depriving them of some of their daily necessities. Now they are being hoodwinked in this way. Here you pay them a certain salary, while with the other hand you take away from them money in several ways and their income is reduced by nearly 25 per cent. So I think this policy cannot continue for very long, and serious thought has to be given to this matter.

Now, there is a suggestion in regard to the Posts and Telegraphs Department that the enhancement of the duty on postcards and envelopes would bring in an increased income to the Government. Even in the last Delhi Session there were Honourable Members in this House who were demanding that the rate of postcards should be reduced from two pice to one pice; there was a strong section in this House which was wanting the reduction of the price of the postcard, but now when the price of the postcard is going to be enhanced, I am sure there will be very little support to this part of the duty, because tradesmen will find that they will not be able to carry on their business by paying so much enhanced duty on postcards, with the result that the enhancement will mean instead of an increase in the income an appreciable reduction in the income of Government. Most people who are accustomed to write letters, will resort to postcards in future, with the result that the income of the Government from this source will never be more. The anticipations of Government in this matter can never be realised and I am sure that the enhancement of the duty on postcard and envelopes will not be supported by any Honourable Member on this side of the House.

There is one point to which my friend, Mr. Mody, alluded in the course of his speech this morning, and I feel I must give him a reply. Of course, though his attack was directed against the Government, it was not really so, but it was an attack on the Sub-Committee on Posts and Telegraphs, of which I had the honour to be a member. The Posts and Telegraphs Retrenchment Committee suggested that there should be retrenchment in the salaries of all employees, even of those who are getting Rs. 30 and

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less. It was not Government which made that suggestion, but it was suggested by the Posts and Telegraphs Committee, the Chairman of which is a dear and near friend of my Honourable friend, Mr. Mody, I mean Sir Cowasji Jehangir. Now, Sir, the position was this, that out of 11 crores, which is the expenditure on the Posts and Telegraphs Department, we found that 8 crores were spent on salaries; out of the 8 crores, 50 lakhs were spent on the salaries of gazetted officers alone, and $7\frac{1}{2}$ crores were for the establishment. When we had a deficit of 1 crore 47 lakhs, even if we had recommended the dismissal of all the gazetted officers, we could have saved only 50 lakhs, and we could never have balanced the Budget. . .

Mr. H. P. Mody: How many people have you under Rs. 40?

Mr. Muhammad Yamin Khan: The postmen, who form the majority of the postal establishment, are all under Rs. 40; they get from 3 P.M. Rs. 18 to Rs. 38. We were very reluctant to touch them, but we could not avoid touching them. (*An Honourable Member:* "Reconsider your decision now.") We cannot reconsider the question now. The suggestion which has been made of cutting only Rs. 3-2-0 per cent. from their salary, that is 2 pice in a rupee, means that a man getting Rs. 30 will have to forego 15 annas from his pay. May I ask my friend if he can contend that the man has not gained by the reduction in prices in his daily necessities by more than 15 annas?

Mr. H. P. Mody: Probably he has more people to support now.

Mr. Muhammad Yamin Khan: He might have produced another child, I do not know. Anyhow, after careful consideration, it was found that the man who is getting a smaller salary had gained immensely by the fall in prices, and there is no justification, when we ask the higher paid people to give up a portion from their income, in stating that we should not ask these lower paid people in this national emergency to contribute a little from their income. We know that many of their kith and kin in the villages are starving; their brethren who were getting Rs. 30, are not getting even Rs. 12 now, and most of them probably have been thrown out of employment, while the postmen are at least in their jobs. Therefore, should they not be ready to bear up the burden which is expected of them in these stringent times? If these people had not been touched, then the substantive reduction which has been proposed by the Committee could never have been achieved. If the Committee had confined its task only to 50 lakhs, probably they would have saved at the most about 10 lakhs, but 10 lakhs in a deficit of 147 lakhs was nothing. We wanted to balance the Posts and Telegraphs Budget; we wanted that the receipts should be the same as the expenditure. There was the increase given to the men only two or three years ago under exceptional circumstances, and so considering all sides of the question, we had to touch the pockets of the postal peons as well. We were of course, I must confess, very reluctant to touch the pockets of these lower paid men; we had to go into minutest details and deliberate for days and days before coming to definite conclusions. It is not the fault of the Government in suggesting a cut in the postal peon's salary. Whatever fault there might be must be put down to the Posts and Telegraphs Committee, and I am ready to share a part of the blame, if there is any blame at all. With these few remarks, I think I will have to vote on those items where we find

them to be unjust, against the Government, but on many others we might find ourselves in support of the Government. Sir, I support the motion for consideration.

The Honourable Sir George Rainy: Your distinguished colleague, Mr. President, the Speaker of the British House of Commons, if Reuter is to be believed, took the opportunity of his re-election, when he was entitled to address the House on general matters, to express a decided opinion in favour of short speeches. He said, I understand, that the best speeches he had heard sometimes lasted for not more than 20 minutes. I cannot promise one of the best speeches, but I think I can promise the House that I shall not exceed the limit fixed. That, of course, closes to me the avenues into certain attractive meadows. I cannot for example follow my Honourable friend, Dr. Ziauddin Ahmad, into what is perhaps a thorny jungle rather than a meadow,—the problem of exchange and currency. He made a gallant, I might almost say heroic, attempt yesterday to explain to the House all its intricacies and how exactly it bore upon the Finance Bill. But I am afraid that his success was not on a par with the energy he threw into the subject. They are indeed very difficult—these questions

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): May I just say one word, that we are given only one chance in the year to express our grievances, whereas Members on the Treasury Benches can speak on a number of occasions.

The Honourable Sir George Rainy: I am only expressing my sympathy with the Honourable Member,—a sympathy which I have no doubt is felt by all Members in this House—that perhaps he did not entirely succeed in making these difficult matters plain to us. (*An Honourable Member:* “He had to abruptly close his speech.”)

There are one or two matters, Mr. President, which I will touch upon only briefly. The Honourable Mr. Chetty at the outset of this debate gave us a rather alarming set of figures as to the enormous sums taken from the pockets of the people during the course of the last two or three years by means of extra taxation,—Rs. 5 crores in one year, 15 crores in another year, working up to a total of, I think he said, Rs. 35 or 40 crores. But when these figures are mentioned, it is always well to remember that it is because we have not been able to get those sums from the pockets of the people that we are having to propose higher taxation now. It is quite true that, if things had been quite different the rates of taxation imposed might have given us those figures, but the emergency arises from the fact that, circumstances being what they are, these sums have not been taken, and cannot be taken, at the old rates of taxation from the people of India. I think that is a fact which we ought to bear in mind.

Another point which has been mentioned by a number of speakers in the course of the debate, including my Honourable friend, Mr. Mody, was the intolerable burden of taxation—the favourite phrase used I think was that the people were being “taxed out of existence”. Now, I wondered when my Honourable friend was speaking, which people and what taxes he had in view. I think he laid the greatest stress upon those who at present pay income-tax. Well, Sir, when a tax is laid upon people, because they have incomes and in proportion to the incomes they possess, surely, it is very difficult to say they are being taxed out of existence. He objected

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also to the extension of the tax downwards—he was, indeed, reasonably impartial in his dislike of Government proposals—he disliked the extension downwards of the income-tax to the lower limit of Rs. 1,000 a year. But even in that case, if a man's income is Rs. 1,000 a year and if he is paying less than 2 per cent. or about 2 per cent. on that income, it is difficult even in that case to say that he has been taxed out of existence. And then I wondered, Mr. President, whether I had not been wrong, and whether perhaps my Honourable friend was thinking of some other class of taxpayers, perhaps, those who buy cotton cloth. I do not know whether it was these he had chiefly in view when he talked of people being taxed out of existence. Mr. President, I frankly admit that it is a heavy burden of taxation that we are asking the House to impose. But do we gain anything by over-stating the case and by exaggerating the weight of the burden? Honestly I do not think that we do, and I suggest that the matter is one which deserves to be discussed without over-statements of that sort.

Now, Mr. President, I come to a point on which I should like to speak a little more fully. Great exception has been taken to the plan adopted in this Bill by which the scheme of taxation is to last for a period of 18 months. Of course, so far as customs duties are concerned, the period of 18 months does not apply. We have followed the ordinary practice by which customs duties—apart from the protective duties which are always dealt with specially—are imposed for an indefinite period. For obvious reasons this is the plan which must necessarily be followed, for if the whole customs tariff were liable to revision automatically every year, the complete uncertainty which would exist for about three months before the annual Budget would be equally disastrous to the revenues of Government and to the possibility of carrying on trade. But, Sir, we are departing so far as the other sources of revenue are concerned from what has been, since the introduction of the reforms, the practice in India; that is to say, it has been the custom to prescribe annually in the Finance Bill the rates of income-tax, of salt-tax, and the postal rates. On this occasion we propose that they should remain in force for a period of 18 months, that is, up to 31st March 1933. It has been suggested that in some way this is a gross constitutional impropriety. I do not want to go into that fully, for time does not admit of it. But I should like, if I may, to draw the attention of the House to paragraph 428 of Volume I of the Simon Commission's Report and to paragraph 160 of the second volume. I may perhaps read to the House what is said in the latter passage:

"It has been a general practice in India to vote annually all the principal taxes except under customs duties. This appears to have originated in a desire on the part of the Assembly to follow the practice of the British Parliament whereby one direct and one indirect tax has been voted annually. It is enough to say that the reasons which led to this practice in the British Parliament do not appear to have any application to India, and while we do not make any specific recommendation on the point, there would seem to be no constitutional reason why there should be an annual Finance Bill when there are no changes in taxation."

That I think disposes of the question of constitutional propriety. But I think the really important aspect of the matter is not formal or constitutional or legal, but one that is extremely practical. What was the situation with which the Government of India were faced in the middle of this financial year? We made a great effort last March to

present a Budget that was really balanced, but we found after a few months that our expectations had been disappointed and we felt and still feel that it was necessary to grapple with the emergency at once, and that it was impossible to wait until the ordinary time of the year, the month of March next. One of the principal objects which we had was certainly this—to inspire confidence in the world generally that the Government of India and the Legislature of India were ready to grapple with the whole situation and that they were determined to balance the Budget. Now if we had introduced a Bill imposing these taxes for six months only, I think the general impression received in commercial and financial circles would have been that the Government of India had completely underrated the emergency, and that they did not appreciate the grave position which they had to face. That being so, they would think twice before they risked their money so far as the Government of India are concerned. That is the practical aspect of the matter. The rate at which India can borrow, the prospects of our being able to resume the economic development of the country, whether by means of railways or irrigation or anything else, depend fundamentally on the opinion which the commercial and financial world hold about our solvency and our determination to deal with the economic crisis on its merits. I do most emphatically say that if we had refrained from dealing with the whole position on the basis that we had to balance the Budget for the whole period of 18 months then we should not have been doing justice to the necessities of the position and should justly have merited the censure of this House. So much for that.

I had intended also to say something about what fell from my Honourable friend, Mr. Mody, about the cut in pay in the railways and in the Posts and Telegraphs Departments, but my Honourable friend, Mr. Yamin Khan, has to a large extent relieved me of that duty. It is quite true, as he said, that so far as the lower ranks of the service in these departments are concerned, we have followed exactly the recommendations of the Retrenchment Committees. The reason why we felt it necessary to do so is the reason that he gave. These commercial departments have to pay their way. A very large proportion of their expenditure is on salaries and unless the cut in pay extends right down the scale, it is impossible to make the economies required. My Honourable friend, Mr. Chetty, suggested that, unlike other people, Government were often in a position to avoid the necessity for retrenchment by having recourse to taxation. Whatever may be true of Government as a whole, it is not true of the Railway and the Postal and Telegraph Departments. We have to cut our coat according to our cloth, and the possibility of obtaining more cloth at a time like this is strictly limited. It is true we can raise rates and fares, but then we have to consider whether in fact an increase in rates and fares will give us the extra revenue. I think I need not develop this point further, because there are in the House members of both these Retrenchment Committees who are perfectly capable of dealing with the point, should it again recur.

I have listened with interest to what has fallen from several Members by way of objection to the taxes which the Government have proposed in this Bill. As usually happens these criticisms are not always entirely unanimous. My friend, Mr. Yamin Khan, for example, objected most to the increase in the customs duties, but the other speakers, so far

[Sir George Rainy.]

as I have followed them, did not seem to have any particular objection to the surcharge on the customs duties. I do not propose at this stage to go into these matters in detail because, as Mr. Mody pointed out, there will be opportunities later, if the House passes the motion that the Bill be taken into consideration, to deal with the matter more fully.

My Honourable friend, Mr. Mody, made a sporting offer to the Finance Member that, if he would only put the responsibility in his hands, he and his friends would put up a perfectly balanced Budget without any obnoxious taxes. I was glad to find my Honourable friend so confident of what could be done, but I became a little doubtful when he said that he did not think he could bring himself to cut the pay of the lower paid establishments, because he was thereby denying himself access to a very large field in which economy is practicable. But even apart from that, I doubt whether my Honourable friend, the Finance Member, will have the courage to accept the offer which has been made. My Honourable friend, Mr. Mody, seemed to think that in the course of the next six months or 12 months or 18 months there might be some great, and I presume some very favourable change in the circumstances with which we are faced to-day. Naturally we should be very glad if that were so, but frankly to frame our plans on the basis that something may turn up is not perhaps the best basis for dealing with a national emergency, and I do not know that anybody would select Mr. Micawber, who was the historic person always waiting for something to turn up, as Chancellor of the Exchequer.

Before I sit down there is one more point to which I must briefly refer. My Honourable friend, Mr. Moore, yesterday, in replying to part of what fell from my Honourable friend, Mr. Chetty, said that he had been listening anxiously and hoping for light, light as to how the crisis was to be dealt with, if the plans of the Government were open to insuperable objection. So far as I could gather, my Honourable friend did not get that light, but I thought he was a little less than just to my Honourable friend, Mr. Chetty, for towards the end of his speech the light at last dawned—not the most brilliant of illuminants perhaps, for kerosene, in spite of its many merits does not for light-giving purposes compete with electricity. (Laughter.) My Honourable friend had in mind, no doubt, the old epigram *ex luce lucellum*, “a little profit from a little light”. But, if he had reflected for a moment, he might have remembered that in the case of the match tax in England about which that epigram was made, what finally emerged from the light was not profit but what is more commonly associated with light, namely, a great deal of heat. (Laughter.) However, he seemed to think that with the aid of more retrenchment in the Army, the financial salvation of the Government of India was to be found in kerosene! Now, Mr. President, I am a little doubtful whether the way of safety is the way pointed out by the Honourable Member—more than doubtful, indeed—but still, in justice to him, I thought that his suggestion was worthy of notice.

In conclusion, Mr. President, I have only to say this. I have listened to all the speeches, so far as I have been able to, with great care and attention, and I think I have only heard one which pointed directly at the rejection of the Finance Bill. I did not observe that Members

were inclined to say that there was no emergency, or that there need be no extra taxation. Their attacks have been directed to particular aspects of the Bill, to particular taxes proposed, to the question of more retrenchment and less taxation, and so on. What we are on for the moment is the general question whether the House should agree to give consideration to this Bill: and I claim that the great majority of the speeches made have in fact been speeches in favour of that motion (Applause.)

Mr. L. V. Heathcote (Nominated Non-Official): Mr. President, yesterday in his speech, the Deputy President at an early stage of his speech drew a comparison between the private individual and the Government when each was faced with the knowledge that he was living beyond his income. In the case of the private individual, the Deputy President would have us believe that there is only one alternative and that is to reduce his expenditure, whereas the Government are in a more fortunate position, in that not only can they reduce their expenditure but they can increase their income. The lesson that the Deputy President would have us draw from what he said is, as everyone will agree, particularly those on my right, a very sound one: we do wish the Government to reduce their expenditure even if they have to increase their income, but actually the argument which he used is not entirely a correct one, because, if the private individual works harder, in ninety-nine cases out of a hundred he can increase his income. On the other hand, the Government cannot force the country into working harder and producing more, either in goods or services, whereby to pay for increased imports and therefore increased customs revenue.

We were assured by the Honourable Mr. Chetty that no one was more anxious that the credit of India should be maintained than the Indian; and although I think he might have allowed us to share with the Indian his anxiety that India's credit should be maintained, if everyone here will realize that that is the point, that that is the question, which we are here now to consider, there can only be one answer to the motion which is now before the House.

The Deputy President asked why the Government should budget for 18 months,—and he has had his answer from the Honourable the Leader of the House. The Honourable Sir Hari Singh Gour also asked the same question and he twitted Mr. Arthur Moore with not having been entirely accurate in what he said yesterday in regard to the methods which the British Government had adopted to meet a similar set of circumstances. Whether the British Government actually put forward to the House of Parliament a Budget for 18 months, I personally cannot just now remember, but whether they did or whether they did not, I venture to say that Sir Hari Singh Gour was also somewhat incorrect. He told us that when they were faced with this crisis, they immediately went to the country, asked the country to give them their confidence, to allow them to come back and to set their house in order. Actually, before they did that, they imposed several very heavy taxes in much the same way as this Government are now imposing taxes before the Budget is produced next year in the ordinary way.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): But is the Government here, after introducing this taxation, prepared to go to the country just as the British Government did?

Mr. L. V. Heathcote: That is a hypothetical question, I think. The crux of the matter is that India's credit must be maintained at all costs, and that an emergency has arisen, or did arise and was realized last September, and no one can deny that the Government have been quick to realize the position and to take this House into their confidence, to tell them the position before they got to next March to realize what it was. Steps have been taken both in regard to retrenchment and by the introduction of additional taxation. As for retrenchment, it must be the general view of the House that a retrenchment of the civil expenditure which goes to the extent of over 17 per cent. cannot be regarded as anything but very severe, and although I do not for a moment suggest that there is no scope for further retrenchment—I am sure there is—equally, there are some directions in which I think the retrenchment which we have in view is too much; particularly have I in mind the retrenchment in the Department of Income-tax administration and collection. Sir, we can risk nothing in that Department in order to improve the percentage of collections of the tax which is due. It is not for me to say whether the particular people whose posts are to be done away with are doing their work, or whether they have work to do, but what I am perfectly certain is that the money which the Government now propose to withdraw from the administration in that sphere could be very well spent with the certainty of collecting a hundred times that amount in revenue (Hear, hear).

We have heard a great deal about the retrenchment which is yet to be made in the Military Budget. My own idea is that we have gone beyond the stage now of merely calling for retrenchment. We must be rather more specific in our recommendations. My Honourable friend, Mr. Moore, referred to his plea which he has put forward for one or two or perhaps more years in succession, and that is, for reduction of the land forces and their substitution by increased aircraft forces. As far as I know, we have had no reply to that plea. Perhaps it is a foolish one. But unless we are told that it is so and we are told why it is so, that plea will come forward every year until perhaps something may be done, and I have no doubt that those non-officials who are more acquainted with the Army than I am, will also be able to put forward other suggestions whereby a reduction in the expenditure may be made—substitution possibly of the ordinary Army by military police. It is not possible for me to say whether this is a sound suggestion or otherwise. Those who are better acquainted with Army matters can follow it up if there is anything in it.

My Honourable friend, Mr. Mody, referred to the fact that the Inchcape Committee said that it should be possible, before many years were over, to run the Army for 50 crores or perhaps even less if there was a reduction in prices and he told us that there had been an unexpected reduction in prices because the exchange was altered from 1s. 4d. to 1s. 6d. and this reduced the cost of all the stores and equipment which have to be imported into India for the sake of the Army.

Mr. H. P. Mody: Reduction in prices *plus* advantage in exchange. Both.

Mr. L. V. Heathcote: I am referring to the drop in exchange. I was referring particularly to the alteration in the exchange rate reducing the rupee cost of the material which has to be imported. But I think Mr. Mody has forgotten that all these materials and equipment have to pay

duty, and although I am not quite sure what the general tariff rate was in 1925 when the Inchcape Committee reported—it was probably 10 per cent.—it is now 25 per cent., and in this respect I should imagine that what those who are responsible for the cost of the Army gained in the swings they fully lost in the roundabouts.

Mr. H. P. Mody: They did not impose 25 per cent. until recently.

Sir Hari Singh Gour: Does my Honourable friend suggest that the Government stores are subject to customs duty?

Mr. L. V. Heathcote: I am stating that military stores are.

The Honourable Sir George Schuster: May I say that my Honourable friend is perfectly correct.

Mr. H. P. Mody: When did this 25 per cent. duty come into operation?

Mr. L. V. Heathcote: We are talking about the Army.

Dr. Ziauddin Ahmad: This is the invisible Budget of the Army Department.

Mr. L. V. Heathcote: There is a risk, as every one here must realise, that inasmuch as prices are now low and we all expect them to rise, the Army will be hard put to it to keep its expenditure within its Budget and that perhaps is the same answer which I would give to my Honourable friend, Mr. Mody, who asked when the increased customs duty came into effect. They budgeted for an expenditure of 46 crores before they knew what the duty was going to be.

The taxation proposals of the Government cannot be regarded as anything but arbitrary and I do not suppose that even the Honourable the Finance Member would wish to regard them as anything else. But there has been no time to study each import on its own merits and to try and adjust the rate of import duty for the one to the fullest extent that it can bear, so as to be able to relieve another which is overtaxed by the surcharge of 25 per cent. It is because the Government have not had time to consider this question we can realise that it is the emergency which has brought about this state of affairs. While for myself I cannot do anything but object in the strongest way possible to the methods of taxation which this Finance Bill introduces, there is no option but to accept it as an emergency measure and to allow it to pass into law. The various suggestions which have been made by Honourable Members on my right for other sources of taxation, unless I am mistaken, would have produced a very small amount of money and were the Government to accept these suggestions I would almost like to be here when the scramble takes place to decide which commodities ought to have taxation upon them reduced. It will be extraordinarily difficult to get any unanimity among the Honourable Members of this House as to which taxes should be reduced when the amount available for reduction is as small as the revenue which their proposals would produce.

As the Honourable the Leader of the House has just pointed out, the Honourable Mr. Chetty yesterday made a great deal of the enormous burden of taxation which has been placed upon this country during the last few years, but in his speech, with his customary fairness the Deputy President reminded us that actually, although this burden had been placed

[Mr. L. V. Heathcote.]

upon the country, the revenue from the taxation was very little, if any, greater than what it was three or four or five years ago. So his remarks on that subject seem to me more or less to balance one another out. But he failed to draw what would seem to me to be the obvious conclusion to be drawn from the state of affairs to which he drew our attention, and that is, that if with steadily increasing rates of taxation no increased revenue is being realised, it must surely be that the law of diminishing returns, which has been so often mentioned in this discussion, is beginning to work, and even if others would explain it entirely by the outside conditions which are prevailing, this law of diminishing returns, if not actually at work to-day, must be very nearly at work and should the Honourable the Finance Member find himself next March with again very much less revenue than he expected, so that he will be forced perhaps to introduce still further taxation, where will he go for it? We must suppose he will go for a further increase in income-tax and customs duties. Last Budget, I tried to lay some stress upon the necessity for broadening the basis of taxation, and the fact that these increase in rates of taxation are bringing no further revenue seems to me to bring still clearer to our notice the absolute necessity for the Government to broaden the basis of taxation. In declaring his inability to accept the 25 per cent. surcharge on the salt duty, the Deputy President told us that it was impossible to expect sentiment and politics to be absent from the speeches and discussions which take place in this House on the Government's taxation proposals. I do not suppose that that is in any way peculiar to India. In any country where taxation proposals are placed before a popular legislature there will be found sentiment and politics to oppose them, and I would be the last to suggest that sentiment and politics are not or should not be found in discussions on the Government's proposals. Let us use all the eloquence we have to tell the Government that this surcharge on salt, this reduction of the taxable limit for income-tax, is not proper taxation for the circumstances of this country. Let us do that; but having done so, let us face facts, however unpalatable they may happen to be, and when the time comes to vote, let us vote with the Government so that they may balance their Budget. Sentiment and politics, it seems to me, can only be carried to their final conclusion where there is a system of party government and where there are alternative fiscal systems, one of which is backed by one party, another by another, possibly one supporting direct taxation with light indirect taxation, the other heavy indirect taxation and light direct. In those circumstances, with party government and a Government who are responsible to the Legislature, there sentiment and politics can be carried to their final conclusion. But in India there seems to me to be no probability of any party system evolving which will support one particular fiscal system against another. In India, as far as one can judge, in anything like the reasonably near future, it will be a case always of the Government seeking to tap new sources of revenue wherever other sources can be found; and if that is the case, sentiment and politics can find no place. If broadening the basis of taxation is what is required, as I am confident it is, it must be recognised that whenever any new source of taxation is discovered, some new taxpayer is discovered, and there is bound to be an outburst of sentiment and politics when any tax is introduced to bring this new tax-payer into the fold. And what I wonder is whether, supposing the Government were

to convene a committee of Members of this House in response to a demand that the basis of taxation should be broadened, the Government could rely upon the members of that committee to keep one consideration only before them throughout their deliberations, and that is that new sources of taxation are required, and that they should be ready to withstand all the sentiment and politics which they will hear, and with which they will be greeted, when they take their seats on the next occasion in this Assembly with proposals to carry out those recommendations which they may have been able to find as suitable new sources of revenue. If Honourable Members of this House would indicate that the Government could rely upon them to consider every possible new source of taxation

Sir Hari Singh Gour: Which Government do you mean?

Mr. L. V. Heathcote: This Government.

Sir Hari Singh Gour: Do you expect the Opposition to support this Government?

Mr. L. V. Heathcote: As the Honourable Sir Hari Singh Gour knows, the credit of this country is even more important than its present Government, and however much Honourable Members dislike the position in which they are placed at the moment, it cannot but be that they must assist the Government to introduce taxation and to provide the country with revenue to enable its administration to be carried on. What I was going to say was, if Honourable Members on my right were to assure the Government that they would help them to devise new systems of taxation—and those new systems have got to be revised before very long; I would remind them of what my Honourable friend, Mr. Moore, said yesterday, namely, that democratic Government costs more and more—if they would assure the Government of their assistance, I feel that the Government would welcome a committee to help them to devise new forms of taxation.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Mr. President, the general discussion on this Bill has been going on for three days, and barring a few nominated Members who do not represent anybody except the Government, there has been a commendable unanimity of opinion with regard to the condemnation of the taxation proposals of the Government. Sir, if at this late stage I wish to add my emphatic protest against these heavy taxation proposals, it is like slaying afresh the slain. But this is an important occasion; when the country has been threatened with a very heavy burden of taxation, I think it is my duty to add my feeble voice in protest against the taxation proposals. The Honourable the Finance Member has stated that he had to present this supplementary Budget on account of the deterioration in the customs revenue and income-tax and other sources of revenue, and he has also stated that in this year we have to meet a deficit to the tune of 19½ crores, and perhaps if conditions do not improve in the next year we will have also to meet a similar deterioration; and after proposing some retrenchments in the civil and military expenditure and also cuts in salaries, he has come forward with taxation proposals to the tune of nearly Rs. 29 crores. He also stated, when he brought forward these proposals, that he would not come before this Assembly unless he was thoroughly convinced that the retrenchment proposals had been carried out to the utmost extent. If we on this side of the House say that we are not going

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to allow the Finance Member to levy such heavy taxation on this country, which is already overburdened with taxation, then he will say that we are irresponsible critics, that we should somehow meet the emergency, and that without fresh taxation it is impossible to meet this emergency; and he also asks us to see how the various governments in European countries have met this crisis by levying fresh taxation. Comparing India with other independent governments such as France, Great Britain and other countries is fallacious. Here we are ruled by an irresponsible bureaucracy who are ruling only in the interests of their own country. Year after year we have been pressing upon the Government the necessity of reducing the military expenditure. The military expenditure has been sapping the very vitality of the nation, and year after year we are told that the Government cannot reduce the military expenditure by a single rupee because it would take away the efficiency of the Army, and India would be exposed to invasions from all sides, and in order to keep up the efficiency of the Army they could not reduce the military expenditure.

The Inchcape Committee sat in about 1921 and they proposed that the Army expenditure must be cut down to the extent of nearly 12 crores within the next year or two. That was done. Did the heavens fall or was India invaded by any other country? Nothing of the kind. They then recommended that it was impossible for India to bear this heavy burden and that the military expenditure should be reduced in very few years time to Rs. 50 crores. This is what they recommended:

“ We do not, however, consider that the Government of India should be satisfied with a Military Budget of Rs. 57 crores, and we recommend that a close watch be kept on the details of military expenditure with the object of bringing about a progressive reduction in the future. Should a further fall in prices take place, we consider that it may be possible, after a few years, to reduce the Military Budget to a sum not exceeding Rs. 50 crores, although the Commander-in-Chief does not subscribe to this opinion. Even this is more, in our opinion, than the tax-payer in India should be called upon to pay, and, though revenue may increase through a revival of trade, there would, we think, still be no justification for not keeping a strict eye on military expenditure with a view to its further reduction.”

So, as long ago as 1922, this reduction of military expenditure was recommended. Instead of giving effect to it, till 1930-31 the Government could not see their way to reduce this expenditure.

Take the civil expenditure. Within the last 10 years the civil administration expenditure has been increased by Rs. 4 crores.

4 P.M. Thus on account of this heavy civil and military expenditure, the country has been brought to the brink of ruin, by the levy of new taxations year after year to meet deficit Budgets. And when India, along with other countries of the world, has met with the present grave crisis, she finds herself unable to bear any additional further taxation on account of the heavy taxation that has already been imposed upon her year after year in ordinary normal years when they could have met deficit Budgets by retrenchment.

The Honourable the Finance Member has taken two years together for framing this supplementary Budget. That course has been subjected to criticism in this House and this criticism has been answered from the Treasury Benches. But I find that there is no satisfactory explanation forthcoming for the adoption of this course. The Honourable the Finance Member has simply copied the British method in framing this Budget for

two years together. Though in this he has followed the British method, he has copied only the worst feature and not the best feature. We shall see what Mr. Snowden has done. The Chancellor of the Exchequer has met the deficit of the current year by retrenchment to the extent of 60 per cent, and has proposed fresh taxation only to the extent of 40 per cent. That is what the Chancellor of the Exchequer has done. But what has our Finance Member done to meet the deficiency here? He has proposed a cut of only 90 lakhs for the current year to cover a deficit of 19½ crores. That is what has been done here. And for the two years he has proposed taxation to the tune of nearly 30 crores. Though we are being subjected to deficit Budgets year after year, though there were occasions for the Government to cut down the expenses, yet they did not do any such thing in previous years, and they have been postponing retrenchment all these years, saying that the Government have appointed the Jukes Committee or some other committee who were investigating into methods of retrenchment; and they have been postponing and postponing their retrenchment proposals until the last day, so that they may somehow or other avoid retrenchment and when in the end they have been faced with a crisis, they have now come forward with proposals for heavy taxation. The Finance Member stated that he would not come before the House for further taxation until he was satisfied that he had carried out retrenchment in the Government expenditure to the farthest possible limit. Now, let us examine for a moment if the Honourable the Finance Member has carried out the retrenchment proposals to the fullest possible extent. Taking the civil expenditure, we find that there has been a general revision of salaries of civil servants under the Lee Commission's recommendations, and it must be remembered here that the revision of salaries was undertaken when the prices were fabulously high and the expenses of living were also very high. Now there has been a decline in prices, in fact some of the prices have fallen even lower than the pre-war level, and there is no reason why the Lee concessions should be retained now. No attempt has been made to touch the Lee concessions. Then again there are so many departments which were created by Government when they were in a prosperous condition; for example the Imperial Agricultural Research Institute, the Railway Rates Advisory Committee, the Tariff Board and several others, and I do not see any reason why, when the country is faced with such a heavy crisis, these departments should not be retrenched in such a manner as their activities may be revived when prosperity revives. In this connection I am strengthened by the Resolution passed by the Madras European Association in Madras very recently; they state that there is plenty of scope for effecting retrenchment in the civil administration. I shall read the Resolution which was unanimously passed at the meeting. This is how it reads:

"This meeting is of opinion that while it is essential for the trade and well-being of India that the Budget should be balanced, the estimated deficit should be met mainly by retrenchment, it calls attention to the growth of expenditure in the civil and railway administration of the Government of India in recent years in spite of the large devolution of responsibility to the provinces since the reforms and urges the setting up of a searching inquiry into the departments and agencies of the Central Government with a view to effecting drastic economies and reducing expenditure to the maximum necessary for the efficient carrying out of the essential functions."

Sir, this Association of Madras is not unfriendly with Government, and they have passed this Resolution without any dissentient voice. So it is quite clear that there is abundant room for economy in civil administration expenditure.

[Mr. T. N. Ramakrishna Reddi.]

Take again the military expenditure. During the last ten years the Assembly has been urging upon the Government to reduce the heavy military expenditure. In 1913-14 about the time of the last great war the military expenditure was about 28 crores, and after the war, about the time of the Inchcape Committee, the expenditure went up to 67 and odd crores, and the Inchcape Committee, as I said, proposed that the country with its deficit Budgets could not bear such a heavy military expenditure and recommended an immediate reduction of 12 crores and a further reduction not exceeding 50 crores subsequently. Now, Sir, they did not stop there, but they said that even that was very heavy and that Government should keep a very close watch every year to see that the military expenditure is reduced gradually. We have the authority of Sir Purshotamdas Thakurdas, who was one of the members of the Inchcape Committee, and he said last year that they never anticipated such a heavy fall in prices as now, and if they had any such idea of the fall in prices as is happening at present, they would straightaway have recommended a reduction to the extent of 40 crores, and, Sir, in spite of all protestations and warnings, year after year, the Government have not paid any heed to our appeals and warnings in so far as the reduction of military expenditure goes. Now, we have the authority of no less a person than the late Lord Rawlinson, late Commander-in-Chief of India, who stated that there are over-abundant officers in the Indian Army and they are really superfluous. This is what he says :

"In 1913-14 the Army cost 29½ crores; in the new scales of pay the annual cost of the British soldier will have risen to Rs. 2,500, while the cost of an Indian soldier from Rs. 300 to Rs. 550. I am shocked to find that we have nearly 2,500 officers in excess of our requirements. They were taken on when they were wanted during the war, and we cannot simply kick them out, but how to keep them is the question"

Now according to Lord Rawlinson the Army was already top heavy; such a huge Army was quite unnecessary for India, and that it is quite clear there is abundant scope for reduction in the number of troops. I need not state elaborately the huge burden India has been bearing on account of military expenditure in proportion to its revenues, as it has been clearly stated in great detail by the Leader of the Opposition in his able speech this morning. Therefore, the cut that the Commander-in-Chief has accepted is very small, and we on this side consider that the whole deficit must be met by cutting down the Army expenditure to a greater extent.

Then with regard to the cuts in salaries, the Retrenchment Committees have proposed a graduated cut, whereas the Finance Member has adopted a uniform cut of 10 per cent. This will tell very heavily on the lower paid people, while officers drawing higher salaries will escape lightly, especially when we consider that this includes the additional income-tax in their case. So in order to meet this emergency, there should be a graduated cut, and also the cut should go up to 20 per cent. in the higher paid classes, and 10 per cent. which is proposed now is quite inadequate in the case of the higher paid officers.

I shall now briefly allude to the various proposals of taxation suggested by the Finance Member. The country is already overburdened with taxation, and any further taxation will have a very deleterious effect on the trade and industry of the country, particularly the tax on certain items which he has selected for additional taxation like machinery, raw cotton,

etc., will prove very detrimental to the industrial enterprise of the country. Even the Fiscal Committee recommended that we ought not to levy duties on raw products because that would prevent the development of Indian industries. At this late hour I do not want to dilate upon the evils of taxation on these articles. On the whole, I am convinced that the Finance Member has not done full justice with regard to the retrenchment proposals and also the cut in the salaries. I therefore oppose all the taxation proposals which the Honourable the Finance Member has made.

Mr. Nabakumar Sing Dudhoria (Calcutta Suburbs: Non-Muhammadan Urban): Sir, I beg to oppose this Bill. There is a chorus of opposition to this Bill from the entire country. The Europeans have joined with the Indians in opposing this Bill. Even in normal times abnormal taxation proposals meet with great unpopularity. It is no wonder, therefore, that during such exceptionally abnormal times the enhanced duties on all and sundry imported articles will evoke a great popular outburst.

I am gratified to find in his opening speech of this session that the Honourable the Finance Member has anticipated the main trend of our objections and is in a mood to cut his coat according to his cloth. But as such talks had been more or less dull platitudes all these years, I do not feel sure whether he will be able to have his own way in all matters when things come to practical purposes. India may be *determined* to live within her income, but whether she would be enabled to carry out such determination is the question.

While I thoroughly believe that the Government are in an extreme financial plight, I am not convinced that they have gone about their business of adjusting the expenses with their income with sincerity of purpose and courage of conviction. They have failed to display in their task that just and generous outlook and far-seeing imagination that were so very imperative in solving such a singular situation, and are out to destroy the existing order of beneficial things rather than to construct them.

Although the retrenchment proposals, proposed by the different committees, do not themselves go far enough, yet even that much of the recommendations do not seem to have been whole-heartedly adopted by the Government. Only a 10 per cent. cut all round from top to bottom in some departments to the discrimination of two other important departments, as the Railways and the Posts and Telegraphs, has been the subject of great criticism exposing them to charges of partiality and unfair discrimination. The proposed reduction in the military expenditure has been considered only a mere eyewash in view of the fact that the whole world is moving towards reduction of armies and limitation of arms. The civil administration retrenchments cannot satisfy the public at all.

To my mind the present acute financial stringency of the Government is due to causes for which they are entirely responsible. By their borrowing policy and conversion operations they have carried away from the country large capital year by year. In their exchange and currency policy they have involved the country in heavy financial losses. In undertaking huge and unnecessary capital projects, involving tons of money, they have frittered away enormous resources of the country. Recently our gold reserve in England has grievously declined, due to the direct result of their ruinous currency policy. Our people cried themselves hoarse over the effect of such policy, but it was not timely heeded. The result of such a policy on their part for years has been that the stability of the country's credit and currency

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has been miserably shaken; the export trade has altogether vanished and the normal purchasing power of the people at large has been woefully reduced.

The proposal of further import duties on machinery and raw cotton is against all commercial policy and sound finance. The enhanced duty on machinery will only increase the difficulties of the industrialists and arrest the development of local industries in general. Similarly, the duty on raw cotton will handicap the Indian manufacturers of cotton goods in the diversification of their coarse products by importing a superior quality of raw cotton from foreign countries. The Tariff Board, in recommending the need of diversification of Indian cotton manufactures and the need of spinning local finer counts with imported cotton, thought that that step would not only make India independent of foreign imports but also would secure for her local industry an increasing market. Similarly, the Indian Fiscal Commission recommended that the import of machinery from abroad should be quite free and unrestricted. The raising of the income-tax rates at such a time of serious trade depression and darkest agricultural and industrial gloom will be quite injudicious. There is likely to be some improvement in the revenue by bringing down the exemption limit, but the extent of the sacrifice which the possessors of such low incomes in such abnormal times will have to make, will be really too much for them. Any attempt, therefore, to augment revenue by taxing smaller incomes of salaried and professional people will naturally be counteracted by reduced yield from trade and industry. Then, Sir, the import duties, if they are intended to yield a revenue, must not be pitched too high, because then the consumption will be diminished by reason of the high prices of the imported articles, and the revenue will therefore fall below the anticipated level. Again, as India's import is more or less elastic depending upon her export, the present collapse of prices of agricultural commodities, coupled with the fact that the export trade is at a standstill, resulting in the crippling of the entire purchasing power of the people, is sure to lead to a falling off of imported goods. The additional duty on salt spells further misery to the Indian poor, who are at present virtually on the brink of starvation.

The proposed increase of the already enhanced inland postage rates of postcards and letters by 50 per cent. and 25 per cent. respectively is not only economically unsound, as it will be unproductive, but also morally unjust, as Government themselves have the monopoly in that line, and is also bound to be extremely unpopular. I cannot help observing here why the question of increase of rates of foreign postage and telegrams has not been at all thought of, because that was a source which was sure to yield a substantial income. The European mercantile community and the Europeans in general should cheerfully bear the burden owing to the fact that the country in which they are out to make a living is in great financial distress and they should help her out of moral considerations.

To lay aside criticisms and come to constructive proposals now. The Government are undoubtedly in a deficit and need additional revenue to make it up. How to find that revenue? Naturally by taxation, if other resources are to fail. As all taxation proposals mean some sacrifice on the part of the people, the people should bear the proposed taxation for the sake of their country. But it is also the duty of the Government to see that the people on the other hand are not burdened with heavy, unnatural

and unreasonable taxes. The Government are expected to make some sacrifices on their part also, in order to make the people realise that they are also anxious to share their burden. They should, therefore, effect drastic economies by reduction of pay, emoluments and allowances all round from top to bottom, based on a graduated scale and natural considerations. They must also inexorably reduce to the pre-war level their expenditure on their military administration, which engulfs such enormous resources of the country and without thorough reduction of which there will never evolve a true solution of India's financial deficit. They should also explore other fresh avenues for taxation such as tea, coffee, mineral products, etc., rather than put an additional tax on those already taxed.

Owing to these considerations, I beg to oppose the Bill in its entirety, although I am anxious to keep alive some of its provisions in order to balance the present Budget.

Lala Hari Raj Swarup (United Provinces: Landholders): I join the Honourable Members who have preceded me in protesting against the extraordinary procedure adopted by the Honourable the Finance Member in introducing a Finance Bill for 18 months. My opposition is based on three grounds. The first is that you deprive this Assembly of its right to refuse supplies for 18 months, while you retain for yourself a right to present a supplementary Finance Bill whenever you like. The second ground is that most of the Retrenchment Committees appointed by you have not yet submitted their reports, and if you confine the effect of this Bill only till March next, the Committees will have time to submit their full reports and we shall be able to discuss them in detail. The third ground is that you have adopted in Simla a new currency policy, the full effects of which cannot yet be realised, and if you take another five months, you will be able to judge the full effects of the exchange policy on the financial situation. I therefore suggest that the Bill should be limited to the present financial year and not carried over to the next year.

It has been suggested that the Honourable the Finance Member has followed the analogy of the British Parliament in this regard. I am glad that he has followed this analogy but he has not carried this analogy further. He has followed the practice of England where it suited him and not where it did not suit him. Now, as regards the cut in pay of Government servants we find that in England they have recommended a graduated cut. They have recommended a 10 per cent. cut for all employees right down to the bottom, a 15 per cent. cut for those who draw £2,000 or over, and 20 per cent. for those who draw £5,000 or over. The Honourable the Finance Member has adopted the 10 per cent. cut but he has not carried it further and adopted the graduated scale as has been done in England. He would have carried this part of the House with him had he recommended a higher percentage of cut for those servants drawing salaries of Rs. 1,500 a month or over. In England they not only reduced the salary of Government servants but withdrew certain concessions to which people in England might be attaching great sanctity. The Government in England did not consider it discriminatory treatment but, here the Finance Member says that it will be discriminatory treatment to withdraw even the Lee concessions which were granted under very exceptional circumstances which no longer exist. In England they withdrew the cost of living bonus from civil servants to the extent of 10 points in March last and a further 5 points during the present Budget. As regards our demand for a graduated cut in

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salaries, we find support from unexpected quarters, a quarter which was always zealous to support the claims of service men. The *Pioneer* of Allahabad says:

"For our part we think that the exemption limit announced by Sir George Schuster is too low and that a uniform cut, not exceeding 10 per cent. in any grade, including the incidence of income-tax is inequitable. The reductions should follow a graduated scale and the Finance Member's present proposal of their maximum extent will be deemed by the average man as showing extraordinary concern for Government servants."

The paper further goes on to point out the inequity of allowing the Lee concessions to stand.

"But the members of the Civil Service will not enthusiastically support his demand for the total abolition of the Lee concessions. The abolition will react sorely against them but at the same time it cannot be ignored that these concessions were granted under conditions not obtaining now."

The paper points out that they were granted at a time when prices were very high, and it was definitely said that these concessions were granted for meeting the increase in the cost of living, and now the prices are about 200 per cent. lower than what they were before the war.

As regards other sources of retrenchment on the civil side, we find that civil expenditure has risen by about 66 per cent. on the pre-war level. Besides the cut in pay, the Government should have by this time fixed the salaries for future recruits. Secondly they should have suspended the time scale increments for at least two years as a measure of national emergency. Since the introduction of the time scale the administration of the country has become very expensive. Further, they should have laid down that those persons who have completed their period of pension and not reached the age of 55 should retire. They should also have reduced the personnel of the various services in order to restrict future recruitment.

As regards the military expenditure, we have to look at it from two points of view. The first is what is the percentage of military expenditure to the total revenues? The Honourable the Deputy President has shown that it is only 2 per cent. in the Dominions and about the same in England. The Honourable the Leader of the European Group has said that India has got a large frontier to protect, but what has he got to say to the remarks of the leader of this party this morning that it was stated in the Brussels Financial Conference in 1921 that the expenditure on armaments in European countries is about 20 per cent. of the total expenditure and they considered it to be very high and recommended reduction. I think every country on the European Continent has got a bigger frontier than we have in India, and when 20 per cent. was considered high, how can we justify an expenditure of 30 per cent. on the Indian military forces in a poor country like India? The second point is that since the war in the Military Department expenditure has not so much increased on the soldiers, as it has increased on the administrative services. Its progress has been somewhat as follows: in 1913-14 the administrative services for the British troops were 3,846. In 1922, they rose to 7,206. Now, as regards Indian troops they were 2,213 in 1914 and 25,938 in 1922, that is about 12 times. Going into one branch of the administration alone, that is the medical service and hospitals, the expenditure in 1913-14 was about 8 lakhs. It rose to 322 lakhs in 1922-23 and even now it stands at 163 lakhs. That is about 20 times more than it was before the war. I therefore maintain that there is plenty of scope for retrenchment in the administrative services of the Military Department.

Coming to the new taxation proposals, I am opposed to the taxation of salt, the lowering of the income-tax limit and the enhancement of the postal rates and to the duties on machinery and raw cotton. It has been suggested that the opposition to salt duty is based on sentimental grounds. Certainly sentiment plays an important part in politics, and as the Deputy President has already shown, sentiment plays an important part with Government also. I, however, have my objection to the salt tax on other grounds, on larger grounds of public health about which my friend Dr. Dalal was so particular yesterday. The normal consumption of salt for an individual is estimated to be 20 pounds per annum. In India the consumption is only 11 pounds per head of the population. The richer classes consume 20 pounds but the poorer classes consume only 9 pounds, that is 11 pounds below what is necessary for their health. In the Travancore State in India the consumption is 24·2 pounds per head. In England it is 40 pounds and it is this poor consumption of salt which is to a great extent responsible for the low efficiency and high death rate.

Sir, if we refuse all these five taxes, to which I have referred, we shall deprive the Government of about 4·18 crores of revenue. My friend, the Deputy President, has suggested that it should be mainly met by retrenchment and I agree with him.

I will suggest another source of income which will give Government 240 lakhs of rupees a year. Till very recently, about 8 years ago, the Government used to derive about Rs. 2½ crores from the import duty on matches. The imports were as follows:

In 1915-16 they were 18·3 millions gross,

In 1921-22 they were 13·7 millions gross,

In 1922-23 they were 11·3 millions gross,

and then they went down to 1·5 million gross in 1928-29. They must have gone down still further subsequently. In 1921-22 the Government raised the tariff duty on matches to Rs. 1/8 per gross, and the result was that imports ceased. Our total requirements are now met by production in India. We require about 18 millions gross of matches every year, 12 millions of which are produced by the Swedish match combine and 6 millions by the various Indian enterprises. If we could levy a duty of one rupee per gross on the produce of the Indian enterprises and Rs. 1/8 on the produce of the Swedish match combine, we should get about Rs. 240 lakhs a year. Besides getting this huge amount of revenue, we should also be removing the standing grievance of the Indian manufacturers of matches, who say that the Swedish match combine has entered into a cut-throat competition with them and has begun to sell matches at the rate of 15 annas per gross, whereas they used to be sold at the rate of three rupees in 1921; and this taxation will be very evenly distributed because everyone of us consumes matches.

In conclusion, Sir, I will just refute one suggestion made by my Honourable friend, Mr. Dumasia, that the income from land should be taxed. I think, Sir, that when he made that proposal, he did not realize in what great difficulties we are on this side (Hear, hear). We have to pay taxes to the Government even though we are not able to realise the same amount from the tenants. We are living on our capital (Hear, hear): and it will be a hard task to pay any tax further in the shape of income-tax. My friend, Dr. Ziauddin Ahmad, referred yesterday to the plight of the zamindars in the United Provinces, who are now being treated very unfairly

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by the United Provinces Government as they have declared a remission for tenants but not a corresponding remission for the landlords. Sir, the Government are not even prepared to follow the law in that behalf, but they the other day went so far as to threaten to have an Ordinance passed by the Governor General if the zamindars did not agree to their terms, which of course they flatly refused. I will close my remarks now, Sir, with the request that the Government of India should now consider seriously the tapping of new sources of revenue and broadening the sources of taxation and that they cannot make up the whole deficit by levying taxes on income and customs which are already showing diminishing returns.

(Mr. C. Brooke Elliott rose.)

Mr. President: How long are you likely to take, Mr. Brooke Elliott?

Mr. C. Brooke Elliott (Madras: European): Perhaps I might be able to compress my remarks a great deal.

Mr. President: What I mean is that if you are likely to be long, I will adjourn the House now. But if you expect to finish within 15 or 20 minutes, then I will allow you to speak now.

Mr. C. Brooke Elliott: Very well, I will speak now, Sir. But if I should be a little longer, I may ask a few minutes' indulgence tomorrow.

Mr. C. S. Ranga Iyer: On a point of information, Sir. I would like to know whether, in view of the Honourable gentleman's observations, there is a statutory limit of 20 minutes in this case?

Mr. President: There is no such limit in connection with this Bill. If the Honourable Member is likely to be more than 20 minutes, then I propose to adjourn the House now—because the House seems to be tired. but if he is likely to take 15 or 20 minutes at the most, then I will allow him to speak.

Mr. C. Brooke Elliott: I should be sorry to pledge myself absolutely and to talk to a tired House, and I would therefore prefer to speak later.

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