

Saturday, 14th November, 1931

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

Volume VII, 1931

J.R.R.

(4th to 20th November, 1931)

SECOND SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY, 1931



16-9-94
27-3-89
1-6-83
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NEW DELHI
GOVERNMENT OF INDIA PRESS
1932

Legislative Assembly.

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THE HONOURABLE SIR IBRAHIM RAHIMTOOLA, K.C.S.I., C.I.E.

Deputy President :

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

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MIAN MUHAMMAD SHAH NAWAZ, C.I.E. M.L.A.

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LEGISLATIVE ASSEMBLY.

Saturday, 14th 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. The next amendment is Sir George Rainy's—item No. 112.

The Honourable Sir George Rainy (Member for Commerce and Railways): Sir, I beg to move:

“That in Part I of Schedule I to the Bill, after amendment No. 9 the following amendment be inserted, namely:

‘9A. In item 46D, for the figure “5” the figure “8” shall be substituted.’”

I should like to explain, Mr. President, to the House how the necessity for this amendment has arisen. Possibly some Members will remember that in the year 1925, there was a Tariff Board enquiry into an application for protection from the printing ink industry. As a result of that enquiry the Tariff Board found that there was no case for protection, but they found also that as the duty then stood, the manufacturers of printer's ink were placed at a disadvantage, inasmuch as owing to the duty they had to pay on their raw materials and the fact that the duty on printer's ink was only $2\frac{1}{2}$ per cent., they were in a worse position than they would have been had there been no tariff at all. The Board therefore recommended on that occasion that, in order to bring to an end this anomalous state of affairs, the duty on printer's ink should be raised to 5 per cent., that rate being sufficient to give what they called tariff equality. That recommendation was accepted by the Government of India and was embodied in a Tariff Bill passed by the Legislature, which raised the duty to 5 per cent. Now, that position of tariff equality was to some extent disturbed by the increase in the rate of duty from 15 per cent. to 20 per cent. last March, and if the House passes the surcharge now proposed on the Customs duties in this Bill, raising what was originally 15 per cent. to 25 per cent., the position will be still further disturbed. It is true that the 5 per cent. duty on printer's ink will also become $6\frac{1}{2}$ per cent., but owing to the increase in the duties on materials, as nearly as Government have been able to calculate, the effect would be that in order to produce tariff equality, a duty of not less than $8\frac{1}{2}$ per cent. would be required. Now, Government felt that when this House and the Legislature as a whole had definitely affirmed the principle that in the case of this particular industry, the manufacturers were entitled to have tariff equality in the sense that they should not be placed in a worse position than they would be if there were no tariff,

[Sir George Rainy.]

it was incumbent upon Government to modify in this small point their proposals, so that the Indian manufacturer would not be prejudiced. On the whole it seemed to us that it was desirable to err, if we erred at all, on the safe side, in the sense that the Indian manufacturer should have a small margin rather than that the duty should be a little less than the proper duty. What is proposed therefore is this, that the substantive duty on printer's ink should be raised from 5 to 8 per cent., and then, if this House passes clause 4 of the Bill and puts on the surcharge, the duty would be raised to 10 per cent. That would give the Indian manufacturer a very small margin. Substantially what we are proposing is merely to retain the decision affirmed in 1925 that there ought to be tariff equality.

There is only one other point that I think I need mention. As is well-known, the general policy, as regards printing machinery and printing materials, in the past has been to keep the duties as low as possible. That is not a point which has been overlooked, nor was it overlooked by the Tariff Board in 1925 when they proposed the increase in the duty from 2½ per cent. to 5 per cent. This is what the Board said in paragraph 16 of their Report:

"If the higher duty had made a substantial increase in the cost of printing there might have been room for hesitation, but it has already been shown that the effect is negligible. The 5 per cent. duty will not amount to more than 1/7th of 1 per cent. of the cost of printing and the additional burden imposed on the consumer will not exceed Rs. 20,000 a year."

That statement in the Tariff Board's Report was based on evidence received from printing firms themselves. Therefore what I am asking the House to agree to just now does not amount to more than this, namely, so far as the printing industry is concerned, to increase the cost of printing by about 1/7th of 1 per cent. of the total cost. I think Honourable Members will agree that that is not likely to be a heavy burden. Sir, I move.

The motion was adopted.

Mr. President: The next amendment* is from Lala Hari Raj Swarup. (The Honourable Member was not in his place.) The same amendment also stands in the name of Mr. T. N. Ramakrishna Reddi. (This Honourable Member also was not in his place.) It is curious that Honourable Members who have given notice of amendments are not present to move them. Yesterday, the House decided to retain machinery in the free list. This clause imposes a duty of 10 per cent. on machinery, and unless it is deleted by the vote of the House, a very difficult situation will arise.

Sardar Sant Singh (West Punjab: Sikh): I rise to a point of order, Sir. After we have voted for retaining machinery in the list of articles admitted into India free of duty, can we discuss this item? Is it not barred?

Mr. President: It becomes in the nature of a consequential amendment. The clause in the Bill remains that the import duty on machinery shall be levied at 10 per cent. Having retained machinery in the free list, the consequential amendment must be moved and this clause must be deleted. Three Honourable Members have given notice of this amendment; none of them is present here to move it.

*"That in Part I of Schedule I to the Bill, amendment No. 11 be omitted."

The Honourable Sir George Rainy: Might I suggest, Sir, that it might be postponed until we come to the end of the Schedule? In the circumstances I do not see what other course can be adopted.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadian Rural): I should like to ask from you, Sir, whether in fact those amendments deleting the proposed duty of 10 per cent. under machinery have to be moved at all in the light of the decision that this House gave yesterday. My point is this. The effect of the discussion that we had yesterday and the result of the voting is that this House has definitely decided that machinery should remain on the Schedule of free duties and that a duty should not be imposed upon machinery. A definite verdict of this House has been given on that point; and therefore that part of the Schedule relating to the imposition of a 10 per cent. duty on machinery is entirely out of order, because it will raise a discussion on a point on which the House has given a decision.

Mr. President: The Chair has explained the position very clearly. Honourable Members cannot be unaware of the fact that if an alteration or amendment is made in one part of the Bill necessitating consequential amendments they are moved and agreed to. The levying of the duty, in view of the vote of the House, would not be in order; but the clause remains in the Bill and that clause has to be deleted by a vote of the House. The Chair does not wish to hear anything more on the subject. The Chair is prepared to accept the suggestion of the Leader of the House and will hold over this amendment till the end of the consideration of the Schedule.

The next amendment* stands in the name of Lala Hari Raj Swarup. (The Honourable Member was absent.)

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadian Rural): Sir, this is the difficulty which we on this side of the House feel very keenly. Here are the amendments. I did not know till I came here in what order they would be taken, and I think it would have been very convenient if your decision had been communicated to us saying these were the orders, so that Members might be ready in time.

Mr. President: Honourable Members must be aware of the procedure that has been followed all these years, namely, that in regard to Schedules to any clause of the Bill the Schedule is taken first. I do not think Honourable Members have any grievance when the usual procedure which has been followed all these years is adopted on the present occasion. They can, if they take a little trouble, find out the order in which amendments will be placed before the House according to past procedure.

Dr. Ziauddin Ahmad: I have no grievance against the decision of the Chair. What I said was that the decision might have been communicated just as the proceedings.

Mr. President: It is the duty of Honourable Members to know in what order amendments will come before the House.

*"That in Part I of Schedule I to the Bill, amendment No. 15 be omitted."

[Mr. President.]

The next amendment* stands in the name of Mr. Dudhoria. (The Honourable Member was absent.) The same amendment is from Mr. Ramakrishna Reddi. (The Honourable Member was absent.)

That concludes the consideration of Schedule I (Applause), except amendments dealing with machinery.

Mr. R. K. Shanmukham Chetty: If the amendment relating to machinery is a consequential amendment, then I would submit, Sir, that somebody on the Government side might move it as a consequential amendment resulting from the decision of the House yesterday.

The Honourable Sir George Rainy: I would suggest, Sir, that it is within the competence of the Chair, if it thinks fit,—and there is no objection to accept an amendment without notice—to permit some Member on the other side, although he has not given notice, to move it. He might ask your leave to move the amendment now.

Mr. President: I have said repeatedly during the previous session in Delhi that, with the consent of the whole House, the procedure can be varied. I accept the suggestion of the Leader of the House and call upon Mr. Chetty to move the amendment.

Mr. R. K. Shanmukham Chetty: Sir, with your permission, I beg to move:

“That in Part I of Schedule I to the Bill, amendment No. 11 be omitted.”

This amendment is purely a consequential amendment, which is the result of the decision of the House yesterday. Sir, I move.

The Honourable Sir George Rainy: Sir, I do not rise to oppose this amendment. I have great sympathy with the Honourable gentlemen on the other side in the somewhat unexpected difficulty in which they found themselves, a difficulty which I myself had not foreseen. But I think it is clearly the duty of all parties in this House to act so that the House shall not be seriously embarrassed by purely fortuitous circumstances. All I wish to say as regards the amendment itself is that Government have considered what their attitude on it ought to be. What they felt was that it would not be consistent with what is desirable and proper in the regulation of the proceedings of this House that we should make an attempt at this stage or in this form to ask the House to reverse the decision at which it arrived yesterday. For that reason I have no further remarks to make about this amendment.

Mr. President: The question is:

“That in Part I of Schedule I to the Bill, amendment No. 11 be omitted.”

The amendment was adopted.

Schedule I, as amended, was added to the Bill.

*“That in Part II of Schedule I to the Bill, the following be omitted:

“(2) Machinery, comprised in Items Nos. 59A, 59B, 59C and 59D.”

Mr. President: The question which I have to put now is:

"That clause 3 stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

Mr. President: Clause 4. Seth Haji Abdoola Haroon*. (The Honourable Member was absent.)

Dr. Ziauddin Ahmad: Sir, I beg to move that clause 4 be omitted. The object of the clause is to impose a surcharge of 25 per cent. or one quarter on the customs duties now payable. That is to say, 25 per cent. duty is added without any consideration whether a particular commodity can stand this surcharge or not. That is really a very novel practice. We have an uniform addition of 25 per cent. without any consideration of the fact whether a particular article is such that it can stand this additional duty. I would have very much welcomed it if the Finance Department had scrutinised the various commodities and had recommended a varying scale. Besides, this proposal to increase the customs duties by 25 per cent. all round is not consistent with the Finance Member's proposals for retrenchment. In the case of retrenchment, the Finance Member insists in saying that there should be a uniform cut of only 10 per cent.; but when it comes to increasing the customs duties, he suddenly jumps up, from the figure of 10 per cent. to the figure of 25 per cent. I should like to impress it very strongly upon him that the figures for the surcharge on customs duties should be the same as the cut which the Honourable the Finance Member may accept in the case of salaries. If he is prepared to have a 25 per cent. cut in salaries throughout, I on my part will withdraw my motion. But if he wants only a cut of 10 per cent. in salaries throughout, then is it not also reasonable that he should increase the customs duties also by only 10 per cent. and not by 25 per cent.? If a uniform increase is to be made, then the percentage should be the same as he accepts for the cut in salaries; i.e., the surcharge in the customs duties must be exactly equal to the cut which the Finance Member may be prepared to admit in the case of salaries.

Sir, we have always on this side of the House pressed for a cut on a graded scale. That is to say, the same percentage should not be applied to all salaries, from the highest to the lowest; and the same principle should be applied to the commodities. There are certain commodities in which the yield is exactly equal to our anticipation; there are other articles in which the increment is much less than what we anticipate, and there are others in which the law of diminishing returns has already applied. Therefore the principles ought to be followed that in the case of articles in which the law of diminishing returns does not apply and which can stand increased taxation, there might be an increase of 25 per cent. in the duty; that in the case of articles which cannot stand so much, they should be put under a second head and charged an increase of only 15 per cent.; in the case of articles which will pay less and where the laws of diminishing returns apply with full force, there should be no increase at all in the duties. In fact in this case the duties should be reduced. I say therefore that all the commodities in Schedule II of the Indian Tariff Act ought to have been classified under four different heads—one in which there ought to have been no increment, second in which the increment ought to have been 10 per cent., third, in which

*"That clause 4 be omitted."

[Dr. Ziauddin Ahmad.]

the increment ought to have been 15 per cent., and lastly those in which there might have been an increment of 25 per cent.; and I say these percentages ought to be the same as those which the Finance Member may accept in respect of the cut in salaries. I therefore plead that the position of the Finance Member is entirely untenable. On the one side he is not prepared to accept any cut beyond 10 per cent., on the other he comes and imposes a surcharge on taxes and duties to the extent of 25 per cent.

These are my two points, and I hope that the Finance Member will modify his decision and he will adopt a graduated scale in increasing the import duties on the same lines as he will have a graduated scale in the cuts in salary, and that these duties should be classified as I have suggested: this can be easily worked out in his office. Though we have not got the same amount of information as the Finance Member, we on our side are prepared to supply him with such a list, dividing the items in Schedule II of the Indian Tariff Act of 1894 into four different classes on which the surcharge might be levied on an incremental scale.

I have heard of a story in which there was a town called Ulti Nagri ruled by a king who was called Chaupat Raja, where all articles were sold for half an anna per seer—from charcoal to chocolates the price was the same. I thought it was a mere story and that it would not have a repetition in the civilised world of today in the year 1931. But the Honourable the Finance Member has really adopted the principle of this story, in that he has uniformly increased the price of all articles by 25 per cent., without considering whether the articles were such that they could stand the increased taxation or could not. He did not take the slightest trouble to find out whether the increase in the taxation would really mean an increase in the total revenue or whether the increased duty would result in a diminution in the total receipts from customs duties on that particular article.

I therefore think that it is a really important point. I never heard of such a thing, that there should be a uniform increase of 25 per cent., and I think it would have been much better if the Finance Member had given all the details and classified the articles mentioned in the schedule on an incremental scale, and then he would have had the support of this side of the House. But for an unreasonable proposal like this you cannot expect reasonable men to come forward and give their support.

Mr. Lalchand Navalrai (Sind: Non-Muhammadian Rural): Sir, my justification for speaking on this amendment arises from the desire that has been shown by some of my constituency to place their case before this House with regard to iron and steel. The iron merchants of Karachi, who have got an association, have wired me to place their view before the House. I will read their telegram:

"Iron Merchants Association, Karachi, emphatically protest against surcharge duties imposed on iron and steel, particularly galvanised and black sheets, bars, angles, tees, cut hoops $\frac{1}{2}$ " \times 1" up girders on grounds *inter alia* that, first, these articles are already covered by heavy protective duties, second, are mainly consumed by agriculturists and poor people; surcharge on protective duties makes protection indiscriminate and is highly prejudicial and detrimental to business."

This telegram, Sir, gives the reasons and also mentions the articles which should not be charged with a surcharge tax. The point which calls for

my very great support to this view of my constituency is with regard to the fact that implements are being made by the agriculturists from this material which will now be affected. The second thing which makes the case of my constituency strong is with regard to the uniform surcharge on all things made of steel. There ought to be some distinction made and a uniform tax on all materials mentioned in the clause should not be imposed. These are my grounds, Sir, for saying that the articles mentioned in the telegram I have referred to should be exempted.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): Sir, I am afraid I cannot support the amendment moved by my Honourable friend Dr. Ziauddin Ahmad. It is a matter in which the entire responsibility of realising the income from the customs duties ought to be placed on the Government. There seems to be a mania, almost an epidemic I should say, which has been prevailing in the whole world. Every country wants to sell, and no country wants to purchase. In these circumstances, it is very difficult to expect that the Government of India would be able to secure a very large amount under this item. But we in this country would be glad if by any of these duties, however hard they may be, we are able to restrict foreign imports, which will enable this country to promote and develop her own industries, and by which the country would be considerably benefited; but if we lose revenue, then the Finance Member will have to come again before the House, and all the statements that have been made in favour of balancing the Budget will be reduced to mere sham, because it must be remembered that our mainstay is the customs revenue. If by any action of Government the customs revenue is affected and the returns show that the anticipations of the Honourable the Finance Member have not been realised, then the country will stand to lose. Therefore, Sir, I say that this is a matter in which the Government of India should take the entire responsibility.

Sardar Sant Singh: Sir, substantially I want to oppose this amendment, but my difficulty is that in the clause as it stands there are certain articles on which I would not like a surcharge duty put on; for instance, in Part VII, article 155 relating to paper, stationery, etc., which will also be included in the surcharge. Otherwise, I am in favour of this clause being retained and these duties being imposed.

Raj Sahib Harbilas Sarda (Ajmer-Merwara: General): Sir, I have given notice to delete sub-clause (d) of clause 4 relating to dyes and colours, but as it has been ruled that any amendment which results in an increase of duty as cannot be moved unless Government sanction it, I do not want to move it. At the same time I am unable to support the motion for the deletion of this clause which in my opinion must be retained. Sir, I support the retention of this clause, and am unable to support the amendment before the House.

The Honourable Sir George Schuster (Finance Member): Sir, I think the speeches to which we have listened put me in a position of not having to put up a very serious defence to my Honourable friend's amendment, for I gather that it is not likely to receive support in any quarter of the House. My Honourable friend, as one might have expected from him, argued the case on grounds of higher mathematics. (Laughter.) I suggest, Sir, those grounds are hardly relevant in the present case. I would also remind the House that while my Honourable friend has proposed

[Sir George Schuster.]

removing all these surcharges on customs duties, I notice that he has not himself moved a corresponding amendment as regards the excise duties. Therefore, if we were to follow my friend in this matter, I think we should leave the country in a very curious position. But, Sir, I should like to take advantage of this occasion to make a few remarks as regards the Government's attitude about this uniform surcharge, and I take this opportunity to elaborate somewhat the general statement which I made in the course of a speech in the earlier stages of this discussion. References have frequently been made by various speakers to the danger that in some cases the increases in customs duties imposed by this Bill may actually have such effects as to defeat their own object. I have already pointed out in a previous speech that with certain classes of goods, notably of luxuries, there are other considerations besides revenue considerations to be taken into account, and that even if the surcharge should fail to produce more revenue, the country may in the case of certain luxuries benefit in other ways from a restriction of their import. But, apart from that, I cannot deny that in certain cases the surcharges may possibly have the effect not only of interfering with the economic interests of this country but also possibly of losing revenue. There may be a few exceptional cases of that kind. Now, the House is aware of the circumstances in which these proposals were introduced, and it is of course clear that they were in the nature of emergency proposals not carefully worked out in every detail. We stand by the main principle of the measure. We proceeded on the assumption that if we took the tariff as we found it and applied the surcharges all round, we should not upset the general balance, and we think that we were right in making this assumption so far as the vast majority of articles are concerned. But if in casting our net so wide, we have caught up a few small fishes that ought to be put back into the water, we do not intend to stick obstinately to our principle. Where it is proved to us, where we can satisfy ourselves after careful inquiry, that the effects of any part of our scheme are really detrimental both to revenue and to the genuine economic interests of the country,—I want to make those two points quite clear,—both to revenue and to the general economic interests of the country,—we propose to consider such cases,—and if we think fit, to take the necessary action by the use of the powers that the executive possesses of remitting, not of enhancing, but of remitting duties under section 23 of the Sea Customs Act. These powers are wide,—I know that many Honourable Members think that they are unduly wide,—but I would remind the House that for many years now the Government have been scrupulous to exercise them only in cases where there was some degree of urgency and where it was established that a reduction or remission would be in accordance with the accepted policy of the Legislature, and where indeed it might be necessary in order to give proper effect to that policy in connection with some unforeseen development. In the present case I can assure the House that if we act in the way which I have indicated, we shall adhere scrupulously to that principle, and if any such adjustments as I think may possibly be found desirable, have to be made, we shall take the first opportunity to submit them for the confirmation of the House by incorporating them, as has been the established practice in recent years, in a Bill for the amendment of the tariff law.

There are I think two amendments which will come before the House later on where I think it may be said that there is a *prima facie* case for

action of the kind that I have indicated. I shall explain our position to the House in connection with those amendments, but I am glad to have had this opportunity of putting as clearly as I can before the House the way in which we intend to act in this matter. I should like to emphasise, before I sit down, that the opportunity for this kind of action will only arise in the case of a very few exceptional articles, and we do not think that there will be any occasion for this kind of action in the case of any article where important revenue interests are concerned. Sir, with that explanation I oppose my Honourable friend's amendment.

Mr. President: The question is that clause 4 be omitted.

The motion was negatived.

Mr. G. Morgan (Bengal: European): I beg to move the amendment which stands in my name:

"That in clause 4, after the word 'enactment' in the sixth line, the words and figures 'other than the Salt (Additional Import Duty) Act, 1931' be inserted."

Sir, this stands on an entirely different footing from other protective duties. The consumers of imported salt under the Act are compelled to pay up to a certain price which the Tariff Board called the fair selling price, but they were safeguarded against paying any higher price than that by certain provisions in the Act. Now, with the surcharge added, the machinery for applying those safeguards would be entirely upset. The additional duty, as all Honourable Members remember, was Rs. 0-4-6 per maund, and the price put down in the Act was Rs. 66 per 100 maunds. Now, Sir, by the addition of the surcharge, the additional duty would be Rs. 0-5-7½ per maund raising the price per 100 maunds to Rs. 73. Therefore, the safeguard to the consumer would be gone until it were possible to amend the Salt (Additional Import Duty) Act. The safeguard for the consumer would be done away with by this surcharge being imposed, and I trust that the Government will see their way to accept my amendment.

The Honourable Sir George Schuster: I did not realise that this particular amendment was coming on so soon, but this is a case which has some connection with the remarks that I have just made. It is a very special case,—the question of dealing with the import duty on foreign salt that was imposed by the legislation passed in this Assembly in the last Delhi Session. My Honourable friend who moved this amendment has made it clear that this was not a case of an ordinary protective duty. The policy to which the import duty was intended to give effect, was, in fact, the policy recommended by the Tariff Board, that is to say, the stabilisation of salt at a price of Rs. 66 per 100 maunds. In order to effect stabilisation, two things were necessary, first of all, to enable the Indian producers of salt to be assured of a certain minimum price which would mean that they would not be crushed out of existence. From that point of view it was necessary to put the price up, and for that purpose the additional import duty on foreign salt was imposed. On the other hand, we did not want to leave the Indian producers of salt in a position to take advantage of that protection, so as to raise the price higher than what was considered to be the fair selling price. So, in order to provide the other feature, the complementary feature to our whole plan, the Government took compulsory powers to purchase salt from Indian manufacturers at Rs. 66 per 100 maunds. In this way we have powers to

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regulate the price both ways. That I think clearly indicates that the position is quite different to that which applies in the case of normal protective duties. That being so, it would really be inconsistent with our general intention if we increased the import duty on foreign salt by the operation of the surcharge. I must confess that if we had thought out the matter fully, before we introduced the Finance Bill, we should have provided against this effect, and we should have excluded the special import duty on foreign salt from the operation of the surcharge.

Now, the question arises, what is the best thing to do in the circumstances? My Honourable friend has moved an amendment which would have the appropriate effect, but, if this amendment is passed, we shall have to refund a certain amount of duty which has already been collected. The amount is not very large, I am told it is estimated at something like Rs. 30,000, but I am anxious to avoid that result, and to avoid the work that would be entailed in going over all the past transactions. Therefore, the course which Government would like to take would be by virtue of their powers under section 23 of the Sea-Customs Act, to remit, from the date the decision is taken by the House, the extra duty which the surcharge imposes. The result of what I am suggesting is this, that the House has now three courses open to it. If they accept the attitude which we would like them to accept, they would allow my Honourable friend to withdraw his amendment, in which case, as a sequel, we shall, by virtue of our executive powers under section 23, immediately remit the duty. By having allowed the matter to come before the House in this way, we shall have the satisfaction of knowing that in taking that action we shall have the approval of the House. On the other hand, if the House does not approve of that course, then they can allow this amendment to go to the vote, in which case they can either pass it or reject it. Those are the three alternatives. If they allow the amendment to be withdrawn, then we shall take executive action, but if they do not like that course, then they can vote on the amendment and either pass it or reject it. I think that has made the position perfectly clear, and if the House approves, I would suggest to my Honourable friend that he should withdraw the amendment on the assurance which I have given.

Mr. G. Morgan: I am ready to withdraw my amendment on the assurance given by the Honourable the Finance Member, if the House approves of such a course.

The amendment was, by leave of the Assembly, withdrawn.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadian Rural): I formally move my amendment that in the second proviso to clause 4, sub-clause (c) be omitted.

The motion was adopted.

Dr. F. X. DeSouza (Nominated Non-Official): Sir, I move:

"That to clause 4 the following further proviso be added, namely:

'Provided, further, that such addition of duty shall not be levied on cashew kernels.'"

Honourable Members are aware that the manufacture of cashew kernels is an infant industry which is steadily growing in importance in

Southern India. Several Honourable Members have asked me what is a cashew kernel. A cashew kernel is an article of diet which is very popular with all classes of the population in Southern India. On European dinner tables, it forms an excellent article of dessert, and I may say that in service circles it is facetiously termed "promotion" nut, because when a junior member of the service asks a senior officer to dinner, he is supposed to place a plate of this tempting delicacy in front of his senior in the hope that an over indulgence in it may quicken his own promotion. Its effect in this direction is somewhat exaggerated because a young member of the I. C. S. the other day complained to me that so far as he was concerned its effect in Bombay has been nil. This is however by the way. The cashew tree grows mostly on the west coast of India, in a belt of land about 40 miles from the sea, in the districts of South Canara, Malabar, Cochin, Travancore, North Canara and Ratnagiri. The total quantity of nuts grown in India last year was from 250 to 300 thousand bags, each bag weighing about 140 pounds. Each bag of nuts yields from 25 to 30 pounds of kernels and thus the total amount of kernels manufactured in India last year was about 8 to 9 million pounds. Till the year 1924, the consumption of cashew kernels was restricted mainly to India. In the year 1924, owing to the enterprise of an American company, Franklin Baker and Co., which is a subsidiary of the General Food Corporation, a process of packing was discovered which consists in preserving the kernels in vacuumised containers injected with carbonic acid gas, with the result that an important export business to America has grown up since that year. Before 1924, the export was hardly more than half a million pounds to various countries in Europe and practically nothing was exported to America. But the figure in 1928 shows that the American demand exceeded 5 million pounds. The European demand was more than a million pounds and the Indian demand was from 6 to 7 million pounds. I have already stated that the total production in India did not exceed 9 million pounds. The result obviously was that there was a shortage of supply in comparison with the demand. It therefore happened that the manufacturers had to look to outside countries for the supply of the raw material. The outside country that first came within their purview was Mozambique in Portuguese East Africa and from that country in the year 1930-31 140 thousand bags of cashew nuts were imported, and it is in connection with the import duty on these 140 thousand bags that my amendment is directed. Honourable Members are aware that the duty payable on this class of imports till the commencement of the financial year 1930 was an *ad valorem* duty of 15 per cent., and by the Finance Act of 1930 it was raised by an extra 5 per cent., with the result that at present duty payable is 20 per cent. Now by the present Bill, a surcharge of 5 per cent. is proposed to be imposed and thus the total duty payable would be 25 per cent. I have said that the total quantity imported was about 140 thousand bags, the cost of which would be about 5 lakhs. So the surcharge would be about 5 per cent. of five lakhs, namely, Rs. 25,000. The question this House has to consider is whether the proposed surcharge on this import duty should be sanctioned by this House or not. Now in arguing my case that it should be thrown out, I am in a peculiarly fortunate position because I have only to repeat the arguments which were addressed by the Honourable the Leader of the House the other day in the speech where he opposed

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the amendment for the repeal of the proposed levy of import duty on raw cotton. I shall take the liberty to reproduce his arguments almost verbatim. The Honourable Member laid down certain propositions of economics which were indisputable. It is true that economists have come in for very scant courtesy in this House during the last few days, one Honourable Member, the esteemed Leader of a very important party, going to the extent of saying that an eminent economist of Cambridge was—to use his classic phrase—talking through his hat, because he had enunciated a certain proposition which did not suit him. I suppose, Sir, in economics as well as in religion, if a man agrees with you, then you say he is orthodox, but if he disagrees with you, then he is heterodox. Be this as it may, the propositions which were laid down by the Honourable the Leader of the House—and which I shall repeat in the course of my argument—are indisputable. The first proposition he laid down is this, that all raw materials of industry should be admitted free of duty. I do not think this proposition can be disputed.

Mr. Arthur Moore (Bengal: European): What about raw cotton?

Dr. F. X. DeSouza: I am coming to that. Then the second proposition he laid down was, “that cheap raw materials stimulate the growth of industry”; and following the dictum of the Indian Taxation Committee, he said that if there is a duty already existing on the raw materials of industry, it should be lowered as far as possible. That again is a proposition which I think is incapable of contradiction. There were however laid down by the Honourable the Leader of the House in that speech certain exceptional circumstances under which it may be necessary to impose an import duty on the raw materials of industry and I hope to be able to prove to the House that these conditions do not exist in the case of the industry of which I am speaking. The first exceptional circumstance would be that the duty would prove, at a time of national emergency, to be a source of additional revenue. That was the case with regard to raw cotton, but in the case we are now dealing with, the surcharge will come to only a trifle over Rs. 25,000. Then the second set of exceptional circumstances which the Honourable the Leader of the House indicated was that the duty would benefit the agriculturist, and he added that in the case of raw cotton the import duty was advisable because it would benefit the grower of long staple cotton. I do not think for a moment that in the case of cashew nuts there is the slightest reason to suspect that there is a conflict between the interests of the agriculturist and of the industrialist because although it is true that the imposition of this duty has to some extent raised the price of cashew nuts in Southern India, the fact remains that the season for the growth of cashew in India is different from the season at which it can be imported from East Africa. The season when cashew grows in Southern India is in the months of April and May and the products of those months keep the workmen busy till the end of the rains, and if there was no extra supply from abroad for the month of November onwards, in the cold weather, the workmen would be kept idle; but it does happen fortunately that the season for the import of cashew from East Africa is from November onwards, so that there is really no conflict between the indigenous and the imported cashew. But assuming there was, is it a case where the interests of agriculture would be benefited if the proposed surcharge were thrown out? I do not think so, for

this reason, Sir, because the cashew tree takes about 9 to 10 years to grow and reach the productive stage, so that if the agriculturist begins to plant his tree now in the hope that it will yield the nuts about 9 or 10 years hence, he will find at the end of that period that there will be no sale for his nuts as the industry will have been diverted elsewhere, as I shall presently show.

Then, Sir, the third test laid down by the Honourable the Leader of the House with regard to the imposition of an import duty on a raw product was, "Is there any danger that by the imposition of the import duty the industry will be permanently damaged?" In the case of the cotton industry he conclusively showed that there was no such danger as the proposed duty was more than offset by the surcharge on the import duty on piece-goods, but with regard to cashew, Sir, it is quite clear that if an import duty is imposed in this country on raw cashew, as the price to the consumer in the American market will be determined by its relative nutritive value to the other nuts consumed in the country; the extra duty imposed in this country will fall not upon the consumer but upon the Indian manufacturer. There is an even more serious danger. I have said that the process of canning is a recent process for which a patent has been obtained by Frank, Baker & Co., but the duration of that patent is likely to expire shortly and I believe the process is already being used in other countries like East Africa and in the Portuguese territory of Marmagao. Now you will remember, that Marmagao is within a few miles from Mangalore, which is the headquarters of this industry. Marmagao is free from all import duties on raw produce. It is also free from income-tax or any other taxes which the industrialist has to pay in this country. (Hear, hear.) Does it require much imagination to realize that if heavy duties continue to be imposed on the raw materials of an industry in British India, the obvious thing for the industrialist is to remove his industry to the neighbouring Portuguese territory of Marmagao? I say, Sir, that the imposition of this surcharge upon the imported raw material in British India would virtually kill this industry in British India and would drive it either to the neighbouring Portuguese territory of Marmagao or to Portuguese East Africa. And what would be the affect of killing this industry so far as Southern India is concerned? Already, Sir, there are 12 factories working in Mangalore, Ratnagiri, Malwan and Cochin so far as I am aware. It employs as many as 15,000 persons. In Mangalore there are 6,000 workers in the factories and 3,000 cottage workers and during the last year . . .

Mr. K. P. Thampan: May I know what kind of work these people do in Mangalore? For what purpose are these 6,000 employed?

Dr. F. X. DeSouza: I am going to describe the process in a short time.

Mr. Jagan Nath Aggarwal (Jullundur Division: Non-Muhammadan): We have no idea of what the substance is.

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhammadan): Produce a specimen of it.

Dr. F. X. DeSouza: As I said, there are 6,000 workers employed in factories in Mangalore and 3,000 cottage workers, and every year, I understand from the leading persons engaged in this industry, they distribute

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as much as Rs. 15 lakhs as wages to the workers. In return we draw a considerable amount of wealth from foreign countries. America buys finished kernel to the extent of Rs. 40 to Rs. 50 lakhs a year and Europe to the value of from Rs. 10 to Rs. 15 lakhs, so that, this industry, which is in its infant stage—it has come into existence only since 1924—is drawing Rs. 50 to Rs. 60 lakhs of foreign money into India. This is one of the articles in which India has become a manufacturing country although on a small scale.

I have been asked what the process of manufacture is and in some quarters objection was raised that after all it is not an industry at all but a re-export of agricultural produce. Sir, I venture to submit that this view of the matter involves a fundamental misconception of the process of manufacture involved.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): It should be removed.

Dr. F. X. DeSouza: In Mangalore, which is the headquarters of this industry, an oven has been installed at a considerable expense for the purpose of shelling the cashew nut and for roasting, and packing is done by means of machinery. The plant of the principal factory in Mangalore, I have been informed, cost as much as one lakh of rupees which of course for the Bombay mill magnates is a bagatelle but for a struggling industry of Konkan is a considerable amount. The workmen whom I spoke of are employed partly in shelling, partly in roasting and partly in peeling the cashew nut, and to speak of it as re-exporting of agricultural produce is entirely wrong. I understand from the leading manufacturer there that the cost of labour in preparing one pound of finished kernel is five annas. That also is the price of the raw nut, so that the cost of the raw material is 5 annas per pound and labour is another five annas. I have also been told that it takes as many as three persons' labour per day to prepare 10 lbs. of finished kernel, so that, to speak of this process as a re-export of agricultural produce seems to me to be based upon misconception. As I have said, the industry is in its infancy and there are subsidiary industries which are capable of being developed, among others being the extraction of oil from the shell. I understand—I am not an expert in these matters—that this oil will be of very great use in painting and in the preparation of a substance which is known as bakelite. Sir, I think I have advanced sufficient arguments in support of the amendment that I have proposed. I therefore move.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, the Honourable the Mover of this Resolution would have probably obtained very material sympathy from this side of the House if he had only produced a sample of the cashew nut for the delectation of Honourable Members here, because a great many of them have been asking me as to what cashew nut is and what it is like. Sir, kaju nut, as Honourable Members on this side of the House are aware, is a very fine dessert nut. It is eaten with great gusto by the epicure. It is a nut in which trade is growing. As the Honourable Member has said, we produce in India kaju nuts

Mr. B. R. Puri (West Punjab: Non-Muhammadan): Where is kaju? This is cashew.

Sir Hari Singh Gour: It is pronounced kaju—to the extent of about 250,000 bags, and as the Honourable the Mover has said, the crop ripens in the month of April or thereabouts. The quantity that we import from Mozambique and other parts of Africa is 140,000 bags. These cashew nuts are all tinned in vacuum tins and re-exported to America, where we sell them to the value of Rs. 40 to Rs. 50 lakhs, some Rs. 10 or Rs. 12 lakhs worth being sold elsewhere in Europe. I submit that this is certainly one of the industries in which the indigenous population finds support. About 15,000 people are employed and there is a possibility of the expansion of the industry, because a process has been discovered for the extraction of oil from the shell and the industrial value of this oil is reported to be great. I therefore think that we should support the amendment on the short ground that we are in favour of the development of industries in our country. If we do not do so, what will be the result? The industry in this cashew nut is developing in the neighbouring Portuguese territory of Goa, where sufficient factories have started. As the Honourable the Mover has pointed out, these factories, on account of the absence of income and other taxes, are in a position of advantage which we in British India do not possess. Consequently, if this duty is levied, it will be an additional burden upon the industry, and the pioneers in the industry who have settled in Mangalore and other places and established factories would have no difficulty in shifting to the adjoining territory of Goa and carrying on their business there with the result that 15,000 people who make a living in these factories on the East and West coast of Southern India will be deprived of their livelihood. I therefore think, Sir, that the Honourable the Mover has made out a very strong case for our support, and I ask the Members on this side of the House to lend him their assistance.

Mr. K. P. Thampan: Sir, it is very unfortunate that I have to dissociate myself from my Leader. The question was not taken up at the party meeting and it is not therefore my fault. Sir, I represent here South Canara, Malabar and the Nilgiris, three districts which grow cashew nuts in South India. We have, as it were, the monopoly of cultivating it. It is said that the quantity of nuts produced in our place is not sufficient to meet the entire world demand. I have not got the statistics with me here, but I am sure that the indigenous supply which is quite sufficient to meet the demand of the whole of India is several times more than the imported supply. The nuts are peeled, roasted and canned for the purpose of exporting to America. I am told there are 15,000 people employed in this business. In the first place, I do not believe it; even so, most of these men will find employment if the industry is restricted to the local nuts. No doubt some of these people may be thrown out of employment, but their number will not exceed a few hundreds. Those people will then divert their energies outside the factories and expand the cultivation of the nuts. One-third of the whole districts of Malabar and South Canara is lying waste; and the cashew trees grow almost spontaneously. At present, owing to the reduction of the price of these things, merchants are not in a position to sell their stock. This proposal of raising the duty will have the effect of increasing the price of the local produce.

Sir Hari Singh Gour: No.

Mr. K. P. Thampan: What "No"? I must say it is so. By increasing the import duty the indigenous growers will be helped considerably and the cultivation of cashew nuts is bound to be expanded. Cashew is a kind of fruit; attached to it outside there is a nut. The fruit which is edible is very nice, and out of the juice of the fruit some kind of *arakh* is manufactured, and the Christian community in South Canara is very fond of that *arakh*. The nut is an extraneous substance. This can be easily removed without any harm to the fruit. The shell of the nut has a kind of oil which, it is said, is a very good disinfectant and is used for some diseases. The kernel tastes like almond.

I am sure that if this extra duty is imposed, the indigenous cultivators will be helped and it will give an impetus to the expansion of the cultivation of cashew nuts. Representing my constituents, I feel I must oppose this motion.

Mr. Uppi Sahab Bahadur (West Coast and Nilgiris: Muhammadan): Sir, I am extremely sorry that I have to oppose my friend from South Canara, Malabar and the Nilgiris, from where I also come. It seems he is ignorant of the situation about these cashew nuts. Some Honourable Members wish to know what this cashew fruit and nut looks like? It is like this. (The Honourable Member showed a sketch.) The fruit is a very pulpy and juicy and delicious to eat and a sort of liquor is produced out of it. The position as regards the industry is this. Cashew trees grow on the west coast wildly. Till very recently nobody took care of them, except boys who ate the fruit, and some poor people who collected the nuts and sold them for a nominal price locally. Recently after 1920 some people took it into their heads to work it on an industrial basis. By 1924 they were able to find out a method to export the material to European countries and now it is very largely exported to America. The nut is collected from the fruit and taken to factories where it is roasted and shelled. When roasting, a sort of pungent corrosive oil comes out. This oil has been discovered to be of great use as a disinfectant, and recently a demand from the Medical Department for the oil has also developed, so much so that the price of the oil has gone up to about Rs. 150 or so per candy now. The price of the unshelled cashew nuts stands at present at about Rs. 38 per candy, which is $6\frac{1}{2}$ cwts. So far as my friend Mr. Thampan's place is concerned, I understand the whole produce is lying waste. Nobody tries to collect it and export it to Calicut or Cochin. So far as South Canara and North Malabar are concerned, the condition is different and the industry is fast growing, so much so that a thing which was growing wildly is now under regular scientific cultivation. A considerable area is now under cultivation—four or five big jennies of North Malabar have taken it in hand. If this industry is nipped in the bud—that will be the effect of such import duty—the result will be that those estates will have to be given up and the whole industry will have to be given up. Mangalore is the place where the industry is growing, and the whole produce is now exported to Mangalore. Marmagao, a Portuguese possession, is near by; there is no import duty there; and there is no import duty from British territory to Marmagao. All these people will then transfer their industry to Marmagao; and naturally our industry will die; our people will be thrown out of work. Mr. Thampan is doubtful whether a large number of people are earning their livelihood by this business. I would tell him

that Kasergode is in his constituency. There is a factory there. I would ask him to see how many people are engaged in that factory. If he goes there

Mr. K. P. Thampan: On a point of personal explanation, Sir, May I say that what I meant was that in that factory at Kasergode people are employed in the treatment of local as well as foreign nuts. If the import ceases, they will be engaged in treating local nuts which

Mr. President: The Honourable Member can only make a personal explanation. He cannot take part in the debate. (To Mr. Uppi Sahib Bahadur.) Please go on.

Mr. Uppi Sahib Bahadur: So, if this industry is not helped now by the Government and the growth of this industry is prevented, certainly Government will be doing great harm to the West Coast of India; and so I support my Honourable friend Mr. DeSouza.

The Honourable Sir George Schuster: Sir, I think possibly all the House will agree that, important as the cashew nut is, it has received a sufficient measure of the time which is available for discussing the Finance Bill, and therefore I ventured to ask you to allow me to rise at this stage to explain what is the position of Government in this matter. This I think is exactly one of those cases which does demand inquiry on the principles which I have already stated twice this morning. I may say that we have already received representations from the manufacturing interests, and from the Government of Madras, and that we have made a certain amount of inquiry into the matter, and have gone far enough to satisfy ourselves that there is a *prima facie* case for avoiding the imposition of this extra duty. There is a case on the ground that this new industry which is growing up relies really on an export market, and that we might seriously interfere with this growing export trade by the imposition of the higher duty which this surcharge would effect. The amount of revenue involved is not much. According to our figures, on a 25 per cent. basis, and on the basis of the imports to date, the total revenue might be Rs. 5.8 lakhs; so that the surrender of the surcharge of five per cent. would on that basis cost just over one lakh. On the other hand it is quite possible that the five per cent. surcharge may deal a final blow to the export trade, and therefore that by putting it on we should actually lose money. Therefore, the two considerations which, according to our view, should influence us in matters of this kind, are both applicable. We may do damage to an Indian industry, and by the mere weight of the duty we might actually lose revenue. What I would put to the House is this: that we require to verify the position after we have been able to collect the statistics which were asked for some days ago. If the *prima facie* case is established by a further examination of those statistics, we should propose to take executive action under section 23 of the Sea Customs Act and remit a portion of the duty. My Honourable friend, who has moved this amendment, has merely asked for the elimination of the new surcharge. As he has taken that ground, I take it that he would consider that that would be sufficient; but no doubt he would like us to go further if we can. We shall consider that in considering what we shall do and we should not necessarily be limited to the five per cent.—the present surcharge. That, Sir, is the Government's position. The case does require a little more inquiry than we have been able to make, up till now, and the form of the

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amendment might possibly as it stands not be quite suitable, even if the House were ready to pass it at once. It is for consideration, and I am sure my Honourable friend will agree to this, whether the exemption should not be restricted to raw cashew nuts only, whereas my Honourable friend's amendment would bring in even roasted kernels in the exemption from the surcharge. The relevant entry in the customs tariff which we think would be appropriate will be "Cashew or cajou kernels not skinned". That, Sir, is merely illustrative of the fact that in these matters one requires a little time before settling the exact form of action. What I put to the House is that if they agree with the Government's proposed line of action they can take exactly the same course as was taken in connection with the amendment of my friend, Mr. Morgan, about salt. If they allow this amendment to be withdrawn and if my Honourable friend agrees to withdraw his amendment, we undertake to go into the matter very expeditiously and to make use of our powers under section 23 of the Sea Customs Act to effect some remission of the duty. On the other hand, if the House wishes to put the amendment to the vote, then they can either pass it or reject it.

Mr. President: Does the Honourable Member wish to withdraw his amendment?

Dr. F. X. DeSouza: Sir, I am grateful to the Honourable the Finance Member for the assurance he has given and I beg leave to withdraw this amendment in the form in which I have put it. In doing so,

Mr. President: The Honourable Member cannot make a speech.

The amendment was, by leave of the Assembly, withdrawn.

Mr. A. Das (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Sir, I beg to move:

"That to clause 4 the following further proviso be added, namely:

'Provided further that Printing Paper, item No. 155 in Part VII of Schedule II of the Tariff Act, shall not be liable to the 25 per cent. surcharge.'

I shall be very brief in moving this amendment and will only just lay before you the following points for the consideration of this House and the Finance Member. We heard a few days ago from one of the Honourable European Members of this House, who comes from Madras, how heavily the printing paper was already taxed, and he gave an illustration which was remarkable, that the result of this high duty on printing paper is that most of the printers and publishers are forced to send their manuscripts to foreign countries to get those things printed there rather than have them printed here, because the duty on paper is very high. If this is the case with the duty on paper which at present stands at one anna per pound, we can well imagine what will be the further effect on this article if an additional duty of 25 per cent. be added to it. It would have the result of increasing the cost of paper from about 145 rupees to about Rs. 175 per ton; and certainly none of us wish that the duty on printing paper should be increased to this extent that no publisher would be in a position to print any material in India. I do not know what is the actual amount which the Honourable the Finance Member expects to realise from this 25 per cent. surcharge on this particular item, but I do not think

it would be any very large amount, and having regard to the high duty which already exists on paper, and having regard to the interests of the publishers and printers, who supply a large number of books to the reading public and for general use, I think it is not fair to put upon that commodity this addition to the duty, which is already very heavy.

There is one other observation I would like to make, because I am always for constructive criticism, and it is this, that the loss of revenue under this head can be made up by putting a duty on wood pulp which is imported into this country. So far as I know, the wood pulp which is imported into this country is not liable to any import duty with the result that the amount of wood pulp which used to be imported into this country has increased from about 10,500 tons six years ago, to about 12,700 tons. Therefore, the amount of wood pulp which is imported into this country, there being no import duty on that commodity, has almost doubled, and I think it can easily be made liable to almost a nominal duty of Rs. 25 per ton. That would yield approximately an income of about eight lakhs, which would more than compensate the Finance Member for the extra surcharge which he proposes to place upon paper. In support of this fact, I would further like to submit that, on account of there being no duty on wood pulp, the companies which are manufacturing paper in this country are still declaring very high dividends in spite of the general depression in trade all round. For instance, I will give the case of the Bengal Paper Mill, which is giving a dividend varying from 25 to 30 per cent. in spite, as I said, of the fact that there is general depression all round, and they have not been able to sell their paper any cheaper. The result is that they sell their paper at the same high rates as we can get paper at from foreign countries with all the duty on that paper. So instead of the Indian taxpayer benefiting, it is only that particular company which will benefit by it. I therefore move, Sir, that the surcharge on paper be omitted and a proviso be added to this effect that the printing paper, item 125 in Part VII, shall not be liable to the 25 per cent. surcharge.

Mr. C. Brooke Elliott (Madras: European): Sir, I do not propose to argue any point of great fiscal intricacy, but I want to make one or two observations on a practical matter which is of very vital importance to us all. I should like to say to my Honourable friend that I gave one instance—how far that practice is carried on by other printers I cannot say,—but I gave one instance in which the printing Bill of a publishing firm came up to as much as Rs. 5,000 or Rs. 6,000 a month in Madras and has now dried up to the injury of that Press because of the high cost of the paper. These publishers found it was cheaper to send a manuscript to England to be printed and they now import the finished book which comes in free of duty. I only mention this to my Honourable friend to show that such an instance has actually happened, but to what further extent the practice obtains I am unable to say. I think I also mentioned that owing to the skill of expert calligraphers in Madras even vernacular books are sent to England to be reproduced in the same way. That certainly applies to certain books published in Canarese. Sir, I have some slight bowing acquaintance with newspaper editors, and I understand from them that India does not yet produce the proper kind of pulp that is required to make paper. Most of the editors are, I know, reducing their opponents into pulp, but that is hardly a commercial product that is required. (Laughter.) But, Sir, people in this country, I think, in these days ought to have ready

[Mr. C. Brooke Elliott.]

access to newspapers, and I know both from the Editor of the *Hindu* in Madras and also from the Editor of the *Madras Mail* that this very high rate of duty on imported paper is raising very difficult questions indeed. A newspaper is a form, or ought to be, a form, of public education. After all, who in India enjoys his matutinal egg without his morning paper—I leave the name of that paper blank,—his favourite paper with his favourite dish? And, Sir, I really do think that at a time like this we ought to bear in mind that with so many vital controversies and political matters in the air, the bulk of the people should not have to pay too much for their newspapers. I am not interested in any way financially in any newspaper, but I must say, considering how cheap on the whole newspapers are in other parts of the world,—for instance I pay two pence for my London daily *Times* and I pay the same amount for another paper which is perhaps not so quite eminent,—I think we ought to make an effort to reduce the high duty of 25 per cent. on imported paper. At the same time we should be prepared to put forward some means by which the Finance Member can make up for the revenue, which he loses otherwise if our proposal is accepted. He has been extraordinarily fortunate so far in respect of revenue as regards the rupee; at present he not only makes on the rupee roundabouts but he also scores on the swings of sterling, and a man who is able to produce not imaginary rabbits from a hat but actual tangible golden rabbits, I think will be able to find some way such as my Honourable friend has suggested to make up for the loss of revenue, and if he can do so I do think that the country in general would really very much appreciate it.

Sir, I want to say one word if I may on another point too. I put the question to some of my friends who are interested in journalism and printing whether India did not yet produce paper; if so, why must they import it? The answer given to me,—if there are any experts in that branch of journalism here they will correct me if I am wrong,—was this, that India certainly is making paper, but has not yet made paper that will stand up to the high speed of the modern rotary printing machine. This information was given to me by a gentleman who uses English paper, and he said that the only trouble with the paper produced in this country is that it cannot be worked at a speed much above say 300 or 350 per hour which English paper will stand up to a speed of three times as much. Of course, it is only a question of time, I take it, before the proper quality of paper is manufactured in India. I have been told it has something to do with water and certain chemicals and possibly our atmosphere too. I cannot answer for that, but I believe it is the fact, and while the newspaper proprietors and others would be only too glad to use Indian paper, they tell me that they must use imported paper if they are going to use it on high speed machines such as I believe, rotary presses and the like. They would all be glad, if they could get the right kind of paper in India, to use it; but while as we know a great deal of paper is used that is made in India, you cannot use it for modern high speed printing work. Therefore, they must import paper, if we are to have our usual daily paper. If we do not have it, we shall probably be denied a great deal of wisdom and—occasionally—a little nonsense too. (Laughter.) But on the whole I think there is more wisdom; trying to take an impartial view regarding one's own humble contributions, one generally arrives at the conclusion that the wisdom is usually greater than the nonsense. Sir, that was the only

point that I wanted to put before the House. The other day I said that the Honourable the Finance Member was the proud possessor of a big piece of cheese which we small legislative mice were endeavouring to nibble away. One or two atoms have gone from the cheese, but I do think here, as regards paper, we show him that if he gives us a few crumbs from the cheese, he will be able to get a slice, or anyhow the same quantity of crumb, from the other source as suggested. That is the principle on which I have been trying to go; but it is a difficult principle to keep, because it is very easy to have a principle, but when you come to the border line cases you are always in a difficulty on which side of the line you should go. If my Honourable friend will meet the public in the way we suggest I am quite sure that everybody in the House, and out of it, will be relieved and glad. I am not speaking on behalf of the owners of presses or on behalf of shareholders, because I have reason to think that they do not do at all badly considering the times. I am rather thinking in this particular matter of the wider interests of the general public.

The Honourable Sir George Rainy: Sir, I think it may be for the convenience of the House that I should try at this stage to explain briefly what the position of the Government is in this matter. I think the House will remember that in the year 1925 the Bamboo Paper Industry Protection Act was passed with effect up to the 31st March, 1932. During the last six months, the Tariff Board has been engaged in the study of the question whether, on the expiry of that period protection to the industry should be continued, and if so, for what period and to what extent. The Report of the Tariff Board was received about ten days ago. Now, as the present Act expires on the 31st March next, it is obvious that it will be necessary for Government to place the whole matter before the House in the coming ordinary cold weather session. The whole question will come before the House fully, and it will then be for the House to decide whether such proposals, if any, as Government may place before them should be adopted or not.

During the course of this discussion, brief though it has been so far, allusion has been made to one or two points which really cannot properly or fully be considered by the House until they have the Report of the Tariff Board before them. For instance, the Tariff Board took evidence during the course of the enquiry as to whether it was desirable that an import duty should be imposed on imported wood pulp. That obviously is a matter on which Government could not take action until they were in a position to place before the House the conclusions of the Tariff Board. Then, again, my Honourable friend, Mr. Brooke Elliott, referred to the quality of the paper produced in India and said that as regards paper for newspapers it was doubtful whether Indian paper possessed the necessary qualities. As regards that point, I do not claim to be an expert in the subject, but I was a member of the Tariff Board which enquired into the matter in 1925, and it was not clear to me from my Honourable friend's speech whether he had devoted to the study of the report submitted on that occasion so much time and attention as perhaps he might have done. The real point there is that the great bulk of the paper used by newspapers, namely, newsprint, is not subject to the protective duty and therefore hardly comes into this question at the moment. However, that is really a side issue. The general attitude of the Government is this: They fully appreciate the importance of the points to which my Honourable friend, the Mover, and my Honourable friend, Mr. Brooke Elliott, have drawn attention, and they are quite aware that they are

[Sir George Rainy.]

regarded as important by members of all parties and all groups in this House. But they would be reluctant at this stage to modify their proposals in view of the fact that the whole question must come before the House when we are in a position to publish the Report of the Tariff Board. In the circumstances they feel that it would be far better to defer the consideration of these questions for the three months that must elapse, and meanwhile, they would be reluctant to make the change suggested in this amendment, because they do not at present see on what basis this particular case can be distinguished from the other cases of a surcharge on the protective duties. In view of what I have said, I would ask my Honourable friend not to press his amendment on the understanding that the whole case must necessarily come before the House in the coming cold weather session. If no proposals were put forward, they would get their desire in full measure, for paper would drop back from the protective schedule to the revenue schedule, and in that case there would be a large reduction in the duty. For the present I would ask my Honourable friend not to press his amendment.

Mr. A. Das: In view of the assurance given by the Leader of the House, and also having regard to the fact that there is only a period of three months before this question will be fully discussed in this House, I ask for leave to withdraw this amendment.

The amendment was, by leave of the Assembly, withdrawn.

Clause 4 was added to the Bill.

Mr. President: Clause 5. Mr. Mitra. No. 16*

Mr. S. O. Mitra: My motion deals with four specific points, and as I find that there are separate amendments dealing with each point, I do not like to move the amendment standing in my name.

Khan Bahadur Haji Wajihuddin (Cities of the United Provinces: Muhammadan Urban): I am not moving mine. (No. 17).*

Mr. Lalchand Navarai: Sir, I move:

“That in clause 5 the words ‘any salt’ be omitted.”

In clause 5 of the Finance Bill there are several articles that are asked to be assessed with a surcharge of 25 per cent. Amongst them there is a surcharge being asked to be imposed on salt. I oppose that and for that purpose I have put in this amendment.

Sir, the question of salt is not so obscure as the one we found to-day on cashew kernels (Malabar fruit). Salt is a commodity which is already overtaxed, and there are several objections to the taxing of salt, though I do not think that salt will share the same fate as the cashew kernels. I feel that there will be no suggestion or any promise from Government that the matter about salt duty will be reconsidered as that of cashew, or a remission made and instead revenue raised from some other source. Therefore this is an important thing on which I claim the attention and interest of this House. (Interruption.) My Honourable friend who just interjected says if we are true to the salt. I ask the British people to be true to the Indian salt. I must confess that this salt duty is not a new

*“That clause 5 be omitted.”

one; it has been imposed from a very very early time. However, what has been the fate of that duty? There has been resentment over that duty from all parts of the country. It is not a resentment that arose only now, but I think it is at least half a century old.

Sir, the policy of the Government, though they profess differently,

has been that once a tax is levied it is never remitted. On 1 P.M. the contrary it is augmented from time to time. I do not know the figures exactly before the years 1915 and 1916, but I have got figures to show how this salt duty has since then been opposed by the public and how, in the teeth of extreme resentment, the salt duty has been increased from time to time. The figures for 1915 and 1916 show that the duty on salt was one rupee per maund. Then, Sir, in 1921-22 it was increased and was brought to Rs. 1/4 per maund. In 1922 and 1923 there was a popular demand to abolish this duty, and the result was that the House could not carry this tax. The duty then of one rupee four annas was remitted, that is to say, no tax on salt was passed by the House, but as always happens the death knell came from the certification of the Viceroy and this tax of Rs. 1/4 was thus restored. The agitation went on, and in 1929 it was again asked that there should be abolition of this tax. The good grace of the Government then went only so far as to reduce the tax to one rupee. In 1930 however the tax was raised to Rs. 1/4, and in 1931 also it was retained at Rs. 1/4 and it is now Rs. 1/4 per maund. Sir, it is an insult to injury that now this salt is going to be taxed with 25 per cent. more, which will bring the tax to Rs. 1/9 per maund. History shows to the Government that the country launched on the Satyagraha campaign and civil disobedience also on account of the salt tax. One of the principles to be observed in imposing a tax is to see what effect it is going to have on the country and the masses. If we look at it from that point of view, we find that the Government have not profited by the experience of the disturbances in the country. Everyone knows that the salt tax was opposed and there were actually raids on salt depots. We also know that the salt tax brought men, women and children even unwilling people to become disciples of Mahatma Gandhi. Will Government tell me how much they spent on it to save the situation; on the increase of the police, on the brutal means for opposing this movement by *lathi* charges and so on? Government's experiences in that connection alone should have enabled them to learn a lesson from what happened in the country. It cannot be denied that salt is a prime necessity of life, and that is another principle on account of which no higher duty should be placed on a commodity which is an absolute necessity of life. What is the effect of this salt duty? By the increase of the duty, the poor man is the worst sufferer. I submit that the Government should think it over and not insist on the duty being increased. You know that when the duty decreases, consumption increases and when the duty increases, consumption decreases. That is also the third reason why Government should agree that the surcharge should not be imposed. If the Finance Member takes this advice, he will be saving the Government from the necessity of resorting to those brutal means they employed which are un-British like. In 1903, when this tax was reduced by 8 annas, the consumption rose from 36½ million maunds to 43½ million maunds, an increase of 20 per cent. If this duty is increased, I am sure Government will suffer thereby. On a matter like this one would be tempted to speak long, but the

[Mr. Lalchand Navalrai.]

matter really requires no argument. The country has proved it to the Government that this is a tax which ought not to be increased. On that point however I shall produce an argument which is not mine but that of one of the masters of the Treasury Benches—a former Secretary of State for India. Before quoting him, I will tell the Finance Member that he has obeyed one of his masters, the last Secretary of State for India, who directed him to divorce the rupee from gold and he has obeyed him and here is a dictum which has been given by one of the predecessors of that Secretary of State and I think he must follow it. The quotation is to be found in the debates of 1929, Volume III, page 2313. Lord Cross, the Secretary of State for India, said this:

“I do not propose to comment at length on any of the measures adopted by your Government except the general increase in the salt duty. While I do not dispute the conclusion of your Government that such an increase was under the circumstances unavoidable, I am strongly of opinion that it should be looked upon as temporary and that no effort should be spared to reduce the general duty as speedily as possible to its former rate.”

But, Sir, it might be said that this is also a temporary surcharge that is going to take place. I must however say very frankly and openly that we shall have no faith even if any such hope is given by Government. Then, Sir, the next passage is this, coming from the same Secretary of State:

“I will not dwell on the great regret with which I should at any time regard the imposition of additional burdens on the poorest classes of the population through the taxation of a necessary of life. But apart from all general considerations of what is in such respects right and equitable, there are, as Your Excellency”—he was writing to H. E. the Viceroy—“is well aware, in the case of the salt duty in India, weighty reasons for keeping it at as low a rate as possible.”

This is as regards the incidence:

“The policy enunciated by the Government in 1877 was to give to the people throughout India the means of obtaining an unlimited supply of salt at a very cheap rate, it being held that the interests of the people and of the public revenues were identical and that a proper system was to levy a low duty, with unrestricted consumption.”

Then, it is said:

“The success of that policy has hitherto been thwarted.”

So, Sir, I submit that there is an opinion of a Secretary of State for India which supports my view. Then, Sir, it might be said that the poor people are not being affected by this tax and that the poor people do not pay as much tax as the rich man. I have already said that that should be considered relatively to their income. If so, then you will all be of that opinion that this tax should be stopped. Then, Sir, in considering that, I have only to ask “What is the justification on the other side with regard to this extreme case of salt?” They sing that old, old song, or rather at present the new song that, “This is an emergency measure and we want money”. The same thing is being gramophoned from another part of the House, at least twice or thrice it has been put so by my Honourable friend, Mr. Brooke Elliott. Sir, on this question of salt, they have not the financial point alone to consider; they have also to consider the several other grounds that have now been put before them. Sir, I will not take long on this, and in

conclusion I will quote even a higher authority than the one I have quoted already, and that authority I think must be implicitly obeyed. Here I am going to give the Honourable the Finance Member a quotation from the speech of the present Prime Minister of England. It occurs at page 2319 of the same Debates of 1929, Volume III. This is what Mr. Ramsay MacDonald said:

"The salt tax has been long regarded as a blemish on our Indian fiscal system."

Can there be any stronger word than that, Sir?

"The salt tax is exaction and oppression and if the people understood it, it would only breed discontent."

Mr. S. G. Jog (Berar Representative): How can it be exaction and oppression?

Mr. Lalchand Navalrai: It is even an agony, as I should call it. Sir, Mr. Ramsay MacDonald prophesied this, that there would be discontent, some time, in 1929, and since then what he prophesied has been realized, and yet Government are not taking a lesson from it. Then he goes on further and says:

"It is a survival of the general exploitation of India's poverty by a profit-making company. The argument for its retention illustrates the error so prevalent in India of assuming that the political wisdom of a western self-governing State is also the political wisdom in an autocratically or bureaucratically governed one, and that Bureaucracy has the same right to impose burdens on a people than a representative legislature has. The payers of the salt tax have no more say in Indian policy than the man in the moon, and the price of their salt has no more influence on the Bureaucracy than the cost of their weddings."

Sir, I will not say anything more in commending my amendment to the House, and I move.

Mr. S. G. Jog: Sir, at the outset I may say that a similar amendment to that moved by my Honourable friend, Mr. Lalchand Navalrai, stands in my name also. Sir, generally, in criticizing the Treasury Benches I observe a sort of soft criticism, which is also of weight in arguing out one's case. But in this particular matter I do not think I can follow the usual way of offering mild and flattering criticism. Sir, it is an amendment in which the question of salt is involved. We all know that the word "salt" has played an important factor in the discussions on the floor of this House for years and years past. But, so far this has had absolutely no effect on the Treasury Benches. Last year this question of salt was made the beacon cry, but after 12 months I find that the Treasury Benches have forgotten the historic march of Mahatma Gandhi from his Ashram of Sabarmati to the salt sources, and, alas, the Bureaucracy have become no wiser in any way. We all find that the discussions at the Round Table Conference have reached a breaking point, and I do not know whether the Bureaucracy want to take advantage of that position and, in a way, incite the people and incite the Congress to resume the old battle. I am afraid there might be a conspiracy between the Finance Member and Mahatma Gandhi, and, I must charge the Finance Member, if later on this movement starts again, with having aided and abetted the civil disobedience movement, and with whatever effects it may have. The whole programme of this taxation Bill, as the Finance Member has often-times said, is designed to

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meet purely revenue purposes. He is not concerned with any other questions—those relating to political expediency, sentiment, and so on. He wants money to come into the coffers of the Treasury Benches,—by hook or by crook. He looks at the salt question from a purely revenue point of view. But this side of the House is not prepared to look at the question of salt from the purely fiscal point of view alone. We cannot omit or ignore sentiment in the matter of salt. Salt, as explained by my friend, is one of the necessities of life. It has often been said that this is an article on which no tax should be levied. Attempts have been made for so many years for the abolition of the tax. There are counter-proposals made on the other side to raise the tax, again to reduce it for some time and then again to raise it. But this year particularly, since the truce that was effected between the Congress, Mahatma Gandhi and the Government, was it not one of the truce terms that the salt tax would not be increased? Not only that. But many concessions have to be given to people who are using salt, and many concessions have been already granted, although I hear complaints from many sides that those concessions are being withdrawn and some attempts have been made to take away what was given at the time of the truce. If salt was one of the terms of the truce, is it fair and is this the proper time, and is it statesmanlike that this surcharge should be introduced on salt? The matter has been discussed at great length on platforms and in papers. You are aware of the sacrifice the country has made. The sacrifice has been made in all quarters, in all places, by the male sex, the female sex, children and even old people. Have you all forgotten this? In spite of all this, at this time particularly you are introducing a measure which is practically courting civil disobedience sooner. Sir, my friend has given the history of this salt tax. I have no mind to enter into details. As I have said, I do not like to rely on facts and figures. I look at this question purely from sentiment and salt is one of the important issues. It has got a political importance. Especially at this time you should not introduce a measure of taxation on salt which will excite the people, which will provoke them into taking any drastic action. I, as a friend of the Treasury Benches, I as their well-wisher, and as a man interested in peaceful and orderly progress of India, appeal to the Treasury Benches to withdraw this measure which will lead the country to disaster. With these words, Sir, I support the amendment moved by my friend, Mr. Lalchand Navalrai.

Mr. B. Sitaramaraju: Sir, this tax on salt is a tax on one of the primary necessities of life. The last speaker, who has just now resumed his seat, has looked at it from the point of view of sentiment. Honourable Members opposite have given expression to the same view, that the tax is a tax looked at from the point of view of sentiment only. Honourable Members opposite drawing princely salaries consider that this tax on a primary necessity of life is a matter of sentiment. If any of the Honourable Members on this side of the House who is equally affluently circumstanced in life also considers that it is a matter of sentiment, I for one rise to say that it is not sentiment at all. It is not a matter of sentiment, if you look at it from the point of view that the masses of the people of this country are very poor, that the average income of a person in this country is about Rs. 2, and if you take into consideration the fact that there are thousands and millions of people who have an income of

less than that average; to them a difference of a single pie will make all the difference in life. Sir, to them it is not a matter of sentiment. It is something more than sentiment. It is a bare necessity which the poor cannot afford to have if you increase the burden. Sir, looking at it from another point of view, it may be considered a sentiment from the point of view of the Government because it is the earliest monopoly which the people of Britain secured in this country. They came not, as the Honourable gentleman from Madras from the European Benches said the other day, from the mother earth but they came with the salt monopoly. It is the earliest monopoly secured by British merchants in this country, and if the British Government of this country to-day sticks to this tax, I should consider that from their point of view it might be a sentiment. Sir, to have a monopoly which the Government are having on salt is bad enough. To have to exercise that monopoly with all the rigour that a monopolist has is worse. I have read the report of the Madras Commission on the salt working in that Presidency, and I find that the price of salt at which Government sells it is very much higher than the price at which the ordinary licensee is able to sell it. Why should it be so? If we increase the duties on the primary necessities of life constantly, it is very difficult in retail sales to pass the exact amount to the consumer in the villages. It may be a small percentage of duty here; but when it goes to the village grocer, you will find that the charges that he levies would be much more than what we intended to impose in this House. Therefore, the retail price would be something abnormal, and it is very difficult to pass the exact amount to the consumer. Looking at the matter from this point of view, I think that the burden is very much greater than is intended to be imposed by the Government.

I would like to mention one other point, and it is this. I do not mean to say that Government have not done right in withdrawing these salt credits. So far as my experience and knowledge go with reference to the operation of these credits in the Madras Presidency, these credits are not credits actually advanced to the licensees, but advances to the capitalists. The capitalists who hold with them Government bonds can go to the Treasury and obtain salt credits by pledging their Treasury bonds. And those bonds having been pledged, they take the salt credit to the licensees and arrange with them for a certain profit to enable those licensees to take the salt from the Government depot without being obliged to pay from their own pockets the duties. From the point of view of the capitalists I am not speaking, but from the point of view of the small license-holders I intend to speak. This system was a benefit to them because it secured them credit. In the early days it was difficult to find men to take out these salt pans for cultivation and therefore very needy people used to take them over and when they were cultivating those small bits, it was difficult for them to secure the necessary amount to pay the dues without paying which they could not remove their salt. Therefore Government devised at that time this system of salt credits, by which an advance was made to a capitalist who could deposit Government notes, and this enabled the capitalist to accommodate these poor license-holders. While agreeing to the withdrawal of the credit so far as capitalists are concerned, I should like to know how the Government will hereafter deal with the small license-holders, who for want of these facilities would be hit very hard and consequently the consumers would be called upon to pay more when the licensees are forced to go to the open market to

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borrow at high rates. This is another additional burden on the consumer. I hope the Honourable the Finance Member will find ways and means to help the small license-holders to get over this handicap.

The last point that I wish to mention is that we have to consider this duty from the point of view of India. Under the Irwin-Gandhi agreement, people on the coastal districts were permitted to manufacture their own salt, not for commercial purposes, but for their own consumption. If there is any increase on the salt duty, the price of salt must necessarily go up and as I have already pointed out, the retail prices will be much more than what they are intended to be. In such a case the people will be driven to the necessity of using a salt which is not beneficial to their health. Under these circumstances, Sir, it is not just that we should impose a duty which will increase the burden of the poor people, but on the other hand would be harmful to them from the point of view of health. With these few words, I support the amendment.

Mr. G. I. Griffiths (Bombay: European): Sir, I move that the question be now put.

Mr. President: As there has not been sufficient discussion, the Chair does not accept the closure. Sardar Sant Singh.

Sardar Sant Singh: Sir, speaking in support of this motion, I want to say a few words. So far as the reasons for imposing this duty on salt are concerned, it is not a new phase of this question which is being discussed to-day. During the last ten years the reasons for and against this taxation have been discussed threadbare, but we find that the reasons against this duty have not had any effect on those who are responsible for the administration of this country. During the last year this question assumed a critical importance of very great magnitude in the country; and at this time when the country is observing a truce between the Government and Mahatma Gandhi it will be nothing short of a breach of pledge to introduce such legislation. The revenue that can be raised from this duty is about Rs. 1 crore, but it would create a situation in the country the controlling of which may cost much more than the revenue it brings. May I ask those gentlemen who think of supporting the Government in this particular matter what ideas those young men and young women will have about them who marched under the banner of Mahatma Gandhi for the removal of this tax and for the removal of grievances in the country, of which this tax was made the chief pillar? We know that on this very issue Mahatma Gandhi successfully roused the country from the lethargy into which it had fallen and succeeded in sending about 60,000 people to jail. What was the cost of this to the administration of the various provinces and to the Government of India? If those expenses can be put side by side with the revenue that is intended to be raised by the levy of this duty, may I know whether this duty will compensate or whether the balance would be on the debit side or the credit side of the Government of India, of course taking the expenses incurred by other Governments into account? The resentment against this tax is so keen and so strong in the country that it may give a pretext to those who are opposed to the present administration in saying that the Government of India are not honest when they say that they are going to grant us self-government in the land.

Mr. R. S. Sarma (Nominated Non-official): Why can't you go and explain to the people the real intentions of the Government?

Sardar Sant Singh: I wish a better and more learned journalist, such as Mr. Sarma is, will do that for me. I do not pretend to belong to any journal, so that I may propagate my ideas so easily and with the same facility as he can do.

Kunwar Hajee Ismail Ali Khan (Meerut Division: Muhammadan Rural): Mr. Sarma will be very pleased to publish for you.

Sardar Sant Singh: I shall use this offer some time when I need it. If we impose this tax, it will certainly lead to heart-burning and discontent in the country. In the face of the present conditions in the country, I request, with all the emphasis that I can command, the Treasury Benches to leave this taxation alone.

Another point on which I think both the major communities in India are agreed is that this taxation touches even the humblest man in the land. If the opinions of medical men are true, then a certain amount of salt is required for healthy growth. At this time of depression, when the incomes of people have gone down considerably, will it be wise to deprive the poor man of his salt? To say that the burden is very little is not a fact. In fact to those who are wholesale dealers in this commodity, the burden is very little; but to those who actually consume the article the burden is very high. I know that the duty on salt is Re. 1 and the other charges amount to about 4 annas, and yet salt is sold in the towns at about Rs. 2-8-0 or Rs. 3 a maund. How this difference is brought about is for the merchants to say. This illustrates that the consumer ultimately has to pay much more than the duty which is charged by the Government. Under these circumstances to deprive the consumer of this commodity by levying this extra duty will be a very great hardship. Therefore, I will request the Treasury Benches to withdraw this duty so far as salt is concerned and to find out some other resources from which they can get this revenue. If there is no other revenue, then surely they are thinking of effecting further retrenchments which will save them some money. Cannot they cover this loss by further retrenchment in other matters?

There is one point on which I have not been convinced, despite all these arguments advanced about retrenchment, and that was that certain passage monies and exemptions from income-tax of salaries paid out of India—they have not been touched because they will not bring in much money or because it will disturb the established practice. My submission is, that at a time of financial stringency, there is no reason to pay more regard to the allowances and exemptions granted at a time when there was plenty of money in the coffers of the Government of India. Now, when big men with fat salaries are not to be touched, surely the poor man's salt should not be touched. With these words, I support this amendment.

Raja Bahadur G. Krishnamachariar (Tanjore cum Trichinopoly: Non-Muhammadan Rural): Sir, I had not intended to take part in this debate on this question, because if there is any subject which has been argued and argued and argued to death it is this salt duty. Every time we come

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here, we protest against this salt duty; every time the Government come up they insist upon raising this salt duty. I do not know—there is some fatality about it; and unfortunately coming as I do from the rural parts, I know exactly how this salt duty works upon the rural population.

There is an old story—I do not know if I am entitled to relate it on the floor of this House; it may not be very palatable to some—but a Marwari wanted to cross a stream; the stream was in full flood and he was told that there was a quick current running and that he should not attempt to cross: he said, "Oh, it does not matter", and he sat down on the brink of the stream and calculated the average depth of the stream: he calculated and calculated and ultimately arrived at the conclusion that it was only 3 feet one inch deep on an average from brink to brink and he said, "Now I am going to cross the stream". He got into a little basket like thing which is used for a boat and which is called a coracle and went in. When in midstream, naturally he was swept away, and with great difficulty he managed to escape himself, but his wife and children were all drowned. When he went to the other side he sat up and began making calculations again to see if there was anything wrong with his previous calculations and then he said: "*Hisab dekheto joun keyoun joru bache bah gaye*".

Exactly in that manner, we always get the salt tax justified by calculating averages and flinging them into our faces. Why do the Government always hit upon salt? Why cannot they have taken the thing that my friend, Sardar Sant Singh, talked about last? The tax works out I believe to about 25 or 30 lakhs this year, and a crore next year. So that it comes to about 121 lakhs; and with all the retrenchment paraphernalia, advisory committees, sub-committees, Simla and other things put together, cannot you get 121 lakhs in order to rid the country of this octopus of salt tax upon the poor man?

I very respectfully but firmly say that they could do it if they had a will to do it. In that speech of the Honourable the Finance Member he said on page 5:

"I hope that before the discussions of our present proposals are finished and before the House is asked—(I want you to mark these words)—to record any final vote as regards new taxation, we shall be able to put before them a more definite and detailed plan. I feel that Honourable Members are entitled to ask for this, and that we have no justification in putting plans for taxation before them except under the most solemn pledge of effecting the maximum reduction of expenditure."

So far as I know, that promise has not yet been fulfilled. I know that a lot of memoranda have been thrown at our heads—I do not know what they contain; but there is a small abstract of it and that memorandum was prepared practically within a short time of the speech, that was made and referred to above. Therefore, the final plan has not yet been shown to us. Ordinarily, you first tell us what your expenditure is and ask us to grant that expenditure in the shape of a Demand for Grant; then when you have determined what your expenditure is going to be, you come up with your Finance Bill. But here you are putting the cart before the horse. I do not know why you took up the second reading of this Bill before settling the final expenditure. The Honourable the Finance Member said:

"It has seemed to me that the only sound course is to take our estimates as we have been able to foresee them before the events of last week and to put before the House a plan which would produce equilibrium on the basis of those estimates."

So that the estimate of expenditure, to meet which the present Finance Bill is being introduced and being discussed, is the estimate that we passed in March last. We have been told there would be retrenchment, there was a discussion, a very strong discussion about these Retrenchment Committees; speeches, wise and otherwise, were made about the way in which their work has been accomplished and what is the result? The result is, while we are debating to-day upon the Finance Bill to meet expenditure which you forecasted in March last, what you were going to reduce out of that and what you were going to do in order to tell us exactly what you now want is still in the air, with the result that after a few days' more irrelevant—I very respectfully submit it is irrelevant—and rambling discussion without any materials on our side—Sir, I am criticising our side also—we do not know what else to do, we are groping in the dark; we never have been told how much you actually want. The Bill will have been passed and everybody will go home quite happy except the unfortunate man who is squeezed to pay the taxes. I know this much, that you want 19 crores of taxation; that is quite clear; but to meet what? You said you were going to tell us what exactly the expenditure would be; but you never told us that; even now, to-day, I do not know how much you want, but I know how much you want to get from me.

Coming back to this question of taxes, all that I want you to do is to take off 125 lakhs from this poor man, and I say this 125 lakhs you can easily, honestly, straightforwardly find out if you set about doing it. The field is immense; only the workers are few and if only you sit at it with a heart you can easily find that money. I therefore submit that even if you wanted this money and even if you are perfectly right—I do not suppose I can go back upon the vote of this House—in asking for this amount for eighteen months, I say you can very easily get this money; but I put my arguments also upon a sentimental ground and upon the ground of imagination. Sir, I charge this Government that they work without the slightest imagination. Now there is a great deal of trouble in the country. I am only giving them a hint as to how nine-tenths of this trouble could be warded off if they could only take hold of the poor man and give him back his salt and such other things as affect him most and meet the deficit from some other source instead of from salt. If you are going to vote the whole thing

Mr. Arthur Moore: Sir, is it in order to attribute all these designs to the Chair?

Mr. President: The Chair had intended interrupting the Honourable Member and pointing out that the Chair did not want to take any money from him.

Raja Bahadur G. Krishnamachariar: I understood that the practice here is that a Member cannot address the House except through the Chair.

Mr. President: The Honourable Member, in addressing the Chair, can refer to the proper authority in the case, or I might say the real culprit in the case.

Raja Bahadur G. Krishnamachariar: Sir, through you I am addressing the real culprit, and whomsoever the cap fits can put it on, and I do not mind who puts it on, whether it is my friend, Mr. Moore, or the Honourable the Finance Member, I do not mind a bit. (Laughter), but only the cap has to be sent through the Chair, and it is a great pity,—I am very sorry. (Laughter.)

Then, Sir, the reason is this. You want one crore and 20 lakhs

Mr. President: The Chair does not want one crore and 20 lakhs or any thing at all. (Laughter.)

Raja Bahadur G. Krishnamachariar: I am talking of the Government and not of the Chair. (Renewed Laughter.)

Mr. President: Then the Honourable Member can say that the Government want one crore and 20 lakhs.

Raja Bahadur G. Krishnamachariar: Very well, Sir, I say that the Government want 1 crore and 20 lakhs.

Mr. President: That is right.

Raja Bahadur G. Krishnamachariar: And in trying to secure that one crore and 20 lakhs, if they refer to the Indian Tariff Act, they will find that they have got in their Schedule 158 items, and of all those items salt is only one item. Instead of taking salt, if they distribute the money that they want among the various other items, they can very easily get the necessary revenue. As I said the other day, it is none of my business to tell you what particular item you should select in preference to salt. All that I come here for is to ask you not to touch my salt or such other item or items as concern me, but how you should find the necessary money by not touching my items it is certainly your business to see. You are paid to find it out from morning till evening, and if you cannot find out any other item as a substitute for salt on which to impose a tax to enable you to get more revenue, I cannot help it. I can only come here and explain my difficulties, and I say that Government are bound to redress my difficulties. I daresay Government want money and if there is more money I am perfectly sure Government would be more glad. Of all the items put together, salt is only one item. Instead of taking salt, if they distribute to tax amongst the various other items, they can very easily get the money as I said before. And, Sir, in this connection I do not like a statement which I believe I heard from the Finance Member. He suggested that the Budget discussion might be divided into three portions, and the last was whether it was justifiable to take more money than was absolutely necessary. With regard to that, I remember to have heard the Finance Member say, "We shall want all the money that we can get". Now, Sir, that is a very wrong principle in public finance; it is wrong for any Government to try and get money in order to hoard it; it is wrong for any Government to try and take money in the way in which they propose to take it. That is certainly a very wrong principle for any Government to adopt. They must take only as much money as they actually want, because Governments are not dying like individuals. If I die, my son is going to pay the tax, and if my friend, the Finance Member, goes, some other gentleman comes and takes his place and continues making this demand, so that between him and me, the demand continues and the payment also continues. So that why take more money than you actually require? I think I have had something to do with these things in one of my weak moments, and I believe it is an absolutely sound canon of financial administration that no Government ever takes anything more than what it absolutely requires. That was the reason why some of us here wanted that the Budget should be split up into two parts, and probably when you have budgeted for six months you may find that you will not want all the money that you are now trying to raise. If therefore you bring your mind to bear upon this matter and give some little attention to the question, I am sure you will be able to hit upon some other item than the poor man's salt,

and I very respectfully, very earnestly, and very humbly, if you like, ask that this salt tax should be taken off from the Schedule and some other item be substituted instead. I can, Sir, if I am so minded, take up the time of this House by recapitulating all those arguments which were urged by the late Mr. Gokhale before the old Imperial Legislative Council as to the necessity of salt, as to the wickedness of depriving the poor man of his salt, and as to the saintliness of Government in trying to find out one item from which they can raise the necessary revenue instead of selecting salt, but as I said, I do not want to take up the time of the Court in that way. (*An Honourable Member*: "Court?") (Laughter.) I really cannot understand why I said Court, because it is nearly 14 years since I left the Bar, and I do not know how the word "Court" crept in here.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): What did Gokhale say?

Raja Bahadur G. Krishnamachariar: I said I was not going to recapitulate what the late Mr. Gokhale said; all his figures and statements are at my fingers' ends, but I do not want to trouble the House by repeating all those arguments. What I say is this. You refer to the speeches of the late Mr. Gokhale and you will find therein a full and elaborate discussion as to the wrong of taxing the poor man on his salt. I would merely refer those Honourable Members who are interested in the matter to those speeches, and would again ask the Government that this salt tax should be removed from the list.

Mr. President: In adjourning the House till Monday, the Chair wishes to draw attention to the fact that the Finance Bill has not progressed as satisfactorily as the Chair would wish. The Chair does not wish to criticise any Honourable Member having regard to the importance of the subject, the House is dealing with, nor does it intend to interfere with any speeches that Honourable Members may wish to make, but having regard to the fact that time is getting on, the Chair wishes to inform Honourable Members that, from Monday next the Chair may decide to sit up to 6 or 7 o'clock if that becomes necessary.

Mr. O. S. Ranga Iyer: If I may say so, Sir, the progress that we have made

Mr. President: Order, order. I do not wish that this matter should be discussed. I have recognised the right of Honourable Members to speak at as great a length as they like. The Chair merely wishes to inform Honourable Members that if it becomes necessary, the House may have to sit till 6 or 7 o'clock from Monday onwards.

Mr. O. S. Ranga Iyer: I only wanted to tell the Chair that we have no intention of dragging on the thing, because Honourable Members are unwilling to sit up till 7, and they would much rather finish the work as soon as possible.

Mr. President: No one will welcome it more cordially than the Chair, if Honourable Members co-operate with it in carrying on the work within the usual hours.

The Assembly then adjourned till Eleven of the Clock on Monday, the 16th November, 1931.