

Friday, 6th March, 1936

# THE COUNCIL OF STATE DEBATES

VOLUME I, 1936

*(15th February to 25th April, 1936)*

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## ELEVENTH SESSION OF THE THIRD COUNCIL OF STATE, 1936



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# CONTENTS.

PAGES.

## Monday, 15th February, 1936—

Members Sworn . . . . .

1

Motion re expressions of regret on the death of His late Majesty King George V, and congratulations to His Majesty King Edward VIII, upon his accession . . . . .

2—13

## Tuesday, 17th February, 1936—

Member Sworn . . . . .

15

Questions and Answers . . . . .

15—22

Statements laid on the table . . . . .

22—36

Messages from His Excellency the Governor General . . . . .

37

Committee on Petitions . . . . .

37—38

Appointment of the Honourable Diwan Bahadur Sir Ramunni Menon, Kt., to the Library Committee of the Indian Legislature . . . . .

38

Congratulations to recipients of Honours . . . . .

38—40

Governor General's assent to Bills . . . . .

40

Bills passed by the Legislative Assembly laid on the table . . . . .

40

Presentation of the Railway Budget for 1936-37 . . . . .

41—49

Standing Committee for the Department of Education, Health and Lands . . . . .

49—50

## Thursday, 20th February, 1936—

Questions and Answers . . . . .

51—54

Death of Sir Dinshaw Wacha . . . . .

54—60

Standing Committee for the Department of Education, Health and Lands . . . . .

60

General Discussion of the Railway Budget for 1936-37 . . . . .

60—107

Statement of Business . . . . .

107

## Monday, 24th February, 1936—

Members Sworn . . . . .

109

Questions and Answers . . . . .

109—114

Statement laid on the table . . . . .

114

Standing Committee on Emigration . . . . .

114

Standing Committee for the Department of Industries and Labour . . . . .

115

Standing Committee for Roads . . . . .

115

Payment of Wages Bill—Considered and passed . . . . .

115—31

## Tuesday, 26th February, 1936—

Questions and Answers . . . . .

138—38

Standing Committee on Emigration . . . . .

138

Standing Committee for the Department of Industries and Labour . . . . .

138—39

Standing Committee for Roads . . . . .

139

Resolution re rules and regulations in horse-breeding areas—Negatived . . . . .

139—43

Resolution re military expenditure—Negatived . . . . .

143—59

Resolution re employment of "Duffier" cadets—Adopted . . . . .

159—70

Resolution re inscription of Negri characters on His Majesty King Edward VIII's coinage—Withdrawn . . . . .

170—75

Durgah Khwaja Sahab Bill—Motion to consider—Not concluded . . . . .

175—88

	PAGE:
<b>Friday, 28th February, 1936—</b>	
Questions and Answers	189—90
Presentation of the General Budget for 1936-37	190—91
Statement of Business	197
<b>Friday, 6th March, 1936—</b>	
Questions and Answers	199—202
Statement laid on the table	203—05
Standing Committee on Emigration	205
General Discussion of the General Budget for 1936-37	205—66
Statement of Business	
<b>Wednesday, 11th March, 1936—</b>	
Questions and Answers	267—
Standing Committee for the Department of Industries and Labour	
Durgah Khwaja Sahab Bill—Withdrawn as previous sanction of the Governor General had not been obtained	286—39
Resolution re Indianisation of the Public Services particularly with reference to Muslim recruitment—Withdrawn	289—98
Resolution re Joint Standing Committee on Indian Defence—Negatived	298—118
Resolution re leading of Indian delegations by Indians—Withdrawn	319—22
Resolution re slaughter of milch cattle—Withdrawn	322—29
Resolution re pay of Imperial Services—Withdrawn	329—33
Parsi Marriage and Divorce Bill—Motion to consider moved	333
<b>Friday, 13th March, 1936—</b>	
Questions and Answers	335—39
Parsi Marriage and Divorce Bill—Considered and passed	339—50
Resolution re removal of existing sex disqualification for membership of the Council of State in respect of women—Adopted	350—54
Resolution re economy on Railways—Adopted	354—58
Resolution re grant of Rs. 50 lakhs to Provincial Governments for the uplift of the depressed classes—Negatived	368—L
Resolution re making of offences under section 498, Indian Penal Code, cognizable—Withdrawn	381—82
<b>Monday, 16th March, 1936—</b>	
Resolution re recruitment for the Indian Military Academy, Dehra Dun—Withdrawn	389—406
Resolution re removal of mass illiteracy—Withdrawn	407—16
Resolution re listed posts in the Indian Civil Service—Withdrawn	418—23
Resolution re proposed substitution of nomination for election in the Fiji Legislative Council—Moved	426
<b>Wednesday, 18th March, 1936—</b>	
Questions and Answers	425—29
Resolution re proposed substitution of nomination for election in the Fiji Legislative Council—Adopted	429—39
Resolution re political prisoners under detention without trial—Negatived	440—48
Message from His Excellency the Governor General	448
Statement of Business	448

**Wednesday, 25th March, 1936—**

Member Sworn . . . . .	449
Questions and Answers . . . . .	449—61
Statements laid on the table . . . . .	481—63
Message from His Majesty the King-Emperor . . . . .	463
Resolution re unemployment—Adopted . . . . .	463—98
Resolution re constitution of a Rural Credit Department in the Reserve Bank of India—Negatived . . . . .	499—505
Statement of Business . . . . .	506

**Thursday, 26th March, 1936—**

Statement laid on the table . . . . .	507
Message from His Excellency the Governor General . . . . .	507—08
Indian Finance Bill laid on the table . . . . .	508
Standing Committee for the Department of Commerce . . . . .	508
Standing Advisory Committee for the Indian Posts and Telegraphs Department . . . . .	508
Resolution re reduction in hours of work—Adopted . . . . .	508—17
Resolution re reduction of hours of work in glass-bottle works—Adopted . . . . .	517—18
Standing Committee for Roads . . . . .	518

**Monday, 30th March, 1936—**

Member Sworn . . . . .	519
Questions and Answers . . . . .	519—25
Standing Committee for the Department of Commerce . . . . .	525
Standing Advisory Committee for the Indian Posts and Telegraphs Department . . . . .	525
Standing Committee for Roads . . . . .	525
Indian Finance Bill, 1936—Motion to consider— <i>Not concluded</i> . . . . .	526—76

**Tuesday, 31st March, 1936—**

Indian Finance Bill, 1936—Considered and passed . . . . .	577—612
Statement of Business . . . . .	612

**Tuesday, 7th April, 1936—**

Member Sworn . . . . .	613
Death of Khan Bahadur Shaikh Maqbul Husain . . . . .	613—14

**Wednesday, 8th April, 1936—**

Address by His Excellency the Viceroy to the Members of the Council of State and the Legislative Assembly . . . . .	615—22
---	--------

**Wednesday, 15th April, 1936—**

Member Sworn . . . . .	623
Questions and Answers . . . . .	623—31
Statement laid on the table . . . . .	631—32
Bills passed by the Legislative Assembly laid on the table . . . . .	632
Central Advisory Council for Railways . . . . .	632
Resolution re limiting hours of work in coal mines—Adopted . . . . .	632—34
Resolution re maintenance of rights, old-age and widows' and orphans' insurance—Adopted . . . . .	634—35

**Friday, 17th April, 1936—**

Members Sworn . . . . .	61
Questions and Answers . . . . .	637
Statement laid on the table . . . . .	642
Resolution re taking of 50 per cent. Indian capital from natural born Indians in future industrial concerns floated with external capital—Negatived . . . . .	643
Resolution re special facilities to the sugar industry—Withdrawn . . . . .	652
Resolution re establishment of a civil medical service independently of the Indian Medical Service—Negatived . . . . .	658
Resolution re classification of record sorters and duffries—Withdrawn . . . . .	675
Control of Coastal Traffic of India Bill—Introduced . . . . .	682
Durgah Khwaja Saheb Bill—Introduced . . . . .	683
Resolution re amendment of the S. P. C. A. Act—Withdrawn . . . . .	685
Code of Criminal Procedure (Amendment) Bill—Introduction postponed till next session . . . . .	691
Statement of Business . . . . .	
Standing Advisory Committee for the Indian Posts and Telegraphs Department . . . . .	
Central Advisory Council for Railways . . . . .	

Friday, 24th A	
Member Sw	
Statement	
Bill passed	
Indian Tax	
Indian Min	
Statement	
Saturday, 25th	
Member S	
Questions	
Short Not	
Indian Ta	

**Monday, 28th April, 1936—**

Questions and Answers . . . . .	693
Statement laid on the table . . . . .	694
Messages from the Legislative Assembly . . . . .	6
Standing Advisory Committee for the Indian Posts and Telegraphs Department . . . . .	
Central Advisory Council for Railways . . . . .	
Italian Loans and Credits Prohibition Bill—Considered and passed . . . . .	696
Salt Additional Import Duty (Extending) Bill—Considered and passed . . . . .	702
Statement of Business . . . . .	7

**Tuesday, 21st April, 1936—**

Bills passed by the Legislative Assembly laid on the table . . . . .	7
Statement of Business . . . . .	715

**Wednesday, 22nd April, 1936—**

Standing Advisory Committee for the Indian Posts and Telegraphs Department . . . . .	7
Central Advisory Council for Railways . . . . .	7
Statement of Business . . . . .	717

**Thursday, 23rd April, 1936—**

Member Sworn . . . . .	7
Decrees and Orders Validating Bill—Considered and passed . . . . .	719
Cochin Port Bill—Considered and passed . . . . .	723
Indian Aircraft (Amendment) Bill—Considered and passed . . . . .	727
Factories (Amendment) Bill—Considered and passed . . . . .	732
Indian Lac Cess (Amendment) Bill—Considered and passed . . . . .	740

	PAGES.
Friday, 24th April, 1936—	
Member Sworn . . . . .	745
Statement laid on the table . . . . .	745—46
Bill passed by the Legislative Assembly laid on the table . . . . .	747
Indian Tariff (Amendment) Bill—Considered and passed . . . . .	747—72
Indian Mines (Amendment) Bill—Considered and passed . . . . .	772—76
Statement of Business . . . . .	776
Saturday, 25th April, 1936.	
Member Sworn . . . . .	777
Questions and Answers . . . . .	777—79
Short Notice Question and Answer . . . . .	779—80
Indian Tariff (Second Amendment) Bill—Considered and passed . . . . .	780—88

# COUNCIL OF STATE.

*Friday, 6th March, 1936.*

The Council met in the Council Chamber of the Council House at Half Past Ten of the Clock, the Honourable the President in the Chair.

## QUESTIONS AND ANSWERS.

### DISABILITIES OF INDIANS IN ZANZIBAR.

43. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTY : Will Government be pleased to state :

(i) Whether they have apprised His Majesty's Government of the disabilities imposed on the Indian community in Zanzibar by the Land Alienation and other decrees passed by the Zanzibar Government ?

(ii) Whether they will place on the table the correspondence that passed between them and His Majesty's Government in this connection ?

(iii) Whether any representation has been received from the Imperial Citizenship Association setting forth in detail information as to how the Indians are adversely affected by the said decrees ?

(iv) What steps they are taking or propose to take to safeguard the interests of Indians in Zanzibar ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : (i) and (iii). Yes.

(ii) Government regret that they are unable to lay a copy of the correspondence on the table of the House.

(iv) The matter is receiving the earnest attention of Government and further representations to His Majesty's Government have recently been made.

### RATIO FIXED FOR NON-BRAHMINS AND THE DEPRESSED CLASSES FOR APPOINTMENT IN THE CIVIL AND POSTAL AUDIT OFFICES, MADRAS.

44. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTY : Is the ratio fixed for non-Brahmins and the depressed classes for appointment in the Civil and Postal Audit Offices in Madras followed while filling up permanent vacancies as in the case of minority communities ? If not, what is the justification for such non-observance in the case of former communities ?

THE HONOURABLE MR. A. J. RAISMAN : No. It is not the policy of Government to give preferential treatment between members of the same community but it is their intention that in the vacancies available for Hindus as a whole there should not be an undue preponderance of any section of the Hindu community.

**IRREGULARITIES IN CONNECTION WITH RECRUITMENT TO THE HEADQUARTERS  
OFFICE, NORTH WESTERN RAILWAY, LAHORE.**

**45. THE HONOURABLE MR. HOSSAIN IMAM :** (a) Was a representation relating to certain irregularities in connection with recruitment in the Headquarters Office, North Western Railway, Lahore, submitted by some Members of the Legislative Assembly to the Honourable Member for Commerce and Railways in December, 1935 ?

(b) If the reply is in the affirmative, will Government please state if any enquiry was made in connection therewith and, if so, will Government please place the connected papers on the table ?

**THE HONOURABLE MR. T. A. STEWART :** (a) Yes.

(b) An enquiry was made and it was found that there was no justification for the allegations made in the representation. Government are not prepared to place the relevant papers on the table of the House as they are meant for departmental use only.

**CONTRACT PLACED BY THE EAST INDIAN RAILWAY WITH MESSRS. JENSON  
AND NICHOLSON FOR CARBON BLACK READY MIXED PAINT.**

**46. THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA :**  
(a) Did the East Indian Railway Administration place a contract for the supply of 43,000 gallons of 3 per cent. carbon black ready mixed paint from Messrs. Jenson and Nicholson either in 1934-35 or 1935-36 ? If so, will Government be pleased to state whether the East Indian Railway Administration did carry out the exposure test for the paint purchased from Messrs. Jenson and Nicholson ? If so, how many years' exposure test was carried out by them and with what results ?

(b) Will Government be pleased to state whether the East Indian Railway and the Eastern Bengal Railway maintain any register or record of the results of the tests of paints carried out by them from time to time ? If not, why not ?

(c) Will Government be pleased to state whether the paint ordered in 1934-35 or 1935-36 by the East Indian Railway from Messrs. Jenson and Nicholson is the same 3 per cent. carbon black which was supplied to the Eastern Bengal Railway by the same firm ? If so, was the 3 per cent. carbon black supplied to the Eastern Bengal Railway found unsuitable by Government because of its not having lasting properties ?

(d) Will Government be pleased to state the reasons why paints already found unsuitable was patronised by the East Indian Railway authorities ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) The answer to the first part is in the affirmative. With regard to the second part, three years working test in service was carried out by the Eastern Bengal Railway and found satisfactory.

(b) Yes.

(c) It is understood that the paint manufactured by Messrs. Jenson and Nicholson, called special black paint ready mixed for wagon bodies and underframes, and supplied to the East Indian Railway, was of the same quality as that supplied to the Eastern Bengal Railway. It is not possible to ascertain from the analysis whether the black pigment contains 3 per cent. carbon black or not, but paint of the quality has been found to give satisfactory



results in service although exposure tests of paint of similar composition made on panels tested under non-service conditions were not satisfactory.

(d) Does not arise.

MESSRS. JENSON AND NICHOLSON.

47. THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA : Will Government be pleased to state whether Messrs. Jenson and Nicholson is a firm with English shareholders and English capital? If not, what is the total number of shareholders of the firm and what is the percentage of Indian shareholders?

THE HONOURABLE MR. T. A. STEWART : Government have no information.

CONTRACTS PLACED BY THE EAST INDIAN RAILWAY FOR THE SUPPLY OF CARBON BLACK PAINT.

48. THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA : (a) Was the rates contract against Indian Stores Department tender No. 0-4/M for 1932-33 accepted for the supply of the I. S. D. specification No. G. O. P. 21/1 for 3 per cent. carbon black at three different rates from three different firms?

(b) Was Murarka's 3 per cent. carbon black tested by the Government Alipore Test House? If so, did the East Indian Railway authorities refuse to place any order with the Indian firm for the black paint?

(c) Was the rate of the English firm of Jenson and Nicholson for the 3 per cent. carbon black higher by Rs. 0-12-0 per cwt. than the rate quoted by the two Indian firms of the Murarka and the Napiers?

(d) Will Government be pleased to state the reasons why the East Indian Railway ordered for the supply of the black paint from Messrs. Jenson and Nicholson for 5,000 cwts.?

(e) Will Government be pleased to state the amount of the loss to Government revenues on account of the said transaction?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) It is not a fact that against the tender in question contracts were given to three firms for supply of black paint to Indian Stores Department specification No. G. O. P./21/1 with 3 per cent. carbon black.

Against tender No. 0-4/M. for 1932-33 contracts for black paint were awarded as follows :

(1) Messrs. Napier Paint Works for Indian made paint black stiff to Indian Stores Department specification No. G. O. P./121, which lays down that the paint should contain 20 per cent. lamp black.

(2) Messrs. Jenson and Nicholson for Indian made paint black stiff for underframes and wagon bodies. No Indian Stores Department specification was stipulated for this supply but paint was to be supplied exactly as previously supplied to the railway.

(3) Messrs. Murarka Paint and Varnish Works for paint black stiff for underframes and wagons bodies to Indian Stores Department specification No. G. O. P./121 which lays down that the paint should contain 3 per cent. carbon black.

(4) Messrs. Murarka Paint and Varnish Works for "Muraco" special black ready mixed paint for underframes and wagons.

(b) The paint of Messrs. the Murarka Paint and Varnish Company was tested by the Alipore Test House. The East Indian Railway did not place orders with Messrs. Murarka Paint and Varnish Company, for the black paint stiff tendered by them at Rs. 8-10-0 per cwt. but did place orders for 23,000 gallons of "Muraco" special black ready mixed paint manufactured by that firm.

(c) Messrs. Jenson and Nicholson quoted Rs. 9-7-0 per cwt. for their particular paint and Messrs. Murarka Paint and Varnish Company quoted Rs. 8-10-0 per cwt. for their black paint stiff.

(d) The price of paint is not the sole index of relative value.

(e) Government do not consider there has been any loss in revenue.

#### STORES PURCHASE POLICY IN RESPECT OF PAINTS USED BY STATE RAILWAYS.

49. THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA: Do Government propose to make a thorough enquiry in respect of the stores purchase policy in regard to the paints used by the State Railways? If not, why not?

THE HONOURABLE SIR GUTHRIE RUSSELL: No. Government do not consider any enquiry to be necessary.

#### EMPLOYMENT OF WOMEN IN MINES.

50. THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA: (a) Has the employment of women as labourers in mines been altogether stopped? If not, do Government propose to stop it shortly? If so, will the men labourers working in mines be put to great hardships owing to want of employment of their womenfolk?

(b) Are women employed in Japan in all industries in large numbers, including mines?

(c) Will Government be pleased to state whether the employment of women labour is prohibited only in coal mines or in all classes of mines and also in open quarries?

THE HONOURABLE MR. A. G. CLOW: (a) No. The employment of women in the underground parts of mines was prohibited with effect from the 1st July, 1929, except in the coal mines of Bengal, Bihar and Orissa and the Central Provinces, and the Punjab salt mines. In the case of these exempted mines the regulations provide for a gradual percentage reduction each year in the number of women underground so as to lead to their total elimination by the 1st July, 1939. The question of advancing the date of prohibition in the exempted mines is at present under consideration. The answer to the last part of the question is in the negative.

(b) I have no precise information; but I believe that in some industries a substantial proportion of the labour force consists of women.

(c) The prohibition relates to all classes of mines, subject to what I have said in reply to part (a), but it is limited to underground work.

## STATEMENT LAID ON THE TABLE.

**AGREEMENT BETWEEN THE SECRETARY OF STATE FOR INDIA IN COUNCIL ACTING BY AND THROUGH THE GOVERNOR IN COUNCIL, GOVERNMENT OF THE UNITED PROVINCES OF AGRA AND OUDH, AND THE RESERVE BANK OF INDIA.**

**THE HONOURABLE MR. A. J. RAISMAN** (Government of India : Nominated Official) : Sir, I lay on the table a copy of the Agreement between the Secretary of State for India in Council acting by and through the Governor in Council, Government of the United Provinces of Agra and Oudh, and the Reserve Bank of India.

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### RESERVE BANK OF INDIA.

[Incorporated under the Reserve Bank of India Act, 1934 (II of 1934).]

**AGREEMENT BETWEEN THE SECRETARY OF STATE FOR INDIA IN COUNCIL ACTING BY AND THROUGH THE GOVERNOR IN COUNCIL, GOVERNMENT OF THE UNITED PROVINCES OF AGRA AND OUDH, AND THE RESERVE BANK OF INDIA.**

AN AGREEMENT made this twenty-fifth day of September 1935, BETWEEN THE SECRETARY OF STATE FOR INDIA IN COUNCIL ACTING BY AND THROUGH THE GOVERNOR IN COUNCIL, GOVERNMENT OF THE UNITED PROVINCES OF AGRA AND OUDH (hereinafter called " the United Provinces Local Government ") of the one part and THE RESERVE BANK OF INDIA (hereinafter called " the Bank ") of the other part.

WHEREAS the Bank was constituted and incorporated and is regulated by the Reserve Bank of India Act, 1934 (being Act no. II of 1934) hereinafter called " the Act ").

AND WHEREAS by section 21 (2) of the said Act it is provided that each Local Government shall entrust the Bank on such conditions as may be agreed upon with the management of its public debt and with the issue of any new loans.

NOW IT IS HEREBY MUTUALLY AGREED AND DECLARED by and between the said parties hereto as follows, that is to say—

1. This Agreement shall come into force on the execution of these presents.

2. The management of the public debt of and the issue of new loans by the United Provinces Local Government and the performance of all the duties relating thereto respectively including the collection and payment of interest and principal and the consolidation, division, conversion, cancellation and renewal of securities of the United Provinces Local Government and the keeping of all registers, books and accounts and the conduct of all correspondence incidental thereto shall be transacted by the Bank at all or any of its offices in Bombay, Calcutta and Madras and at any of its offices, branches or agencies at which respectively the administration of any portion or portions of the public debt

is for the time being conducted or interest thereon is for the time being payable and the bank shall also keep and maintain such registers, books and accounts in respect of the said public debt as the United Provinces Local Government may from time to time direct and shall audit all payments of such interest and act generally as Agents in India for the United Provinces Local Government in the management of the said public debt and shall conduct such agency subject to such orders and directions with regard to the general management thereof as may from time to time be given to the Bank by the United Provinces Local Government.

3. As remuneration to the Bank for the management of the public debt as aforesaid the Bank shall be entitled to charge to the United Provinces Local Government half-yearly a commission at the rate of Rs. 2,000 per crore per annum on the amount of the public debt as aforesaid at the close of the half-year for which the charge is made. In calculating this charge the following amounts shall be excluded from the amount of public debt, viz. :—

- (a) The amounts of loans discharged outstanding after one year from the date of a notice of discharge.
- (b) The amount of stock certificates for Rs. 50,000 and upwards held by the United Provinces Local Government or by any officer or officers of that Government authorized in that behalf.

And in addition to the charge of Rs. 2,000 per crore per annum the Bank shall be entitled to charge to the United Provinces Local Government such fixed sum as may from time to time be agreed upon between the parties on account of the stock certificates referred to in clause 3 (b) hereof, and the Bank shall be also entitled to charge the public (but not the United Provinces Local Government) all such fees and charges as are now or may hereafter from time to time be prescribed by the Governor General in Council under the powers conferred upon him by the Indian Securities Act, 1920, (Act no. X of 1920) for duplicate securities and for the renewal, consolidation, division or otherwise of all Government Securities which the Bank issues.

4. The responsibility for all loss or damage to the United Provinces Local Government which may result from any act or negligence or omission of the Bank or its Agents in conducting the business of the public debt aforesaid or the payment of interest or discharge value thereon or the renewal, conversion, consolidation, sub-division or cancellation of any security of the United Provinces Local Government shall rest with and be borne by the Bank provided however that it shall not be incumbent on the Bank to verify signatures and endorsements on securities which *prima facie* appear to be in order and in the acceptance of which the Bank shall not be guilty of any negligence and in such cases no liability shall be incurred by the Bank in respect thereto.

5. This agreement may be determined by either party giving to the other party one year's notice in writing expiring on the 31st day of March in any year, such notice if given by or on behalf of the United Provinces Local Government to be addressed to the Governor of the Bank and to be served by being left at the Head Office of the Bank and if given by the Bank to be served by leaving the same with or Addressing the same by registered post to the Secretary to the Government of the United Provinces in the Finance Department and immediately upon the expiration of such notice this Agreement shall absolutely cease and determine save as to rights or liabilities acquired or incurred prior to such termination.

6. Nothing in this Agreement shall operate to affect in any way the obligations imposed either on the United Provinces Local Government or on the Bank by or under the Act or any subsequent amendment or amendments of the Act.

7. The Bank shall be entitled to perform all or any of the matters contained in this Agreement through such agency or agencies as may be prescribed by the Act or any amendment thereof or as may be approved by the United Provinces Local Government.

8. In the event of any disputes arising as to the terms and conditions of this Agreement such disputes or any differences of opinion shall, in the event of the parties hereto failing to reach an agreement, be referred to the Governor General in Council whose decision shall be final and binding as between the parties hereto.

IN WITNESS WHEREOF Mr. J. L. Sathe, I.C.S., Secretary to the Government of the United Provinces of Agra and Oudh in the Finance Department, by the order and direction of the Governor in Council, Government of the United Provinces of Agra and Oudh, acting for and on behalf of the Secretary of State for India in Council, has hereunto

set his hand and the Common Seal of the Reserve Bank of India pursuant to a Resolution of its Central Board Committee has been hereto affixed in the presence of its subscribing officials the day and year first above written.

Signed by the said Mr. J. L. Sathé,  
I.C.S., Secretary to the Government of the  
United Provinces of Agra and Oudh in the  
Finance Department for and on behalf of the  
Governor in Council, Government of the  
United Provinces of Agra and Oudh, acting  
in the premises for and on behalf of the  
Secretary of State for India in Council in the  
presence of

J. L. SATHE,  
*Secretary to the Government of the United  
Provinces of Agra and Oudh, Finance  
Department.*

S. D. BAJPAL,  
*Deputy Secretary to the  
Government of the  
United Provinces.*

Common Seal  
of the  
Reserve Bank  
of  
India.

The Common Seal of the Reserve Bank  
of India was affixed hereto in the presence  
of Sir Sikander Hyat Khan, K.B.E., its  
Deputy Governor and Sir Purshotamdas  
Thakurdas, Kt., C.I.E., M.B.E., and Mr.  
Framroz Edulji Dinshaw, two of its Direc-  
tors who in token thereof have hereto  
signed their names in the presence of

S. HYAT KHAN,  
*Deputy Governor.*  
PURSHOTAMDAS THAKURDAS.  
F. F. DINSHAW,  
*Directors.*

K. G. AMBEGAOKAR,  
*Secretary, Reserve Bank of India.*

### STANDING COMMITTEE ON EMIGRATION.

THE HONOURABLE THE PRESIDENT: I have to inform the House that the Honourable Sir Ramunni Menon has since withdrawn his candidature for election to the Standing Committee on Emigration. As there now remain the following four candidates for the four vacancies, I declare them to be duly elected:

1. The Honourable Mr. Bijay Kumar Basu.
2. The Honourable Mr. Mahmood Suhrawardy.
3. The Honourable Sir Phiroze Sethna.
4. The Honourable Mr. P. N. Saprú.

### GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1936-37.

THE HONOURABLE THE PRESIDENT: Debate will now proceed on Part II of the General Budget. I wish to inform Honourable Members that I do not propose to fix any time limit for speeches. I will leave that matter to their sound discretion and they will see that their speeches are as concise and brief as possible. I propose to call upon Sir James Grigg to answer the debate any time between 4-30 and 5 P.M. this evening.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay: Non-Muham-  
madan): Sir, Honourable Members have reason to thank Government for giving them more time this year than they did a year ago to consider the Budget proposals and to offer their comments. The Finance Member had hinted

[Sir Phiroze Sethna.]

ast year and has done so again this year to the practice of reviewing the financial position not of the normal two years but of three. It is likely therefore he may hereafter introduce changes which will be in keeping with the English practice. In this connection I would like to repeat what I said last year that in the Budget such details might preferably be added as would enable us to know the average income per head of population, also if the country is progressing materially or retrograding and whether the standard of living is improving or otherwise. These details are to be found in the budgets of other countries and there is no doubt that they are very helpful. When the Honourable the Finance Member does introduce changes in the form and method of the preparation of the budget, I trust he will bear in mind the suggestion I have ventured to make.

It is a well known fact that our statistical data as regards the economic condition of the Indian people are quite inadequate. It is indeed a matter of great surprise why the Government of India should not be able to collect economic data which would enable us to draw sound conclusions as to the state of Indian agriculture, the actual position of Indian industries and all other points bearing on the economic condition of India. Some time back Dr. Bowley and Mr. Robertson submitted to the Government of India a scheme for an economic census of India with special reference to a census of production and reorganisation of statistics. That report is a valuable publication and the recommendations made therein deserve every consideration. I regret these recommendations have not yet been given effect to. I feel that the Government of India should try and come into line with all great and advanced countries in the world in this important respect. They should not fight shy of publishing such statistical data nor of the inferences however unpleasant they may be, which they may warrant.

Mr. President, there is a common belief in regard to different trades and industries that prosperity or otherwise runs in cycles of years. Perhaps the same might be said in regard to the budgets of the Government of India. The late Sir Basil Blackett had surplus budgets during his term of office. He was followed by Sir George Schuster as Finance Member who unfortunately had deficit budgets but the tide now appears to have turned. This is the second budget presented by the Honourable Sir James Grigg and it is even better than the first, and there is promise of yet better in the years to come and the likelihood or may I say the certainty of no new taxation for the inauguration of the new constitutional reforms in the provinces a possible result on which the Finance Member may well be complimented. A budget is naturally regarded as satisfactory if there is a surplus and there is no fresh taxation. The Honourable Sir James Grigg's expectations of the surplus in the current year have been greatly exceeded and his Budget for 1936-37 is equally, if not more hopeful and particularly so when we take into account that Rs. 1,58 lakhs are reserved for subventions to the newly-created provinces of Sind and Orissa—Rs. 108 lakhs to the former and half a crore for the latter, in addition to the Rs. 27½ lakhs promised to Orissa for equipping Cuttack its capital city with appropriate official edifices and Rs. 17½ lakhs to Sind for a similar purpose.

What the public is concerned with in a surplus budget is to know how the surplus is to be allocated. This is a task which I am sure the Finance Member finds it very difficult to discharge if he hopes he can satisfy all alike. I quite realise the pledge given by Government that the surcharge in income-tax and super-tax would be done away with at the earliest opportunity. The cut in the salaries of 10 per cent. was removed in two stages of 5 per cent. each

and the surcharge of income-tax and super-tax was reduced by only a third 12 months back. There is a strong feeling amongst the public that rather than afford relief in any other direction the remaining surcharge should have been removed first of all. It has pleased the Honourable the Finance Member otherwise. The total abolition of the remaining surcharge would have cost Rs. 2½ crores. I am afraid that if that were done Government perhaps could not have seen its way to have removed the tax on incomes of Rs. 1,000 to Rs. 2,000 which must cost Government nearly Rs. 3½ crores, and because this relief is of the right sort, namely, for the benefit of the lower middle classes and if Government had to decide between the two as appears to be the case, then I approve of the action of Government and prefer to wait for another 12 months for the total abolition of the surcharge. The lower middle class with incomes between Rs. 1,000 to Rs. 2,000 a year or between Rs. 85 and Rs. 170 per month were certainly hit very hard and needed relief. We do not give remissions to taxpayers in India in respect of the number of children they may have as they do in England and the relief now offered to this particular class in the new budget is bound to be greatly appreciated. One of the most beneficent measures of Lord Curzon's Viceroyalty was the raising of the assessable income to Rs. 2,000 and I hope the limit will not again be lowered unless in times of emergency.

The second relief is in the matter of postage. We full well realise that there is a persistent demand for postal rates to be reduced. This is not so in India alone. Even in Great Britain they are clamouring for a return to the penny postage. Here again the question arises if it would have been possible for Government to reduce the rate of the postcard from nine pies to six pies and at the same time to charge only an anna instead of an anna and a quarter for letters weighing up to one tola instead of half a tola as at present. Now a reduction from nine pies to six pies for post cards would in all probability mean a diminution in the postal revenue of nearly half a crore of rupees whereas increasing the weight that would be carried for an anna from half a tola to a tola would mean a loss of only Rs. 13 lakhs. If Government could not afford the two together perhaps the course they have adopted is the wisest possible in the circumstances. The actual loss by introducing a half anna postage would amount to Rs. 64 lakhs but allowing for a possible 10 per cent. increase in the sale of post cards because of the half anna rate the loss would amount to Rs. 54 lakhs.

I am sure Government have in hand a very large stock of stamps marked an anna and a quarter. I suppose this stock of stamps will now be impressed with the figure of one anna unless Government propose at a very early date to introduce new stamps with the head of the new King Emperor and in that connection if I may be pardoned a digression I would like to enquire if as is the case with our coinage the head of the new Sovereign will face towards the left for on our coins the late Queen Victoria faced towards the left, King Edward VII towards the right, King George V again towards the left and I suppose that King Edward VIII will alternately face towards the right.

The decision last year to set apart a crore of rupees for the purpose of creating a fund for the economic development and improvement of rural areas gave great satisfaction and it is gratifying that Government decided in the course of the year to add further sums which were available to this fund with the result that instead of a crore it stood at Rs. 173½ lakhs. Out of this Rs. 30 lakhs are proposed to be devoted to agricultural research, Rs. 5 lakhs to cottage and small scale woollen industries, Rs. 20 lakhs for broadcasting in villages and Rs. 10 lakhs for the prevention and cure of malaria. This Rs. 10 lakhs will be given to the Indian Research Fund Association but it is not quite clear if

[Sir Phiroze Sethna.]

the amount is earmarked exclusively for the prevention and cure of malaria or that the Indian Research Fund Association could devote the sum or a portion of it in research work in connection with other diseases if it thought fit to do so. In this connection I would like to point out that this Fund which formerly received a grant of Rs. 7 lakhs a year from the Government of India has been greatly starved and now receives only Rs. 1½ lakhs with the result that it has to encroach upon its reserve fund to the extent of Rs. 4 to Rs. 5 lakhs a year with the result that this fund will be completely wiped off at the end of another six or seven years. This Research Association is doing excellent work and it behoves Government to see that if they cannot restore the previous grant of Rs. 7 lakhs, now that financial conditions have improved they will increase the grant of Rs. 1½ lakhs to something approaching its previous level.

Whilst out of this Rs. 173½ lakhs allotments are made for different purposes I have just mentioned, I wish a certain amount were set aside expressly for the purpose of improving the educational, economic and the hygienic condition of the classes known in popular parlance as the depressed classes. They have been long neglected and it is high time that Government afford them special relief. I have thought it fit to table a Resolution to this effect which I hope to be able to move in this House in the course of this month and to use the words of the Finance Member himself, I hope he will treat the request in "no niggardly fashion" when he can spare the funds.

The Finance Member expects an increase in the revenue from income-tax and super-tax which of course is an indication that conditions are improving in the country and which we hope will justify the expectations of larger surpluses in the coming years. Government have appointed a Committee to recommend changes in the existing Income Tax Act and we hope that amongst other recommendations the Committee will carefully consider the suggestions made by the commercial community that the present rule of losses incurred in business in any year are not allowed to be carried forward to the following years will be altered. This rule is unduly severe. In the United Kingdom such losses I believe are allowed to be written off from the profits of the next six years. If the Committee will not follow the English rule let us hope that they will suggest that such losses be written off from the profits of at least the next three years. This will be a relief to the commercial community whose incomes can never be regarded as stationary but are bound to fluctuate and sometimes to fluctuate violently.

The item of military expenditure in the budget is one which year in and year out is given great importance to and rightly so. This item formed the subject of a special Resolution in this House some days ago when His Excellency the Commander-in-Chief hinted that instead of a decrease there is likely to be a further rise and the Honourable the Finance Member has supported him in his Budget speech by saying that more money will have to be spent for Ordnance stores, etc. The Budget for 1936-37 provides for Rs. 45.45 crores for Defence which is 51.3 per cent. of the expected revenue of Rs. 87.35 crores for the year 1936-37 which from the Indian point of view is certainly a very large amount. We will admit there are two sides to the question but I do think that the Indian point of view needs to be considered sympathetically by Government and every endeavour made to bring down military expenditure always bearing in mind the late Lord Kitchener's advice who laid down that economy should be the handmaid of efficiency.

In days of prosperity one is tempted to ask Government to undertake expenditure which may not be regarded as normal. Honourable Members



will remember that about six or seven years ago the Government of India decided to have mural paintings on the walls not only of the Secretariat at New Delhi but also in India House in London. The work was started at both places but it had to be discontinued for want of funds. Now that there is a surplus, might I suggest that at least half a lakh of rupees be spent this year towards this purpose? At the India House in London the idea was to have a wall space of 11,000 square feet covered by such paintings. At first only 1,400 square feet were covered and the work suddenly stopped for shortage of funds. Later the attention of Government was drawn to the fact that if nowhere else at least in the Reception Hall there should be such paintings and 700 square feet in the Reception Hall wall were so decorated. This means that only about 2,100 square feet or about a fifth of what was originally intended was taken in hand and completed in India House. The work in London was done by artists from Bengal alone. Bombay men could not compete for the four scholarships which were offered to do the work at India House because at that very time they were busy doing the decorations in the Secretariat at New Delhi. My submission is that the work might now be continued and an amount be allotted for both the Secretariat at New Delhi and the India House in London and I would also suggest that care be taken to invite artists from different provinces to complete the work. The High Commissioner, Sir Bhupendranath Mitra, when drawing the attention to the work already done at the India House expressed the hope in the speech he made that subsequent work would be entrusted to artists from different provinces of India so that the British public may get to know of such artistic work done in the different provinces.

We hear and read criticisms of the policy of Government in regard to the excise on sugar. Hardly any other industry in this country at any time has shown such a phenomenal advance as the sugar industry today. The imposition of a protective duty has resulted within only five years in the sinking of nearly Rs. 25 crores in this industry and whilst there were only 32 factories in 1931-32 there are about five times that number today. Their number is estimated at 154 and some more are in the course of being promoted. It is urged that the levy of an excise duty on sugar at the present stage is harmful to the industry. This excise duty is to an extent a set off against the loss to Government of import duty because of the gradual decrease in the imports of sugar but if the excise duty were removed instead of helping the factories it would result in an indiscriminate increase in their number and consequent reduction in the price of sugar owing to increasing competition which would prove the ruin alike of both efficient and inefficient concerns. At the rate this industry is growing it will soon become a question of the survival of the fittest and excise duty will weed out the inefficient ones.

There is however another matter in connection with the sugar industry which needs the attention of Government. I know that there does exist a concession rate to ports at long distances but it is only in some cases and this should be extended widely. It is the heavy rates of railway freight which cuts the ports and distant places out of the indigenous market and it enables foreign sugar to be imported in spite of the heavy protective duty. If therefore a part of the excise duty could be utilised for the purpose of bringing about a reduction in railway freights Indian sugar could find a much larger market than is the case today. Sugar is produced in India today of the value of more than Rs. 17 crores a year and more than Rs. 6 crores or 40 per cent. goes to the cultivators and the balance of 60 per cent. is practically spent entirely in India whereas in the case of imported sugar nothing goes to the cultivators and 33 per cent. leaves the country in liquid cash.

[Sir Phiroze Sethna.]

In his Budget speech last year the Honourable the Finance Member was not quite sure whether he should extend the period for protective duty against foreign salt. He did so however by introducing a Bill later to that effect and that period now expires on 30th April, that is within less than two months from now. The question is in regard to the future. Those interested in the salt industry in Western India and at Aden are grateful to the Finance Member for giving them opportunities during the current year for placing facts and figures before him. They have asked for a continuance of the present rate of duty and for a fixed number of years after which if necessary this duty on imported salt might be done away with altogether. The matter, we understand, is receiving the consideration of Government. The present rate of duty is  $2\frac{1}{2}$  annas per 100 Bengal maunds. This rate prevents foreign salt coming from Europe except from Hamburg alone which is due to dumping. If this rate of  $2\frac{1}{2}$  annas is lowered any further perhaps foreign salt from ports west of Suez would not be imported as they would have to pay Suez Canal dues but any reduction from  $2\frac{1}{2}$  annas will certainly enable Italian salt works at ports in the Red Sea to glut the Indian market which will mean a heavy loss to Indian and Aden manufacturers. This contingency will I hope be avoided and those interested in the trade naturally await the Finance Member's decision with great interest. At the same time I feel confident that even the Bengal consumers would not like to see their market flooded with foreign importations.

It is urged in some quarters that the Finance Member deliberately underestimated the income side in his figures for 1935-36 and has pursued the same policy in his Budget for 1936-37 with the idea of doling out the surpluses for diverse purposes instead of reducing taxation to a greater extent right from the start. I do not think that can be regarded as fair criticism for the budget figures at the best are but an estimate and it is better that the estimates err on the side of caution so that if they are exceeded and if there are surpluses the same could be distributed in the following year rather than over-estimate from the start and meet with disappointment at the end of the year and consequent increased taxation.

**THE HONOURABLE THE PRESIDENT :** I understand that today being Friday Muhammadan Members have to attend prayers. If the Honourable Muhammadan Members rise earlier in their places they are more likely to catch the President's eye.

**THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa : Muhammadan) : Sir, before I commence my remarks on the Budget I should like to congratulate the Honourable Mr. Raisman on the fine speech he made in introducing the Budget. It was a very lucid speech and it stated everything that was required in as concise a manner as possible.

Mr. President, I am reported to be rather a severe critic of the Finance Department of the Government of India, and therefore if I also join with Sir Phiroze Sethna in his dictum "that it is better to be conservative in estimating income", it should not be taken that I am actuated by any motive save that I regard it as a canon of sound finance. Another matter in which I have the misfortune to differ from my countrymen is in regard to the outcry against the financing of Quetta reconstruction from revenue. There too I agree with the Finance Department that this should not be met out of capital

but out of revenue. I have been advocating the course to the Commerce Department for the last three years "that capital investment should only be made in those things which are likely to give us a direct return, and other expenditure, whether it is for utility services or not, if it does not promise to pay its way should not be financed from capital".

Sir, the explanatory memorandum of the Finance Secretary is this year a little shorter than it used to be formerly. There has been an economy campaign of four pages in the explanatory memorandum, whether intentionally or not I do not know. But we do hope that the information which used to be given in this memorandum will continue to be given in full. I find that the Finance Member has also economised in his speech. We used to get some reference to trade conditions in India from the former Finance Member, but this year there is no mention of the trade of the current year. There is another document which we used to receive with the budget papers, giving important items as to the trade and commerce of India—probably compiled by the Director of Commercial Intelligence and Statistics. But this year that document has not been given to us.

The prosperity of the country is not dependent on the income which the treasury derives. It depends on the moral and material condition of the country and the best index of prosperity is our export trade. If there is an improvement in our export trade, if there is an increase in the index number of prices—these two are sure and certain guides to prosperity. The mere fact that our income is higher, and that we are getting accommodation in the money market at cheaper rates, does not show prosperity. Rather I should say the fact that money is available to Government at cheap rates shows that there is no profitable investment possible for the money. It shows that our industrial progress has been retarded, that no money is being invested in industries. It proves that as people cannot find any other avenue of investment, they are going in for Government securities at low rates of interest. Therefore it should not be regarded as a sign of prosperity. I do not blame the Finance Department for all our ills, but I do claim that if they do not realise that we are still in a bad way, that our trade and commerce has not improved, they are likely to neglect it more than they have done in the past. It is from this point of view that I wish to impress on the Finance Department the desirability of doing something concrete to improve our prices. May I just remind the House of one fact which will illustrate my point. The value of the principal agricultural produce of my province, Bihar and Orissa, was something in the neighbourhood of Rs. 137 crores in the year 1928-29, while last year for which we have figures the value of the principal crops of Bihar and Orissa fell to Rs. 55 crores. We are having 40 per cent. of the income that we used to have in the year 1928-29. Does that show that we are anywhere even in the neighbourhood of prosperity?

**THE HONOURABLE THE PRESIDENT :** "Is that not the case all over India?"

**THE HONOURABLE MR. HOSSAIN IMAM :** It is not the case all over India. In the Punjab it was Rs. 76 crores in 1928-29; this year it is Rs. 40·11 crores, which is nearly 55 per cent. There are other provinces even more unfortunate than Bihar and Orissa. In Burma the prices have fallen from Rs. 63 to Rs. 23 crores. All rice-producing provinces are in the trough of depression and nothing has been done to ameliorate our condition.

The care which the Honourable the Finance Member has shown for provincial autonomy is really admirable, but I hope that he will not be content

[Mr. Hossain Imam.]

by providing for a surplus budget for himself but he will see to it that the provinces when they inaugurate provincial autonomy do have surplus budgets. If he can achieve this, I think he will deserve the thanks of India. Personally I would not have tapped the match excise duty. That was an item of taxation which ought to have remained in reserve for the inauguration of provincial autonomy. Unless we have some sources of income in the centre on which we can fall back, we cannot give anything to the provinces from income-tax receipts, and without that it is impossible for most of the provinces to balance their budgets.

Sir, there is one item in the speech of the Honourable the Finance Member to which I wish to refer particularly. That, Sir, is in paragraph 31 in which he refers to repayment of the sterling loan. It will be in the memory of this House that I have been trying to induce the Finance Department to do this very desirable thing for the last three years, but my experience, Sir, has been very sad. The promises even of the Finance Member have been honoured by breach. The pledges given in this House by the Finance Secretary have been dishonoured. Last year the Honourable the Finance Member in his speech as well as in the explanatory memorandum said that he would repay maturing obligations without contracting any fresh sterling loans, but we know that that did not transpire. Since 1932 we have repaid enormous sums of sterling loans, but not one of them has been paid back without contracting fresh sterling borrowings. I would therefore request the Finance Member to tell us whether he has been authorised to make this announcement by Whitehall, whether he has authority from the powers that be—

THE HONOURABLE THE PRESIDENT: I do not think that is a fair question to put to the Finance Member.

THE HONOURABLE MR. HOSSAIN IMAM: Without that assurance the promise is not worth the paper on which it is written. For the last four years promises of this sort have been made by the Finance Department with all solemnity, but dishonoured. I am insisting on this because this happens to be the last sterling loan which is repayable; for five years there will be no sterling loans repayable. The next one comes in 1942. Therefore we wish to be assured that it is not an empty promise but there is something behind it.

Then, Sir, I was really surprised that our rate of interest *plus* incidental expenditure which we have to pay for our ordinary loans is much below what we have to pay for our other obligations. This is something extraordinary. The usual course is that other obligations are contracted in order that they may be the cheaper method of financing our requirements. But here the opposite is the case, whereas the over-all cost, including service of loans, management of debts, writing down of premiums and discount, etc., the all-inclusive rate on our loans comes to 3.75 per cent. On our other obligations the composite rate is almost 5 per cent. The total amount involved in our other obligations is Rs. 247 crores only and the interest charge and the all inclusive cost comes to Rs. 12.15 crores. That gives a rate of 5 per cent. It is something anomalous that our other obligations should cost nearly 50 per cent. more than our loan operations. I therefore request the Finance Department to look into the matter and inaugurate a policy whereby this anomaly may cease at least from the next year.

Then, Sir, I come to the Reserve Bank. The Reserve Bank represents at the present moment all the assets which we had in the Paper Currency Department as well as in the Gold Standard Reserve, with the exception that a sum of less than Rs. 40 crores which was a non-interest paying asset has been removed from there and kept back in the Government Treasury. But the difference between the income which we used to derive from those heads and the present income is so enormous that it does require some explanation from the Finance Department for the very much reduced earning capacity of this Department. Mr. President, under the heads XVI, XXVII and XXVIII, three heads of income which used in former days to give the income from the Currency, Mint and Gold Standard Reserve, in the year 1934-35 our income was Rs. 349 lakhs, whereas this year from those three heads we are going to get only Rs. 188 lakhs ; in other words, we are having an income of only half of what we actually got in 1934-35. That is something which ought to be explained and we ought to know why there is such a decrease in our income.

I regret that our English expenditure also has not in any way been reduced. Our expenditure in 1934-35 after debiting the English income was Rs. 31 crores ; this year we are budgetting for an expenditure after taking into account our English income, of Rs. 31·32 crores. There is an appreciable increase in our English expenditure, if we note the reduction of Rs. 122 lakhs in interest charges this year. That, Sir, is a thing which we can never like. We would rather have it the other way round than in this way.

Then, Sir, I should have liked the Honourable the Finance Member to have said something more than he did about the Silver Redemption Fund. A bare statement that our securities have deteriorated and therefore we are going to have a smaller income is insufficient. It is secretive in view of the fact that formerly when we had the Gold Standard Reserve a quarterly account of it was published. We used to know exactly what were the securities held in the Gold Standard Reserve. Why has the procedure been changed? Cannot the account see the light of day? Was it because it was so badly held that it had already deteriorated, that it was not considered advisable to publish any explanation or any facts and figures about the holdings? Why is it so? Although we have differed fundamentally on the question whether it was right for Government to start the Silver Redemption Fund without consulting the Legislature or not, that does not mean that no information should be communicated to us. Are we Sudhras that the Vedic mantras should not be listened to by us? According to the Finance Department no one but those who are in power have any right to know how these funds are held.

**THE HONOURABLE THE PRESIDENT :** Where is it laid down?

**THE HONOURABLE MR. HOSSAIN IMAM :** I say, Sir, the practice, the convention was for the Gold Standard Reserve accounts to be published always. In the English constitution, Sir, as we all know, more things are done by convention and tradition than by written law.

Sir, there is one item of expenditure in which I think the Finance Department has been unduly stingy. I refer to the Department of the Honourable the Leader of the House—the Department of Education. For three or four years, Sir, we have been asking that the cuts in the Aligarh and Benares Universities should be restored. Every year, Sir, we are promised that something will be done but when the year is finished and the next year comes, we find

[Mr. Hossain Imam.]

that we are where we were before. It is not sufficient for the Finance Member to promise in the other House that he will look into the matter. This thing does not involve a big expenditure,—it is only an expenditure of Rs. 60,000. He has crores to distribute. Cannot he find Rs. 60,000 only to give to these two Universities, and make an announcement in this House that he is going to restore the cut that has long been overdue? I know there are other deserving departments under the Honourable the Leader of the House which also have a claim for restoration. They may be looked into. But this is so patently a just demand that I do not think it is sportsmanlike of the Honourable the Finance Member to withhold his consent.

Then, Sir, about the disposal of the surplus. While I am quite in agreement that agricultural and rural reconstruction should go on, the other items of his surplus disbursement do not meet with my approval in the same degree as this one does. Sir, it is a well known fact that in England all the realised surplus is devoted to the amelioration of debt, and automatically it goes into the sinking fund account. We, Sir, too, would have liked that in view of the fact that our sinking fund provision has been reduced, we should have a like provision that all realised surplus should automatically go to reduce our debts.

**THE HONOURABLE THE PRESIDENT:** What about the Aligarh University?

**THE HONOURABLE MR. HOSSAIN IMAM:** Well, Sir, that is in the current income. I do not want the restoration with back effect but if he is so kind as to give them all back dues perhaps we might reconsider our criticism.

Sir, the Budget shows that there is prosperity for the Government, that there is a reduction of surcharge for rich men, there is relief for the middle classes, but the Budget is singularly devoid of any gesture for the poor. Not one of the taxes which hits the poor man, not one of his amenities or requirements have been looked into by the Finance Department. Railway fares have not been reduced by the Railway Department, customs duties have not been reduced by the Finance Department. The salt duty is there, and the kerosene duty is as high as ever. In his concluding paragraph the Honourable the Finance Member said that he has tried to steer a clear course and give something to everybody. But has he? I should like him to enlighten the House as to what he has done for the masses. Even in the disposal of the surplus it is problematical whether it is given with altruistic motives of advantage for the masses or whether it is only a propaganda to wean them from the Congress.

There is one thing about the disposal of back funds which does call for some explanation from the Government. It is a strange system, Sir, that we make a block grant which is subjected neither by the Central Legislature nor by the Provincial Legislature to the detailed votes of the representatives of the people. If you regard it as a central fund a detailed report ought to be submitted to the vote of the Assembly. If you regard it that the Assembly has authorised you to give it to the provinces, the Provincial Councils should have a say in its disposal. A general Resolution is brought forward in the local Councils that this scheme be approved and the whole thing goes merrily ahead. It is not the right policy. When you say that you are trying to give us partial responsibility, when we are going to enter into a phase of provincial autonomy very shortly, is it advisable that this grant should be regarded as non-votable, as something essentially for the up-keep of Government? The only grants which are not subjected to the Provincial Legislature are

those which are for the preservation of the steel frame. Are we to take it that this grant also is of the like nature and that our conjecture that it has been indulged in just to give the Congress a back kick is true? Is it expenditure which is in the nature of police expenditure that it cannot be submitted to the vote of the House? Either it should be submitted to the vote of the Assembly or to that of the local Councils; otherwise there will be no assurance that this money is being spent in the right manner and in the right place. We have grave suspicion that this money will be spent in order to give relief to some pets of the Local Government. If a zamindar happens to be in the good books of the collector, his villages will come in first for the expenditure from this fund, rather than a zamindar who has the misfortune to belong to the Congress. This, and other things, of the same kind may happen. The scheme is very wide, it gives very great discretion to the local officers and even the provincial officers will have very little control over the disbursement of this fund. Therefore, Sir, I request the Honourable the Finance Member to reconsider the position regarding the method of disposal. We are thankful to the Honourable the Finance Member for these small mercies and we hope that next year he will go one better in this matter of realised surplus.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, before I commence my speech, I would like the Honourable the Finance Member or his Secretary carefully to note my points and give me a reply, because sometimes we do make our criticisms and we get only evasive replies. It is very unfortunate, Sir, that there are very few Honourable Members who can talk about the financial aspect. First, we have unfortunately lost you, Sir, who is a great financier, and secondly, Professor Kale; still I hope that some response will be made to what little criticism we do make in the House.

Sir, I must congratulate the Honourable the Finance Member on his feat of having another surplus budget this year and I sympathise with him when he desires to convey the impression that India has been showing marvellous powers of recovery from economic troubles, but the fact of the matter is that it is not really so. No doubt there have been increases of revenue under nearly all heads of income, but it can hardly be said that the process of recuperation in India's economic position has set in more strongly now than in past years. For example, it is not at all reflected in the Railway Budget which has shown a serious fall in its earnings. To my mind, the policy of protection has led to a decrease in the total volume of long distance traffic between the ports and the inland centres, for in case it has been really successful, it must have created a larger volume of internal trade along with an increase in the volume of long distance traffic between the internal centres of a big country like India. It should not be urged also that the fall in railway earnings has been due to the rail-road competition, for the extent of the rail-road competition has been very much exaggerated out of all real proportion.

On the side of tax-revenue and non-tax receipts which are the two main sources of Government's income, a careful analysis of the financial position hardly warrants any rosy view of the future. On page 3 of the explanatory memorandum, we find that during the years 1923-1928 which are regarded as five years of prosperity before the present depression set in, the Government relied on net tax-revenue to the average of Rs. 67 crores and 67 lakhs a year. But the revised estimates for 1935-36 show that the income from this source has gone up to Rs. 76 crores and 17 lakhs, and in the year 1936-37 it is estimated to stand at Rs. 75 crores and 8 lakhs. Thus there is an increase of nearly Rs. 8 crores in the tax-revenue after the year 1928. What then are

[Sir Mahomed Akbar Khan.]

we to think of the financial system under which, in a period of acute depression, the pressure of taxation has increased by more than Rs. 8 crores as compared to the taxation in a period of comparative prosperity during the years 1923—1928? In the year 1932-33 Sir George Schuster, faced with a similar situation, explained on the occasion of introducing his budget of that year :

“ That the need for increasing the tax-revenue has been forced upon the Government by the tremendous drop in the returns from the economic activities of the Government and in the economic productivity of the country, on which the revenue from taxation depends”.

Again in the year 1935-36, the net non-tax revenue has been only Rs. 4 crores 47 lakhs and is expected to be even less in 1936-37. This means that whereas the burden of taxation has been increased up to the extent of more than Rs. 8 crores during the period of economic depression, there is no likelihood of an appreciable reduction in it in the near future owing to the effects of this depression on the national finances. Hence the fact remains that in spite of two successive surplus budgets, the financial position of the country is full of uncertainty and that we cannot look upon the future with equanimity and self-possession. At any rate the clouds of depression are not lifting at all. On the other hand there is an urgent need to cut down Government expenditure as much as possible and lower the taxation at least to the level of the period before depression, if not to a lower level.

The position of the agriculturists is as precarious as before owing to the low prices of their products and the crushing burden of their indebtedness. No foreign markets to sell out their produce at advantageous rates have so far been found out by the Government in spite of the constant representations of their representatives in this House to achieve something at least in this direction also. I may say, Sir, that Trade Commissioners have been appointed and everything else has been done, but we have not seen any outlet so far and nothing has been suggested to us as to how to sell our produce and in what market. Their actual condition is really of a pauper demanding every sympathetic consideration to relieve them of it at every moment, but it is really a matter of surprise for me to find that nothing substantial to encourage them in their present plight has so far been taken in hand by the Government, and I am really pained to observe that the agriculturists as a class who form nearly 80 per cent. of the population of this country and with whom the fortunes of the masses are linked up, are in the midst of the acutest depression. It is the duty of Government therefore to devise some means to relieve them of it at the earliest possible opportunity. At the same time it is also the duty of Government to stop the export of gold forthwith, for it is making the country poorer day by day. According to the latest estimate the total value of gold exported from India since Great Britain went off the gold standard now amounts to Rs. 2,63,30,77,821, i.e., two thousand six hundred and thirty-three millions of rupees. To prevent such a heavy drain of gold, the Government of India ought to have resorted to some export duty on it, so that in case of its not having the desired effect it would have ultimately resulted in bringing in a tremendous lot of income to the Government.

Now, Sir, I would like to invite the attention of the Honourable the Finance Secretary to page 11 of his explanatory memorandum. At the bottom of that page, we find that in the year 1935-36 the protective duty on cotton fabrics of British manufacture yielded Rs. 80 lakhs less than the budget estimate, while the protective duty on non-British cotton fabrics yielded Rs. 90 lakhs more than its estimated income. In the estimates for 1936-37, the expected



yield in the case of cotton goods of British origin would be greater than the revised estimate for 1935-36 by Rs. 40 lakhs, while the yield from non-British cotton fabrics is expected to be less by Rs. 35 lakhs. Does this mean that the Government expect a revision of the protective tariff in such a way as to give preference to Lancashire and discriminate against non-British goods as demanded by the Lancashire delegation ?

Reductions and alterations in the income-tax are undoubtedly welcome and the raising of lower level for income-tax would be a source of relief to the small man of the country, but a little more effort on the part of the Honourable the Finance Member to abolish all surcharges on income-tax and super-tax would have been highly appreciated by those effected by them. Surcharges on income-tax and super-tax, Sir, were imposed for a period of a year and a half only along with the salary cut of the servants of the Government of India, and it is really strange to see that of both these measures devised to make up the deficits in the Government budget, the salary cut of Government servants has been restored *in toto* a year ago, while the surcharges are still allowed to continue and it cannot be said with certainty as to when they are going to be abolished. Sir, the only purpose of the existence of any Government is the welfare and the well-being of its subjects and all this depend on the burden of taxation borne by the subject community. In the case of this poor country we find that the interest of the subjects is always put next to those of Government servants. I do not grudge their emoluments, but as a matter of fact since they are drawing high salaries it makes no difference to them whether the cut in their salaries is restored to them at once or a little later. But the poor taxpayer is groaning under the burden of taxes and justice demands that he should be relieved of it as soon as possible.

Besides this, the existing rates of income-tax and super-tax are proving too hard on the general taxpayer and especially the rates of the super-tax. This tax at the time of its imposition in the year 1918-19 was represented by Sir Malcolm Hailey, the then Finance Member, as a purely war measure. It is now more than 15 years that the war has terminated and yet this tax is still tied to our necks with all its exorbitant rates. Personally, I am in favour of a universal rate of tax and I think it would be much better if the Government could see the advisability to adopt this form of taxation. Taxes in graduated rates are just like a millstone round the neck of the taxpayer and I would therefore impress upon the Honourable the Finance Member that a substantial reduction in the present rates of income-tax and super-tax is urgently called for.

Again, Sir, our system of income-tax assessment is replete with many defects. It is a matter of candid admission that India is a poor country as compared with England or any other country of the West. In England the rate of income-tax is not so high as in this poor country. Family concessions which are allowed in England for wife, children and dependents are nowhere forthcoming in the Indian Income Tax Act. Again, there is an exemptable minimum of £130. If a man's income is £700 a year, he is given the advantage of decreasing it by £130 and thus his assessable income is taken at £570, but there is no such concession in India. The taxpayer here does not receive any compensation through the provision of unemployment relief by the State or contribution to unemployment insurance like many other countries of the world. Moreover, there is no provision to allow compensation of losses in business as is the practice in United Kingdom. All these deficiencies in the matter of making assessments are worth consideration and provision in the Indian Income Tax Act. I hope the Honourable the Finance Member will very kindly see to it as soon as possible.

[Sir Mahomed Akbar Khan.]

Postal concession on letters is a small concession. No doubt, it will benefit the business man and the middle class, but I am afraid the poor masses will not derive any advantage out of it. The poor people who are in an overwhelming majority than others cannot have the means to write covered letters and are therefore more in the habit of using post cards only. Hence it is highly imperative that there should be a reasonable reduction in the price of the post card. At the same time reduction of the book and the packet post rates to the former level of half an anna for every five tolas will be very much appreciated.

On the expenditure side much necessity is generally felt to reduce the military budget still further, and although His Excellency the Commander-in-Chief explained it the other day that it will be impossible to do so in the near future owing to the present-day necessities of keeping apace with the up-to-date standard of military equipment, yet I hope that he will be graciously pleased to do all in this connection at a favourable opportunity. Next to that the civil expenditure stands in urgent need of considerable economy. There is little justification for the restoration of salary cuts so long as the burden of taxes remains considerably heavier than before. Moreover, it is necessary to realise that the prevailing depression in India can hardly support the present-day top-heavy structure of administration. The scales of salaries which are unduly high should be reduced considerably, especially in view of the fact that the purchasing power of the rupee has increased a great deal during the period of economic depression.

I would also like to make a passing remark on the public expenditure to be increased on relief and reconstruction in Quetta. Since it is made chargeable to central revenues and it is the second instance of this kind, the first being in the case of the Bihar earthquake, I am afraid the Government is creating a precedent for themselves to follow in the event of such-like calamities in other provinces. I do not grudge it. It is a very creditable thing. But I would like to know whether, if an earthquake or some other calamity were to occur in another province, the Government of India's help would again be forthcoming? That is what I should like to know?

With regard to the deficit provinces, I must say that in the first place there is no need to create new ones, for it unnecessarily augments the burden of taxpayers who are already groaning under its unbearable weight. The new provinces of Bihar and Sind has entailed a further expenditure of Rs. 158 lakhs on the budget of the country, and although I do not expect that settled facts can be unsettled, but what I do contend is that these poor provinces should cut their coat according to their cloth. For instance, they should be advised to avoid all costly paraphernalia of administration and in case this policy is pursued, I hope it will be possible for them to cut down not only the initial expenditure but a good deal of the subvention sum much to the relief of the already harassed taxpayer.

Now a few words with regard to the utilisation of rural development fund. The grant of Rs. 30 lakhs for agricultural research is quite welcome, but I wish that the agency for disseminating the results of research amongst the peasants should be efficient enough, otherwise the expenditure of this money from the rural development fund will not justify itself. Secondly, the grant of Rs. 10 lakhs to the Indian Research Fund Association mainly for schemes connected with prevention or cure of malaria is a step in the right direction. But I feel that more money should have been found for the prevention or cure of many preventable endemic and epidemic diseases besides malaria and for

the improvement of general sanitation, and this money should have been obtained from the general revenues rather than from the meagre resources represented by the rural development fund. Thirdly, one may welcome the grant of Rs. 5 lakhs for the benefit of cottage and small scale woollen industries. But when there are numerous cottage industries which equally deserve the fostering care of the Government I do not understand why an isolated industry should have been chosen for special favour? I wish the Government had spared more money for fostering the development of cottage industries in rural areas, specially in view of the fact that the growth of such industries would create supplementary employment for the agriculturist and relieve the extreme pressure of the population on the soil.

Sir, these are my remarks. I want some replies to my criticisms.

THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ (East Bengal : Muhammadan) : Sir, as I rise to support the Budget presented by the Honourable the Finance Member, my joy and delight know no bounds, and I hardly find words to thank the Honourable Member. It is much to the credit of the Honourable the Finance Member that he has once more won our gratitude by presenting to us a surplus Budget. Sir, I should be very much misunderstood if it is assumed that I have been carried away by the mere personality of the Honourable Member, but I can say with great confidence that every man having the welfare of the country at heart should feel the same way and should come with sincere gratitude and thanksgiving to one who has spared no pains to stabilise the finances of the country.

Only the other day, we had the occasion of finding that the Railway Budget ran a big deficit, and today, when we put them to contrast the relief is more vividly brought out. Today, we find ourselves confronted by the second budget of Sir James Grigg with a realised surplus for 1934-35 of almost Rs. 5 crores, instead of Rs. 3½ crores estimated a year ago. For the year 1935-36 he gives us a budget with a surplus of Rs. 2,42 lakhs which speaks of his great abilities in handling the finances of India.

The average business men and middle class people had to face very great hardships when in the year 1931 Sir George Schuster, with a view to balance the finances in those terrible days of world-wide economic depression, imposed a surtax of 25 per cent. But the then Finance Member assured us that as soon as the finances took a better turn, he would abolish the surcharge to whatever extent it was possible. Happily we are finding gradually his worthy successor has reduced the surcharge to two-thirds of what was imposed in 1931. I hope those affected by the surcharge will now find great relief, and enjoy perfect ease at their hearts. I fervently hope that if the Honourable Member persists in the steady progressive way in which he has hitherto handled the finances, I have every hope that we should in the near future get rid of the surcharge which was undoubtedly a great burden on the people of India.

One great relieving and happy feature of the Budget is that the Honourable Member has, with a clear insight to the reasonableness of the claims of income-taxpayers reverted to Rs. 2,000 annually, as the minimum taxable income, and has thereby totally abolished taxes for incomes between Rs. 1,000 to Rs. 2,000.

Another very right move which he has so appropriately taken in the direction of removing the difficulties that must have been experienced by every correspondent of letters, is that he has raised the weight of one anna letters from half a tola to a tola.

[Khan Bahadur Syed Abdul Hafeez.]

It is highly gratifying to note that he has, over and above those reliefs mentioned, kept a considerable amount for the subvention of Sind and Orissa and a considerable amount has been credited to the reserve fund for the purpose of financing the central budget in the coming days of provincial autonomy.

From the balance of Rs. 1 crore 73½ lakhs of 1935-36 surplus in the rural development fund it has been proposed to allocate Rs. 30 lakhs to agricultural researches. Here, Sir, I cannot resist the temptation of remarking that undoubtedly and pre-eminently an agricultural country as India is, and as seven-tenths of the total population of this vast country is depending for their livelihood on agriculture, it would have been, in my opinion, far more advisable if a greater amount was allotted for the betterment of ways and means for greater and better quantities of agricultural products. The cultivators in our country, I must say, who possess land which surpasses in productive power any land of the world, can hardly derive its fullest benefit only because of the want of modern knowledge in agriculture, and because of their adherence to the ways and means of their great, great grand-fathers. I should also like to point out in this connection that the amount kept for the prevention of malaria is much lower than could reasonably be expected.

Sir, in my constituency, whenever I was out in the countryside, I was benumbed to see those panic-stricken ghastly faces of the peasants suffering from that fatal disease which we call malaria, which every minute lessens their numbers by one. Sir, if it is to be realised that so long as I had been speaking here, some ten men must have died of malaria in Bengal. I think the cruelest heart will question about the propriety of the amount allocated for the purpose, and I should ask the Honourable Member to bestow his utmost attention to the prevention of this dire fatal disease that is making the thickly populated villages of Bengal almost deserted day by day.

Sir, another outlay of the surplus of the 1935-36 Budget which is apt to raise some grunts of unrest and discontent among certain communities is that for initial building equipment. Sind has Rs. 17½ lakhs, whereas Orissa is to have Rs. 27½ lakhs. Sir, in the name of fairness and justice, I should say Sind ought to have an equal amount for the above-mentioned purpose, if not greater.

I think I have clearly stated my views on the Budget and I conclude with thanks to the Honourable the Finance Member and the Secretary of the Finance Department for with them at the helm of the finances of India, we shall steadily advance towards better days, when the finances of India will be on a firm footing then we shall have no more anxiety about them.

THE HONOURABLE KHAN BAHADUR NAWAB CHAUDRI MUHAMMAD DIN (East Punjab: Muhammadan): Sir, the budgetary position has been one of gloom and anxiety since 1931 and it is a great relief to find that after all it has been possible for Sir James Grigg to present a bright Budget. The Finance Member is to be congratulated on his clear statement and the admirable handling of statistics. The abolition of the tax on incomes between Rs. 1,000 and Rs. 2,000 and the substantial reduction in surcharge would mean a great relief to the taxpayers. The welcome reductions in the postal rate is another much needed relief which will be appreciated by the people of the country. I hope it will be possible for the Finance Member to give a reduction in the rate of the post card also in the next year.

The allocation of funds for agricultural research and rural uplift is a bright feature of the Budget although the money allotted under this head is not sufficient. Sir, the prices of agricultural produce in the country are still very low. Wheat was selling at Rs. 2-2-0 per maund at Amritsar and Lahore yesterday. The zamindars all over India are in great distress. Vigorous measures should be taken for rural relief and for finding markets for the agricultural produce of India. The provincial deficits revealed in the provincial budgets show that it would be most difficult for the provinces to carry on under the new constitution and that there is a danger of provincial autonomy being wrecked from the financial point of view. The remedy for the situation lay in a determined attempt to improve the agricultural position and to remove the poverty of the ryots.

I would also urge strongly that the cuts to the Universities of Benares and Aligarh should be restored as early as possible.

\* THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal: Non-Muhammadan): Sir, I think I ought not to depart from the almost established tradition of this Honourable House but must congratulate the Honourable Sir James Grigg and his colleagues of the Finance Department, this year more so, for having been able by a piece of good fortune to present us with a surplus Budget. At the same time, to be fair the people of this country must also come in for their share of the praise for bearing the burden of emergency taxations almost to the breaking point. It is therefore very natural to expect that they are the people who must get some relief out of this surplus. For a number of years taxation after taxation has been piled upon them. What in the nature of import duties, both protective and revenue, and excise duties, the people of this country have been practically bled white. The Finance Member points out that he has made a reasonable compromise between the claims of the agricultural producer and the claims of the direct taxpayer. But what sort of a compromise it is one fails to understand.

When there is a surplus, the services get the first consideration and their pay cut is restored. Next comes the surcharge-wallahs who get a reduction of their surcharge. The next lot are the people who pay income-tax on an income of below Rs. 2,000. But the poor agriculturists who form the bulk of the population and the teeming millions of day labourers who can scarcely manage to have two square meals a day are exactly in the same position as they were a few years ago. All the indirect taxations are there. The prices of the primary commodities are still heavily depressed. The agriculturist is unable to earn enough to pay land revenue and defray the expenses of agriculture. What attempts have been made, if one may inquire, to find a ready market for agricultural produce? Is there better marketing facilities for local produce? Has much been done to improve the breed of cattle and has village sanitation and health been properly looked into? These are some of the problems which must attract the attention of the Government and remedies found out before relief is meted out to the direct taxpayer.

It will no doubt be contended by the Honourable the Finance Member that the rural development fund is there to be utilised for this purpose. In fact, last year, in introducing the budgetary proposals, Sir James Grigg proposed that the fund so allocated for rural development would be utilised for schemes approved by the Government of India which will improve the

[Mr. Satyendra Chandra Ghosh Maulik.]

economic position of the people. Second, it will be devoted only to schemes which the Local Government would not otherwise have been able to undertake in the immediate future. Then again he goes on further to say :

"Whether those schemes take the form of the introduction of improved methods of agriculture, the establishment of industries to give employment to, and increase the income of, the cultivators, or measures designed to effect a general improvement in the condition of village life",

is to be worked out by the Local Governments according to their individual needs. He goes on further to express that the Government of India have a very deep concern for the welfare and prosperity of the cultivators. Now, let me inquire to what extent the benefits sought to accrue to the agriculturist have really accrued? Has there been any scheme started which would really improve village life? Have the unemployed been provided with employment? Has sanitation in rural areas been improved? Has there been an increase in the income of the agriculturist? Some of the Provincial Governments have undertaken schemes with very little or no tangible result. What could easily have been financed from provincial revenues is now being financed from this allocated fund. I urge that these schemes before they are finally sanctioned should be thoroughly examined by the Public Accounts Committee.

Now, Sir, I understand the Government of India stock a huge amount of quinine. Why not let the malaria-stricken people get this medicine at the cost price? Bengal is a province where malaria is a great menace and she also is the province where the Government of India have cinchona plantations. But even out of this commodity the Government of India is making a large profit. Why not distribute free quinine and lower the price of quinine so that it would at least bring relief to the people who suffer from this malady? The loss in income may be met from this rural development fund.

Then again, coming as I do from that part of Bengal which was one of the centres of the silk industry and which produces the once fashionable Carmichael handkerchief, I would urge that the silk industry be revived. It would help the agriculturists to a great extent inasmuch as they would be able to meet their rents and other demands from the sale of silk and keep the paddy for their own personal use. It would on the other hand countermand the slump in jute. But here again we have to be protected against artificial silk flooding the market.

About the deduction in the postal charges, I think it has already been pointed out by various speakers who have spoken before me that we welcome it though we may not be very grateful for it. But that I would suggest is the reintroduction of the half anna post card. It was said by the Honourable the Finance Member in another place that it would cost a lot of revenue—to the tune of about Rs. 50 lakhs. But as he has on his own admission departed from the orthodox canons of finance he might as well utilise some of the surplus for introducing the half anna post card. That would be very much welcomed by the people and he would earn the thanks of the whole of India.

Coming now, Sir, to that department of the Government of India which works, if I may so, in the zenana of the Imperial Secretariat—I mean the Defence Department—it calls for a certain amount of criticism. Year in and year out, both in this House as well as elsewhere, the non-official Members have urged a reduction in the army expenditure but with very little result. Only the other day, in reply to a Resolution moved in this House, His Excellency the Commander-in-Chief said that we might expect an increase in the army expenditure. That is not a very good sign. Of the Defence

services affected, the Administrative and Army Headquarters, Staff of Commands, etc., consume more than half of what is required to keep the fighting forces. This is a thing which requires careful scrutiny. The Indianisation scheme, if properly pursued, would bring about a reduction in those expenses. A country where the masses are in extreme poverty cannot indulge in the luxury of such a huge standing army. What I mean to suggest is reduction of the standing army and an increase in the reserves. In the reservists you get the nucleus of further expansion in case of emergency. Another thing is to expand the territorials and bring them up to the requisite standard of efficiency. They are the second line of defence and they are less costly to maintain.

Finally, Sir, I would request the Honourable the Finance Member who watches carefully the political barometer and is anxious to see that the political thermometer may not rise to endeavour to reduce the burden of taxation for the masses, to make the people happy and contented and win their hearts. Do not kill the goose that lays the golden egg.

"Princes and knights may flourish and fade,  
A breath has made them a breath can take.  
But the bold peasantry the country's pride,  
When once destroyed can never revive".

THE HONOURABLE MR. SHANTIDAS ASKURAN (Bombay : Non-Muhammadan) : Sir, I congratulate the Honourable the Finance Member on the good fortune which he has had in the two budgets that he has presented to us last year and this. On both occasions he has been able to announce surpluses. Sir, if it were a choice between cautious estimating and over-estimating, as a business man I would every time prefer the former procedure. But I must repeat the complaint which has been made from many quarters during the last few days that the Honourable the Finance Member, in resorting to this practice of under estimating his revenues, is not fair to the taxpayer. He has made claims in the course of his Budget speech that he believes in orthodox finance. But, Sir, may I ask him whether it is not a cardinal principle of orthodox finance that no more should be taken out of the pockets of the taxpayer than is absolutely necessary for the requirements of the Government ? A surplus, Sir, clearly indicates one thing only, namely, that the taxpayer has not had his due measure of relief. Last year, at any rate, the Finance Member had the excuse of being new to the country. On that occasion, Sir, he ignored the advice of the business community in India with the result that he has admitted this year that they were right and he was wrong. By under estimating his revenues and denying relief to the taxpayer, he is, if he will permit me to say so, hampering the return to normal economic conditions in this country. I must add, Sir, that he is again committing the same mistake, for it is my firm belief that he would be justified in budgetting for a larger revenue this year and affording more relief to the taxpayer. There is absolutely no justification, in my opinion, for retaining the surcharges on income-tax and super-tax.

Sir, I would apply two main tests to the budget statement presented to us. In the first place, does it reflect the real conditions of the masses of the people in this country ? Secondly, Sir, I would ask, is there any suggestion in the Budget of any measures for reviving the economic well-being of the country ? On neither of these two standards, Sir, can this year's Budget be regarded as satisfactory. I was astonished to read his statement that India has a marvellous power of recuperation from economic troubles. If he seriously means to suggest that because there is a surplus it is a legitimate conclusion that India is on the road towards economic recovery, there will be very few who will agree with him.

[Mr. Shantidas Askuran.]

May I ask him, Sir, whether he has forgotten the Railway Budget presented by his colleague, the Commerce Member? May I ask him further whether he has read the statements made by the Finance Members of the various provinces? I referred last year in my speech to the great straits to which the Bombay Presidency had been reduced by the economic depression and the new measures of taxation to which she has had to resort to make both ends meet. Anyone coming from Bombay need not be reminded of the severe curtailment of expenditure even on essential services in my presidency.

In your province, Sir, the Central Provinces, the Finance Member observed last week that all works of progress were at a standstill and schemes of development had been held up indefinitely.

The Governor of the United Provinces observed :

"We find that so far from having any surplus that can be devoted to improvements and development, we are faced with a most formidable condition of deficit".

Sir, it is not necessary to elaborate this argument further. It is the provinces which in the main are responsible for the nation-building departments and they are being starved, though I gladly recognise that some little assistance has been given by the Government of India last year and this for rural uplift and other schemes designed to improve the health and welfare of the people.

While on this point, Sir, I would like to congratulate the Honourable Member on increasing his grant to the Imperial Council of Agricultural Research, and I particularly welcome the active interest he is showing in dairy farming. Here is a field somewhat neglected in the past, but well worth the attention of the Honourable Member for increasing possibly by hundreds of crores the economic resources of the agriculturists.

I also welcome the grant of Rs. 10 lakhs for anti-malarial work. I am one of those who feel strongly on this question of fighting malaria. I would invite the Honourable Member's attention in the name of suffering humanity, particularly to the following remarks of the Public Health Commissioner :

"India cannot herself produce anything like the amount of quinine her population requires and present prices make it largely a prohibitive luxury to most of her people. It is urgently important that larger quantities should be made available, for it is difficult to suggest other means of succour to the millions who suffer from this deadly disease".

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Sir Phiroze Sethna.)

Let me now turn, Sir, to some other aspects of the Budget. Having taken part in a debate on our defence expenditure in this House only a few days ago, I need not repeat the arguments I used then, except to observe that the first speech of His Excellency the Commander-in-Chief has caused considerable disappointment. Can His Excellency seriously deny that the army in India does serve an imperial purpose? Is it not always available and sometimes used for purposes other than the defence of India? Is it not true further that the Imperial Government has a predominant voice in determining the cost and the organisation of the army in India? His Excellency's predecessor, Sir Philip Chetwode, said in a debate at Simla in this House last September that it was a very good thing that the question of a contribution from British revenues for our defence expenditure should be discussed, though he regarded the time as inopportune for asking for a contribution. At the same time, he added, both the Government of India and he personally had the fullest sympathy with the hope that



eventually Britain should pay more. Sir, we maintain the view that today Britain's economic and financial condition is unique in the world and she must consider the question immediately of an adequate contribution to India's military expenditure. I would urge both His Excellency and the Government of India to renew their efforts in this direction and continue them until success is achieved.

Assuming, Sir, for the purposes of argument that the army in India is intended mainly for internal security purposes, may I ask whether the expenditure of more than half of our general revenues on defence can be justified either on grounds of economy or statesmanship? There are many millions of the unemployed both among the educated classes and the masses in India. I quite agree with His Excellency Sir Harry Haig who, in addressing the United Provinces Council last week, referred to the unemployment problem as affecting the future development of India in a vital manner.

"No State can thrive", he said, "unless suitable employment can be found for the great majority of our young men. If hopes are disappointed and ideas turn sour, we are in danger of poisoning the life of the community".

The Right Honourable Sir Tej Bahadur Sapru speaking on the same subject this week frankly confessed that if he were an educated young man today, with all avenues of service blocked, his mind would certainly run on anti-Government lines. Here, Sir, is the line which the Government of India should actively pursue for safeguarding internal security—not by piling up our defence expenditure which is an intolerable burden on the community, but by following that Professor Keynes has recently called (in his book on *The General Theory of Employment, Interest and Money*), "a national investment programme". I would commend the wise observation of so eminent an authority to the notice of the Finance Member. He laid great stress on nations providing themselves with full employment by their domestic policies.

I must also say a word, Sir, about Quetta. Nothing that I have heard on this subject has shaken my conviction that in the first place the estimate of Rs. 7 crores for the reconstruction of Quetta is far too extravagant, having regard to our slender resources. I have a fear, moreover, that the original estimate may be exceeded, as has happened with several major schemes in this country. The Finance Member, I suggest, should apply the pruning knife with the utmost vigour. Secondly, Sir, may I ask why, when so great a part of our debt is productive, he should be afraid to rebuild Quetta out of borrowed funds and afford some more relief to the taxpayer this year? Quetta expenditure is, for all practical purposes, defence expenditure. Is Britain not spending this year £300 million on her armaments programme and all of it from borrowed capital? If battleships and aeroplanes can be built for the defence of a country on borrowed money, why should Quetta stand on a different footing? The Honourable Member cannot have it both ways. Sir, if he advocates and defends the principle of debiting such capital expenditure to revenue, will he allow that principle to be observed by income-taxpayers also and grant them exemptions for those amounts? It seems as though the Finance Member acts on the basis of "Heads I win, tails you lose"! Sir, I would also like to add one further observation. Both the Right Honourable Sir Shadilal and Sir Muhammad Sulaiman who were members of the Indian Defence Expenditure Tribunal in 1933 spoke of the frontiers of India as not only our frontiers, but also imperial frontiers of the first importance; their protection being an imperial no less than an Indian interest. Quetta, beyond question is an imperial frontier post. Expenditure on Quetta, therefore, should come out of British as much as out of Indian revenues. I would urge

[Mr. Shantidas Askuran.]

the Finance Member and His Excellency to put their heads together and demand at least half the cost of Quetta reconstruction from His Majesty's Government.

Sir, if the Finance Member will not mind my repeating it, the country has been passing through grave economic distress. Let him look at his own figures. The loss resulting from the raising of the income-tax level from Rs. 1,000 to Rs. 2,000 is Rs. 47 lakhs. In other words, Sir, there are in this country not even 150,000 persons who possess a taxable income of between Rs. 1,000 to Rs. 2,000. It is manifestly unjust that with our economic resources so seriously depleted, he should not afford some measure of relief greater than announced in the Budget which amounts, according to my calculation, to about 2 per cent. only. I would beg of him most earnestly to consider whether he cannot remove the surcharges on income-tax and super-tax completely? Secondly, Sir, I would ask him what the poor man gets out of this Budget? Is it impossible for the Honourable Member to agree to the reduction of the price of the post card to half an anna—a measure which will cost him, as he thinks, not more than half a crore, though personally I regard this figure as too high an estimate. Much more than that amount, Sir, lies concealed, in my opinion, in his under estimating of revenue for the forthcoming year.

In concluding my observations, I would ask the Honourable the Finance Member to look back over the last few years and see the enormous load of extra taxation that we owe to his predecessor. Taking advantage, I fear, of the lack of organised opposition in the Central Legislature, no less than Rs. 35 crores of extra taxation have been imposed on this country since 1930, which has been a period of rapidly dwindling incomes. According to the latest issue of the *Annual Trade Review* (for 1934-35) the value of agricultural produce in India has fallen between 1928-29 and 1933-34 from Rs. 1,021 crores to Rs. 474 crores, a decline of over 53 per cent. Can the country bear and can this Legislature tolerate the maintenance of taxation at this high level and see the money disappear mostly in the increase of administrative cost?

Where, Sir, is the prosperity of the country? Do the provinces reflect, can the representatives of the rural areas, the landlords and the zamindars in this House, support this claim of the Honourable Member? The cultivator knows only too well that there is no margin of profit in growing cotton or wheat, oilseeds or any other crop today. If there were prosperity in this country, would Provincial Governments be compelled to consider in a time of financial stringency the remission of land revenue? Sir, the Honourable the Finance Member must forgive me for saying that living for the most part in Simla and Delhi, with occasional visits to some of the provincial capitals and brief contacts with the business and commercial people, cannot give him a real picture of the economic crisis in the country. If he wishes to know the actual condition of the people in the rural areas, he must leave the beaten track and try to see things for himself. The Honourable Member says he is busy thinking of provincial autonomy. But, Sir, let me tell him that no constitution can succeed without adequate funds for programmes of social and economic reconstruction.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, I rise rather nervously, because I understood from what the Honourable Nawab Sir Mahomed Akbar Khan said that he was proposing to have an earthquake if the Government of India would agree to pay for it!

It seemed to me that when I listened to the Honourable Mr. Raisman a week ago in this House that most of the Honourable Members received with mild approval the position and proposals so clearly explained by him,

with one sad exception. My Honourable friend Mr. McIntyre received with apparent glee the reference to the separation of Burma from India and to the consequent effect on the finances of India. Now, curious as it may seem, these references had exactly the opposite effect on me—I felt a brother's love for Burma that never occurred to me before.

The Honourable the Finance Member in discussing the Budget last year suggested that "imaginative financiers usually end up in gaol". Now I must emphatically disagree with him on this particular point. He has had the great advantage of being connected with the Treasury of what is probably the financially best-managed country in the world, but I can assure him after many years of experience of business that in business imagination is essential. If you seriously consider what has happened in our lifetime you will, I am sure, be forced to the conclusion that without imagination with regard to what might or probably would happen in the future practically none of the advances that have been made would have in fact occurred. Government is only managing an extraordinarily large business. It is, I submit, because he refused to exercise or at any rate, give effect to, his imagination that his estimates have been so considerably inaccurate. Excess of caution can in my opinion be just as harmful as the lack of it.

It seems to me to be almost a confession of incapacity to take up the attitude which the Honourable Mr. Raisman laid down in this House when introducing the Budget that we must count on no ground until we are actually setting our feet upon it. That explanation I cannot accept, and I am in this dilemma that I am driven to the only probable alternative which I can find in my mind and it is a serious one: it means that the Finance Member is failing in his duty which is to lay before the Legislature his considered views. If I am right he is deliberately treating expected income as unexpected non-recurring revenue.

Had I not heard the detailed proposals for next year in this House before I read the speech of the Honourable the Finance Member, I would have been encouraged to hope he had changed his views when I came to the place where referring to the revenue anticipated from sugar, he ventured upon what he described as an "enlightened guess".

I wish that he could have seen his way to apply that attitude of mind a little more liberally as, for my part, I feel sure that, had he done so, he would have been ready to discontinue altogether the surcharge on income-tax and super-tax.

Bitterly disappointed as I am and disagreeing with him as I do, I also feel in some doubt as to whether he has really followed the proper lines upon which the partial cessation of these surcharges should be brought about.

He first provides, and I think rightly, for a *total abolition* of income-tax on incomes between Rs. 1,000 and Rs. 2,000 a year and then proceeds to *halve* the surcharge on income-tax and super-tax respectively. It does seem to me that it would have been more consistent either to reduce the income-tax on incomes between Rs. 1,000 and Rs. 2,000 and to reduce the surcharges on income-tax and super-tax or, having started by abolishing the tax on small incomes altogether, to abolish the surcharge on income-tax wholly next, leaving the last stage to be reached by the abolition of the surcharge on super-tax.

I would like to say how pleased I am that the Government of India take the view they do now with regard to Broadcasting. I regard it as one of the most important means of helping the country forward that is at present available and I was sadly perturbed when a few years ago Government took up

[Mr. R. H. Parker.]

an attitude completely opposite to that which they are apparently adopting today. I hope that they will continue to do all that they feel it is possible for them to do to assist Broadcasting, and that one result will be the selection of much more suitable announcers than some of those at present employed.

Compared with most nations of the world we are in a fortunate financial situation, due very largely, as every member of Congress knows in his heart of hearts, to our allegiance to the British Crown and our attachment to sterling.

With your leave, Sir, I would ask the Honourable the Finance Member to take to heart the following short quotation from a letter published in *The Times of India* on the 3rd instant from Lord Haig to Sir William Robertson, written at a time when the position in France was extremely critical :

"The only point I am not in accord with you on is the desirability of issuing such pessimistic estimates from your Intelligence Branch. They do, I feel sure, much harm and cause many in authority to take a pessimistic outlook, when a contrary view, based on equally good information, would go far to help the nation on to victory.

"Personally, I feel we have every reason to be optimistic".

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, it is a matter of satisfaction that the gloom that pervaded the previous budgets has to some extent been dispelled by the two budgets which the Honourable the Finance Member has presented to us. Apart from that, Sir, my special thanks are due to him for implementing the proposals contained in the Resolution which this House passed last session with regard to the Report of the Drugs Enquiry Committee. I am glad that the sum of Rs. 30,000 has been sanctioned to initiate the work in the Bio-Chemical Section of the Central Laboratory at Calcutta ; as also in the Bombay Presidency, where the Haffkine Institute is about to undertake a similar enquiry. This is just a beginning, but I do hope that as time goes on, more money will be found for these objects that will be for the ultimate good of the population. With regard to the grant of Rs. 10 lakhs to the Indian Research Fund Association for improvement in the conditions of village life and rural population, it has been laid down that the amount shall be mainly devoted to schemes connected with the prevention and treatment of malaria.

(At this stage the Honourable the President resumed the Chair.)

Previous speakers have already alluded to the subject and on more than one occasion I have brought it up before this House. All that I would say is that rural uplift—whatever funds may be spent upon it through Imperial or other channels—will be of no use unless the health of the population is conserved in the first instance and unless malaria-ridden tracts are freed from this scourge. Research will no doubt be directed to the prevention and cure of malaria ; these researches will take considerable time, but we possess in the meanwhile a remedy for immediate use. I see no reason why it has not been fully availed of.

Sir, in a Resolution that I moved in this House two years ago I referred to the use of the remedy that was cheaper than quinine, equally efficacious and the manufacture of which did not involve as much expense as quinine. We have known for a number of years that the cinchona plant from which quinine is prepared is very delicate and besides requires the optimum of conditions for its growth. I then pointed out that there were other species of cinchona that were hardy and capable of cultivation in ordinary climates. The alkaloids derived from those are being prepared at present on a small scale in Madras plantations. It has been named *totaquina* and consists of

about 25 per cent. of quinine combined with other alkaloids. Government once held large stocks of quinine ; and over 60,000 lbs. have been given to the provinces for free distribution, in addition to their normal free distribution and now about 150,000 lbs. have been retained as a reserve. But, Sir, there exist vast areas in this country where the hardier species can be planted. I regret, however, to say that the matter has not been explored as it should have been ere long before. The time has arrived when the Imperial Council of Agricultural Research should be entrusted to take up the cinchona question. This body alone will be able to carry out further research if required and perhaps may be able to find something better than *totaquina*, in case this drug is not eventually found to be as efficacious as has been hitherto declared. I am at a loss to understand the policy which has dictated the cultivation of cinchona in India. May I invite the attention of the Honourable the Finance Member to the November 1935 issue of the *Indian Medical Gazette*, where the whole quinine policy has been fully discussed ? It was shown therein that India has been lagging far behind other civilised countries in the production of a remedy that is of immense value to the masses. Look, for instance, at Italy. It has vast plantations in her African colonies and within two or three years it will not only be self-sufficient but will be exporting quinine. And here with our vast resources of soil, climate, etc., we have to depend upon the mercy of a foreign confederation to supply us with by far the most vital necessity for ensuring good health. It is not that the manufacture and sale of quinine has been unremunerative ! Then I should like to ask why we stand where we do in this regard ?

Next, Sir, I come to the question of schemes for rural uplift. Numerous questions are involved in it and it is not by a little scheme here and a little scheme there that rural uplift can be made to achieve results. The first consideration is that India is beset with great difficulty owing to the fragmentation of holdings. Unless and until these holdings are consolidated there can be no improvement—not by legislative action—but by mutual and friendly adjustment and co-ordination among those concerned. Punjab has already demonstrated the feasibility of such consolidation. Another scheme of rural uplift which can well be copied is that associated with the name of Mr. Brayne. That has been adopted also in the Punjab and has done immense good. I therefore say, Sir, that the resources which have been placed at the disposal of the Provincial Governments should not be frittered away in small schemes here and there that are not likely to show results or prove attractive and useful. They should be directed to larger schemes in one or two districts that are likely to strike the imagination of the people with their utility and adaptability and serve as fruitful models. It is to be hoped that when the reports of last year's grant are received and new schemes are suggested, the Honourable the Finance Member by exercising his rights over the grant will see that those schemes are of practical benefit.

Then, Sir, I come to the question of the grant of Rs. 30 lakhs to the Imperial Council of Agricultural Research for sugar research and animal husbandry including dairying. I am afraid we are in a very sorry plight with regard to the slaughter of milch cattle in India. The late Vice-President of the Imperial Council of Agricultural Research at the conference called here two years ago in drawing the particular attention of the Members of the Legislature to this subject, expressed the fear that if this practice was persisted in, the time may come when India, a pastoral country, shall have to import milk and butter from Australia and New Zealand. The evil is not confined to one part of the country. It appears that in Bombay the best breed of milk cattle used to be imported from Kathiawar. This stock has been annihilated and the result is

[Sir Nasarvanji Choksy.]

that it has had to import from some districts in the Punjab. And why? Because of certain barbarous practices that rendered the animals infertile.

THE HONOURABLE THE PRESIDENT: We have discussed that question the other day. Will you now confine yourself strictly to the Budget?

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: Then, Sir, there is a nascent industry that affects the revenues of the country and that is the sugar industry. Every ill that it is alleged to labour under has been laid at the door of the excise duty. But the fact of the protective tariff is overlooked. Inexperience, mismanagement, failure to profit by expert advice, over capitalisation and cut-throat competition are responsible for its ills. They should set their house in order and not try to get rich quick. The work of the Imperial Council of Agricultural Research shows what an amount of both money and time is being devoted to research problems of sugar. Questions relating to the growth of sugarcane crops or utilisation of molasses, etc., have been and are being investigated. I think the time has arrived when India should be self-sufficient provided the industry is run on sounder lines. Sir, there are one or two questions about the enormous importations of sugar into Kathiawar from Java. It has been stated that the import of 50,000 tons has disappeared somewhere without payment of excise duty. Kathiawar's imports of sugar have increased sixteen fold within two years and yet Kathiawar has exported its own production of sugar into British territory to the extent of over 15,000 tons. That is far in excess of its productive capacity. Is not all this rather strange and inexplicable?

Then, Sir, with regard to the general question of education, I would invite attention to my observations during the discussion of the Criminal Law Amendment Act last session. I then said that we did not require ever-increasing battalions of graduates who cannot find employment, and I asked whether it would not be worth while closing our universities for a few years until the present unemployed have been provided for. Well, Sir, what does the last report of the Government of India on Education say on the subject? It says:—

“ The time is coming when the question of deliberate restriction must be considered in the interests of efficiency and in the interests of lessening educated unemployment ”.

There is so much of unemployment that it will be physically impossible to cope with it. The number of university scholars is steadily increasing and at present they stand at over 113,000. There is an yearly increase of over 6,000! It is all very well to say: “ Back to the land ”, but prices of agricultural produce shall have to advance considerably before this policy could succeed. And in the interim what should be done is the main question.

Finally, I have to invite the attention of the Honourable the Finance Member to one item which would bring him more revenue and that is the restoration of the stamp duty on cheques which was discontinued some years ago. It is likely to bring in a handsome return as it is only the better classes who make use of cheques. The revenue from this duty may well be allocated to the different provinces.

Well, Sir, I congratulate the Honourable the Finance Member for the great interest he has evinced in the economic development of India and I

do hope that in the years to come he will present us with even a brighter outlook.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, it is very gratifying to find a surplus budget a second time for the next year after several years of deficit budgets. But I greatly hesitate in agreeing with the Honourable the Finance Member that the increase in revenue is an index of the fact that recovery in India's economic position has set in, because the actual state of our national economy, despite these surpluses, does not reveal much cause for satisfaction. No doubt the proposal of relief that have been announced as a result of surplus in the Budget are most welcome so far as they go, but the state of affairs revealed points to the criticism that the relief to the over-burdened taxpayers has been considerably delayed. The speech of the Honourable Sir James Grigg shows that both in 1934-35 and 1935-36 the revenue was under estimated. And if there had been no miscalculation and the taxes had been reduced in 1934-35 the rate of what the Finance Member calls the economic recovery would have been certainly greater. The way the Finance Member proposes to distribute the surpluses justifies his claims of financial orthodoxy, but I fear he is relying too much on what he calls India's "marvellous power of recuperation from economic troubles". The leading figures on the revenue side may suggest that foreign trade shows signs of recovery but it cannot in my humble opinion be regarded as synonymous with economic recovery. While the Finance Member might well be congratulated on the lucky budget, he must realise the parlous state of the country as a whole. Look at the hungry masses and the growing unemployment among the classes. About half the provinces are bankrupt, the railways are a drag on the general finance and the central budget looks like a mere actuarial statement on the raising and spending of money without any structural change in economic policy. I would therefore ask Sir James Grigg not to trust the country's "marvellous power of recuperation" as a substitute for a definite policy to make India as self-contained as possible.

As I have already stated, the proposals of abolition of income-tax on incomes between Rs. 1,000 and Rs. 2,000 the reduction of surcharge on income-tax and super-tax from one-sixth to one-twelfth and the increase in the weight of one anna letter from a half to one tola and the adoption of a scale of an additional half anna for every additional tola, are satisfactory so far as they go. But the failure to reduce the price of the post card is deplorable. I attach very great importance to its reduction to half an anna in the interest of the poor masses. Sir James Grigg is reported to have stated in reply to criticism, about this in the Lower House that this would mean a loss of roughly half a crore of rupees, that a margin of two lakhs surplus in the postal budget is an optimistic estimate and that central revenues should not be used for subsidizing a commercial department. But, Sir, at a time when some other reliefs are being given because we have got a surplus budget, surely this being one of the most needed reliefs ought to be conceded. As to the contention that the postal department is a commercial department the Government should not overlook the fact that this department is also a public utility department and must be dealt with in that perspective also.

I am glad to note from the reply of the Finance Member in the Lower House that the question of restoration of educational grants is under the consideration of the Government and that a decision would be reached before long. I hope that the Government will bear in mind the necessity of restoring the

[Rai Bahadur Lala Jagdish Prasad.]

grant to the Benares Hindu University and the Aligarh Muslim University without a cut.

As regards income-tax I join the Honourable Sir Phiroze Sethna in reminding the Government of the public demand that has not yet been conceded, that the losses in incomes of assesses should be carried forward to three years in assessing income-tax.

Sir, I understand that the proposal of re-shuffling of portfolios in the Government of India is engaging the attention of the Government and they have accepted the principle of creating a separate Ministry for Communications. In this connection, it is not clear whether the idea is to place one of the existing Members of the Executive Council—

**THE HONOURABLE THE PRESIDENT :** That does not form part of the Budget. Will the Honourable Member please confine himself to the Budget ?

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :** But, Sir, on the occasion of the discussion of the Budget, we can discuss everything.

**THE HONOURABLE THE PRESIDENT :** I allow a certain amount of latitude but this is a matter which purely concerns the Government of India—as to what they propose doing in their departments—and this is not the time to refer to it.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :** Lastly, Sir, I must request the Government to tackle the problem of unemployment. Educated middle class unemployment is a menace which is assuming gigantic proportions in the country. It may be said that the solution of the problem largely depends upon the revision of the system of education and the expansion of industries and agriculture which all are provincial subjects. But the Government of India cannot divest themselves of their share of responsibility in the matter. There is little hope, for example, of industrial development without a revision of the currency and tariff policies by the Government of India. In this connection the House might be aware that the United Provinces Government set up a strong committee in 1934 under the distinguished chairmanship of the Right Honourable Sir Tej Bahadur Sapru which last year investigated into the problem of unemployment in the United Provinces and has lately submitted its report making a number of valuable recommendations in the way of solving the problem. Only the other day the report of that Committee formed the subject-matter of discussion in the Provincial Legislative Council. It will be interesting to note what the Right Honourable Sir Tej Bahadur Sapru stated in the Council so far as the share of responsibility of the Government of India in this matter is concerned. He stressed that the Government of India could not divest themselves of their share of responsibility in tackling the unemployment problem and urged that wisdom, experience, expediency and self-interest counselled that they should frankly recognise that it was time for them to bestir themselves in the matter lest they might be overwhelmed by deluge which he could distinctly foresee would overtake us if the elders of this generation refused to be interested in problems affecting the minds of the younger generation who were their future hope.

Let us hope that this view expressed by an eminent statesman and an ex-Law Member of the Government of India will not fail to have the desired



effect on the Government of India so far as their duty in this important matter is concerned.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated: Indian Christians): Mr. President, Sir, let me join in the chorus of praise to the Honourable the Finance Member on his being able to produce a surplus Budget for 1936-37. I must not omit to congratulate the Honourable Mr. Raisman on his very lucid exposition of its details. The Honourable the Finance Member richly deserves our thanks for restoring the old state of things by raising the taxable minimum to Rs. 2,000. Assessing incomes between Rs. 1,000 and Rs. 2,000 caused a real hardship to the lower middle classes and the heartless manner in which the temporary staff employed for the purpose roped in people hardly getting Rs. 30 a month, created a good deal of discontent against the Government. The relief is not only well merited but also timely.

On page 4 of the Financial Secretary's explanatory memorandum the saving in cost of collection is given as Rs. 5 lakhs. It ought to be more, for the then Finance Member after lowering the minimum to Rs. 1,000 notwithstanding our protest that the cost of collection would consume a good portion of the expected income, came forward with a request for a grant of Rs. 18 lakhs—I am speaking from memory—for the pay of additional staff. This temporary or additional staff should be ruthlessly dispensed with. It is our sad experience that when Government appoints new or temporary staff the tendency is to invent reasons for its continuance until further orders. Seeing that we have tided over the crisis all the emergency taxation should be removed *in toto* and the reasons for not doing so are not sound. The Government should not hoard up like a private individual to provide against a possible rainy day. "Sufficient unto the day is the evil thereof" should be its motto, for it can always raise its revenue to meet its demands.

I P. M.

Some relief has been given as regards postal rates, but a greater and more welcome relief would have been the reduction in the value of the post card to six pies. The Honourable the Finance Member stated in another place that the loss would be half a crore if three pies are given up. He has not evidently taken into account the larger volume of business that would accrue thereby. There was a time when a post card cost only three pies. Did the Postal Department work at a loss then? It was the Telegraph Department that was losing heavily. If his fears are well founded let him raise the cost of press messages a little. He can be sure of increased income. Everybody, including the Finance Member, is afraid of the Press. If more income is wanted why should he not reimpose the stamp duty on cheques? He is sure to get Rs. 10 lakhs thereby if not more. When the stamp duty on cheques was abolished some years ago, it was said the Government wanted the people to be cheque-minded? What about the poor ryot and the labourer who are only post card-minded. Their claim for relief is greater and more reasonable than that of the well-to-do who could afford to have bank balances. Where relief is needed it is not given; where it is not needed it is given:

"Unto every one that hath shall be given and he shall have abundance, but from him that hath not shall be taken away even that which he hath".

It is very laudable on the part of the Government to try to improve the dairying side of animal husbandry. Let me offer a suggestion. The Provincial Governments ought to be told that it is bad policy to keep all waste lands

[Sir David Devadoss.]

in the plains as forest reserve. I am speaking with special experience of Madras where the Forest Department in its enthusiasm has enclosed waste lands even near villages and towns as forest reserve with the result that the breed of cattle has greatly deteriorated for want of grazing facilities. This dog in the manger policy ought to be given up for it is not a paying concern and tends to irritate the people on account of the unscrupulous actions of the forest watchers and guards. The Government may say: "Forests" is a provincial subject. I am aware that in Madras it is not only a provincial but also a transferred subject. Inasmuch as the Government is giving a substantial sum for a very proper and necessary object it might as well impress upon the Madras Government the desirability of disafforesting all forest reserves in the plains in order to facilitate the free grazing of cattle.

Madras has been for some time bitterly complaining of the apathy of the Government of India to its urgent and crying needs. The cocoanut industry is being killed by the dumping of copra by Ceylon on the Indian market? Hundreds of thousands of people who depend upon this industry are in a very bad plight. Unless immediate relief is given something serious will happen, especially in Malabar. It is to be regretted that there is nothing in the Budget to indicate that the Government is intending to save this industry from extinction.

Madras wants protection against the importation of foreign rice. Some relief was given last year but that is not sufficient. I take the following figures from the answer given by the Commerce Member on the 11th ultimo in the other House. The imports from Siam from April to December, 1935, were :

	Tons.
Rice . . . . .	7,765
Broken rice . . . . .	47,973
Paddy . . . . .	18,400

The newspapers say that there were large imports of rice from Siam during the last two months. I am not able to give correct figures but the total will be several thousand tons. The net result is that the price of paddy has gone down considerably. I learn that paddy is now selling in the southern districts at about 16 to 20 Madras measures for a rupee. The ordinary ryot is unable to pay the land and water-tax by the sale of the whole of his produce. How is he going to live and where will he find the seed paddy for the next cultivation? He is sinking into hopeless debt and becomes virtually a slave to the money-lender. Unless relief is granted immediately there will be great distress among the agricultural population.

Madras has embarked upon large schemes like the Mettur project which have brought into cultivation thousands rather hundreds of thousands of acres of land. In most parts of the presidency paddy is the only crop which could be raised. The Honourable the Finance Member may say: "Oh, Madras has a surplus budget, why do you complain?" Anybody who looks below the surface will see that the Madras Government was constrained to give a remission of 12 pie of its land revenue this year as well as last year and this remission is not an adequate relief. We should be thankful for small mercies. The ryotwari system with its fresh settlements every 30 years saps the lifeblood of the people. Madras is able to balance its budget by practising rigorous economy and by curtailing even necessary expenditure.

Many of the transferred departments are practically starving. The Government of India is indifferent, I will not say callous, to the claims of Madras. It is a far cry from Delhi to Madras. We seek a remedy which will benefit the Government of India as well. By imposing a duty of Rs. 1-4-0 per maund on rice, Re. 1 on paddy and by raising the duty on broken rice by two annas Madras will get some relief and the central revenues will be benefitted to the extent of at least Rs. 20 to Rs. 30 lakhs. Last year the duty of 12 annas per maund on broken rice brought in Rs. 10 lakhs. It is not my intention to provoke inter-provincial jealousy but it must be admitted that the Government of India readily yields to the demands of the more clamorous and boisterous provinces. It is ready to give subventions here and subventions there, doles here and doles there, but turns a deaf ear to the legitimate demands of Madras which will harm nobody. It is the old old story of the younger son who wasted his father's substance in riotous living is welcomed with music and dancing and supplied with any quantity of veal, whereas the sober, dutiful, law-abiding elder son is not given even a kid to make merry with his friends.

**THE HONOURABLE SRIJUT HERAMBA PROSAD BARUA** (Assam : Non-Muhammadian) : Sir, I take this opportunity to congratulate the Honourable the Finance Member and the Honourable the Finance Secretary on their good fortune in presenting a surplus Budget for the second time in succession. The Finance Member has a realised surplus of Rs. 495 lakhs for 1934-35, a revised estimated surplus of Rs. 242 lakhs for 1935-36 and has estimated a further surplus of Rs. 205 lakhs for 1936-37.

I first turn to the estimated surplus of Rs. 205 lakhs for 1936-37 which is going to be utilized in giving relief in income-tax and surcharges and concessions in postage. The fixing of the taxable limit at Rs. 2,000 and the reduction of surcharges are really very welcome features of the present Budget. This, as well as the postal concessions, will be greatly appreciated by the middle class people. But what about the poor man's post card? The increase in the rates of income-tax and postages were emergency measures and they are going to be wiped out to the satisfaction of all concerned. But the three pice post card which was also an emergency measure has been left out of account. I submit that the Finance Member will see his way to reduce it to the level of half an anna and help the poor.

Out of the surplus of 1935-36, Rs. 45 lakhs is going to be given away to Sind and Orissa and the balance of Rs. 197 lakhs will be transferred to a revenue reserve fund to provide against the first year of provincial autonomy.

Last of all, Sir, I turn to the balance of Rs. 173½ lakhs out of the surplus of 1934-35 which will be available in the rural development fund and if properly spent will go a great way to ameliorate the condition of the poor villagers. Grants for agricultural researches, for development of cottage industries, for schemes for prevention or cure of malaria ought to help the villager very much indeed. Another grant of Rs. 20 lakhs for the development of Broadcasting ought to go a long way towards the education of the cultivators and the masses and I hope every province will have her due share of it. Then the bulk of the balance of Rs. 108½ lakhs will be allocated to the provinces to be spent on rural development work. In this connection, Sir, I beg to submit that instead of allocating it on a rural population basis it should be allocated according to the actual needs of the country. Many thickly populated areas have already their municipal amenities but many a sparsely populated area has not the barest amenities for existence even. It is there that such benefits are most needed, there where the people die for want of the least medical aid, where men and cattle drink water from the same polluted pool, where there is no means of

[Srijut Heramba Prosad Barua.]

communication or where there are apologies for roads which during the rain<sup>9</sup> are nothing but buffalo wallows, I hope the Government will help the needy. It is only by improving such areas that the superfluous population from overcrowded places may be diverted thereto to the best advantage of the country and the State.

But, Sir, however thankful one might be to the Honourable the Finance Member for all these small mercies, I am sorry to say I do not find anything to enthuse over the Budget revelations. When I think of them I cannot forget that my poor province of Assam has been made to contribute towards these surpluses a sum to the tune of Rs. 144 lakhs annually, taking the average for the last three years, on account of the excise duty on motor spirits and kerosene without the least recompense. And that at a time when her financial condition is dangerously desperate. Here is a province ranked to be a major one with a population of 9½ millions and a revenue of about Rs. 2 crores and 28 lakhs and the deadweight of her debts to the Central Government at the end of 1935-36 will be about Rs. 2 crores and 12 lakhs ! That is her plight !

Sir, I repeat what I said in the last year on this occasion that our financial difficulties are not our creation. We have never been extravagant on our own account at any time. As a matter of fact the administration of Assam has been an administration of financial asceticism. But in spite of all this, the province is over head and ears in debt today and sinking more and more into the morass of insolvency. Our difficulties began along with the Meston Settlement and ever since Assam has been subjected to grossly unfair treatment. The provincial contributions under the Award were fixed according to the "increased spending power of the provinces" and as Assam was showing some apparent increase in power the Committee was of opinion that her spending power was really increasing without taking into consideration that she was very much undeveloped when compared with the other provinces. And Assam was made to contribute annually about Rs. 15 lakhs to the Central Government under the Award till 1928. Bihar and Orissa was never poorer than Assam but she never paid an anna under the Award. Bengal paid her contribution for a year only and no more and in 1925-26 Madras was granted a remission of Rs. 126 lakhs, United Provinces Rs. 56 lakhs, the Punjab Rs. 61 lakhs and Burma Rs. 7 lakhs. In 1926-27 these provinces were granted a total remission of Rs. 125 lakhs. But poor Assam was made to pay her full quota even then. May I ask, if this was a good deal and a fair one ? Do you call it fair treatment ? Not that Assam acquiesced in the injustice of this dispensation. As late as 1922 a cry of halt was raised by the Honourable Member from the Assam Valley in the Legislative Assembly but it was only a cry in the wilderness and the Government never paid any heed to it. Assam went on suffering the inequity of the settlement. The people are very poor, they cannot pay their land revenue from year to year, they are already heavily taxed. Floods have become a normal feature of the province and malaria and kala-azar take their toll as usual and money is not available for relief to the unfortunate. Over and above the Meston Award, Assam was forced to meet some expenditure on the Frontier administration and the Assam Rifles. The administration of the Hill Districts and the excluded areas is a part of her obligations to be met from her slender means. Could inequity go further ?

Sir, another factor that is contributing to the insolvency of this province is the administration of the deficit district of Sylhet. In 1912 when the province of Eastern Bengal and Assam was again split up on linguistic and racial basis and Assam was made a separate province, this district was tacked to Assam.

on the ground of administrative convenience. Assam has to contribute annually Rs. 16 to Rs. 18 lakhs towards this deficit district. The people of Assam have been agitating for long for its separation but the Government has turned a deaf ear all the while. Has not the Government separated Orissa to give relief to Bihar and Sind to relieve Bombay and on ethnological and linguistic grounds? Do not the same principles apply in the case of Assam? The people of Sylhet also desire a separation. Only in the last year their representative in the Assembly, Mr. Basanta Kumar Das, M.L.A., advocated the cause of this separation. He said :

"Sir, as it is well known, the districts of the Surma valley are Bengali-speaking districts in the province of Assam and they have been clamouring to be tacked to Bengal".

Now unless a separation is effected this province will never thrive with a drag of a deficit district that has nothing in common with the rest of the province.

Sir, the Government of Assam has all along been protesting against the shabby treatment meted out to the province. When representation before the Joint Select Committee was denied to Assam a Memorandum was submitted to it and it was pointed out that Assam's average revenue between 1921-22 and 1930-31 was Rs. 244 lakhs during which period Rs. 80 lakhs had to be paid to the Central Government under the Award and Rs. 110 lakhs was taken annually by the centre on account of excise duties on oil and Rs. 30 lakhs on account of tea export duty. Is it any wonder that the province is in debt today to the tune of over Rs. 2 crores?

Sir, the Government and the people of Assam have all claimed with one voice the refund of this excise duty but it has come to no avail. And none has fought for this duty more vehemently than our Governor, Sir Michael Keene, who will always have the gratitude of the people and it was in sheer desperation that His Excellency in the course of his address to the Council said :

"Truly the sheep grow the wool but others wear the warm cloth".

We are glad that Bengal has scored a remission of a moiety of her jute duty. The case for remission of the oil duty to Assam is even stronger. The jute crop could be raised every year but the oil pumped out does not flow back again. It is diminishing the very capital wealth of the country and still the province cannot touch an anna of this duty from her own mineral wealth.

And yet Assam is going to be made an autonomous province! The Joint Select Committee have recommended an increase in our revenues but in what form it should be, they have left it to the discretion of Sir Otto Niemeyer's Committee to decide. The growing and ever expanding needs of a backward and undeveloped province like Assam cannot be met from a fixed inelastic subvention. What we want is a rich expanding source of revenue to develop our province with and this excise duty on our oils will be an adequate source of revenue for the purpose. When will the Government of India relax their grip and let us have what is rightfully ours? Sir, the standard of expenditure and administration in Assam is at the lowest and to enable her to carry on as a really autonomous province she has to be assured of a barely adequate standard. To establish her High Court and University, to develop her communication and undeveloped resources, to give aid to the sick and to maintain her frontier defence and police she has to be assured of just adequate resources.

Sir, in the last year I had the privilege of moving a Resolution on the floor of this House to appoint a committee to devise means and ways for giving

[Srijut Heramba Prosad Barua.]

relief to the province and I withdrew it on the assurance of the Honourable Finance Secretary that

"There is no possibility of the case of Assam going by default. Assam will be one of the first cases which this body (Otto Niemeyer Committee) will have to consider".

Now, Sir, this body has come and sat and Assam was represented by two official representatives before it. I wonder why non-official opinion was not consulted by this body? Assam was not given any representation in the third Round Table Conference and neither was she given any representation before the Joint Select Committee and that is how her case went by default. Now only we hope that this time the official representatives have made out a strong case for Assam and fully retrieved lost ground.

With these few words, I resume my seat.

The Council then adjourned for Lunch till a Quarter to Three of the Clock.

The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I

2-45 P.M.

entirely agree with one of the remarks the Honourable the Finance Member made in closing his Budget speech this year when he said: "I cannot expect that everybody will find it agreeable". It is nothing but the truth as it is very difficult that there should be entire agreement from every corner on a budget like the Budget of India. But, Sir, what is required is that the Honourable the Finance Member should produce a budget which may find maximum agreement from the non-official side. As I examine the Budget, I do not find that there is maximum agreement and therefore, Sir, I am not in a position to offer any congratulations so far as the budget proposals are concerned.

Sir, there is no doubt that we have a surplus budget. But let us examine and see whether those surpluses have been brought on account of the labours of my friend, the Finance Member. We all know that emergency taxes were levied for a definite period of 16 or 18 months but unfortunately they have been carried on year after year and it is the result of those emergency taxes being carried on for such a long time that fortunately gave us surplus budgets for the last two years. What ought to have been done and the proper course was that immediate relief ought to have been given and taxes should have been lowered but this was not done and so naturally we find a surplus budget last year as well as this year.

Then, Sir, to a certain extent it is also due to what the Honourable Member said in his Budget speech that India's economic and political barometer are both rising. Sir, I agree with him to a certain extent that they are rising and I hope the progress will continue for years to come. There is one great difficulty, as I find it, and it is this, that the estimations are incorrect. They were incorrect last year and they are incorrect this year too, as I should say, and the result is that in the year 1934-35 the anticipation of surplus was Rs. 3 crores and 27 lakhs but when actuals were taken into consideration the surplus came to Rs. 4 crores and 95 lakhs. That is an excess of Rs. 1 crore and 68 lakhs.

Then, Sir, in the Budget of 1935-36 they anticipated only an excess of Rs. 6 lakhs but what has turned out? On the basis of the revised estimates they are now expecting an excess of Rs. 2 crores and 42 lakhs,—from Rs. 6 lakhs to Rs. 2 crores and 42 lakhs. It cannot be called anything but lowering the estimation of the income. It is just possible, Sir, that this figure may still be exceeded when they come to actuals and we may find some more excess than what they are anticipating so far as the 1935-36 figures are concerned. In the year 1936-37 we find that they have placed revenues at Rs. 87 crores and 35 lakhs and expenditure at Rs. 85 crores and 30 lakhs. They are expecting a surplus of Rs. 2 crores and 5 lakhs this year. Here again, Sir, we consider that the surplus will turn out to be much more than what they are expecting as I find from some figures of excise duty on sugar as well as import duty on sugar.

Now, Sir, let us examine the proposals of the Honourable the Finance Member for disposing of the surpluses of all the three years. From the surplus of Rs. 1 crore and 73½ lakhs for 1934-35 the Honourable the Finance Member proposes to give a grant of Rs. 30 lakhs for agricultural research. I am wholly in agreement with this amount. Rather I consider that it is not what we would like to have, because we all know that agriculture is the main industry of India and the main income is derived from agriculture. Therefore, what is necessary is that a larger amount should be spent on the development of agriculture. Research stations should be established in the interiors and demonstrations should be held practically in a group of villages, say, about five, so that the agriculturists may try to increase their yield on the basis of these demonstration farms.

Then, Sir, Rs. 10 lakhs have been proposed to be given to the Indian Research Fund Association. I think that is also a very laudable object. The Government is very much neglecting the public health of our rural areas. The provincial finances are not in a position to spend as much as is required. If the provinces get some help in this direction it will do good to the masses in the rural areas.

Sir, Rs. 5 lakhs have been proposed to be given for cottage and small scale woollen industries. I consider this also very proper. No consideration has been paid to middle class unemployment. If a larger amount is spent on cottage industries, we are sure that a large number of middle and educated classes will be employed and one of the burdens on the Government will be reduced. I find that Rs. 20 lakhs have been set apart for the development of Broadcasting. I have nothing to say so far as broadcasting is concerned. But when the Honourable the Finance Member says that this will help the economic development and improvement of rural areas, I beg to differ from him. The question before the rural areas is not luxuries of this kind. The foremost question before them is the question of bread. My Honourable friend should first try to give them enough to eat and clothe themselves with. After that, these luxuries can come in. We all know that millions do not get two meals a day. When such is the condition of affairs, I do not think that this amount, or any amount on this item, will be much appreciated in the rural areas.

Now, I come to the surplus of Rs. 242 lakhs in the Budget for 1935-36. My Honourable friend proposes to give Rs. 45 lakhs for assisting Sind and Orissa. I think my Honourable friend is giving this sum without considering the claims of other provinces. I do not say that it should not be given. But it would have been better if a proper allocation of funds had been made at the time of the inauguration of provincial autonomy when all the budgets of the provinces had been taken into consideration. As this sum is being set apart in this Budget, I take it that my Honourable friend wants to catch the votes of the Members hailing from those provinces, as was done last year when

[Rai Bahadur Lala Mithura Prasad Mehrotra.]

the jute excise duty was given to Bengal and Bihar. My Honourable friend then created a division and made a threat that if such-and-such things were not passed, these provinces will not get the benefit of the excise duty. Naturally, the votes were divided. I consider this offer as nothing but an offer to catch votes at this time of the year.

Now, Sir, so far as the surplus for 1936-37 is concerned, I find that Government expect a surplus of Rs. 205 lakhs. They have proposed the abolition of income-tax on incomes up to Rs. 2,000. This will consume about Rs. 47 lakhs. They have also proposed reduction of half the present surcharge, bringing it to one-third of the original tax. This will consume another Rs. 1,38 lakhs. The third proposal is to increase the weight of envelopes from half a tola to one tola. I am wholly in agreement with all these proposals. I would submit some more proposals for the consideration of the Honourable the Finance Member as I consider them very urgent. I must say at the outset that they are surely very expensive and may demand about Rs. 10 to Rs. 15 crores. But I cannot refrain from urging them on Government. It is necessary for the Government to help the masses by reducing the price of the post card to half an anna. We are told that this will require about half a crore, but I think that provision for this is very necessary. As many Honourable Members have urged in this and the other House, this taxation should be reduced as it will help the masses. Then, Sir, I would propose that the salt tax also should be reduced. If it is not possible to abolish it altogether or to reduce it to a large extent, I propose that it should be reduced from Rs. 1-4-0 to Re. 1 and shall deal with this in connection with the Finance Bill.

Sir, it is very necessary that Government should turn their attention towards middle and educated class unemployment. We all know that the province from which I hail set up a very important committee under the Right Honourable Sir Tej Bahadur Sapru. It has submitted its report which was discussed in the local Legislative Council and there was a unanimous verdict by the Council that the recommendations of that Committee should be given effect to as far as finances permitted. The non-officials were ready to tax themselves if the amount was earmarked for this purpose. I think it is the duty of the Government of India also to tackle this very important problem, and spend some of its income on it and give grants to all the provinces. In this connection it will not be out of place if I mention that if they do not know about the unemployment of other provinces, they can set up an all-India committee and thresh the problem out before giving any grants.

Sir, there is one other duty in which Government have been lagging, and that is the duty of removing illiteracy. Very little has been done by the Government during their rule of about two centuries. The percentage of literacy in India is very negligible. I shall leave the question at that as I have tabled a Resolution on it. I would also request the Government to spend more in developing the co-operative movement. This is the one movement through which the agriculturist could derive real benefit. We are aware that Government was pleased to grant about Rs. 15 lakhs last year. That is only a drop in the ocean. When the provinces are producing deficit budgets, it is the duty of the Government of India to come forward and help to develop the movement.

Sir, I would lastly bring one other point to the notice of the Government and that is about the sugar excise duty. My friend Sir Phiroze Sethna has said enough on this question and I do not want to dilate on it, but I must submit that it was on account of the import duty in 1932 that this industry developed in a very short time, and the capitalists have invested about Rs. 25 crores in the industry. It was never expected that an excise duty would come so soon. The result is that many factories, owing to this duty, are tottering and



are not making as much profits as was expected. (*An Honourable Member* ; "Badly managed".) My friend says that they are badly managed. I can quote instances of several factories which are under the management of experienced people, and they have either produced a deficit budget, or have paid a 6 per cent. dividend. I have found from their budgets that a lot of money goes to pay the excise duty. However, this duty has been levied and I have nothing to say except that in return we expect that the Government will do everything to develop sugar cane cultivation.

**THE HONOURABLE THE PRESIDENT :** There are several other speakers and you have already had 20 minutes.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I will finish, Sir, in five minutes. They should spend larger amounts in developing sugarcane. That will not only benefit the mills but also the agriculturists. In my province which produces more than 50 per cent. of the sugarcane in the whole of India, we all know that the cultivators do pay their whole year's rent out of the yield they get from sugarcane. The cultivators of other crops do not get enough to pay their rent. So it is necessary for their protection that this industry should be developed and researches made. It is unfortunate that Java should produce as much as 40 tons an acre while in India we can hardly produce 15 tons an acre. And while the percentage of recovery of sugar in Java is about 13 per cent., it ranges between eight and nine in India. If proper research is undertaken and the cultivators are taught which seed to grow, when to manure and with what kind of manure, I am sure they will be largely benefitted.

Now, Sir, I have given so many proposals and a very pertinent question might be put to me as to where the money is to come from ? Sir, it is the duty of the Treasury benches and not of the Opposition benches to suggest where the money should be got. It is for them to make the arrangements. But just to help them I am prepared to suggest ways and means of getting the money. We on this side of the House have been impressing upon the Government that they should levy an export duty on gold. They have not done so. May I ask why have they not done so when opinion is unanimous from Chambers of Commerce and non-official benches in this matter ? We all know that gold is being drained from India and if all the gold is drained India will be a dead body.

Then, Sir, in India the services are getting very high salaries. There is no country in the world with which these salaries can be compared. There is absolutely no reason for a poor country like India to pay such high salaries. We are of opinion that there should be a 20 per cent. cut on all salaries above Rs. 500, a 10 per cent. cut on salaries ranging between Rs. 100 and Rs. 500 and a 5 per cent. cut on salaries between Rs. 50 and Rs. 100, and there should be no cut below Rs. 50. I think the Government would be able to save about Rs. 3 or 4 crores if they carry out this suggestion of mine and they will not be doing anything which other countries are not doing and will in fact be following their example.

Sir, we were told by His Excellency the Commander-in-Chief the other day we are spending 25 per cent. of the revenues on defence expenditure while other Dominions are spending only 5 per cent. I do not see any reason why we cannot reduce the expense to that extent also. Why should we not bring it to the pre-war level and make a saving of about Rs. 15 crores. As long as India spends 25 per cent. of its revenues on defence expenditure there

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

is absolutely no hope of doing anything for the nation-building departments either for removing illiteracy or developing rural areas or anything else. We cannot find the money unless we cut the defence expenditure.

Sir, the Honourable Finance Member was pleased to admit in the other House that the railway finances are bad. If it is so then why should they not set it right. If they are properly looked after I am sure there will be surplus instead of deficit in railway budgets. When the railways were company-managed they were making a lot of profit, but when they have come under the Government of India they are producing deficit budgets. It shows that something is rotten in the State of Denmark and they must set it right.

Sir, I have to say a word about the Quetta expenditure. My friend hailing from Bombay has said enough and I entirely agree that this Quetta expenditure should not fall on the Government of India. It is certainly meant for imperial purposes, and if the Government is going to spend Rs. 7 crores on it the whole amount should come from Great Britain and not from India.

Lastly, Sir, although I know that my Honourable friend the Finance Member will not accept it, we have to place before him the fact that as long as the ratio is not going to be brought down there will be no salvation for India.

THE HONOURABLE MR. W. T. MCINTYRE (Burma Chamber of Commerce): Sir, this is the last Budget of the Government of India in which the province of Burma is directly interested. Speaking on behalf of the interests in that province which I represent, I must express keen disappointment that the Honourable the Finance Member has not found it possible wholly to abolish the surcharges on income-tax and super-tax. The abolition of income-tax on incomes below Rs. 2,000 will come as a welcome relief to a large class of well-deserving people and I congratulate them on their good fortune. May I be permitted to remind the Honourable the Finance Member that the other income-taxpayers are the only class remaining bearing the burden of direct emergency taxation?

I am grateful indeed for such crumbs as have fallen from the rich man's table and I trust the Honourable the Finance Member will not think me greedy and will pardon my curiosity, if I enquire what the position of Burma is likely to be in respect of a share in that revenue reserve fund which he proposes to create out of the surplus for the year 1935-36?

The Honourable the Finance Member in introducing the Budget for 1935-36 expressed his extreme disappointment that it had not been possible to take the first steps in the revision of the revenue tariff in a downward direction and he then expressed the opinion that the tariff was too high, that it was far too complicated and that on both counts it was a restraint on trade recovery. These views are so completely in accordance with those of the interests I represent, that the Honourable the Finance Member will realise they entertained high hopes that this year would witness a beginning being made with the revision of the tariff. I give the Honourable the Finance Member every credit for his good intentions and if on this occasion the will must again be taken for the deed I would remind him of the condition engendered in those whose hopes are deferred.

Burma has a special interest in the Budget of the Government of India as the Trade Agreement lays down that tariff schedules in operation at the date of separation of Burma from India shall remain effective in both countries in respect of goods imported into either from other countries. It is true that

there are provisos allowing changes to be made under certain conditions but to commence with India's tariff will be Burma's tariff. I do trust the Honourable the Finance Member will bear that fact in mind when he is framing his budget next year when I do hope the financial position will warrant him in making a start with the revision of the tariff. May I add that if he cannot undertake a wholesale revision, I do beg that he will see his way to abolishing the import duty on machinery which to Burma is specially obnoxious ?

Burma is anxious to get off to a good start next year. The interests I represent are concerned that her first budget should not be loaded with emergency taxation. They prefer that power to impose emergency taxation should be held in reserve. In 1937-38 the Honourable the Finance Member estimates that the separation of Burma will cost the Indian Exchequer Rs. 2½ crores. Well, Sir, Burma will need every anna of it in providing for her liabilities and establishing her credit. Towards that end, may I express the hope, Sir, that this revenue will be as wisely administered as I know it would be if it were still coming under the dominion of the present Finance Member of the Government of India ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I do not know whether I should congratulate the Honourable the Finance Member on this Budget or not, but I cannot help saying that the Budget he has presented to us shows a surplus and his speech shows that prosperity has begun. So far as prosperity is concerned, I think we are all being illusioned. The Finance Members of late have rather developed the habit of under estimating the income and for the last three years we find that this practice is being followed. This, Sir, I must say is not a proper thing to do. As I have already said, in India as far as the budget is concerned the budgets are not framed purely on financial lines, but they are, I must say, now being framed on mainly political lines. It is what I may call financial jugglery to put any sort of budget that the Honourable the Finance Member likes to put before us. We find that the surpluses which have been shown so far are being spent away in capital expenditure which ought not to be borne by revenue. As far as Quetta expenditure is concerned, the thin end of the wedge has been put in now in meeting that capital expenditure from revenue. The total expenditure so far estimated is Rs. 8 crores for the reconstruction of Quetta and this year Government has put in Rs. 78 lakhs in the Budget for that purpose to be spent from revenue. That policy is not right and to spend that money for capital out of revenue is, I should say, a great injustice to the taxpayer who is already being burdened with heavy taxation.

Sir, what are the causes of these surplus budgets for the last three years ? One of the causes is that the income is under estimated. The second cause is that the deficits of railways and other departments are neglected. In case we take into consideration the railway deficits, our general budget shows a deficit. In case we go deeply into the figures, we find that the budgetary position put before us is a myth and that that has been done to meet certain political ends. The third cause which some people say is that in order to meet all the present defence expenditure and high salaries of the officers, budgets are put in this form. Sir, in case we give it our full consideration we find that as far as the underestimation is concerned only Rs. 4 crores have been allowed to the sinking fund. I am going to illustrate how the Honourable the Finance Member underestimated the expenditure. That, Sir, Rs. 4 crores works out to one per cent. for the sinking fund. Then, Sir, over and above this comes the underestimating in sugar excise, under estimating in kerosene duties and so on and so forth. Sir, instead of the Finance Member

[Rai Bahadur Lala Ram Saran Das.]

trying to fulfil the pledges of his predecessors he is going to relieve the taxpayer piecemeal. The Honourable and gallant Nawab of Hoti, the Honourable Sir Phiroze Sethna and the Honourable Mr. McIntyre from Burma have very strongly pleaded that the least the Finance Member could have done would have been to abolish the surcharges. That, Sir, is also the complaint of the commercial community,—that surcharges have not been done away with, adequate reduction in postal rates has not been effected, no family allowances have been given in assessing income-tax and business losses have not been allowed to be carried forward while assessing the income-tax.

**THE HONOURABLE THE PRESIDENT :** That could not be done under the present Act.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, with due deference I might say that where there is a will there is a way. The Act could be amended. But, Sir, the time has come when the taxpayer expects that the Government pledges should be fulfilled. In the way in which the political budgets are being put before us, we are day by day losing hope as to when these pledges are to be honoured. Sir, favourable trade balances continue to be shown in the blue books. Whether they are really favourable balances or not everybody knows. Favourable balances of trade are being caused solely and simply on account of the unrestricted export of gold and, Sir, we find that year by year the exports of gold are increasing which shows that the capital resources of the people which ought to have gone in for useful purposes are being frittered away to foreign countries. I quite agree with a number of my colleagues who have advocated that the general public at large is against this flow of gold from India. There ought to be a heavy gold export duty to stop this gold flight. Sir, various reasons have been put forward by the Government that this flight of gold does not materially affect India and that on the other hand it benefits the agriculturists. Sir, gold is the national reserve of a country and when, Sir, this artificial or I should say this illusory favourable trade balances vanish on account of the stoppage of gold, how will the Government of India show such balances, how will they meet their monetary obligations in other countries? Sir, unfavourable balance of trade is always to be remitted in gold and that time is coming fast when India will have to do that, but to its sorrow it will find that there is not much gold left in India. It is time now, Sir, that the flight of gold should be stopped by enforcing a heavy export duty. Sir, how can there be prosperity of the people when the prices of agricultural produce do not materially increase. My Honourable friend Mr. Shantidas Askuran gave the figures which showed that the value of the total agricultural produce of our principal provinces fell between 1928-29 and 1933-34 from, say, Rs. 1,021 crores to say Rs. 473 crores. That shows, Sir, what is the condition of our agricultural classes. I am grateful to the Government for the policy of rural uplift and for the grants that it is making for that purpose, but, Sir, may I ask the Government whether they have solved the unemployment problem in the villages, whether they have created any marketing facilities for the poor zamindars, whether or not they have seen that the poor zamindar at the present level of prices has got enough after paying and meeting the land revenue. Sir, I expected that this House would be furnished with a leaflet of how the money allotted last year for rural uplift has been spent. We expect, Sir, that on this occasion when the Budget is being presented and discussed that information ought to have been given. The Honourable Finance Member, Sir, has this time not given us a survey of

the general economic position in India. That, Sir, we expect from him every year and I do not know what were the reasons which led him to keep that information from this House.

Sir, rural uplift is a very noble object but we must see that the money spent on rural uplift should not raise the standard of living of the poor masses, particularly at a time when their economic position has abnormally fallen. I find, Sir, that this policy of increasing the standard of living and giving more amenities of life to those who cannot afford it has not been in the interests of India and my Honourable and gallant friend, the Nawab Sahib of Hoti, will endorse me when I say that this policy in the frontier has weakened financially and perhaps socially the position of masses who live there. Their mode of living has been entirely changed and instead of leading a robust and healthy life they have now been led into luxuries and other amenities, which the urban masses have the misfortune to have.

Sir, no effort has been made by the Government to raise the prices of agricultural produce. Every time, when in this House or the other House Members have insisted on a change in the present exchange ratio, the Honourable the Finance Member has brushed it away summarily. This speedy disposal of this demand for a change in the ratio is a very important demand. When the export of gold stops, Government will be forced to change the ratio, for if we take the world level of prices, the agriculturist gets 12½ per cent. less in the value of his produce than he ought to get otherwise. All the countries in the world have depreciated their currency, but in India we find it appreciated. Rural uplift is simply an eye-wash. It is a noble object, but, Sir, where is the object in raising his standard of living and his expenditure when he cannot afford it? He is practically a pauper. To make him feel that he ought to move in higher society and live in a better building and live comparatively in luxurious ways—I do not think that is in his interest.

**THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN :** While his stomach is empty.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Therefore, Sir, the dawn of prosperity painted by the Honourable the Finance Minister is not true. Take the case of the commercial people. Is there any prosperity or any signs of their prosperity? Our Finance Member himself has budgetted for a lower figure of income from taxes next year. That is, he himself admits that the country is not prospering and that the income under this head is likely to fall during the coming year. Otherwise, he would not have put in a lower receipt from income-tax. The rural uplift money is also being spent in making the land produce more than it is doing at present. My friend the Honourable Mr. Mehrotra compared the yield per acre of sugar cane in India with that of Java. The vital question to the agriculturist in India is that they cannot find a market for their normal produce. If you add to their produce, you will be adding to their difficulties. So, Sir, you must move in a manner in which you do real good to the agriculturist. The agriculturist is the root base of all prosperity in this country, as on the tiller of the soil rests commerce and industry. We find that commerce and industry is not being encouraged to the extent that it deserves.

**THE HONOURABLE THE PRESIDENT :** You have already exceeded your 20 minutes.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I will take only two or three minutes more, Sir. I would like to inform the Honourable

[Rai Bahadur Lala Ram Saran Das.]

Member what at least I expect from him as far as remission in taxation is concerned. Post cards ought to have been reduced to one pice. The three pice charge on a post card is too much. The trunk telephones ought to have been encouraged and increased. Salaries of all officers ought to have been reduced in order to meet the real state of the country. Duty on kerosene oil, which is mostly used by the poorer classes, ought to have been reduced and the cheapness of money ought to have been availed of for works of utility and for expansion of ways and means of development. I feel disappointed, Sir, as His Excellency the Commander-in-Chief is not present here today although we expected that on the points Honourable Members raise today, regarding the military expenditure he would give a reply. I must again press that the present military expenditure is intolerable and ought to be reduced at least to the pre-war level as soon as possible.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadian) : Mr. President, before I proceed to discuss the Budget I would like to lay before you a suggestion for your consideration. This House is given only one day each for the General Discussion on the Railway Budget and the General Budget. As this House has no power to discuss the list of demands, it is most reasonable that we might be given a fair chance of discussing the Budget properly which is not at all possible in the course of the one day that is now allotted to us under the Rules and Standing Orders. I would therefore request you, Sir, as the custodian of our rights and privileges

THE HONOURABLE THE PRESIDENT : May I correct you ? Time for discussion of the Budget is fixed by the Governor General himself under the Act.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : We would request you, Sir, to arrange with Government to get us at least two days for the General Discussion on the Railway and the General Budgets.

THE HONOURABLE THE PRESIDENT : I have already pointed out that Government has nothing to do with it.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Sir, last year this time, some Members in the other House described the Finance Members of all countries as belonging to one of the hard-used tribes, because they are used to strong terms, in which they are always criticised irrespective as to whether they produce surplus budgets or deficit budgets. I, on the other hand, Sir, would like to describe them as belonging to a tribe of jugglers all the world over. They, by their jugglery of figures, produce surpluses or deficits. Particularly in India, the Finance Member by his jugglery of figures probably produce surpluses or deficits irrespective of the actual prosperity or adversity in the economic condition of the country. The Finance Member and all his underlings under the present system of bureaucratic administration, dominated by Whitehall, are expected to produce deficits, when the Indian industries are to be crippled or at least to be checkmated in their development, by means of the levy of such taxes as excise duties on new industries like sugar or matches. On the other hand, he is probably expected to produce surpluses when the cut in pay of the officers are to be restored or the income-tax surcharge is to be abolished. The Honourable the Finance Member in the course

of his Budget speech stated the other day that the excess revenue of Rs. 40 lakhs on income-tax is clearly due to the improvement in trade being greater than we expected. Sir, this is a picture which is a direct negation of the picture placed before us by another colleague of his when he presented his Railway Budget a few days ago. The Railway Member deplored that due to adversity in trade, both internal and external, the railway income from goods traffic is being reduced from year to year. I, for one, Sir, am more prepared to believe in the Railway Member's statement, which I believe depicts more correctly the economic picture of the country. The present surplus of the Finance Member appears to be the result of a dictation from the gods at Whitehall. The Secretary of State knows in his heart of hearts that unless surplus budgets are shown at this present critical juncture it would not be possible to thrust the constitutional reforms on the provinces and in the centre against the wishes of the majority in this country. The Opposition against the coming reforms will be strengthened if budgets are shown as deficit budgets. Sir, even taking it for granted that the Budget of 1935-36 has proved actually to be a surplus budget, I feel inclined to believe that the incomes were under estimated when the Budget was presented last year. It was also I think done

3-45 P.M. with a motive. It was probably done with the idea of strengthening the causes for the levy of excise on sugar and matches, two of the infant industries in India at the time. The rulers of India know further that unless and until the central budgets can be shown as surplus budgets, there will be no chance of increasing the number and pay and allowances for the heaven-born services in the near future. Already we are hearing that European boys are not forthcoming for filling the posts of the imperial services in India. This was exactly the cry in the British universities just before the last reforms was introduced in 1919. I am apprehensive that the present cry is also made with the motive of making out a case for still further increasing the European element in those services. Though the Budget is a surplus one, yet the way in which the surplus has been distributed is worthy of the foreign bureaucratic administration. The poor man's post card remains untouched whereas the rich man's envelope is reduced by half. Probably as the tin gods themselves mostly use envelopes therefore the postage for envelopes has been reduced! The income-tax surcharge is also reduced not for the benefit of the poor but for relieving the richest of the rich, who are none else but mostly the British commercial magnates and business men. The poor man's kerosene duty and salt duty has been treated as a sacred trust bequeathed to the present Finance Member by his predecessors.

So far as the army budget is concerned I am afraid His Excellency the Commander-in-Chief has already given us a broad hint the other day that we must be prepared not for reduction in military expenditure but for an increase in it. The increase in military expenditure in India at a time when the whole world is thinking seriously about the limitation of armaments and the army appears to me to be paradoxical. I may be pardoned, if I ask His Excellency as to whether all these present-day talks of limitations of armaments is nothing but diplomacy. The real truth probably is that India must be re-armed to the teeth in readiness for another world war in the near future. I will not be far from the truth if I say that India was made an independent member of the League of Nations for obtaining an independent quota of armaments. In other words the total quota of armaments to be obtained for the United Kingdom and India together will be far above the parity of the armaments of other nations. If this be the underlying policy of the Government of the United Kingdom in the name of diplomacy, then I do not know what is hypocrisy in the world. India's present military expenditure is more than what she could

[Mr. Jagadish Chandra Banerjee.]

bear. If today a national Government is established I think the first thing they will do is to stop the unnecessary military expenditure incurred mostly for imperial purposes in the name of the defence of India. It is surprising, Sir, to see at page 25 of the budget estimates for defence services that the British cavalry in India is costing about Rs. 8½ lakhs on pay and allowances whereas the Indian cavalry is costing only about Rs. 3½ lakhs by way of pay and allowances. From the same book at page 30 we find that British cavalry consists of only eight regiments and Indian cavalry consists of 21 regiments. If the cost is worked out on these data, it proves that on an average each British cavalry regiment costs about a lakh whereas each of the Indian cavalry regiments costs about Rs. 20,000. Even this comparison will be misleading as in each of the Indian regiments there are not less than 14 British officers holding King's commissions. If I had sufficient time at my disposal I could have proved the same disparity in the expenses on British and Indian infantry, artillery and other services. It is therefore self-evident that if the effective forces of the Indian Army is completely replaced by Indian regiments without completely Indianising the officers' cadre, the military expenditure can easily be brought down to nearly half the total cost of the defence services, if not to one-third. Sir, I then draw the attention of the House to page 22 of the budget estimate of the defence services. From the comparative figures given therein for the years 1934-35, 1935-36 and the budget estimate for 1936-37, I find that the net expenditure on effective services in 1934-35 was about Rs. 35½ crores, in 1935-36 the figure rose to about Rs. 37 crores and in 1936-37 it has been further raised to about Rs. 38½ crores. Sir, I would ask His Excellency the Commander-in-Chief to give us some more detailed explanations as to how the charges on effective services are being increased year after year? Within the last three years the cost has gone up by about Rs. 2½ crores. I think this was the reason why His Excellency was preparing the public mind to expect further increases in military expenditure. Unless and until we are given a definite undertaking as to the gradual reduction in military expenditure year after year till a minimum is reached, India as one man should refuse to give all supplies to the Government by way of taxation.

Then, Sir, coming as I do from a province whose financial position is in a very precarious condition, I can not be satisfied with the proposals contained in the Budget. Bengal's claim to the return of the jute duty was accepted by the Joint Committee when the question for the coming constitutional reforms were being discussed. It was even suggested that the loss in central revenues that might accrue, owing to the refund of the whole of the excise duty to Bengal, might be reimbursed by the imposition of the excise duties on matches and sugar. The Government of India took advantage of those suggestions for the imposition of excise duties on matches and sugar, but refunded only half of the jute duty to Bengal. The Government of India had no justification to levy the match excise unless and until they refunded the whole of the jute duty to Bengal. I for one feel, Sir, that the Government of India may rightly be accused to have committed a breach of faith and breach of trust. They increased the central revenues by the match excise and are over jubilant with the present surpluses at the cost of my province. I know that His Excellency the Governor of Bengal is strenuously fighting for the refund of the whole of the jute duty, as without this duty, it is impossible to carry on the day-to-day administration of Bengal. Sir, to my mind, if any body had any claim to those surpluses that are expected in 1935-36 and 1936-37 it was my province of Bengal. In this connection it will not be out of place to



mention that the Honourable Sir John Woodhead, the Finance Member of the Government of Bengal, in presenting the next year's budget the other day deplored that in spite of fresh taxations during the current year the financial position of the province is still far from satisfactory. In spite of all efforts on the part of His Excellency the Governor of Bengal and his Government, there is a deficit of Rs. 5 lakhs during the current year and an expected deficit of Rs. 51 lakhs in 1936-37. At the same time it will be a revelation to many that the *per capita* cost of administration in the province of Bengal, which I have the honour to represent as an elected Member, is the lowest, viz., Rs. 1-8-0 as against the *per capita* cost of administration of Rs. 2-8-0 in Bihar and Orissa and Rs. 8 in Bombay. Sir, because my province carries on the administration at the lowest *per capita* expenses, it is no argument that she must be penalised by the refusal of the return to her of the whole of the jute duty. In this fight for the return of the whole of the jute duty to Bengal, I think I am fighting as well for the other provinces, like that of Assam and Bihar and Orissa as they would also get the refund of the proportionate amount from the total collections of the jute duty. I hope and trust the Finance Member, whom I am glad to find here today, will bear this in mind and take steps to refund the whole of this jute duty in the near future so that Bengal at least will be able to make two ends meet.

Sir, these are the observations I have to make in the discussion of the General Budget.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Sir, at the outset I should like to say that we are very grateful to the Honourable Mr. Raisman for a lucid review of our financial position. If you will allow me to say so, the statement which he made was clear, short and business-like. Coming to the statement itself, we find that we have been having surpluses now for the last three years. The final accounts for 1934-35 disclose a surplus of Rs. 495 lakhs. The actual figures exceed the revised forecast by about Rs. 186 lakhs. The surplus had been originally anticipated at Rs. 327 lakhs ; it has actually turned out to be Rs. 495 lakhs. The revised estimates for 1935-36 again disclose a surplus ; they disclose a surplus of Rs. 242 lakhs ; the anticipated surplus was only Rs. 6 lakhs. The surplus was really Rs. 358 lakhs, but it is offset by an excess of expenditure of Rs. 117 lakhs. Therefore the question that naturally occurs is : what is the explanation for this wide variation between original estimates and the revised estimates ? The Honourable the Finance Member has pointed out that this wide variation is due to increased yield from the import duty on sugar and he says that the real explanation for it is that there was increased consumption of sugar in India. Now, Sir, was it very difficult in February, 1934, when the budget statement was made by the Finance Member to forecast this big surplus ? The variation is very wide, Rs. 6 lakhs and Rs. 353 lakhs, and it is a pertinent question to enquire whether we have not been under estimating our revenues—I do not say deliberately, but the fact remains that there is under estimation of revenues.

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Sir Phiroze Sethna.)

Sir, the Finance Member has not given enough credit to those who told him last year that the figure anticipated from the import duty on sugar was low and that the failure of the cane crop and the inadequate protection given to the sugar industry were bound to lead to an increase in the yield from the sugar duty. Sir, we have been supplied with figures in regard to imported sugar but we have not been supplied with figures regarding the yield from the sugar produced at home and what was more relevant was the figures regarding the sugar

[Mr. P. N. Saprú.]

produced at home. The point that I wish to emphasise is that these surpluses have been obtained by maintaining taxation at a very high level. It is quite easy to produce a surplus if you maintain taxation at a very high level. The Finance Member is a very orthodox economist. He believes in 19th Century finance and surely he knows that it is not good finance to budget deliberately for surpluses. Surpluses should go first towards the reduction of taxation and therefore it is not an unreasonable demand that these surpluses should be utilised towards the reduction of taxation in this country which is very high, and particularly high so far as the poorer section of the community is concerned. The commercial community too has an understandable grievance in the matter of the surcharge on income-tax. So far as Government servants are concerned, their salary has been restored; the Government was in indecent hurry to restore the salary cut, but so far as emergency taxation is concerned it continues because the commercial community is not the favoured child of the British Government.

Sir, the position may have improved from the budgetary point of view, but the real question that we want to know is, has it improved from an economic point of view? Is the condition of the country better from the economic point of view? Is there more prosperity in the country? Have agricultural prices gone up? Is the condition of the zamindars and tenants better in the provinces? The Finance Member says: "Look, what a wonderful magician I am. I told you I would bring back this country to prosperity and I have brought it back to prosperity". Well, Sir, the answer to that is that the real state of the country is not reflected in this surplus. You can produce surpluses by having smaller sinking funds. The provision for the sinking fund now is Rs. 3 crores: it used to be in the neighbourhood of Rs. 6 crores in 1932-33. You can produce surpluses by reducing your interest charges; our interest charges have gone down. But the question that you have to answer is: Is there more prosperity in the country? And if you want to find out whether there is more prosperity in the country, then you must examine your export and import position and the question that I would like the Finance Member to consider is: Have we got a balanced economy in this country? Is our export trade increasing? Have we not been maintaining a favourable balance of trade by export of gold from this country and what will be the position when this export will stop? Sir, it is all right for temporary sojourners to say, "After us the deluge"! But we who live permanently in this country have to take a longer view of the situation and we cannot be indifferent to the position of our export trade. Sir, I have the figures of the export trade before me but I will not tire the House with those figures and the view therefore that I would stress is that from the point of view of an economist who believes in a balanced economy the position is not hopeful for the country. The Finance Member says: Your method is no good. You told me that I would never be able to have surpluses. You told me that the position of the country was very bad. Look at the figures. We have increased revenues from import duties and so on. So obviously your criticism is unfair; your criticism is wrong. My answer to that line of criticism is this. We Indian critics have no chance of putting into effect our views. But you have the chance of putting into effect your views. Therefore, you cannot say that if you had tried our remedy—(our remedy is that of a lower exchange; our remedy is that of an export duty on gold; our remedy is that of borrowing freely for productive purposes)—you cannot say that if we had a chance we would not have done better than you have done, because we have never been tried. You have been tried and you have been found wanting. So far

as we are concerned, our views have never been put into operation. And therefore you cannot say that our criticisms were wrong and your view was right. The real state of the country is reflected in the Railway Budget and the provincial budgets.

Sir, social phenomenon is very complex and we cannot be as precise as we are in mathematics. No one can say his view is absolutely right and somebody else's view absolutely wrong. And therefore it is not fair for any one to dogmatise in regard to questions which concern the economic welfare of the country. And therefore the Finance Member would do well to occasionally remember that after all there is some sanity in his Indian critics also, that they too have the interests of the country at heart, and that they too give some thought to questions which concern him as well as them.

(At this stage the Honourable the President resumed the Chair.)

Sir, what are the results of his policy? Growing unemployment not only among the educated classes but among the masses and if he wants to know what the real position in regard to unemployment is, I would respectfully advise him to read the report of a committee which was appointed by the United Provinces Government which submitted its report only last month. He will find, Sir, from that report that the position of the middle classes is very bad so far as my province is concerned. I do not think that other provinces are any better off. The position of the professions is very bad. The lawyers, doctors, engineers, all have been hard hit by this depression, and we see in our professions no revival of trade. We say in our actual experience we are not finding any signs of recovery or prosperity.

Sir, so much for the general aspects of the Budget. So far as the actual allotments of this surplus are concerned, I will also very briefly indicate my point of view. I approve of the grant of Rs. 40 lakhs to agricultural research. Agriculture after all is the main industry of this country and we cannot give too much to agricultural research. I also approve of the grant of Rs. 10 lakhs to the Indian Research Fund Association. But, Sir, I am not able quite to understand why Rs. 5 lakhs have been given for the small woollen industries. Is it as a sop for the refusal to give protection to the woollen industry that these Rs. 5 lakhs have been allotted? And so far as Broadcasting is concerned, well, I may be pardoned for saying that I do not believe in this broadcasting business. Of course, it is said that these Rs. 40 lakhs will not be used for political purposes. Of course, Government is never political. It is only we who are political. We do not really know what this money will be eventually used for.

Then, so far as this rural reconstruction is concerned, let us be quite frank about it. We said last year that we approved of this rural reconstruction business. We all want rural reconstruction. But we want you to consult us in regard to the way in which you are going to spend this money. It was suggested that you might appoint a joint standing committee of both the Houses to advise you in regard to the suggestions that you received from Provincial Governments. Well, that suggestion has never been given effect to and so far as non-officials are concerned, they have had no lot or share in this rural reconstruction work. I should have thought that the best agency for rural reconstruction work was a non-official agency and that Government would have co-operated with non-official agencies for the development of rural areas.

Then, Sir, there is another item on which I should have liked to see some money spent by the Honourable the Finance Member. Sir, the British Government of this country has expressed great concern for the depressed classes. They have great love for the depressed classes. The Delimitation Committee

[Mr. P. N. Saprū.]

too has discovered that cumulative voting, which is a form of separate electorates—it practically comes to that—is necessary in order that these depressed classes might be protected from the Poona Pact. But, Sir, it has never occurred to the Government to allot some money for the uplift of this class whose trustees they claim to be. Sir, surely in a budget of such dimensions it was possible for the Government to provide a sum of Rs. 50 lakhs for the educational uplift of this class? Educational opportunity, Sir, is fundamental to economic opportunity and therefore I say that it would have been proper for the Government to allot some money for the educational uplift of these classes. I make this suggestion even at this stage to the Finance Member and if he can find Rs. 50 lakhs for the educational improvement of the depressed classes, so far as I am concerned I should be very grateful indeed. Sir, we have every sympathy with these classes. They are bone of our bone and flesh of our flesh. (*An Honourable Member*: “Brahmin and Harijan?”) No, Sir, our sympathy is much more real than the sympathy of Christian missionaries and Christian zealots.

Then I come to the taxation proposals. I have already said, Sir, that the payers of big income-tax have a legitimate grievance because the salary cuts have been restored while the surcharges still remain. Essentially this is a rich man's budget. While there is some relief for the lower middle-class there is no relief for the poor man. The price of the post card continues to be three pice. We want villages to be opened up. We want these villagers to write letters occasionally to their friends. The present rates hit the villagers very hard. Therefore I would beg of the Honourable the Finance Member to consider favourably the suggestion that the rate on the post card should be reduced to two pice, or even one pice as was suggested by my Honourable friend Mr. Mehrotra.

Nothing has been done to meet the sentiment in regard to the salt tax in this country. It might have been possible to reduce the salt tax by a small margin. One rupee per maund could have been substituted for the present rate of Rs. 1-4-0 per maund. But nothing has been done here.

Just a word about the military expenditure. The defence budget this year will stand at the figure of Rs. 45.45 lakhs. We are threatened with higher defence budgets in the years to come, because we are told that the present budget figures do not represent a permanent level of defence expenditure. Our view is—and we shall repeat that view in this House in season and out of season—that the defence expenditure in this country is too high. It is a view which was stressed by Sir Walter Layton in a very able memorandum which is attached to the main report of the Simon Commission. There are economies suggested by the Honourable Mr. Shantidas Askaran in his speech on military expenditure the other day in this House. But apart from those economies, there is one direction in which you can retrench, and that is, by reduction of British troops in this country. The present ratio was fixed at the time of the Mutiny. Then you are suffering from the Mutiny complex. Can you not get rid of that complex even after 60 or 70 years of stay in this country? Can you not trust the Indian after 60 or 70 years? If you cannot, then you are not paying a compliment to your rule of 60 or 70 years in this country. We do not want you to reduce the actual number of troops in this country. You can replace gradually British troops by Indian troops. A British soldier costs three or four times as much as an Indian soldier. If you make a reduction in British troops, you will be reducing the military expenditure. There are other ways in which you can, while maintaining the

efficiency of the army, reduce expenditure. Suggestions have been made that you should develop the Territorial forces in India, and that you should have a second line of reservists in India. But all these suggestions are never carried out, and will never be carried out, because the military policy is dictated by certain political considerations. Unless you can get rid of these political considerations, the military budget will remain as high as it is today. We want you to substitute a policy of trust for a policy of distrust.

**THE HONOURABLE THE PRESIDENT:** May I ask the Honourable Member to conclude his speech?

**THE HONOURABLE MR. P. N. SAPRU:** I have got no other observations to offer, Sir. The Budget is one which does not really reflect the real condition of the country.

**THE HONOURABLE THE PRESIDENT** (to the Honourable Mr. Kalikar): I hope you will be as concise as possible and not repeat what has already been stated.

**THE HONOURABLE MR. V. V. KALIKAR** (Central Provinces : General): I will try, Sir. I congratulate the Honourable the Finance Member because he has given some relief to the middle classes. I also congratulate him because he has not piled up additional taxation. But, Sir, I cannot congratulate him—and I do not endorse his view—that prosperity has returned to India and that the Budget is really a surplus budget. The surplus which he has shown is due, in my humble opinion, to some causes—one of which is the maintenance of the high taxation which was imposed to meet the situation arising out of the depression. The other cause is under estimation of revenue. I also think that if some items of expenditure which are essential for maintaining the national credit had not been reduced we would not have had this surplus. I therefore cannot share his view that the surplus is a real surplus. It may be a surplus so far as paper accounting is concerned. He may say that prosperity has returned to India, but taking into consideration the deficits in the other provinces and the condition of the masses, I am not in a position to endorse the view that prosperity has returned. Sir, various suggestions have been, and are being, made about the change of the ratio and the export duty on gold, but those suggestions are not given effect to. I do not claim to be an expert in financial matters but I do claim to have some knowledge of the agriculturist and looking at the Budget from the agriculturist's point of view I cannot say that it is a budget in the interests of the agriculturist. The prices of agricultural commodities have not gone up. India is admittedly an agricultural country and if exports of raw materials do not increase I submit that the condition of the agriculturist is just the same as it was four or five years ago. So if my Honourable friend the Finance Member says that prosperity has returned to India, I should like him to be disillusioned as soon as possible.

Well, Sir, he has distributed the surpluses for the last three years and I do not want to quarrel with him on that account, but I want to submit that his first duty in distributing the surplus was to decrease the burden of the taxpayer and so increase the capacity of the taxpayer as well as the agriculturist to pay taxation. My friends have made requests to him about decreasing the rate of the post card. I do not know how far that will appeal to him, but from the speech that he made in the other House I infer that it would involve a cost of about Rs. 50 lakhs and that he was not going to subsidise a commercial

[Mr. V. V. Kalikar.]

department. I do not quarrel with him about subsidising a commercial department, but I request him to think of this decrease as a sort of programme of rural uplift, because for the agriculturist this is the only means of communication. I would not have complained if he had not given concessions in regard to postal rates on letters, but I seriously contend that he would have earned the appreciation of the masses and of the agriculturists in especial if he had found ways to reduce the rate of the post card.

Sir, just as other provinces have put in a word in their own interests and as my Honourable friend Mr. Askuran has cited a sentence from the speech of the Finance Member of my province, I must also bring to the notice of the Government of India that my province has been having a deficit for the last three or four years. We have willingly taxed ourselves to meet the deficiency and all sources of taxation have been explored. It is now therefore the duty of the Government of India to come to the rescue of my province when provincial autonomy is going to be established shortly.

Sir, as to the grants for rural uplift, I have no quarrel with him, but I submit that the grants should be made in such a way that the expenditure of the Provincial Government in this connection can be scrutinised, so that the grant may really be employed on projects useful to the agriculturist and not be diverted to something else.

Sir, much has been said about the defence expenditure. I do not want to say much in that connection, but I must submit that an authoritative statement by two Judges on the Capitation Tribunal has been made that some portion of the Indian Army is meant for imperial purposes. If that is so, it is the duty of the Government of India to press on the British Government to give more money for the maintenance of that portion of the army.

I finally submit therefore that so long as the prices of agricultural commodities do not go up, so long as industries do not flourish and so long as the emergency taxation which you have imposed on the taxpayer is not removed, I am not in a position to call it a prosperity budget.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTY (Madras : Non-Muhammadan) : Sir, I beg to offer my tribute of congratulation to the Honourable the Finance Member for the most encouraging Budget that has been presented in recent times. Every Member of this House knows only too well with what pessimistic feelings last year the Honourable Finance Member presented his Budget for the current year. The Honourable Member's fears have now been belied, and he attributes his conservatism of the past year to the belief that he imposed in his inexperience on the Cassandra-like prophecies of certain persons. Now that he has gained sufficient experience of this country, he seems so fully confident of its marvellous recuperative powers, in the economic sphere that he ventures to colour his prudence with a little imagination and says that this would not in any way offend the strict canons of financial orthodoxy which he himself advocated last year. I once again wish to congratulate the Honourable Finance Member for his boldness, and I hope and trust that his expectations will be only too well justified.

The Honourable Finance Member has in disposing the surpluses, taken upon himself the impossible task of pleasing every one. He has tried to please the agriculturists, the industrial and commercial classes, the middle classes and the services. But I must frankly say that he has failed to please the poor man. The poor man has still been denied his privilege of using the half anna post card.

It is very refreshing to note that Government propose again to allocate more than a crore of rupees for the rural reconstruction scheme in the provinces. Though, as pointed out by some, these small doles to the provinces might not be sufficient to launch upon vast schemes all of a sudden, yet I hope that the doles the Central Government have been distributing recently should be an encouragement to the provinces who should, in their turn, supplement the subventions of the Imperial Government and utilise them to the best advantage of the masses, the responsibility for whose welfare, especially under the coming constitution, lies on their shoulders. The establishment of rural dispensaries is one of the crying needs in the villages and I trust that the Provincial Governments who have been asked to formulate schemes will pay sufficient attention to this most urgent need.

The results of the agricultural and other research institutions, on which Government have been spending large sums of money in recent years, have admittedly been of great advantage to the agriculturists and the industrialists, and it is but proper that Government should encourage such institutions. The subvention to the benefit of the small scale woollen industry is, no doubt, very small, but we hope that the way in which this amount is utilised for the improvement of the woollen industry will determine the future policy of Government in regard to the enhancement of this sum.

Broadcasting is going to play a vital part in the affairs of every civilised nation, and I hope all the Members of this House will gladly welcome the demand under this heading.

The boldest step the Finance Member has taken this year is in the matter of income-tax. He has been pleased to raise the amount of the taxable income from Rs. 1,000 to Rs. 2,000 and he has thus earned the gratitude of thousands of petty merchants and middle class people. He has also been pleased to reduce the surcharge on income-tax from one-sixth to one-twelfth, but this has not satisfied the upper classes. The Finance Member has made an optimistic estimate indeed of the revenues from income-tax for the coming year, counting on the continuance of the improvement of the economic and trade conditions in the country, and if only the Finance Member had shaken off his conservatism in respect of other items also, he could very well have got rid of the whole of the surcharge on income-tax.

Another important item in the Budget to which I wish to make particular reference is in regard to the alteration in postal rates. I cannot call it a reduction in postal rates. In fact, the Finance Member himself preferred to call it a postal concession, which he said, will be generously welcomed if not gratefully received. I cannot call it a reduction, because, if there is a reduction in certain cases, there is to be an enhancement in certain other cases. The increase in weight of the one anna letter from half a tola to one tola is certainly a relief, but the adoption of a scale of an additional half anna for every additional tola is not so alluring as it seems to be. In fact, it is in the main, an enhancement of the postal rate. To take one or two examples, at present we have to pay only one and a quarter anna for a letter weighing two tolas or two and a half tolas, whereas under the proposed system, we have to pay one and a half annas and two annas respectively. The post card, as I have already said, is the poor man's necessity. There has been an insistent demand for the half anna post card and now Government have got large surpluses on hand. I do not therefore see any reason why Government should not show this concession now at least to the poor man. The creation of a revenue reserve fund without giving relief to the suffering masses, I would call a luxury, and I strongly deprecate the idea. I hope the Honourable the Finance Member will himself admit that it is not a wise economic principle to starve the family to

[Diwan Bahadur G. Narayanaswami Chetty.]

pay the premium. The Government may say that the balance of Rs. 1,97 lakhs which they propose to transfer to the revenue reserve fund is a non-recurrent resource and that, according to orthodox financial principles, it cannot be utilised for covering up any deficiencies that may result from the restoration of the half anna post card, which will be a recurring demand. But I would say that the balance that the Government propose to transfer to the revenue reserve fund is not a balance that has been achieved merely as a result of emergency taxation, in which case they would be justified in calling it a non-recurrent resource, but, on the other hand, this balance is largely due to the under estimating of certain sources of revenue—and this is repeated year after year and it cannot therefore be called non-recurring.

I should like to thank the Government on behalf of the salt manufacturers of Ennore for the concession shown to them by the Central Board of Revenue. I do hope that the Central Board of Revenue will make them a little more permanent in their holding and that the question of some more concessions will be favourably considered when the matter is placed before the Central Board of Revenue.

Before concluding I would once again congratulate the Honourable Finance Member for his generous Budget, and I would earnestly request him to follow a bold policy of economy, retrenchment and reorganisation. It is only such a policy that can prevent the political thermometer from rising. May I rest assured that the Honourable Member with his vast experience of English budgets will do his best to prevent this rise ?

THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) : Sir, I am afraid I do not regard the Budget as an indication of prosperity. The real state is revealed by the fact that while the value of agricultural produce for the whole of India stood at Rs. 10,34 lakhs in 1929, it was only Rs. 4,73 lakhs in 1934, thus registering a fall of 53 per cent. in values. The figures later than 1934 are not published so far. Then again balances in banks are no indication that money is circulating freely. In the period mentioned above currency was contracted to the extent of Rs. 50 crores, and expansion so far as I have been able to ascertain is limited to about Rs. 2 crores. The Budget really is evidence that the Government of India are unable to put forward any constructive policy. Newspapers constantly point out what measures other countries have taken to meet the situation. India has been suffering from economic sickness and our financial pandits both at Whitehall and Delhi have been content to watch and wait.

This, Sir, I submit, is not what the country desires and we should like to know what is the economic policy of the Government of India ?

The Budget is merely an auditor's report, a summary of accounts, and we may well say that these accounts are well and carefully kept, but what of initiating schemes of development for removing the famine in money which has been inflicted on the agricultural population.

Now, Sir, let us take sugar. The excise duty has yielded Rs. 35 lakhs more than was anticipated, while customs duty on sugar has yielded Rs. 1,85 lakhs more. The additional income that has flowed into the treasury on account of railway freight on sugar cane and transport of sugar, income-tax on income yielded by sugar factories are not negligible, and we may say that these have yielded substantial income. Could not the Honourable the Finance Member see his way to lowering the excise duty on sugar and thus raising the



price of sugar cane which will add a little to the income of the agriculturists ? What are the reasons for keeping the duty at its present level ?

Then again the Finance Department has generously helped the income-taxpayer, but what of the poor agriculturists, whose burdens are heavy and who have borne it with such patience ? Could not the Honourable Finance Member give each province its share of the surplus with this undertaking that an equal amount should be remitted in land revenue. I felt it my duty to bring my views to the notice of the Government of India. I am, however, thankful for small mercies and I trust that if the Finance Department apply their mind to planning prosperity it can do a great deal to improve trade and thereby world peace.

**THE HONOURABLE RAJA GHAZANFAR ALI KHAN (West Punjab : Muhammadan) :** Sir, I am sure the Honourable the Finance Member must be a little bewildered as to whether the number of congratulations which he has received on his Budget exceeds the number of adverse criticisms made both in the other House as well as in this House. He would be further bewildered if he were to sum up the various suggestions which have been made by Honourable Members with a request that the Honourable the Finance Member may kindly give effect to them immediately. It was suggested to him that the postal rates on post cards should be reduced ; all surcharges should be removed ; the salt duty should be reduced and large amounts should be paid to the different provinces, more money should be spent on agricultural needs and some money should also be invested on relieving unemployment. If all these proposals are put on paper and the Finance Member is to seriously consider all these suggestions, I do not know what he will do. As a matter of fact I had no mind to take part in this debate, because I personally find that this is a Budget which does not require any speeches. But for this convention that one day must be devoted for the general discussion of the budget, I am sure there would have been very little room either to congratulate or to condemn. As I find that since the Finance Member has come to India he has been taking some interest in the welfare of the rural areas and as I come from a village, I consider it my duty to thank him on behalf of the villagers for the little he has done for them. He has been responsible at least for concentrating the attention of Provincial Governments and also the public towards rural people.

The second object for which I congratulate him is setting apart a sum of Rs. 20 lakhs for Broadcasting. I am sure this broadcasting scheme will do a lot of good both to the urban as well as to the rural people. I can say, Sir, from personal knowledge that the Controller of Broadcasting is a true well-wisher of this country and he is definitely determined to see that the Government do not use this broadcasting scheme for any political motives. I am sure if he succeeds in his attempts this broadcasting will soon become extremely popular. As regards the villager, Sir, the chief difficulty is that a very small portion of this money actually reaches him. Most of it is spent by the departments which are in charge of spending money. As a matter of fact Government departments have been multiplied so much and there is a separate department for every little work.

We read in the reports that 14 tons of quinine was distributed to the villagers but I am sure that not even one-tenth of this quantity reached the villagers actually. The Finance Member should realise

4-45 P.M.      that the villagers really require relief in three or four directions. First to      ke their financial condition better. As far as health is

[Raja Ghazanfar Ali Khan.]

concerned, if we go to the villages we find big headlines : " Have ventilators in your house ". Buy mosquito nets ", etc. But the question is, where is the money to come from ? I remember a man lecturing on this rural uplift and he said : " Everybody must buy a mosquito net to protect himself ". But the villagers said : " Where are we to get beds from ? " When the villagers have not got *charpoy*s to sleep on, what is the good of asking them to buy mosquito nets ? Then, Sir, under the orders of the district officers a large number of ventilators are made in rooms in different villages but one day when an officer went to inspect them he found that they were closed down by the villagers putting some pieces of cloth in the holes on account of the cold. They said : " We have not got enough clothing to protect ourselves from the cold ". Therefore, Sir, I would ask the Finance Member if merely this setting apart of a crore or a crore and a half will bring any specific relief to the villagers ? The Provincial Governments are having deficit budgets. They have during the last few years been forced to close down schools, to close down hospitals, to neglect roads, not to make any arrangements for the marketing of produce. So under these circumstances, how does he expect that rural people will derive any substantial benefit from it ?

Well, Sir, I think I shall be placing the Honourable the Finance Member under a great obligation if I resume my seat and give him an opportunity of replying to these questions. Therefore, Sir, all other detailed remarks about rural uplift I will postpone till another day.

THE HONOURABLE SIR JAMES GRIGG (Finance Member) : Sir, I am extremely glad to have this opportunity of penetrating into this Upper Chamber and into this atmosphere of sober calm. It is an unusual atmosphere and unusually peaceful for me and the speeches have been of an unusually scientific and inquiring nature and of a much less condemnatory nature than I am accustomed to.

Also, there is another unusual feature in today's debate—very unusual inasmuch as I have been getting a certain amount of commendation—and commendation too from very unusual quarters. I think my Honourable friend, Mr. Hossain Imam, at least two if not three times, expressed approbation of the Budget. I think I am right in saying that this is the first time he has agreed with anything that I have done. (*An Honourable Member* : " With anything that anybody has done ! ") And for this rare and refreshing fruit I must express my grateful thanks.

Well, Sir, the main thesis of the debate here, as in the House below, is the question whether or not I have under estimated. Now in the Lower House I was able to answer Members who took one view by producing other Members who took a different view, and there was very little left for me to do except to face one person with another. But in this House I can do more than that. I can produce four Members who have themselves taken opposing views on the same subject. They are Mr. Shantidas Askuran, Rai Bahadur Lala Jagdish Prasad, the Leader of the Opposition Rai Bahadur Lala Ram Saran Das, and Mr. Sapru.

Mr. Sapru put it in the crudest and shortest form. There is not a surplus but nevertheless you must use it in giving more away in reductions of taxation and in providing more money for social work. Well, now, let us take Mr. Shantidas Askuran. He said, as I understood him, Cautious estimating is all very well but you are overdoing it : you are definitely under estimating and you are showing every sign of going on doing it. That was one side of the picture.

But another side of it was : This Budget does not reflect the condition of the country at all. The country is in dire distress. There ought not to be a surplus at all. Look at your railways. Look at your deficit provinces. I think he about cancelled himself out.

Then take Rai Bahadur Lala Jagdish Prasad. He also took both lines. Don't you believe in this recovery business. There isn't any recovery. But still you have been under estimating and you are going on doing it. I think I have already summarised not unfairly the argument of Mr. Sapru. If I may repeat it for the information of the House : There is no surplus but nevertheless you have got quite a lot of money to give away if you will only do it.

Of course, in addition to the four self-destructive Members there was a large number of Members of the House who ranged themselves on one side or the other and I think I can produce a fairly even balance of forces there. First, my Honourable friend, Sir Phiroze Sethna, said that all these criticisms about underestimating and deliberate underestimating were quite invalid. He took the view that caution in estimating was not only legitimate but wise and I am extremely grateful to him for his weighty support in that matter. Again, Mr. Hossain Imam too approved of caution in estimating. He approved whole-heartedly of meeting the Quetta instalments from revenue as they accrue and not by borrowing them and leaving somebody else to pay for them. His support too I am grateful for, and as I said in my opening remarks it is particularly refreshing in that it is rare. Mr. Kalikar said that there was not a real surplus, if I understood him aright, and I think the Khan of Hoti, yes, he said that there was no real recovery—look at the railways, and the future is full of uncertainty—there certainly is not a surplus at all.

Well, now, we come to the others. Mr. Ghosh Maulik took the view that I had underestimated and had been doing it deliberately for quite a long time. Mr. Parker, I think, I have got his remarks down, said imagination is essential but I had been showing excessive caution and I had been failing in my duty by deliberately underestimating. I myself had said that sugar revenue was only an enlightened guess : so guess again and when you guess leave more room for reduction in taxation. Sir David Devadoss said : You must remove all emergency taxation. You are underestimating and anyhow sufficient unto the day is the evil thereof.

So you see there is not very much agreement on this question of underestimating and perhaps therefore there is room for a dispassionate examination of the facts again. It is true that the railways are in deficit and that the provinces, a great many of them, are in deficit too. I explained that the deficit position of the railways, though it would be serious if it was not put right quickly and put right partly by measures within the control of the Government of India but even more by a greater measure of co-ordination and co-operation between the provinces and the centre,—as I say I explained that, though the railways were in deficit and would have to be put straight, that the existence of the deficit was not necessarily conclusive evidence that the state of affairs at the centre generally was now disastrous or even depressing. Obviously there are special factors at work in the railways. I mentioned the question of road competition. I mentioned in the Lower House and I mention it here casually in passing that the protective policy of the Government of India, whatever may be said on the one side or the other about it, has undoubtedly resulted in a loss of revenue to the railways, and that figure has been estimated by the North Western Railway on one commodity of sugar alone at Rs. 30 lakhs a year. You may approve of a policy of protection or you may not approve of it, but what is undoubted is that it does lose the railways money by substituting for

[Sir James Grigg.]

the long lead traffic from the ports short leads appropriate to internal distribution. Anyhow, as far as the railways are concerned, they are not at present conclusive evidence one way or the other. But there will be a disaster if they are not put straight, and put straight very quickly. Everybody is agreed about that. But the existence of deficits in the provinces is undoubted. It is a fact to which I will return later, because it is a fact to which I have attached the greatest possible importance in framing the Budget. Let us first examine my own figures. The Budget of 1934-35, which were not my figures but the figures of my predecessor, resulted in a surplus. A year ago I provisionally estimated that that surplus would be something over Rs. 327 lakhs. It has turned out to be Rs. 168 lakhs higher. I estimated also a year ago that the surplus of the current year, 1935-36, would amount to Rs. 6 lakhs only whereas it is Rs. 242 lakhs. The figures of 1934-35 and the figures of 1935-36 are both about Rs. 2 crores better than I then anticipated. It is thus quite clear that the degree of under estimating which I was guilty of last year was at the most Rs. 2 crores. I think you must assume that in framing estimates for the next year, knowing perfectly well or having been convinced now of the existence of this under estimate of Rs. 2 crores, this has been corrected. I believe that that has been done. The only possible big item on which there is room for difference of opinion is the case of sugar. It was on this that the Honourable Mr. Parker took me to task. I dealt with this question of sugar in the Lower House, partly in my Budget speech and partly in the speech winding up the Budget debate. There is no doubt that every year the estimates of sugar revenue have been wildly inaccurate. They have never been less than a crore wrong, but they have not been uniformly wrong in one direction. In some years they have been excessive, in other years they have been too low. Last year they were too low. This year we have put the figure at Rs. 2 crores and I do not in the least mind confessing, as I have confessed already, that that estimate is in the nature of an enlightened guess. Since the estimates were framed, two further months' figures of customs receipts have become available. There was a large drop in the receipts from the sugar import duty in January, and there has been an almost stupendous drop in February. In January, we got Rs. 17 lakhs of sugar revenue as against Rs. 25 lakhs in the year before and against an average of Rs. 33 lakhs for the first nine months of the year. In February the figure is only Rs. 5 lakhs, so that you will observe that in order to realise the estimate of Rs. 360 lakhs which I framed six weeks ago for the purposes of the Budget, we have got to collect Rs. 42 lakhs on account of the sugar import duty in March. I do not believe there is the slightest chance of getting this. All our information goes to show that it will be quite a small figure. So, already it looks as if the figure of Rs. 360 lakhs for the current year is quite definitely on the high side, and if it is quite definitely on the high side, then I think that the figure of Rs. 2 crores for the following year is on present indications at any rate pretty optimistic and certainly not pessimistic. Taking those two sets of facts together, the General Budget estimate and the position of the sugar import, I do not believe that there has been any under estimating for the year which is about to commence and that means that the amount of money available for tax reduction is not appreciably more nor I hope appreciably less than the figure of Rs. 2 crores on which I have counted. Anyhow, supposing I have been cautious. What is the first necessity of the financial situation as I see it today? That first necessity is occasioned by the fact that provincial autonomy is due to start in a year's time. In fact, every Honourable Member of this House has pointed out that a large number of the provinces are in deficit. Practically every Honourable

Member pleaded that these provinces should be made solvent by the centre before they start on their autonomous way. It has been recognised in the Government of India Act, 1935, and in the Report of the Joint Select Committee, that subventions would have to be given to a number of them to put them straight. I am free to confess that my own desire is—and it is the desire also, I think of the Government of India—that we should, in the financial adjustments which would have to take place in connection with provincial autonomy, we should contribute as much as we can spare towards starting the provinces off on their autonomous way at any rate solvent. As I said in my Budget speech, we have got to find next year about Rs. 2½ crores for the separation of Burma. The Honourable Member from Burma asked how much of the Rs. 197 lakhs Burma will get. All of it and a good deal more.

THE HONOURABLE MR. W. T. MCINTYRE : I am glad to hear it.

THE HONOURABLE SIR JAMES GRIGG : I gave as a provisional figure that we could not rely on having to find less than about Rs. 2 crores if we were to solve the problem of the deficit provinces. Taking the two things together, we have Rs. 4½ crores extra to find next year. With that burden ahead of us, it is no good taking chances. It is no good saying, "Let the future take care of itself". The future is there. We know what it has got for us. It has got to be taken care of. That being so, I am certainly not prepared to take any very serious risks of the future. Incidentally, a large number of Members have today asked for more money for agriculture. Well, that is primarily a provincial purpose, and I take it that in future you have got to look mainly to the provinces for beneficent expenditure under that head. Their asking for more money for agriculture is quite inconsistent—whether they get it direct or through the medium of the provinces—with demanding at the same time that the surcharges on income-tax shall be reduced.

Now I will come to the other points which have been raised during the debate today. One which attracted the most attention was the post card. I think practically every Member mentioned it. This would mean a recurring cost of Rs. 50 lakhs a year. The word "recurring" is rather important, because of certain suggestions that were made towards meeting the cost of it. Now if I have carried you with me in saying that I have not under estimated my revenue in the Budget for the next year, there is quite clearly no margin of Rs. 50 lakhs on the General Budget to pay for the reduction of the post card rate by three pies.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Broadcasting was not such an emergent expenditure to be incurred this year as the reduction of the post card rate.

THE HONOURABLE SIR JAMES GRIGG : Which broadcasting do you mean? The non-recurrent or the recurrent? That was a suggestion by another Member opposite and I will come to it in a minute. But even if there were a margin on the General Budget, there is certainly no margin on the posts and telegraphs budget, and in spite of the disapproval which has been expressed at my orthodoxy in that respect, with the horrible spectre of the railways in front of me, I am not going to be a party in any way to subsidising the commercial departments from the General Budget. If you do it for the posts and telegraphs, there is no earthly reason why you should not do it for the railways, and once you start on that the central budget and the railways are both alike going to suffer. But there was a suggestion made—and I think that was the suggestion to which Rai Bahadur Lala Ram Saran Das was referring—from one of the benches behind him that we should raid the rural development

[Sir James Grigg.]

fund to pay for the cost of the reduction of the post card. But the rural development fund is a single non-recurring item of Rs. 108½ lakhs, and the cost of the post card reduction is a recurrent figure of Rs. 50 lakhs. If you capitalize the Rs. 50 lakhs that comes to Rs. 10 or Rs. 12 crores, and you cannot get Rs. 10 or Rs. 12 crores out of Rs. 108½ lakhs. It is no good applying a non-recurrent reserve to recurrent objects, and, although there is room for a certain amount of argument as to what is recurrent or non-recurrent, the cost of reducing the post card is recurrent and your revenue will be permanently Rs. 50 lakhs lower than it otherwise would be, and there is no doubt that the rural development fund is non-recurring. But even if there was not that objection to the suggestion, I certainly am not prepared to divert money from the purposes of village development to pay for the first or second year only the cost of reducing the post card rate.

Then a number of Members referred to the distribution of the grants from this rural development fund. The fact that they assume that the grants are going to be distributed shows that they do not wish to be taken very seriously in saying that the fund should be raided to pay for the cost of reducing the post card rate, and Mr. Hossain Imam, Khan Badadur Syed Abdul Hafeez, Khan Bahadur Nawab Chaudri Muhammad Din and the Leader of the Opposition himself all are very curious to know what is to be done about the distribution of the rural grants. We are pressed to distribute them in such a way that the Government of India could satisfy themselves that the money was not going to be wasted. That is a request for which I have every sympathy, and again I am sorry to keep on referring to my Budget speech but I did say there that it would be necessary to review the working of the grants which were made last year. We have asked for reports from the Local Governments on those grants, which are due now at any moment, and in the light of those reports we shall consider and decide what conditions will be attached to the second lot of grants to be made. My own view is—but I am not pontifical about it—that the Government of India should restrict to a much narrower category of scheme the grants which they are prepared to allot, and in that way to prevent diffusion of effort and to concentrate the grant on some really useful work or at any rate to concentrate it so that it would be more effectively applied over a narrower area. I gather from the sense of the debate today that that was the general feeling here too.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** May we understand that the amount for rural uplift will not be spent in raising their cost of living ?

**THE HONOURABLE SIR JAMES GRIGG :** I do not quite see how it can but I think I can give that assurance with 100 per cent. certainty.

Two or three Members also raised the question of carrying forward losses for income-tax. Well, that is a suggestion to which I am completely unable, even if I wanted, to find any objection on theoretical grounds or on equitable grounds. It certainly ought to be done when funds are available, but there are a number of projects for reduction of taxation which I think could not be put in a lower category of urgency, and it is no good my pretending that I think there is any immediate prospect of this quite desirable reform being carried into effect. However, there again I do not wish to be too pontifical. As the House knows, there is a Committee of income-tax experts considering the whole question of income-tax law and administration, and it may be that

they will produce suggestions which will enable this reform to be done more quickly than I can see it being done at the present moment.

I might touch for a minute on a more abstruse point raised by Mr. Hossain Imam. He raised the question of what is happening to the export trade and what is happening to prices. He regarded those as the two necessary indicators to prosperity. In the case of the export trade I would agree with him completely; in the case of rising prices I would not agree with him so fully. Recovery of prices from a very low level is obviously an indication of improving conditions. But the rise of prices to an unsafe level caused by inflationary methods is extremely unhealthy. So I do not think I can entirely agree with him in the matter of prices. But as regards the export trade, there is no doubt that an increase in the export trade is an indicator of returning prosperity. But unfortunately the Honourable Member has got his facts wrong. Prices are rising—slowly if you like, or perhaps you don't like—prices are rising; I think the Calcutta index number has shown quite a distinct rise in recent months. And certainly the export trade shows an improvement over last year and the improvement has grown rather quicker in recent months. So that, even though the Honourable Member may not be satisfied with the rate of recovery, certainly in the two indicators he laid before us there is definite indication of returning prosperity. Perhaps here I can permit myself one disconnected and general remark. There is undoubtedly at the present day a great discrepancy between the prices of agricultural products and of manufactured products. Well, that is undoubtedly an indication of a want of freedom in international trade, in external trade, and that discrepancy of course bears doubly hard on the agriculturist in that he pays more for everything he buys and gets less for what he sells. That discrepancy is there. It exists in practically every country of the world, and it is undoubtedly due to the restrictions which are placed upon international trade by so many nations, and among them in some respects India too I am afraid.

One or two Members complained that the Government of India were doing nothing in the matter of supplying quinine to the population. Well, that was answered by Sir Nasarvanji Choksy, who pointed out that the Government of India had recently distributed between 50,000 and 60,000 lbs. of quinine to provinces free on the condition that they were to use it over and above the net amount they would normally supply to the population. A lesson that I draw from this little incident is clearly the Government of India publicity is not good enough and I think I shall have to address an admonition to my colleague on the left to advertise his good works a little more. Sir Phiroze Sethna referred to the grant of Rs. 10 lakhs to the Research Fund Association and asked whether I was going to be obstinate in insisting that this should be entirely spent on malaria. The answer is that the use of the word "mainly" was intended to imply a reasonable latitude. I certainly contemplated mainly malaria research. I do not in the least intend to take up an unreasonable attitude and I will be content to leave my Honourable colleague on my left to administer that grant or to decide upon its application in consultation with the authorities of the Association without tying him down in any very rigid way.

Two Honourable Members, one on behalf of each, asked questions about the restoration of the grants to Aligarh and Benares. As I have already said, the Government of India have taken up the question of restoration of the cuts in the remaining grants under their control. I think they are practically entirely confined to medical services and education, though I think there have been one or two archaeological grants which have been cut down. That question

[Sir James Grigg.]

has been taken up and it is being examined and I hope Honourable Members will soon see their aspirations realised. (Hear, hear.)

I do not want to go into it at any great length, but I would like to say a word or two on the subject of borrowing to pay for the reconstruction of Quetta. It has not been given that prominence that was given to it in the Lower Chamber and indeed opinion was not so condemnatory here of this orthodoxy as it was in another place. Therefore I need not add very much to what I have said in my Budget speech on the matter, but I am very glad to see that I get weighty support from Mr. Hossain Imam in this matter; I am most grateful for it, and if I may say so without any attempt at patronage I think it is in a way legitimately encouraging me to believe that I am right in this matter. Another Honourable Member took the other line, but for reasons which I found rather unconvincing. The Honourable Mr. Ghosh Maulik said that the reconstruction of Quetta is defence expenditure. Of course it is and that is precisely the reason why it ought to be charged to revenue and not to capital and why it would be quite illegitimate to borrow for it.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Is it not capital expenditure?

THE HONOURABLE SIR JAMES GRIGG: You can argue that question if you like; it is merely playing on words. It is expenditure which it is appropriate and proper to charge to revenue and I understand that in the Government of India system of accounts there are quite a large number of grants—and in all the provincial budgets there is a head called Capital Expenditure charged to Revenue. This is one of those cases.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Should we understand that Rs. 8 crores—

THE HONOURABLE SIR JAMES GRIGG: Will the Honourable Member let me continue?

Then I might touch for a brief moment, because this is also another subject on which I have been compelled to make observations in the past, on the subject of gold exports. My views on that are completely unchanged. I do not regard gold exports as an evidence of distress at all in the present circumstances, but even supposing you grant that a large part of the gold that has been exported is distress gold, let us examine for one second the project of putting an export tax on it. I think in the case of gold, for which there is a free world market, there is no doubt whatever than an export tax on gold would fall on the ultimate seller. The ultimate seller—I am making the assumption for purposes of argument, I do not believe it. Honourable Members opposite do—is the distressed agriculturist and therefore an export tax on gold is another means of increasing the burdens of the distressed agriculturist. I was surprised that the Nawab of Hoti took that line. He is a stern—and judging from his opening remarks—almost a threatening supporter of the agriculturist.

THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN: Ultimately it comes. It is not in the interest of India, whether it is taxation on the seller or anybody else.



**THE HONOURABLE SIR JAMES GRIGG :** If you put an export tax on gold, that tax is ultimately borne by the agriculturist who sells the gold and *ex hypothesi* that agriculturist is in distress taking the assumption of the Honourable Members opposite, and the plan just simply boils down to putting a tax on the agriculturist—another tax on the agriculturist. Even apart from all considerations of balance of trade and so on, I am certainly not going to stand for anything of that sort.

**THE HONOURABLE MR. HOSSAIN IMAM :** In gold we have a privileged position in the market.

**THE HONOURABLE SIR JAMES GRIGG :** Oh, no, we have not. I am taking up a number of the detailed points and I hope the House is not finding that I am going into too much detail. But Sir Phiroze Sethna raised the question of Government statistics. Well, I think it very right that he should raise that question. In some respects our statistical equipment is lamentably inadequate.

**THE HONOURABLE MR. R. H. PARKER :** Very late in getting it too.

**THE HONOURABLE SIR JAMES GRIGG :** And very inadequate. At the time when the Bowley-Robertson Report was received money was very scarce and the report had to be put aside. Now of course we are not quite so tight in the financial sphere, but all the same I personally am not sure whether the recommendations of Dr. Bowley and Mr. Robertson do cover the most urgent needs of India in the way of statistics. But anyhow this question is being taken up again and I hope that we shall be able in the course of a few months to provide some machinery for improving the statistical equipment of the Government of India.

Two Members raised the question of the sugar excise and I was very glad to see that both of them exploded the legend that the sugar excise has done great harm to the development of the sugar industry. In the case of one of them, one with whom I have had arguments on fiscal questions before, I might perhaps say that this conversion of his gives me great pleasure and I am almost tempted to add, "Is Saul also among the prophets?" The same Honourable Member asked that railway freights on sugar should be reduced and that the excise duty should be diverted into a reduction of railway freights. I think the Honourable Member's memory has betrayed him for once in a way for railway freights have been reduced on sugar and reduced quite recently. Be that as it may, I certainly do not believe and could not possibly accept the theory that the yield of the excise duty should be diverted in order to reduce railway freights. It is only another way of diverting money from the central exchequer to subsidise a commercial department and I believe that to be thoroughly unsound.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** What about the unemployment problem?

**THE HONOURABLE SIR JAMES GRIGG :** That is a matter for considerable discussion; and I have no time to deal with it. But apart from that, you must address your question to somebody else.

There are a number of other technical points raised by Mr. Hossain Imam and the Khan of Hoti also raised a number of points and rather shook his fist at me saying, "If you do not answer, there will be trouble!" But I am afraid that I am much more frightened of the President than of the Khan of Hoti and I think I had better leave those for another occasion!

**THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN :** But, Sir, one thing I do want to know, whether on page 3 where you show Rs. 40 lakhs more in the textile industry, is the Tariff Board going to raise the taxation on foreign textiles or what is the idea ?

**THE HONOURABLE SIR JAMES GRIGG :** I know nothing whatever about the contents of the report of the Tariff Board. It has not yet been received by the Government of India and the Government of India do not know when it will be received. But what is indubitable is that there has been a postponement of imports of Lancashire goods pending the receipt of that report and one assumes that, in whatever way the uncertainty is removed, that postponement will be made up in the current year. Our estimates of revenue are naturally based on the existing rates of duty.

**THE HONOURABLE LIEUTENANT-COLONEL NAWAB SIR MAHOMED AKBAR KHAN :** No, but I say it is going to be something extra on foreign goods.

**THE HONOURABLE SIR JAMES GRIGG :** The Honourable Member can have his own opinion : he can prophesy as much as he likes about the contents of the report : it is no good arguing with a prophet—you can only disagree with him !

For the rest, the general line of Members was. Well, this is not a bad Budget but there is not enough of it. And Raja Ghazanfar Ali Khan gave a list of some of the things that I was expected to do in addition to what I have already done. First of all, all income-tax surcharges must be removed. That is about a crore and a half. Then book packets, that is only a small item—about Rs. 5 lakhs. Post cards Rs. 50 lakhs. Abolish the super-tax—Rs. 2 or Rs. 3 crores. Salt—I was not quite clear whether it was to be 5 annas or 9 annas. If it is 9 annas, it is something over Rs. 3 crores. Carrying forward losses, another crore. More money for agriculture, an indefinite amount. Rs. 50 lakhs for *harijan* work. The reduction of trunk telephone rates. The removal of at any rate some of the customs surcharges, particularly those which weigh on the poor man. I am very glad to have that admission—which is very rare in India—that customs taxation does weigh on the poor man. The duty on machinery should be removed. I think that is about a couple of crores too. Well, I have only been able to give a small dividend on this. But I have done all that I can do to the best of my belief and it is no good my promising anything more in the current year. And I will end up as I began by saying that I consider that my main job is to see that provincial autonomy, which is only a year off now, can be financed within the resources of the Government of India and without imposing any fresh taxation. That is the real crux of the matter and I certainly am not prepared to be a party to doing anything which endangers that supreme object. (Applause.)

#### STATEMENT OF BUSINESS.

**THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House) :** Sir, I just want to make a short statement that we shall meet now on Wednesday the 11th.

The Council then adjourned till Eleven of the Clock on Wednesday, the 11th March, 1936.