

LEGISLATIVE ASSEMBLY DEBATES

THURSDAY, 10th MARCH, 1932

Vol. II—No. 13

OFFICIAL REPORT



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NEW DELHI : PRINTED BY THE MANAGER
GOVERNMENT OF INDIA PRESS : 1932

Price Five Annas.

LEGISLATIVE ASSEMBLY.

Thursday, 10th March, 1932.

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

THE INDIAN AIR FORCE BILL.

PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

Mr. G. M. Young (Army Secretary): Sir, I move that the time appointed for presentation of the Report of the Select Committee on the Bill to provide for the administration and discipline of the Indian Air Force, be extended to the 10th of March, 1932.

The motion was adopted.

Mr. G. M. Young: Sir, I beg to present the Report of the Select Committee on the Bill to provide for the administration and discipline of the Indian Air Force.

THE GENERAL BUDGET—GENERAL DISCUSSION—*contd.*

Mr. President: Order, order. The House will now resume general discussion on the Budget.

Haji Chaudhury Muhammad Ismail Khan (Bakarganj *cum* Faridpur: Muhammadan Rural): Sir, the Budget presented by the Honourable the Finance Member is not at all convincing. Last November when he presented the Supplementary Finance Bill raising several taxes, it was urged by the non-official Members of this House that these increased taxes would not yield the revenue that Government were expecting from them. It has come to be true now. There is always a limit upto which the taxes are flexible and may be raised with equanimity, but if they are raised beyond that limit, it will always result in diminishing returns. The surplus at the end of 18 months was shown at 5 crores only a few months ago, but within those last six months that surplus has come up to 2½ crores. I am positive, Sir, that by the end of another two or three months the surplus expected on the 1st April, 1932, will not only be nothing, but will produce a further deficit by a few more crores. Sir, the present stage of financial crisis can only be averted by drastic retrenchment at the top and not as the Government are trying at present, at the bottom. Sir, the retrenchment effected up till now has not affected the post of a single British Imperial Service Officer either on the civil or on the military side. If the present Administration thinks that by the so-called retrenchment of Indian subordinates only they will be able to tide over the difficult times, they are absolutely mistaken. This sort of petty and unfair

[Haji Chaudhury Muhammad Ismail Khan.]

retrenchment of subordinates is only multiplying the number of unemployed Indians and fanning the present unrest in the country. The retrenchment, I wish to see—and I am positive it is what this House wishes to see—is that the cut in salaries should be fixed at a graduated scale irrespective of the surcharge on income-tax ranging from 10 per cent. at the bottom rising upto 30 per cent. at the top. Sir, there is no other country in the world where officials of the State are paid such princely salaries as are paid to the Imperial Services officers in India, and if even in this present state of financial stringency Government cannot properly tackle the problem, being afraid of the bureaucratic ire, I think they should make room for others who would be able to make the Imperial Services officers feel that they are public servants and not public masters (Hear, hear) and that they should accept such salaries as the country can pay and not demand what they think will keep them like princes.

Then, Sir, in coming to the Army estimates, I find certain remarks made by the Honourable the Finance Member which appear to me to be astounding. The Army estimates have been brought down to the level of 46½ crores in the Budget estimates for 1932-33 only by deferring some of the expenditure to future years when the Army estimates are expected to swell up again to a very high figure. This House cannot, with equity and justice, commit the future Assemblies to Army expenses which will accrue thereafter due to such deferring of expenses.

Next I would like to draw the attention of this House to the question as to why this country should be an independent member of the League of Nations and spend 12 lakhs of rupees a year. May I ask the Treasury Benches what earthly benefit this country has derived as an independent member of the League? Sir, it is a misnomer that the country which is solely dependent for its internal administration on a handful of British officials has been given the honour of being an independent member of the League consisting only of independent nationalities. I ask the Honourable Member whether it is or it is not a fact that but for India's membership of the League, these 12 lakhs of rupees would have to be borne by the British tax-payers, as otherwise Great Britain could not have retained a special vote on India's behalf to be utilised to the best advantage of Great Britain. It is in other words an Imperial charge, and therefore it should be transferred to the British Exchequer from Indian revenues. Sir, before I conclude, I wish to give the Government a warning that, unless the present system of administration by Ordinances is changed in the near future Government will realise that not even a quarter of the Customs' revenue expected will come to the Indian Exchequer. The more you administer repression, the stronger will be the boycott not only of Lancashire goods but of all British goods, and the lesser will be the revenue from the Customs. I would therefore request the Government to change the present policy of repression if they desire to save themselves and India from financial bankruptcy and ruin. Sir, I am alarmed that the Honourable the Finance Member indirectly hints that if further taxation is necessary, he will fall upon the poor man's salt and kerosene. I do warn the Government that the proverbial camel's back is already nearly broken and it cannot afford to carry any more burden. I hope Government will look to any other source of revenue but will not crush the poor peasants. The Honourable the Finance Member may think that it is only a few annas

more, but he should not forget that the average income of an Indian is less than 2 annas a day. With these few words, I conclude my remarks.

Lieut.-Colonel Sir Henry Gidney (Nominated Non-Official): Sir I do not propose to follow previous speakers in either congratulating or sympathising with the Honourable the Finance Member on his Budget speech. All I have to say is that I listened with rapt attention to his masterly exposition of the financial position of India and the able way, in which he untwined her financial skein and when he had finished I felt I knew more of finance than when he started and I said to myself, "Thank God, Sir George Schuster is at the head of the Finance Department in India" and not his critics on the opposite side who, posing as specialists, turned out to be superficialists in Finance matters. Sir, the Honourable the Finance Member's speech made two marked impressions on me. One was his intense passion for making promises and the other was that he appeared to be suffering from an acute attack of retrenchmentitis—a Budgetary disease. I trust he will not be charged with breach of promise when the 10 per cent. cut is to be restored at the promised date. I hope he will give this House an assurance on this point in his reply. As regards retrenchment, I am afraid it has become an obsession with the Honourable Member and I have not the slightest doubt that for this reason he is today the most roundly hated man in the East. Sir, when the Finance Member presented his Emergency Finance Bill last September, he indented too heavily on the loyalty and patriotism of his public servants and too lightly on the public. He is particularly guilty of this in accepting the ruthless retrenchments advocated by those hydra-headed bodies called the Retrenchment Sub-Committees who saw red and downed the public servant to save the general public. We know he imposed certain taxes on capitalists and on the poorer public but there seemed to be a want of courage on his part to impose adequate taxation on the general public. Had he resorted to a one anna extra charge from the public, say, for instance, on salt, he would certainly have met all his requirements. Sir, in making these remarks my memory goes back to the days when Sir Basil Blackett presented his first Budget, and this eternal question of salt came up before the House and it was for days fed on it—not in the form of sodium chloride but odium chloride. Most of those speeches were accompanied with quotations from the Holy Bible. I do remember, Sir, at that time I also resorted to a couplet—a transposition from the Scriptures of the quotation "Ye are the salt of the Earth but if the salt hath lost", etc., and which I feel I can aptly apply to the present Honourable the Finance Member:

"Ye are the Members of the Assembly
But, if the Budget hath a deficit
Wherewith shall it be balanced
Except it be salted."

In other words I should like to see his future Budgets more salted and less sugared and spiced.

There is one other point to which I should like to refer and that is the collection of income-tax. On the belief that it takes a thief to catch a thief I submit that the Finance Member would be able to collect more money from this head if he were to employ 500 Banyas to examine the accounts and books of Banyas. If that were done, I do believe we would not hear any more of deficit Budgets.

[Sir Henry Gidney.]

Another point I would like to mention is this. The Finance Member referred to duty on spices and sugar. I am afraid in his taxation on betel-nut he forgot that there is another means by which he can swell his revenues and that is by imposing a tax on Pan.

I now come to the subject of the Army. I was glad to know from the Honourable Member that there has been a steady and marked retrenchment in military estimates. I hope, however, this has not been effected at the sacrifice of the safety of the country by reducing the strength of the forces.

With these preliminary remarks of a general character, I come to what I may call the main theme of my speech, which refers to Indianisation of the services, as it applies to the community I have the honour to represent in this Honourable House. Sir, on various occasions and at every Budget Members on the opposite side have found it necessary to make remarks on the position the Anglo-Indian community occupies in the various Government services. These charges of preferential treatment have been made, I admit, in good faith and in the belief they are true. Sir, I cannot subscribe to the charge that the Anglo-Indian community is the pampered community of Government or that it is in receipt of preferential treatment. Now, Sir

Mr. B. Das (Orissa Division: Non-Muhammadan): We are discussing the General Budget and not the Railway Budget.

Lieut.-Colonel Sir Henry Gidney: May I ask the protection of the Chair from these interruptions for I desire, may be for the last time, to place the cause of the community dispassionately, squarely and reasonably before the House, and I hope I shall not only dispel these misconceptions but merit the support, recognition and sympathy of the opposite Benches.

Mr. President: Order, order.

Lieut.-Colonel Sir Henry Gidney: I thank you. Sir, I shall not weary the House by detailing the history of the public services rendered to India by the Anglo-Indian community. A brief reference to only three Services, the Railways, Telegraphs and Customs and our services to Indian States will, I am convinced, impress every Honourable Member in this House with the great and abiding part the Anglo-Indian community has played in the commercial and industrial development of India. Every page of Indian history scintillates and testifies to such services—both military and civil. Why, it was that brave Anglo-Indian telegraphist Brendish who saved this very city, Delhi and I feel sure no one sitting on the opposite side will deny us this service and credit nor will it be disputed by Government. I claim without hesitation or fear of contradiction that the Anglo-Indian community helped to lay the foundations of the British Empire in this country and I challenge any one to deny this. With such a record of service, I shall now ask this House, especially my friends on the opposite side, to take their minds back to the early pioneer developments in India nearly a hundred years ago when the first Railway sleepers and the first Telegraph wire and poles were being laid in this country. It was with the help of the brave Indian village labourer that the Anglo-Indian community on small salaries cut their way through the virgin

forests of India and laid the Railway and Telegraph systems which function today, and stood exposed to the ravages of cholera, malaria and small-pox which were uncontrolled diseases then. It was these pioneer workers—Indians and Anglo-Indians who can rightly be called Empire builders—not those who today are clamouring for these jobs and disputing our rights. Sir, I ask my friends on the opposite side to be reasonable and to realise that when these services were being developed, young Anglo-Indian boys left their schools and higher education and entered these Services. Some of these very lads, now old men, and senior servants in the Railways, etc., by virtue of mature experience which they have acquired by long years of service, do occupy some of the higher paid appointments which have been ungenerously used by the opposite Benches as evidence of preferential treatment and incorrect percentages of employment. Sir, I am sure it is not the serious desire of Members on the other side to deprive such members of my community of these few higher paid jobs. If they do, it will amount to nothing else but expropriation of our jobs and this cannot be allowed. It may, however, be some satisfaction to my friends to know that even these few jobs, or at least 50 per cent. of them, will soon be lost to us, say, in the next 10 years owing to superannuation, and then they will obtain their object, *i.e.*, these jobs, which for years they have striven to take from us. I feel I must bring this alarming position of the community to the serious notice of the Government and for the consideration of the next Commerce Member. I ask, is it right? Is it generous on the part of my friends on the opposite side to throw those few jobs into my face in this ungenerous manner and magnify their importance and exaggerate their comparative percentages without any specific details? The true position is, we hold 14,000 jobs out of 800,000 jobs on Railways—all subordinate appointments. Of these 4,000 are upper subordinates' jobs carrying salaries from Rs. 200 and over and 10,000 jobs carrying lower salaries—a mere speck in the ocean of India's employed. These 4,000 jobs are the envy of the opposite Benches and these are the highly paid jobs they hurl at me as proof that we are the favoured and pampered Railway employees. I know my friends on the opposite side will not deny the fact that these employees deserve these jobs for their long Railway service and it would not be right to replace them by juniors. Surely none will deny that the Anglo-Indian community has done good service to the Indian Services and by their insistent demands have made what was at one time ill-paid Services into such attractive employment that Indians, who refrained before, are now clamouring for employment in these Services and we are being rapidly replaced and expropriated. Let me prove this charge. Whereas but a few years ago Anglo-Indians held about 90 per cent. of the clerical jobs in the Government of India and Bengal offices, today they hold about 1 per cent. A few years ago Anglo-Indians held 30 to 40 per cent. of the appointments of Deputy Collectors, they hold today only 1 per cent. Today they hold no appointments in the Judiciary, whereas a few years ago they held about 25 to 30 per cent. of those appointments. In the Telegraph Department we held till quite recently 60 to 70 per cent. of certain appointments, now we hold barely 30 per cent., and this too has been almost closed down by the introduction of the recent competitive entrance examination and the recommendations of the Retrenchment Sub-Committee. The majority of posts in the Customs Department were held by Anglo-Indians, a service which today brings to Government about 50 crores of rupees annually. Today, this door also is being closed to

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us. In the Railways till recently we held most of the important subordinate jobs; that is not so today. Why, in the year 1929 only one additional Anglo-Indian was recruited on Railways. During the past five years 1,000 Indians have been appointed to subordinate jobs while Anglo-Indians lost 50 jobs. In the Postal Department in which we once held a high percentage of jobs today we do not hold 1 per cent. This is how for years we have been expropriated of our jobs to satisfy the clamours of Indians to fulfil the policy of Indianisation and yet we are reckoned as Statutory Indians. I do not grudge this desire of Indians to larger employment but why do you want to jump into our shoes when they are not as yet empty?

Mr. President: Order, order. The Honourable Member should address the Chair.

Lieut.-Colonel Sir Henry Gidney: Why do not my friends on the opposite side wait till we vacate our jobs in the normal course of events and why press for our replacement? My picture is completed when I tell the House as a result I find while in 1921, there were less than 1,000 Anglo-Indians unemployed, today there are 14,000, and this is the reason why I asked for statutory economic protection at the Round Table Conference, *i.e.*, to save us from expropriation. Would you not do the same if you had been treated in this manner? Would you not entertain similar fears that I do today of my economic future in India? Why, Muslims, Sikhs, Sindhis and Indian Christians are demanding protection? Why single out the Anglo-Indian community and deny it the right of self-preservation—the right to live in its country?

Sir, cheap traffic has been made by opposite Benches of the percentages of Anglo-Indian employment in certain grades of Railway appointments on higher salaries. The House was being hopelessly misled by one member in particular who devoted the major portion of his speech to these figures. It was clearly Government's duty to correct this, but instead of help I was given a gibe when the Government Member in his speech said "Sir Henry Gidney had asked for it". Asked for what? Help, not a gibe? He knew these percentages entirely referred to those few jobs we had earned by long service and he should have explained it to the House. In not doing so, he failed the community that has never failed the Government.

My friend, Mr. Ranga Iyer, referred to certain fundamental rights I presented at the Round Table Conference and called it "fundamental favouritism". Sir Hari Singh Gour also tried to make a cheap market of it, and quoted percentages of these few higher paid jobs. I am sure Mr. Ranga Iyer, who is a sport, will on hearing me agree with me when I say that those rights to which he referred were presented on the 19th January, 1931, at the First Round Table Conference and were replaced by the claims I made in the Minority Pact Memorandum on the 13th November, 1931, and which I presented at the Second Round Table Conference. This economic claim is absolutely different to what Mr. Ranga Iyer has referred. I am sure he was not aware of this fact and he had no desire to belittle my communal demands at the Round Table Conference. The claim I presented in November, 1931, at the Second Round Table Conference was

unanimously agreed upon by the Services Sub-Committee and the entire Round Table Conference at its Plenary Session and reads as follows:

"Special claims of the Anglo-Indian community.

'Generous interpretation of the claims admitted by Sub-Committee No. VIII, (Services) to the effect that in recognition of the peculiar position of the community special consideration should be given to the claim for public employment, having regard to the maintenance of an adequate standard of living.'

Surely this House is not going back; nor will it repudiate that decision of the entire Round Table Conference. It cannot. I hold the Conference to it.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): If I may interrupt the Honourable gentleman. All that I can say is that his second memorandum read in the light of his first memorandum does not show any more difference than the historic difference of tweedledum and tweedledee. I admit he has been tenaciously pleading for the cause of his community, whose interests will not be overlooked in a self-governing India.

Lieut.-Colonel Sir Henry Gidney: Thank you very much for your assurance, but I do not admit your interpretation of these two claims.

That is the position as it stands to-day. My Honourable friends on the opposite side have advocated various means by which communal employment should be given and how communal percentages of such employment should be based—Indianisation or no Indianisation. There is one school of thought which says that communities should be employed in proportion to their ratio to the total population of India. There is another school of thought which says this should be done on a territorial or provincial population basis, and there is yet another school of thought which says this should be done on an "efficiency" basis. Let me deal with each of these three schools of thought. The All-India population basis, is, I submit, a wrong one to take in apportioning communal employment because every one of India's 350 millions is not a competitor for all Government appointments. Let me illustrate my point. I should say in the whole of India, in the Central and Provincial Governments, there are about 2 million jobs. It would serve my purpose better if I confined myself to Railway jobs as their communal totals and percentages are better known to-day. These 800,000 jobs in all Railways which can be roughly divided into three classes—lower or menial, subordinate, both upper and lower and officials. I will not consider the official jobs because they are very few in number and are apportioned on competitive examination. These 800,000 jobs can correctly be divided into 700,000 menial jobs and 100,000 subordinates. No literary, or at the most, vernacular education is required for these 700,000 menial jobs and as the whole of educated India is in competition for them they can be apportioned communally on the total India or territorial population basis. It is true to say that no Anglo-Indian is a competitor for any of these jobs. It is also true to say, that none of these uneducated Indians are competitors for the I. C. S. or Indian Audit and Accounts appointments or that the latter class of educated Indians seek menial employment because, as each Service demands a certain standard of education, competition for such employment must depend on the totals so educated; and therefore the apportionment and percentages must be worked on such totals. These 700,000 menial jobs can therefore with justification be divided on an All-India population basis.

[Sir Henry Gidney.]

But the remaining 100,000 subordinate jobs, demanding as they do a certain amount of education, can only be competed for by the educated, and such apportionment and percentages should be worked out on a total educated population basis. My Honourable friends have been demanding efficiency, as the only standard for such employment. I entirely agree, but efficiency means literacy and literacy means education, and education, in the present régime, means education in English, *i.e.*, education above the secondary standard. If this postulate is accepted, let me develop my line of thought and demand for my community, and, to do so, I propose to confine my points to the four State Railways which were dealt with in Mr. Hassan's Report, as they supply me with accurate communal figures on which to work. These four Railways employ about 65,000 subordinates and 325,000 menials. I would solicit Honourable Members to keep these figures prominently before them while I take up the next important point with which I hope to establish my communal rights to a certain percentage of Government jobs in all Departments. I refer to English education and which is a *sine qua non* for these 65,000 subordinate jobs. An examination of the 1921 census of India shows that there are roughly about two million Indians, males and females above 15 years of age educated in English. The census also shows about 70,000 Anglo-Indians males and females over 15 years of age educated up to the secondary English standard. In fact the Anglo-Indian community is cent. per cent. educated. Of these two million English educated Indians at least half of them are educated below the secondary standard, thus leaving only one million sufficiently educated Indians as opposed to 70,000 educated Anglo-Indians as the only competitors for these 65,000 subordinate jobs. This I submit is the only real and practical measure of apportioning such jobs in all Government services and is the only one on which I demand Anglo-Indian employment—no other method can be justified if efficiency is to be your primary consideration. You cannot expect a labourer to compete for a Head Clerk's job; nor can you place a *paniwala* in competition for a Station Master's job. If you demand a certain degree of efficiency, *i.e.*, of English education for these 65,000 jobs, the competition and proportion of employment and percentages must be calculated from and in accordance with the totals in India so educated and not from the total population of India, as Mr. Hassan has done and the opposite side wants. As matters stand at present, and all Honourable Members can examine the 1921 Census Report, I believe I have abundantly proved my point, *i.e.*, for these 65,000 subordinate Railway jobs, as also for all other similar Government jobs, there are one million Indian and 70,000 Anglo-Indian competitors in the field, and all proportions of communal employment should be calculated on these figures and these only. On this reasoning and these figures, the Anglo-Indian proportion for these jobs would be seven per cent. or as Mr. Hassan has correctly given me 6·9 per cent. Members on the opposite side have therefore no reason to complain; nor do I need Mr. Hassan's kindly meant sympathy. Say for arguments sake English educated Indians have increased 100 per cent. during the past decade, *i.e.*, there are two million adequately educated Indians competing to-day for these 65,000 jobs. Even then my share will be 3·5 per cent., but even this I do not receive in all Railway Departments, and certainly not in all Government Services. Indeed if I were given this percentage I could not provide a sufficient number of Anglo-Indians to fill them, for we have only about 50,000 male Anglo-Indians.

Mr. B. Das: On a point of order, Sir. I should like to have your ruling whether we can discuss the Railway Budget so extensively now. Some of us on this side will again have to reply to the points raised by my Honourable friend Sir Henry Gidney.

Mr. President (The Honourable Sir Ibrahim Rahimtoola): I allowed the Honourable Member to deal with the Railway Budget as an illustration, but it appears that the Honourable Member is concentrating wholly on railway matters. This amounts to repetition. The Honourable Member has only two minutes more, and I must ask him to deal with the General Budget instead of concentrating, as he has done, on the railway aspect of employment.

Lieut.-Colonel Sir Henry Gidney: Thank you, Sir. I have explained why I used railway totals as my illustration. I am glad to see it has had such a telling effect upon my Honourable friends on the other side, judging from their keenness to interject. I further submit that there are approximately two million jobs in all Governments in India of which one million are subordinates. If on this basis of education and efficiency, Government are prepared to give my community representation in all subordinate departments to the extent of 7 per cent., I would be entitled to 70,000 jobs in this million Government appointments. If on a 3·5 per cent. basis I would be entitled to 35,000 jobs, but I have only a total of 40,000 adult educated Anglo-Indians in my population and there are only about 20,000 Anglo-Indians employed in all Government Services to-day including 14,000 on Railways, 2,000 in Telegraphs and 750 in Customs. This works at about 2 per cent. of these appointments. It is therefore obvious that I am not in receipt of my proper proportion of jobs to-day—in short I have been expropriated ruthlessly. Efficiency has been sacrificed for political policies and wrong standards have been taken for apportioning employment of my community, and we who helped to build up these very departments are being deprived of the right to live. I realise, Sir, that nationalism will soon be the order of the day when all communities will be served alike, when we will work together as brothers. I welcome that period. But I appeal to you on the other side of the House

Mr. President: The Honourable Member is again addressing the Honourable Members on the other side. He should address the Chair.

Lieut.-Colonel Sir Henry Gidney: I am sure no Honourable Member will deny the fact that the Anglo-Indian has served India exceedingly well, and none will disagree with me when I say if we are not employed in adequate numbers in those jobs for which we are peculiarly well fitted and have a distinct aptitude, that India will be all the poorer in the administration of such departments. And when I say this I would give this assurance to my Honourable friends on the opposite side that as loyally, faithfully, courageously and devotedly as I have served the past and present India, equally loyally, and courageously am I prepared to serve the future India. Sir, if in our allegiance to the Government of India and British we have succeeded in estranging Indians to the extent that our demands are scrutinised with jealous vigilance and even hostility, surely we are entitled to have our claims as Statutory Indians in any Indianisation scheme protected beyond dispute or challenge. Sir, I appeal to my Honourable

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friends on the opposite side not to be so ungenerous towards my community and to realise we also have a right to live and that we form an important and integral part of the body politic in India and should be given our due share in all Government appointments. No democracy, no national or federal Government worth the name can exist for long that does not protect the interests of its minority communities. This is all I ask for my community in the various avenues of Government employment. (Applause.)

Sardar Sant Singh (West Punjab: Sikh): Sir, in the brief space of 20 minutes it is very difficult to deal with many subjects that demand our attention. This is not the day to talk of communalistic inequalities in services or such like topics. Gentlemen, India is burning, and we should not be passing our time in the discussion of subjects that are not to the ultimate good of the country. Therefore, I will take up analysis of the speech of Sir Samuel Hoare delivered in the House of Commons and I will ask Honourable Members to bear with me for some time—Sir Samuel Hoare asserts that his Government was anxious for co-operation with representative Indians. If it were a fact that His Majesty's Government in Great Britain wants our co-operation, I may say in the very beginning that that co-operation we are willing to offer provided it is on honourable terms and conditions. Our demand in this country has ever been a demand for equal partnership in the British Empire and on that demand alone we have been concentrating our attention all these years. But that demand has been consistently spurned—now we have reached that stage when the offer of co-operation is being slowly withdrawn and gentlemen controlling the destinies of this country are faced with a problem that is gradually assuming formidable proportions. A brief survey of the past history of the Indian National Congress will be a good reminder to the Honourable gentlemen occupying the Treasury Benches. The offer of co-operation was the consistent and persistent keynote of the Congress movement at its inception. The inauguration of the session commenced with the singing of the national anthem of Great Britain ("Long live the King."). The first Resolution on the agenda of the Congress was one of loyalty to the Crown and the British Empire. May I respectfully enquire what response was extended to the Congress? The whole history of the Congress proves that the co-operation offered by the Indians to the British was not accepted, not even looked into, the grievances that were given expression to were not redressed, till ultimately the time came when the Congress and the people along with it became disappointed. To-day, Sir, His Majesty's Secretary of State asks us to extend that co-operation. In asking for that co-operation the gentleman forgets the said response given by his Government in the past—India cannot extend greater and nobler co-operation to Great Britain than she extended at the outbreak of the Great War. As Lord Curzon so beautifully put it:

"Without any hesitation India sent her troops to fight Germany with whom, she had no quarrel. Indians were not fighting for their own country or people, they were not engaged in a quarrel of their own making. The climate was entirely different to what they were accustomed to; they had to face the severe northern winter. They had never before suffered heavy shell fire, had no experience of high explosives, had never seen warfare in the air, were ignorant of modern trench fighting, and were exposed to all the latest and most scientific developments of the art of destruction.

They were confronted with the most powerful and pitiless military machine the world had ever seen. They were rushed to the battlefield immediately while the Canadian troops and British territorials were despatched to the scene of action only after further training of several months."

This was the co-operation offered by India. Leaving aside the contributions in money and material, the very fact that India sent the best of her sons to fight the battle not of India but of England, to save the honour of England, nay the very existence of England, should have been sufficient to open the heart of gratitude of Great Britain towards India. But what was the response? No sooner was the truce signed, hardly was the ink dry on that paper then the Rowlatt Act was flung at our face. The Punjab, my province which had contributed the greatest number towards the winning of this war, was met by martial law. The people were mercilessly thrown into prison, and made to undergo monstrous indignities obviously for the sins of having saved England from the jaws of Germany.

I will now paint a picture of those who actually served in the war, those who were enlisted in the Army under the Army Regulations of 1915 with promises whereby it was guaranteed to them that injury pensions would be granted when they became unfit for further service owing to illness contracted on or solely attributable to field or foreign service and incurable disorder brought on by performing particular duties or services in unhealthy surroundings. Under these guarantees these persons had left their country, their homes and their near and dear ones. Most of them were illiterate. When they, after their return, or the dependants of those who had died on the battlefield, applied for the grant of these pensions and gratuities and rewards guaranteed to them, they were met with frivolous objections, technical obstacles. Every conceivable obstruction was placed in their way in getting what was due to them. What happened? The claims of some of them were declared to be time-barred, others were asked to submit their applications by themselves without employing any agent or reader or relation or any of their friends to get these pensions which had been earned with their blood. This picture will not be complete unless contrasted with what happened in England. In England those persons who served in the war were treated as is shown in "Notes on War Pensions" issued by the Ministry of Pensions:

"With a view to ensuring that pensioners shall be in no doubt as to the manner in which they may obtain advice and assistance, arrangements have been made for notices bearing the names and addresses of voluntary workers and the addresses of the local offices of the Ministry to be exhibited in the Post Offices and Employment Exchanges in each area. For this purpose, cards have been distributed after the necessary entries have been made in manuscript at the Area Office.

In order that still greater publicity may be secured than can be provided under the arrangements outlined above, the Minister invites the assistance and co-operation of Committees and voluntary workers who may be able to arrange for similar notices to be exhibited in public buildings and on notice boards without any charge on the funds of the Ministry."

These are the two systems employed in two countries under the same Crown. Every effort was made in England to reach the people who had served in the war and to find out that they do not go unrewarded, but in this country the reverse process was adopted. Instead of trying to reach these people, officers were deputed who were unsympathetic, and instead of helping these people actually created difficulties in their way.

[Sardar Sant Singh.]

And today we find that most of the people remain uncompensated. My object in presenting this picture before the House is this, that here is an instance of co-operation that had been offered and offered in abundance, but with what result? The result is obvious. I know that even the pensions of those who actually served in the war have been forfeited on account of their political views, for taking part in politics. Is this the result of the co-operation? Even yesterday, in reply to a question of mine, the Honourable Members on the Treasury Benches told me that a person who had 13 years' service in an office to his credit and with a military award decorating his breast was turned out in retrenchment and there was no place for him. I ask, Sir, if this kind of co-operation cannot win the heart of the British people, what co-operation does Sir Samuel Hoare want from us? This is co-operation with a vengeance and yet the co-operation has been turned down. Today the country is being gagged by drastic Ordinances and there is a significant admission by the Secretary of State that these drastic Ordinances have armed the executive with powers to meet all possible contingencies. Well, if these powers that have been given to the executive have been used and are being used, the result is that we find the daily papers full of arrests and *lathi* charges and similar acts. Ladies and children are being prosecuted, incarcerated without any regard of sex or age. We find all this is being done in the name of law and order. I have several times given expression to my views in this House, that law has been put aside; it does not find a place in the British jurisprudence that prevails in India today. It is only order that is being maintained. I challenge the Secretary of State in his expression of opinion that these Ordinances provide a bulwark against anarchy, chaos and disorder. On the contrary, I say they are an open invitation, a cordial invitation, to anarchy, chaos and disorder. The more you resort to Ordinances, the sooner disorder will come. You are driving discontent underground. You are creating a feeling of hatred in the country that is finding ready response from impressionable minds. Those who show themselves to you to be the loyalest people and who, to use a vulgar phrase, are known as toadies in the country—go to their homes and talk to their children, talk to them and they say that the Government are rushing headlong into the abyss. That is the material on which the terrorists feed; that is the material utilised by the revolutionary. Are the Government adding to that material or taking away that material? The Government are not doing any service to the country. After all if evolution is to come, if the process of evolution is to continue, the Government must reconcile the people, must create an atmosphere of goodwill in the country and not an atmosphere of hatred. If Government are sincere in their offer of readiness to work with Indians, I may tell them plainly that the only co-operation which India can offer is an honourable co-operation, a co-operation which is consistent with her self-respect. But if Government want the co-operation of a slave, I may at once tell them that such a co-operation will never be given by her—Disabuse your mind of that. The time has come when it is better for the Government to revise their attitude. If they really mean to confer additional power by the new constitution on India, they should be prepared to do so in a manner which will ensure law and order in the country. By mere drastic action they will never succeed and they have not succeeded in the past.

If anybody were to look fully into the character roll of the past and present Secretaries of State for India in Council, I will say without hesitation that dishonest diplomacy, autocracy, hypocrisy, insincere pledges and broken promises have characterised their careers; like devoted Christians, when they had yielded to the pressure of public opinion by giving something with the right hand, their left hand took that away, because the left hand did not know what the right hand had given, . . .

Mr. B. Das: Do not include Mr. Montagu.

Mr. President: Order, order.

Sardar Sant Singh: If the same policy is to continue today in India, I am afraid it is not likely to succeed.

I would not be doing my duty if I were to omit mentioning one more matter. What is the justification for the existence of this House? Did not each Member come to the House in spite of the ban laid on the Legislatures? Did we not come to offer our co-operation? But we have been slighted, insulted and treated with contempt. Ordinances have been passed over our heads, when the Assembly was in session. When we protested, no note was taken of it. The constitutional development is going on without our being consulted. If the North-West Frontier Province is to be given a constitution, we are not consulted; if Sind is to be separated, we are not consulted; if Aden is to be brought under direct Central Government, we are not consulted. The major issues are kept away from us. Why, may I ask? If you really demand co-operation from us, may I not be justified in asking that that co-operation should be mutual co-operation and not one-sided co-operation? If you want such co-operation, I am afraid the country is not in a temper to give that. With these remarks, I resume my seat.

Sir Abdur Rahim (Calcutta and Suburbs: Muhammadan Urban): Mr. President, the last speaker, Mr. Sant Singh, has spoken with a great deal of feeling; but I shall try to say what I have got to place before this House in as dispassionate and calm a tone as I can command. The annual Budget is the mirror in which one can best read the features of the Government under which we are living. For some time past as we all know, the presentation of the Budget—not only of the Government of India but of the provinces—has been throughout the country arousing year after year fears and great forebodings. The present Budget is no exception, and is perhaps one of the worst and one of the dismalest that has yet been presented to the country. I do not forget that there is one Honourable Member of this House, Dr. Dalal, who takes a different view. He thinks that the Budget that has been presented to this House is full of hope and is the best that could have been presented in the circumstances. Even Sir Hugh Cocke spoke with bated breath when he said that we have to accept the position as we find it. As I have said, for a long time the country has been looking forward to the presentation of the Budget with great fears and forebodings. You will remember, Sir, the House will remember that the theme of Finance Members—most of whom were very able men, and certainly our friend Sir George Schuster is no exception to the rule—their theme has sometimes been want of rain; sometimes it was too much rain; sometimes it was war and sometimes it was peace. Sometimes want of production or insufficient

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production, now it is over production, now it is world depression; but throughout the politician came in for a fair share of the blame. Whatever the cause, Sir, the result has been that the Budget has never pleased the country, it has never been accepted by the people at large. Sir George Schuster is a man of great ability, as we all know, and I for one have great admiration for his profound knowledge of his subject and for the masterly skill (Applause from the Nationalist Party) with which he presents the facts in the light most favourable to his policy. He is a keen politician and he leaves no opportunity of sounding a political note in his Budget speech. He has told us not only on the occasion of the Finance Bill, but on this occasion also, that he is helpless, and that the position in which the country finds itself is due to world depression and therefore he has got to make the best of the situation. Therein lies his justification for all the various forms of taxation that he has piled on the country.

Now, Sir, let us look at the facts. The facts are undoubtedly very dismal. They tell a tale which cannot please or console any Indian. I remember the Finance Member told us that he has his difficulties. We fully appreciate those difficulties. He is not master in his own house. We know that the financial policy is laid down from Whitehall, as if the Secretary of State, sitting thousands of miles away, knows what is the exact position here and can realise what sufferings we are passing through and what is the right policy in order to better the conditions of life in this country. Sir, we had only the other day a very significant illustration of the way in which Whitehall controls the financial policy of this country. Then, we were told by the Leader of the House when he was speaking on the Railway Budget that the difficulties we are passing through are common to the rest of the world, and it is for the world statesmen to find the remedy. Have we got no statesmen in the Government of India? Is it not one of the functions of the Government of India to contribute whatever they can to the solution of those difficulties? Have they even attempted to suggest any remedy? They say—"Well, there are these world factors which we cannot control"—but surely they should be in a position to tell the 320 millions of people of this country,—“Yes, we are thinking over the problem which affects the whole world, and we have got ideas of our own, and such and such are the solutions which we suggest to you”. No, they have not done so, and they have left the matter entirely in the hands of the world statesmen, which category, I understand, excludes the Government of India. Sir, this is not a position under which this country can rest in peace, and this position must be altered. I should like to know from Sir George Schuster what he would have done if he had the moulding of the entire financial policy of this country, if he was not hampered either by the Secretary of State or by his official colleagues. I am sure he would have been in a position to find out some remedy to meet the situation. On the other hand, what do you find? All they can do is to give us figures, analyse them in the way in which the Finance Member alone can do, draw certain conclusions and leave us there. Has he ever attempted to suggest that the Government are in a position to work out a programme of economic development and a programme of beneficent activities which will enhance the purchasing power of the people instead of leaving them helpless and entirely at the mercy of other countries.

Sir, the position of India, so far as her finances are concerned, is illustrated by one simple fact, and that is, her rupee is linked to sterling and only today's papers tell us that the apparent rise that there has been in the value of sterling was due to heavy speculation. We are not a country of speculators, but Europe is full of financial speculators, and to link the rupee to sterling on which these speculators operate is surely doing India no good whatever.

Sir, the Finance Bill has been already passed by certification. We can do no more regarding that, but still we have the Budget before us, and I would ask Honourable Members to concentrate all their attention on it. Government have obtained the power to levy taxes on the people and they are going on in that direction with their operations, but still we can tell the Government that they must reduce their expenditure to the extent we think is reasonable both on the civil and the military side, and then if there is any surplus from the various forms of taxes imposed, we must ask the Government to reduce the taxes. We are not without remedy, and I would ask Honourable Members on this side of the House at least to concentrate on that. We are not quite helpless because the Finance Bill has been passed.

Sir, I am thankful to the Honourable the Finance Member for the assurance he has given to the House that he will go on pursuing the policy of retrenchment. He says he will go on with it till he is satisfied that enough has been retrenched. I draw the inference that he himself is not satisfied that enough has yet been done by way of retrenchment, and we are entirely at one with him in this matter and we will go on giving him every support. I know fully well the difficulties he has got to encounter in carrying out a proper policy of retrenchment. It is, as he said, a most unpleasant task, but it cannot be more unpleasant to him than it is to us. He has given us figures showing how many people have been thrown out of employment by this policy of retrenchment, but he has not given us figures from which we can be satisfied as to the compensation that has been paid to those men who have been discharged prematurely from employment. At least, my recollection is that he has given us no figures, nor has he told

12 Noon. us whether in making retrenchments, in retrenching posts and offices, he has pursued the method which we pointed out to him was the best. Sir, the House knows that the Retrenchment Sub-Committee, of which I was the Chairman, was composed of men, at least two of whom had considerable experience of administration in the provinces and even in Indian States. One member of that Committee is a member of the European Group, Mr. Ramsay Scott, and I should like to take this occasion to testify our gratitude to him for the way in which he supported us throughout. (Cheers.) Not only that, we had a high official, and a very able official, of the Finance Department to help us in our proceedings. We had the advantage of his criticisms, and we took full note of what he said would be the results of certain proposals of ours on the working of the different departments. I wish to assure the Honourable the Finance Member here in the presence of the entire House that while our idea has been to reduce the expenditure to the limits which we considered to be reasonable, at the same time we were anxious to see that the working of the departments was in no way prejudicially affected. I do not claim that our Retrenchment Committee has always been right. In some cases, perhaps, we have been wrong; in one or two cases we perhaps under-estimated what retrenchment could be effected, and in one or two cases perhaps we over-estimated the

[Sir Abdur Rahim.]

possibilities of retrenchment. But, on the whole, I do claim that we have kept in our view strictly the policy which as I have mentioned ought to be followed in effecting retrenchment. As regards compensation, we laid down that if posts are to be retrenched, rather if certain officials are to be dismissed, the departments ought to begin with those who are on the verge of retirement, who have either earned their pensions or are about to do so, so as to cause the least hardship possible. We should like to be satisfied how far that policy has been kept in view. Another principle we laid down was that the policy of Indianisation, which has been accepted by the Government and repeatedly announced to the public, should be in no way affected by the way the retrenchment is carried out. This House would like to know from the Honourable the Finance Member how far that policy has been kept in view. In the case of those who have to be retrenched before they have earned proper pensions, we laid down that you must give them ample compensation, because it is not through any fault of their own that they have to be turned out, and men that are turned out after a certain age cannot be expected to find employment elsewhere. But, Sir, allowing for all these factors, our proposals amounted to a fairly big amount; I believe, including the Foreign and Political Department, it amounted to nearly 4½ crores of rupees, or very near that figure. I have not been able to add up the effect of all that has been done by Government, but, so far as I have been able to do that, it really comes to less than Rs. 3 crores. Sir, we shall deal with the question of retrenchment on another occasion.

Now, let me come to two prominent features in the speech of my Honourable friend the Finance Member. One is the collapse, or the practical collapse of the purchasing power of the people, and the other is the export of gold from here to England. The collapse of the purchasing power of the people is naturally giving considerable concern to the Honourable Member, reading between the lines of his speech, but he has gone into elaborate arguments to justify the export of gold. I do not claim to be an authority on exchange and other similar questions, which will be dealt with, I am quite sure, by my Honourable friend, Dr. Ziauddin Ahmad, but let me say one thing. Whether gold is over-valued or not, it is certainly at present the international medium of exchange; and if it is good for England, which has now gone off the gold standard, to have as much gold as she can secure, surely it is good also for the people of India to preserve their gold. Sir, a reserve of gold is absolutely necessary for any country, even if it is not put into currency, and I submit from that point of view this export of gold is disastrous to the country. (Applause.)

Mr. G. Morgan (Bengal: European): Mr. President, I should like to congratulate the Honourable the Finance Member and the Finance Secretary in the Department on the way in which they have put up the various estimates in connection with the Budget. I am quite sure that Honourable Members will agree with me that there is very little difficulty in understanding the position and the many details of this Budget.

Sir, there seems to me to be one thing standing out in connection with this Budget, and that is, that we have reached the limit of taxation. My Honourable friend, Sir Abdur Rahim, has just mentioned that, first of all, we must go on with retrenchment and cut down the expenditure to the

lowest limit we possibly can. The Honourable the Finance Member has also definitely stated that the first step to deal with the position is undoubtedly to reduce expenditure. Well, to a certain extent, it has been done. The Honourable the Finance Member has stated that he is still exploring, and will continue to explore the avenues for cutting down the expenditure of the administration. Now, Sir, one thing that we may definitely say stands out prominently is the fact that on the 31st March this year we shall be adding to our public debt, Rs. 13,66 lakhs, which is the debit on the 31st March, 1932. It will be found from the figures given in paragraph 6 of the Finance Secretary's Explanatory Memorandum, comparing the original Budget for the current year with the supplementary estimates framed in September last, embodying the anticipated results from the measures referred to in paragraph 5 of the Memorandum, that 7 crores and 70 lakhs was the deficit. That was taking in the reduction of the normal provision of reduction or avoidance of debt—7 crores and 70 lakhs *minus* in 1931-32 and 7 crores 70 lakhs *plus* in 1932-33, but the actual result on revision of the estimated Budget for 1932-33 brings out over the two years a deficit of 6 crores and 57 lakhs of rupees, taking in the proposed reduction of debt in the way that is done in paragraph 6. With regard to reduction and avoidance of debt, the Honourable the Finance Member says that taking the recurrent revenue and the recurrent expenditure, there is really a surplus, but I do not think, Sir, that the interpretation of recurrent expenditure should leave out or rather take credit for that avoidance or reduction of debt of 13 crores, because after all that is an item which has to be provided for in any case, and it is as much part of our recurrent expenditure as anything else in the administration of the Government of India.

With regard to the income-tax position, I have not got the detailed figures of the Finance Department, but in a time of great depression the Honourable the Finance Member is reckoning on getting 18½ crores from income-tax, and this is as compared with an average of slightly over 16 crores for the five years of comparative prosperity. Now that 18½ crores is calculated on the income of the current year because we pay the income-tax in advance, so that, as far as one knows of what business has been during 1931-32, I shall be very much surprised if the Honourable the Finance Member will get that figure.

The Honourable the Finance Member has definitely stated that he has a feeling he has now got to the point of diminishing returns. I think we pointed out last year that he was almost certain to get into that position, and this has proved to be the case. The Honourable the Finance Minister said that there was a deterioration of no less than 4 lakhs 70 thousand from what might have been regarded as the expectation of revenue in a normal year at a much lower rate of tax. Now, the question arises whether in the next few months the Honourable the Finance Member will find it advisable to do what he promised to do. I have not the slightest doubt that he is investigating the point, which is to reduce the taxation on certain lines of imported articles so as to get some money. My feeling is that it is better to get something for the revenue than nothing. At the present moment the diminishing returns have been very much accentuated and I have no doubt that the Honourable the Finance Member will in the next few months find it more lucrative to reduce taxation than to stick to the rates which have been imposed.

[Mr. G. Morgan.]

With regard to opium, I notice that two Governments have not taken their quota. I cannot say that I am very conversant with the arrangement made about opium except that it is a diminishing return in any case, but suppose for next year no Government takes its quota. Have we no means at all by which that quota has to be taken, or payment has to be made? I do not know what the position is. Therefore the Honourable the Finance Member may be able to explain what the position would be if all the Governments refuse to take their quota.

Now, Sir, there is one question I should like to ask with regard to table 3 of the Finance Secretary's Memorandum—I do not really understand what it means. We know that, in the case of some of these heads such as income-tax, one cannot compare the amount collected with the cost of collection, because I hold that when times are good it is much easier to collect income-tax than when the times are bad. That probably is a self evident fact, but referring specifically to column 11 and column 12, they are revenue from stamps, and cost of collection. I would ask the Honourable Member to explain the revenue of 33 and the cost of collecting 15 lakhs. It may be that it is only a book entry. It may be some system of accounting, but without the knowledge it looks rather curious that the cost of collection should be one lakh, one lakh and one lakh and then it suddenly rises to 15. No doubt the Honourable Member will be able to give the information.

Now, Sir, there was a point which my Honourable friend, Sir Hugh Cocke, mentioned with regard to the investment in Treasury Bonds, that it was very satisfactory to see that 6½ crores has been invested through the Post Office. My friend, the Honourable Mr. Joshi, I think it was, rather criticised my Honourable friend for making this remark, and said that he had made it with regard to the masses, but I think I am right in saying that what my Honourable friend, Sir Hugh Cocke, referred to was the scope for the investor who would not have been able in ordinary circumstances to invest in Treasury Bonds and I think the Government can congratulate itself on having got that amount of money from a class of investor from which it is generally very difficult to get money for investment.

Then, Sir, I would like to make a few remarks on a general subject, but which, in my opinion, is the crux of the whole position. My Honourable friend, Sir Abdur Rahim, has mentioned about the gold export. I will not enlarge on that because the Honourable the Finance Member has made it very clear, and one has always felt that sterile gold is of no use to anybody. That is being proved today. As far as export is concerned, it is bringing out gold which is in reserve, and which should be put on the same basis as if we were exporting it from the Mysore gold mines without the cost of extraction. I think there is a great deal of misunderstanding about the Finance Member's statement about war debts and reparations. I would like Honourable Members to understand that the position at the present moment is that France holds the key to the situation. We are suffering from that position. The whole world is suffering from frozen gold in the United States of America and France, which is of no use for currency or for credit, and until France and Germany come to a settlement, the position is not likely to improve. The war debts and reparations are dead; creditors cannot possibly get money out of the debtor nations now. War debts and reparations are absolutely dead, and in that connection I might

mention that the frozen German credits—my Honourable friends will readily understand what I mean, have been extended for twelve months. (Mr. B. Das: "Make us understand what you mean.") In itself, however, this satisfactory achievement is of little positive value since it does little more than take official cognizance of a situation which is beyond the power of bankers to alter; that is to say, they have just got to take it as it stands,—and now the position is that after France and Germany come to an arrangement, (there is no more question of debts and reparations), Germany will be compelled to repay her commercial debts, of which there are 4,500 million dollars belonging to United States of America and England alone; and until lending can be made—by short-term credits or long-term credits, whatever the countries like to give—until that begins to function, there is nothing the Honourable the Finance Member can do in this country which will put us on the basis that we all wish to be on. But I would like to emphasise that that being the position and the figures being as shown in the Budget, we have got to the limit of taxation and we must now put our house in order so that the money available from taxation, which we have got, is sufficient for the administration and the Army and so forth and if possible to reduce the administrative expenditure still further and then to reduce taxation.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhamadan): Sir, Honourable Members on this side of the House have congratulated the Honourable the Finance Member on his advocacy, and Honourable Members on the other side of the House have congratulated him on his financial ability. Sir, the fact is that the Honourable the Finance Member is a past master both in advocacy as well as in the matter of finance, and the present Budget is the outcome of that dual genius which the Honourable the Finance Member possesses, in which he has, by a dexterous painting of the light and the shade, presented a beautiful picture of the financial condition of this country—a picture which is alluring and attractive but which on closer examination dazzles us so that we begin to ask ourselves, "Are we in front of a reality or a mere vision?". Honourable Members will remember, if they will turn to the introduction presented by the Financial Secretary, that, as in the financial review of the last ten years commencing with the new reforms down to date, we have had no less than five deficit years in which the aggregate of deficits runs to over 70 crores of rupees. Honourable Members are aware of the heavy taxes levied in the wake of the reforms, and they will also recall what took place last year in connection with the Finance Bill. Additional taxation to the tune of 40 crores of rupees was a part of the programme of the Honourable the Finance Member in the Emergency Finance Bill, certified over the head of this House by His Excellency the Governor General. We have, Sir, now before us the Budget, without the Finance Bill—a unique spectacle, never before presented in the history of the Legislature ever since the advent of the new reform! We have given the supplies, or at any rate the supplies have been extorted from us under constitutional compulsion, and the Honourable the Finance Member now presents, what should have preceded his Finance Bill, his Budget statement of the expenditure for the next year! Well, the Honourable the Finance Member has himself confessed to the lack of interest which Members on this side of the House are likely to display in a barren controversy as to whether this item or that item was necessary and upon which expenditure

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might have been economised. But suppose for the sake of argument that, after long labour and as the result of a deep conviction and irrefutable logic, we were to reduce the demands by let us say 4 crores of rupees, as we reduced the Finance Bill last year, what guarantee is there that your efforts and mine will bear fruit when the Finance Bill last year was discussed for over a fortnight day after day and while many of us slept at night with the Finance Bill under our pillows until the opportunity came of reading it again with the early breakfast (Laughter), all in vain; and what was the result? The result was that, after the singularly striking vote of this Assembly in which all parts of the Opposition joined, the Honourable the Finance Member tucked his Finance Bill under his elbow, walked out of the House and presented himself before that almighty power so far as the Government of India is concerned and asked him to append his certificate to the Finance Member's proposals. Such, Sir, is the abject helplessness of the Indian Legislative Assembly! Sir, I am not surprised that I see denuded Benches around me, and I am not surprised that the few Members who foregather do not display the same amount of zeal and interest in the discussion of the weighty problems that this Budget presents, because they cannot be sure, after having burned the midnight oil over their labours and after having studied and compiled the figures and examined them with the help or without the help of expert advice, their opinion will be accepted by the Honourable the Finance Member and his co-colleagues on the Executive Council. That being the position, I say to myself—and I have often said to myself—what is the good of keeping up this dismal show of a constitutional Government where the constitution is thrown into the wastepaper basket at the fiat and will of one Member of that Government? (Cheers from the Opposition Benches.)

Sir, I do not wish to give further expression to these morbid fears, but I wish to point out to the Honourable the Finance Member that he himself must largely sympathise with us on this side of the House when he recalls his own helplessness in connection with the framing of the Budget. For does he not know that when he finds that the heavy deficit is looming large, he too takes a bundle of papers on an emergency mission to a place 6,000 miles beyond the limits of this land and there, waiting for an interview, explains item by item as to what he wants and that his wants should be met by the power that really rules over this country? And does he not know how often his own wishes have been thwarted, and how often his proposals have been unceremoniously rejected by that greater power that sits beyond the confines of this country? Turning to that power, how small is that power compared to the machinery of the British Government in which what may be regarded as a sum-total of the Government of India has only a place in an obscure corner of that Cabinet and where his portfolio is not regarded as of any account from the British point of view. Such then, Sir, is the abject helplessness not only of ourselves but also of our colleague, the Finance Member, and if we offer to him a few words of advice, we do so because out of a feeling of friendliness and commiseration we feel that his position is no better than our own. Sir, I feel and I have no doubt that the Honourable the Finance Member must have felt, how different could have been the situation if he, instead of being a Finance Member, had been the Finance Minister of this House.

Then he would have unravelled to you the secrets of the finances. But at the present moment his genius is cramped and circumscribed by the narrow limitations of his office and by the rigid rules subject to which he is called upon to function as a Member of this House. Honourable Members who have read the provisions of section 67-A of the Government of India Act need not be reminded of the very large number of restrictions that have been placed upon the powers of this House—powers which we cannot possibly exercise without taking any comprehensive grasp of the Budget as it is presented and without which it would be impossible for us to criticise any individual item. Sir, that being the position and those being the limitations upon our pitiable powers, I feel that, within the very limited scope given to the Members of this House, we should utilise this occasion by asking the Honourable the Finance Member to use his good offices, so far as he can, in alleviating the wrongs which we consider our fellow-countrymen suffer in this country under the various heads to which I wish to draw your attention.

For a large number of years we have been asking the Honourable the Finance Member to note that the question of the military expenditure is looming large in the Budget from year to year and that the Military Department has become that all-consuming Moloch that eats up the reserves and is the root cause of our recurring deficits. (Applause.) We once more ask the Honourable the Finance Member to take it as a message from this side of the House when he has occasion once more to cross the seas to lay the claims of India before the authorities, primarily, and indeed, finally responsible for the laying down of the military policy of this country, that India can never present a balanced Budget unless the power of the military to an unlimited extent is curtailed and controlled by the vote of this House. When I speak of unlimited expenditure, let me not be misunderstood. I know that the Military Department have entered into a contract with the Government of India in the year 1927 for a fixed annual grant, but what we do complain of is that that grant is excessive, and out of all proportion to the requirements of the case, and indeed the paying capacity of the tax-payer of this country. That question raises the question of high policy upon which I am sure neither the Finance Member nor the Government of India nor indeed the Secretary of State have a last say in the matter, and it is upon this momentous question that the financial future of this country depends. That question was raised by one of us last year. That question was raised by the Royal Statutory Commission. That question, in fact, has been coming up over and over again ever since the reforms of 1921. I will not take this House, within the very few minutes left to me, through the details of that controversy, but I wish to say this to the Honourable House, that in that struggle which we have had with the Military Department, we have as often as not received the sympathetic support of the united Government of India. All that we now want is that that support should now be translated into an act, namely, that the Government of India should vigorously pursue the policy which we ask them to pursue in the matter of military reforms.

The second point that I wish to draw the attention of the House to is that when these facts and figures, the *plus* and *minus* statements are presented to this House, they do not take note of the ultimate goal which the preamble of the Government of India Act has stated as the ultimate policy of His Majesty's Government. It has been, for example, stated

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that the policy of His Majesty's Government is to provide for the increasing association of Indians in every branch of the Indian administration. I should like, and I am sure those for whom I speak would like, an annual statement in this Explanatory Memorandum giving the result of Indianization effected in the course of the year in the services, military and civil. That, I submit, would give the Indians some idea of the progress made towards the fulfilment of the pledges contained in the Government of India Act passed under the authority of the British Parliament. The same course might be adopted as regards the Civil Service. As regards the Civil Service, I should like the Honourable the Finance Member to give us some idea as to why it is that the recruitment to the all-India services has not yet been stopped in view of the recommendations of the Statutory Commission and the almost certain provincialisation of the all-India services.

Lastly, as regards the Lee concessions, I would draw the attention of the Honourable the Finance Member to what occurs at pages 24-25, where it is said that these Lee concessions were justified by a sudden and great rise in prices and the raising of the exchange. The Honourable the Finance Member might now re-examine the position as to whether the prices have not gone down and whether the position of exchange does not now warrant a reconsideration of these concessions made in 1924. (Applause.)

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): Sir, yesterday evening I was talking with my esteemed friend Dr. Gour and I asked him whether he proposed to speak in the present debate and he told me, "My good friend, what is the good of speaking. Look at the tons of oratory we hurled against Schuster's head last November and with what result? The only result was the certification of the Finance Bill". Sir, the certification of the Finance Bill over the heads of this House has created some bitterness and soreness in the minds of the non-official Members in this House.

An Honourable Member: Including yourself.

Mr. N. N. Anklesaria: Yes, including myself. While my Honourable friend Sir Hari Singh Gour was talking with the bitterness which certification of the Finance Bill has aroused in the minds of Honourable Members on this side of the House, I thought he failed to realise the extremely awkward and embarrassing position of the Finance Member of the Government of India. To-day he has corrected that impression by the way in which he stated how powerless the Finance Member was against the dictates of the "autocrat of Whitehall". It is quite apparent that the supreme authority for the administration of the finances of India having been vested in the Secretary of State by an Act of Parliament, the good which the Finance Member of the Government of India can do is very very limited indeed. The Finance Member of the Government of India does not occupy the same position as the First Lord of the Treasury or the Chancellor of the Exchequer in England or for the matter of that any Finance Member in any European country, but at best he is simply a glorified Secretary to the Secretary of State for India. He does not control the financial policy even of his colleagues. As it is said he does not "control the expenditure of his colleagues in the Cabinet but simply registers it".

These are the difficulties of his position imposed upon him by an Act of Parliament, but even in spite of these adverse circumstances by which he is surrounded, the Finance Member, if he is a man of strong will and personality, is in a position to do some good to this country, as is shown by the career of the Honourable Sir George Schuster during the last three years. A few years ago if the Finance Member of the Government of India had dared to tax Manchester cotton goods, he would have been acclaimed by the people of this country as a hero. A few years back if the Finance Member of the Government of India had carried on retrenchment policy and trodden on the toes of the mighty Indian Civil Service, he would have been considered as the champion of India. The Ordinance VI of 1931 is a matter of recent occurrence and I need not comment upon it, as regards the part which the Honourable Sir George Schuster played in getting that Ordinance enacted. Then again, one must remember that the present Finance Member of the Government of India has inherited the policies which he has had no hand in propounding. He has simply got to pursue those policies. He has inherited from his predecessors a bloated expenditure and tendencies at extravagance in the various Departments of the Government which an era of surpluses had engendered. His advent as the Finance Member of the Government of India was very nearly coincident with the advent of those economic conditions to which the deficits we complain of are primarily due. These being the circumstances, I think it ought to be a matter for congratulation to the Honourable the Finance Member as well as to this House that he has been able to present the picture of the financial position of this country which he has done at page 184 of his Budget speech. With your permission, Sir, I propose to read a few lines in order that I may be able to comment on them if necessary later on. He says at page 184:

"What are the signs at present? We are free from hampering measures of exchange control; exchange is strong; our credit improved; we have reduced our external obligations and strengthened our reserves, thereby saving the taxpayer interest charges, and improving the chances for raising fresh capital when this is needed for the development of the country, the bank rate has come down from 8 to 6 per cent., and, as a result, all who are engaged in trade and industry have obtained great relief; while, as another result, Government securities are rising, a fact which in its turn is improving the position of all banks and investors."

Sir, I am not a business man, but I will ask the galaxy of business men on the other side to point out one Finance Member throughout the whole world who has been able to present a better picture of the economic and financial condition of his country than the Honourable the Finance Member has done in these few lines. Some of my friends on the other side are laughing at the question I have put. But I do most seriously challenge any of them to point out any serious or substantial inaccuracy about the words which the Finance Member has used in these few sentences.

Sir, he has not got, as I said, very large powers of doing good to India, but whatever lay in his competence he has performed and performed exceedingly well. I would only instance the way in which he has given effect to the retrenchment proposals of the Retrenchment Committees. I happen to have some figures of at least two European countries. While the Finance Member has retrenched 17 per cent. of our expenditure in India, the Chancellor of the Exchequer of the British Government has only been able to retrench 7 per cent. On the other hand the expenditure in the Budget of 1931 of France was 50,750 million francs and the total

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retrenchment which the Finance Member of France was able to effect was only 275 millions, *i.e.*, $\frac{110}{203}$ per cent. Sir, the retrenchment effected in the United States was equally trivial.

Then my Honourable friends on the other side spoke of Government compromising with the Congress. I should not like to touch on that unpleasant topic and speak on it at any great length, but I think it is in the fitness of things that the right things should be spoken out on the floor of this House in order that misunderstandings may be removed from quarters where they should not exist. Sir, I can understand the talk of compromise between two parties when one of the parties does not know where the other stands, because then there is room for an attempt to bring about an understanding or a compromise. But it is known and it has been proclaimed throughout the land that the Congress is out to destroy the British Raj. How can the British Raj come to any compromise with the Congress which has proclaimed its firm determination to destroy the British Raj?

Mr. B. Das: That is a gross misrepresentation of facts.

Mr. N. N. Anklesaria: I am not misrepresenting any facts, Sir, Pandit Jawaharlal Nehru openly stated before the Congress that they were met in a conspiracy to destroy the British Raj and invited the people of India to join in that conspiracy; and Mr. Gandhi, before he left for Dandi, proclaimed that he had sworn that he would never return to his *ashrama* until complete independence was obtained for this country from the British connection. Well, Sir, if this is not destruction of the British Raj, then as my Honourable friend, Mr. Ranga Iyer, said the other day, he should write a new lexicon. My Honourable friend, Mr. Das, talked of the Government not co-operating with the Congress. I do not know what Congress he means. If he means the present Congress, I would just ask him one question; why does he not himself co-operate with the Congress? Why does he not resign his seat and enter the ranks of the non-co-operators?

Mr. B. Das: I co-operate with the Congress as much as I co-operate with the Government.

Mr. N. N. Anklesaria: It may be asked by my friends, if you destroy the Congress, what would you replace it by? To whom does this Assembly owe its present existence, if not to the Congress? I say we owe this Assembly not to the Congress of the megalomaniacs, not to the Congress of the Communists, not to the Congress of the Bolshevists; but we owe this Assembly to the Congress of Dadabhai Naoroji, of Pheroze Shah Mehta, of Tilak and Gokhale and Surendranath Banerjee.

Mr. B. Das: And Mahatma Gandhi.

Mr. N. N. Anklesaria: These are the few words I will say on this very unpleasant topic, in order as I said that misunderstanding may not exist where it should not exist.

It is said, Sir, that there are defeatist counsels trying to obtrude themselves on the present Government, and I warn Government from my seat in this House not to listen to them and commit the great blunder which they committed about a couple of years ago. Because, as I said on a

former occasion, the Congress people are simply manœuvring for positions, **One position** yielded to them leads them to desire for another advanced position and that would continue unless as one Member on my right said, the Congress is absolutely crushed,—I mean the Congress dominated by people who dominate it today.

Sir, my Honourable friend the Finance Member talked of co-operation from this House, and I would respectfully point out to him that the essential condition of co-operation is that it should be mutual and reciprocal. If the co-operation which he extended to us last November is the co-operation which he means then this House, at least the non-official Members of this House, would very seriously differ from him. Sir, one point more and I have done. The Finance Member states on page 185 of his Budget speech that the financial difficulties from which this country is suffering are international and international action is required. I should have very much liked to hear from him what proposals he has been able to think out to co-operate with the other countries of the world in fighting this world calamity. Before I conclude, Sir, I do congratulate the Honourable the Finance Member on the admirable picture of the financial and economic condition of India which he has been able to present to this House and which in my opinion is a perfect reality and not a vision as imagined by my esteemed friend Sir Hari Singh Gour, the Leader of the Nationalist Party.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, in the twenty minutes which are at my disposal, I would like to draw attention only to three points. **1 P.M.** The first point which I will take up is the loan policy of the Government of India. I am sure that in a few years' time if this policy is continued, the country will be landed down a deep precipice. No doubt our Finance Member is the greatest financier in India; but he cannot claim to be infallible; and it is a pity he is guided in laying down the loan policy of the Government of India by his own individual judgment and he has no advisers to consult in this matter. The second point which I will take up today is the question of the export of gold and the inflation of currency. No doubt, the Finance Member and the last speaker presented a very rosy picture; but I should like to draw the attention of the House to the question as to where the flight of gold will lead us to and what will be our position after a year or two. The third point I would like to draw attention to is the policy of taxation of imported articles. Mr. Morgan has already drawn attention to the fact that the law of diminishing returns is already working. May I also point out that during the last six years we have added fresh taxation to the extent of 22 crores on imported articles; with what result? The result has been that the income in 1927-28 of 41.89 crores has come down in the present Budget to 41.13 crores or a deficit of 75 lakhs. That is to say, though during the last six years the law of diminishing returns has been in operation and although we increased the taxation by 22 crores, the result has been a diminution of 75 lakhs in the Budget and I do not know how much diminution will actually occur when the year ends. The Finance Member never distinguished between elastic and inelastic articles. He increased taxation all round to get revenue. He has injured the trade, and himself got less revenue.

Now, taking the first of these points—the question of loans during the last six years, our rupee loans have increased from 476.43 to 704.20

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crores, that is, by 50 per cent. Our loans in England have increased from 405·81 crores to 507·85 crores, that is, by 25 per cent.; and the total has increased by 40 per cent. Our obligations in England are 42 per cent. of the total obligations. Taking the loans as a whole, we find that the loans have increased altogether up to Rs. 1,212 crores. Out of this 963 crores are shown in the Budget as invested in what is called interest-yielding commercial concerns. That is a point which I would like to take up particularly, and I may say at once that the picture that is given in the Report is really a misleading one. Out of this 963 crores, 752 or 60 per cent. is invested in railways. I do not want to discuss this question of railways today, but I may be permitted just to refer to it as far as it is relevant to the loan policy of the Government of India. During the last six years the Government of India gave a loan of 160 crores to the railways. Out of this 160 crores, the railways invested 46 crores in new capital yielding an income of one per cent., and the remaining 114 crores have been spent on running lines, and it yields no income. That is to say, the Government of India borrowed this money at the rate of 5·7 per cent. and they have lent it to the railway concern which is yielding a profit of 3·4 per cent. May I ask the Honourable the Finance Member as a business man, whether any banker in any country would lend 160 crores to a commercial concern in which he knows that a major portion of it is invested on non-yielding undertakings and a small portion is spent in a new concern yielding an income of 1 per cent.? What has been the result? The result of this investment has been that the railway, which used to give 7·23 crores, *i.e.*, 1 per cent. of capital at charge according to the convention of 1924 to the general revenue, contributed nothing last year and promises nothing in the new Budget before us. Therefore, the Government of India have lost this income of 7·23 crores on account of the false policy which the Finance Member is pursuing about his loans to the railways. This story does not end here. The railways would require an additional loan of 10 crores partly from depreciation fund and partly from general revenue to pay interest charges. Not only have we to provide money for the railways for unprofitable construction but we have also to provide additional loan to pay up the interest charges. It is an evident proposition in business. No business can pay interest of 5·7 per cent. at which the Government of India have lent money to the railways while their own profit is only 3·4 per cent. Therefore this interest is paid by giving them more loans, and if we go on giving them more loans year after year in order to pay their interest charges, and if we also do not take from them this 7·23 crores which is really the sum due to us after the convention of 1924, I do not know what the financial position of the Government of India will be and in what direction my Honourable friend the Finance Member desires us to go. The Honourable the Finance Member is really in charge of the Loan Fund and he cannot wash off his responsibility to the Indian tax-payer by investing money in such unprofitable concerns. I do not want to waste the time of the House at present and give a list of the unprofitable undertakings, and the wasteful manner in which the Railway Board has been spending money. Their expenditure has often been twice and three times their estimates. The Honourable the Finance Member is the custodian of the finances and cannot wash off his responsibility. The Financial Secretary is his Secretary and he is primarily responsible for all the extravagance which the railway has made during the last seven years.

Now, coming to the other business undertaking—the Posts and Telegraphs—I shall make a small reference to it. We find that their interest liability is increasing and it has increased from 62·65 lakhs to 95·18 lakhs, and their total debt has increased also to 3·73 crores. This also is a commercial concern which is supposed to be a paying concern; but it is not possible for it to do so for a long time unless we reorganise the department thoroughly; otherwise we cannot get the loan back or any portion of it from these things

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): What loan are you referring to?

Dr. Ziauddin Ahmad: The liability of 3·73 crores

Sir Cowasji Jehangir: You mean the capitalised account?

Dr. Ziauddin Ahmad: Yes. The net result is that we are paying an amount of about 55 crores a year as interest on our undertakings; and out of this we expect to get only 41·71 crores from the commercial concerns, and most of it also is a paper transaction; and the remaining 13 crores are to be collected from our taxpayers. The amount of interest is increasing day by day. Sir, we are wasting more money on interests than on wasteful administration. Sir, had the Finance Member been responsible to the Indian Legislature and cared more for the taxpayers in India, he could very easily have washed off this loan of 380 millions which we have to pay to England in terms of sterling. I maintain that if we really divorce our rupee from paper sterling and do not link it thereto, then it is quite possible and it is certain that sterling in terms of the rupee will go down, and the amount of our loans in terms of rupees will be reduced by about 125 lakhs. The Honourable the Railway Member suggested the issue of debentures, and I think it is now the time when the debentures may be issued for the sum which India has to pay to England at reasonable rates. Sir, it is quite possible at this time in that way to wash off our loans in sterling altogether, or at least reduce them substantially by this course. Now, out of these 380 millions we have to pay in terms of sterling, quite a third if not half is owned by the Indians themselves, on which they pay no income-tax, and it is quite possible that this sterling loan advanced by Indians may be transferred from the sterling loan to the rupee loan by some mutual arrangement

Sir Hugh Cocks (Bombay: European): You think the other may be paid off by raising debentures.

Dr. Ziauddin Ahmad: Yes, or possibly we may have fresh loans in India in order to pay this money.

Now, the next point which I would like to take up is the question of the flight of gold. No doubt, we have had a very rosy picture painted of the flight of gold. It was pointed out on the floor of the House that during the last 20 years India has absorbed 700 crores of rupees worth of gold and out of that what matters it if we export say about 50 crores rupees worth of gold. But there are two factors which have not been mentioned. I should like to know how much gold we exported during the war from 1914 to 1919, and how much we exported in the years 1920-1922, in order to stabilise the British currency.

The Honourable Sir George Schuster (Finance Member): The figures which I have given the Honourable Member are net figures of imports that is to say allowing for all the exports that have been made, India has imported on balance over 700 crores worth of gold in the last 30 years.

Dr. Ziauddin Ahmad: I am thankful to the Finance Member for this information. 700 crores is really the net absorption by India excluding all the gold which has been exported during and after the war

The Honourable Sir George Schuster: I should make it clear that the figure 700 crores is based on today's prices for gold; that is to say it allows for the present depreciation of the rupee. At the actual prices at which the gold was imported the total net imports amounted in value to about 550 crores. But of course on the other hand, if you take that value as a basis, then the value of what has been exported in the last few months is only about 35 crores.

Dr. Ziauddin Ahmad: Anyway, I leave this point, and I draw attention to three points in this connection. The first is this. As was pointed out by my friend, Makhdum Syed Rajan Baksh Shah, I would recommend the Finance Member to read his speech three times, because it has been pointed out there that the zemindars in the Punjab have sold their ornaments in order to pay their taxes; nay, they have gone further, they have sold their clothes to pay up the income-tax, and that is not enough, they have gone so far as to sell away their children! And I ask how long can any country bear the land revenue tax under such circumstances. The Honourable the Finance Member said, on the floor of the House the other day, that he did not understand what was meant by distress gold. I should like him to read the speech of my friend, Syed Rajan Baksh Shah, and then he will understand what is meant by distress gold. The zemindars have been selling this large quantity of gold in order to pay their land revenue, but this state of affairs cannot go on indefinitely. It may go on for one year, or possibly for two years, but afterwards there will be a break, and the break is bound to be followed by some kind of revolution—it may be a social revolution or it may be a political or economic revolution, but some kind of revolution is bound to come, as we find that the time is fast approaching when the zemindars will not be able to pay up their taxes.

The other point I want to mention is that by exporting gold from India, you cannot possibly solve permanently the economic problem of England or of the world. It is very desirable that England should handle the problem of gold all at once, and she should not try to impoverish the resources of the Empire by exporting gold and bringing about distress in this country. In this connection I should like to make a small quotation from Gegory, he says:

"The flight of gold has given a little temporary relief to India and the British Government. It really meant that gold which is now in Indian houses and naturally in the British Empire will slowly creep into the vaults of the Bank of France and the Federal Reserve Bank of England."

So, Sir, the result of this policy has really been that the gold which is now in the British Empire will gradually find its way into France and America. We really want a permanent solution of our difficulty, and the present method of encouraging the people to sell away their gold is

not really the permanent solution of the present difficulty. You dislocate centuries old land administration, leave your gold problem as it was. Find its solution, otherwise, if you want to continue the present policy, then take bold steps, before it is too late and purchase all the zamindaris.

The third point to which I should like to invite attention is this. Suppose the flight of gold stops after two or three years, then what would happen to the inflated currency? We know that the currency has inflated from September onwards; that in 1929 it was 185 crores, and in September 1931 it was reduced to 146, and today I think it is about 182 crores or perhaps a little more. Now, the gold coins have also dissipated during the same interval, that is, in 1932 we had 32.27 crores rupees worth of gold coins, in 1931 they were reduced to 23 crores, and now they are only 4.76. This is the dissipation of the gold coins. This inflation of the currency could have been justified had there been an increment in the volume of export and import trade, because for trade purposes you do require inflation of currency, but taking the figures for the 10 months of the last 3 years, we find that the import and export trade is diminishing. In the year 1929-30, the export trade was 238 crores, against an import of 202 crores; in 1930-31 the export was 200 crores against 126 crores, and in 1931-32 the export was 130 crores and the import was 105 crores. I have taken the figures only for 10 months, the figures for February and March for 1932 being not yet available. These figures show that our export has really diminished by about 50 per cent. and so is the case with our imports. So when the volume of trade has been reduced to half, I ask whether it is justified to have inflation of the currency. Speaking not as an economist nor as a financier, but only as a layman, I ask what is the meaning of the flight of gold? It means this, that a person living in a village in order to pay his land revenue has sold all his ornaments, say, worth a thousand rupees. This money has now gone to England or to some other foreign country and the credit of India is established by this amount. Sir George Schuster comes forward and he prints notes either on silver or on paper (the rupee being a token coin and containing silver worth 6-annas) and hands over the notes to the person who has parted with his gold. What is the net result? Instead of gold, the people now have got paper which does not cost much to print. We may also assure the Finance Member that people are not selling gold in order to find a better source of investment; they are selling gold because they cannot find the money to pay off their land revenue, because they cannot find money even to meet the expenses of their ordinary daily livelihood, and it is for this reason they are parting with their gold. This process cannot certainly go on indefinitely, but as soon as this process stops, then the financial crisis will begin. To-day you have an inflated currency which cannot be justified by the volume of trade in the country, but is required to pay the price of gold sold by individuals, but as soon as this flight of gold stops, then we will land ourselves in a great financial crisis. It is quite possible that Sir George Schuster may leave India by that time, but the effects of that financial crisis will be very great and we should find it exceedingly difficult to face the position. My friend Mr. Anklesaria, has congratulated the Finance Member for his sound financial policy, but I find no reason for congratulation if money is collected on account of the distress of the people; but there would have been every reason for congratulation had money been collected on account of increase in the export and import trade; but if the money is collected on account of the distress of

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the people, then there is certainly no room for congratulations; it is a question of luck in which the Finance Member has found himself, and we do not know how long that luck will last

Mr. President: Order, order. The Honourable Member's time is up.

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

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

Khan Bahadur Haji Wajihuddin. (Cities of the United Provinces, Muhammadan Urban): Sir, during the general discussion on the Budget in his yesterday's speech my Honourable friend, Dr. Dalal, said that "The prestige of the British stood higher than at any time and if the Congress had the welfare of India at heart it should shake off the war mentality and join the Government in constitution making," to which my Honourable friend, Mr. B. Das, Chief Whip of the Nationalist Party, remarked that "A recent meeting in London had resolved urging the Government to come to terms with the Congress". If I may be allowed to speak on the subject, I would say to my Honourable friend, Mr. B. Das, that, before pressing Government to have nationalists demands responded to, he should come to terms with the minorities of India who would not accept such a constitution as is prejudicial to their respective rights. Consequently the political atmosphere of India will remain cloudy; peace and happiness will vanish into thin air, and discontentment, will reign supreme. The economic aspect of non-co-operation is a most vital question which has a direct bearing on the trade and industry of India. Even the man in the street knows that the Congress has paralysed the whole commercial and industrial organisation by starting the campaign of civil disobedience and boycotting British goods. Both these movements have proved most destructive to the country. I find no justification in criticising the Government alone so far as the finance of India are concerned, especially when I see that Indian importers of piece-goods boycotted foreign goods on one hand and contributed liberally to the Congress funds on the other. And this Congress fund alone is responsible for carrying on a huge propaganda against Manchester and Lancashire, the greatest weaving centres of England, Sir. It is the Indian merchants who under the pressure of the Congress Committee only suspended their business for a certain period and at the same time managed to keep up business relations with the British manufacturers and continue supplies to European customers at a good margin of profit. Under the circumstances I would suggest that with a view to meet the critical situation prevailing now-a-days in the country we should direct our attention first of all to solve the minorities problem mutually, which I think is not so complicated, and unless it is sincerely adopted there is no hope of reduction in the heavy burden of taxes, lately imposed upon poverty-stricken peoples of this unfortunate country—I therefore appeal to my own countrymen to come to a mutual

settlement in the interest of our own country, without which I think there is no solution of balancing the Budget. I may tell the House that Muslims generally, and traders more particularly, are anxiously prepared to co-operate with everyone in the achievement of this object which is so dear to the hearts of the true well-wishers of India. The problem itself is not complicated. I think a change of heart is the only solution.

Mr. Badri Lal Rastogi (Patna *cum* Shahabad: Non-Muhammadan): Sir, at the very outset I deem it proper to congratulate the Honourable the Finance Member for making an exhaustive review of the financial position of the Government of India. It is a matter of great consolation, Sir, that we are not going to have any fresh taxation—though we have had enough of it—in order to meet the deficit. Only recently, a few months back, a number of new taxes were forced on the country in the teeth of the greatest opposition of this House, and so let us see, Sir, how the various taxes fared according to the estimates placed before us. Under the head Customs, the estimates then formed have not been realised. There is a staggering fall in imports of merchandise; that is to say, there is a drop of one hundred crores in the last ten months in the amount of imports, as compared with the figures of the last year, and this deterioration is due to nothing but poverty of the people. Cotton textiles have dropped from 43 crores to 15 crores, and sugar has fallen from 15 to 4 crores. Besides this, there is a considerable deterioration in silver, liquor, and cotton piece-goods also. Thus, Sir, it is clear from the facts and figures how the fresh taxes have fared and whether the people are overburdened with taxation. Yesterday, Sir, there was some discussion here as to whether the rich or the poor pay the largest revenue to the Government. But this question is quite beside the point, because we should take the whole country into consideration. Taking India as a whole, I think the limit of taxation has been reached and she has been taxed beyond all capacity. According to the figures quoted regarding the consumption of luxuries, it is clear that the higher classes are also not in a better state. Therefore, no one can deny that the country is being taxed beyond its capacity, and any proposal for fresh taxation at any time in India would react adversely on the revenues of the Government instead of bringing in more revenue. Under the circumstances, Sir, I appeal to Government not to harbour any idea in their mind of imposing any new taxation upon the already overburdened people of India, and I hope that the Honourable the Finance Member will banish the idea of increasing the taxes that fall on the masses whenever extra revenue is needed. Sir, the best and most reliable source of income is economy itself. The more this source is tapped, the more income is derived. As regards the military expenditure, Sir, it is as yet too heavy a burden for the nation to bear. Having regard to the fall in prices, the expenditure ought to have been cut down to a considerable extent, but it is regrettable that the figure and limit suggested in the Inchoape Committee's Report and by the Army Retrenchment Sub-Committee have not been reached at all. As for the civil expenditure, Sir, a cut of ten per cent. is nothing; rather a cut of 25 per cent. at least should have been introduced. There are many other items that can be easily and drastically retrenched. Therefore, Sir, there is as yet ample scope for retrenchment under that head also. There is one point more, Sir, and that is, the revision and reduction of the scale of salaries of the highly paid servants of the Government. It is high time that the scale of salaries was revised and reduced.

Bai Bahadur Lala Brij Kishore (Lucknow Division: Non-Muhammadas Rural): Sir, I congratulate the Honourable the Finance Member on the lucid speech he has made the other day in presenting the Budget for 1932-33. I thank him for so ably putting his case and laying all the cards on the table. He has tried to take the House into his confidence and we are ready to act and co-operate with him in facing the difficulties which stand in the way. Sir, co-operation and goodwill rest with mutual reciprocity. Every one of this House is aware of the fact that India has got an agricultural population of more than 83 per cent. No stability of finance and deficiency in the Budget can really be met without the confidence and co-operation of the masses. Sir, I crave the indulgence of the Finance Member's attention to a very important point, namely, that three-fourths of the Indian population is suffering under the agony of world-wide trade depression.

May I remind the House that the abnormal fall of prices in agricultural products may not be the only reason for the world-wide trade depression. Sir, if I remember well, I can say with the utmost confidence that when the ratio controversy came before this House, it was Sir Purshotamdas Thakurdas who, with his great experience and efficiency, most emphatically protested against fixing the ratio at 1s. 6d. on the ground that the poor agriculturists would be affected by no less than 15 per cent. in producing their crops. Sir, that prophecy has come to be true and the poor agriculturists are suffering from the pangs of hunger and poverty. They are quite incapable of meeting the rents of landlords and all the Local Governments are having great deficits in revenue. India, being an agricultural country, can never have prosperity without improving the general condition of agriculture. Sir, both landlords and tenants, I may confidently say, will help the Honourable the Finance Member whole-heartedly in maintaining a budgetary balance, if their condition is improved. I am glad to state that, in furthering the cause of our industries, the Government of India have granted protection to sugar in the form of a Bill in this House, which will, I hope, get everybody's sympathy.

Next, Sir, I want to draw the attention of the Honourable the Finance Member to the fact that he is undergoing a great risk in exporting gold from India when we are expecting a well-thought scheme for a Reserve Bank with the inauguration of the new constitution. Sir, there is one burning question in this country to give effect to the Retrenchment Committee's recommendations to meet the deficit, but I thank the Honourable the Finance Member for the assurance he has given to us for no more reduction in pay, but I would earnestly appeal that a strenuous effort be made in curtailing the other expenditure of the Government.

My last remark, with which I want to conclude, is the extension of primary education in India, and I earnestly appeal to the Honourable the Finance Member to grant a satisfactory amount for the extension of education. Sir, we are on the road to responsible government with a Federal Legislature and the extension of the franchise, but these high ideals will hardly be achieved without awakening the illiterate masses by educating them.

Mr. N. B. Gunjal (Bombay Central Division: Non-Muhammadas Rural): (The Honourable Member made a speech in Hindi a translation of which will appear later as an Appendix to these proceedings.)

Khan Bahadur H. M. Wilayatullah (Central Provinces: Muhammadan):

Sir, I am sure the House feels grateful and sincerely indebted to the Honourable the Finance Member for the great pains he took in the preparation of the Budget, and the lucid manner in which he has explained all the salient points. Sir, the financial position of the country is not free from anxiety. It is however said that this has been brought about by world conditions; therefore it is very necessary that the situation should be handled with great care, and not only that but also with sympathy. At the present juncture, Sir, the interests of the people and of the Government of India are identical. One cannot prosper while the other is damaged. There is no running away from the fact that, in spite of the increased customs duties, the income from exports and imports has fallen considerably. The total exports and imports during the last ten months of the current year have averaged only about a half of what they were in 1929-30. It is a warning to us and an indication that the purchasing power of the people is steadily going down. This is due to the contraction of the resources of the people who are unable to earn money. The conditions are generally abnormal; the agricultural produce has no market; the prices of grains have considerably fallen; trade has suffered badly and yet the Government have had to impose additional taxes in order to balance the Budget. The Honourable the Finance Member has referred to the large movements of gold from this country and it is said that it is for the benefit of the people of this country. It seems to me that when people parted with their gold to such an extent, their purchasing power ought to have improved because they had more money to spend. But, on the other hand, we find that it has deteriorated. This shows conclusively that the gold was parted with not for providing the necessaries of life, but to pay off liabilities, taxes and Government demand. The agriculturists had no other means of meeting their liabilities when the crops raised by them would not fetch enough money to pay the Government land revenue as well as to maintain themselves and their families. There was no option left but to part with jewellery, which found a ready market. Similarly, so far as the traders are concerned, it cannot be denied that the prevailing depression has hit them hard. There could be no better proof of this than the dwindling figures of exports and imports. Whatever may be the income of the people under the present conditions of trade, they have still to pay the enhanced income-tax with retrospective effect on the income of last year, that is to say, the present conditions are not a factor in judging as to what they should pay. Under the circumstances, it is not surprising that the people find the taxation policy of the Government of India irksome, for each individual has to pay higher taxes when his resources are diminished.

Now, so far as the Budget is concerned, there will still be a deficit of 13.66 crores at the end of the current year, and we hope there will be a surplus of 2.15 crores at the end of the next year. For some years we have been faced with deficit Budgets, and the deficiency has been made up by imposing fresh taxation irrespective of the financial condition of the people and the circumstances prevailing in the country. The proper course was to reduce the expenditure also in right earnest when our receipts showed a downward tendency. Very little retrenchment has been made: the recommendations of the Retrenchment Committees have been accepted only partially, and it is indeed surprising that in the face of a national emergency Government did not think it fit to touch even temporarily the

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Lee concessions. Even the 10 per cent. cut includes the income-tax increase. Besides, these cuts are very temporary as they will automatically cease to be effective after the 31st March, 1933. Again, so far as the retrenchment is concerned, the major portion of it has affected men at the bottom of the services who have been thrown out of employment. This has added to the unemployment and also has accentuated the discontent. Sir, the forecast made in September last has not been realised, and in view of the prevailing conditions which do not show any signs of recovery so far, it is just possible that our present calculations regarding the amount of deficit at the end of the current year and of the surplus at the end of the next year may not materialise and we may be faced with further deficits. In that contingency which may occur at any time, the proper course will be to make drastic retrenchments in the civil and military expenditure and not to repeat what has been done in the past, namely, the imposition of additional taxation, for in that event the purchasing power of the people will be still further diminished and any increase in taxation will be very undesirable, nay, even impolitic. Possibly, some plausible argument may be put forward to the effect that the falling off in the figures of imports is due to the growth of indigenous industries and therefore it justifies fresh taxation. The matter will require very careful study and minute examination.

Before I conclude, Sir, I would like to point out that taxation beyond a certain limit and the revenue derived from it often result in a vicious circle. Increased taxation does not always bring in increased revenue, and the law of diminishing returns sets in as it has already done in India. I will give an example. Last year the import duty on motor cars was raised in this House and simultaneously in some provinces heavy duties were imposed on all motor vehicles both in private and public use. What is the result? The result is that there has been a considerable fall in the number of cars imported, and consequently there has been less customs revenue from new motor cars and there has been less consumption of petrol which is also taxed. Thus there has been less revenue from petrol also. The railways have also lost their income from freight and haulage because of the fall in the number of cars imported. There was less registration of cars and there were less registration fees; the local bodies have lost their wheel tax, and perhaps in some cases we might also lose the income-tax. So, these heavy duties in their cumulative effect proved prohibitive and made the further use of motor vehicles which are plied on hire in certain cases impossible, and all these losses have resulted in consequence. I would request the Honourable the Finance Member to call for figures from the provinces, and on being satisfied, to take the necessary steps in this direction. We are very grateful to the Honourable the Finance Member for the assurance he has given in the concluding portion of his speech to the effect that the new taxes which were imposed as an emergency measure will be reconsidered with the advent of better times. This will be a very desirable step seeing that some of the recent impositions have turned out to be unsuitable, and instead of yielding the revenue which we expected from them they have produced just the opposite result. No one would like to kill the goose that lays the golden egg and therefore in the interests of the country, the trade and the Government of India itself I would urge that the position should be rectified and the sooner this is done the better. (Applause.)

Mr. E. F. Sykes (Bombay: European): Sir, I would like to congratulate the Finance Member on the deliverance of his feet from the snare of a Civil Aviation Service. I do so with the greater pleasure and that I was a member of the Standing Finance Committee when the original proposals for this service were brought forward.

I offered such opposition as I was capable of, but I fear I was alone in my opposition, for the other members of the Committee seemed to think it was a most desirable proposition. However, at the present time apparently they have come round to my way of thinking and we now have no prospect of having any such scheme thrust on us.

It is very fortunate that we find public-spirited and able people like Mr. Grant-Govan and the Tata Brothers coming forward to assist the State in a matter like this. I hope that we shall find in the future not only do public-spirited and competent persons come forward to organise these services but that the State will subsidize them to such an extent as may be deemed desirable. Having said this much, I now turn to another matter.

I notice with regret that this House is rather losing its interest in retrenchment. I have listened to the speeches for the last two days and I do not think I have heard so much about retrenchment as we used to hear, and yet anybody who has studied the Budget must be aware that the necessity for retrenchment is as great to-day as ever it was. This is a matter on which I addressed the House last week, but I am very much afraid my voice was so feeble that it did not reach the Commerce Member when I was discussing retrenchment in Railways. The subject is, of course, one which is not peculiar to any department of Government. It runs through all Government departments and it is just as much germane to the present discussion as it was to the discussions of last week. Unfortunately I say my voice was unable to reach the Honourable the Commerce Member. I hope on this occasion if my voice does not reach you, Sir, or the Honourable the Finance Member or any Member of this House, if he will give me a shout, I will endeavour to give them a shout back. Owing to the fact that my voice was not heard on the previous occasion, I am afraid I must go as briefly as possible over much of the same ground. In the meantime when I was turning to some of my papers of last autumn, I found by a rather curious co-incidence that I quoted from a paper by a well-known labour Leader. The date of which was 16th September.

Mr. President: Is the Honourable Member going to repeat what he said on the previous occasion?

Mr. E. F. Sykes: No, Sir. I did not say that I was going to repeat myself. Turning over some papers I found a memorandum I had written dated 15th September. This, Sir, was not mentioned on the previous occasion. I said:

"I have not yet received from the Railway Board a copy of the general orders in accordance with which salaries and wages were raised after the War. Wanting this I am obliged to make an assumption and I assume that the permanent scales which absorbed all temporary war increments, grain allowances and *mahangai* of all sorts were based on the increased cost of living and more particularly on the increased cost of foodstuffs. On this basis the lower grades received the largest percentage of increments and the percentage of increase was steadily reduced as the rate of salary increased: so that in the higher grades the increase was quite moderate. Whether this is correct or not, it does not affect my view that any reductions now made should be based on the same principles as the previous increases, allowance being made for changed conditions such as enhanced scales of Income-tax and import duties."

[Mr. E. F. Sykes.]

There is more here but I will leave it all out except the last paragraph:

"In point of fact the incomes with few exceptions of this large section of the population vary with the outturn. . . ."

I am referring to the agricultural population,

"and price of agricultural produce—mainly foodstuffs—and it is absurd and uneconomical that Railways should maintain standards of wages which are hopelessly out of relation with the income of the bulk of the population."

Now, I would ask your indulgence to read a very few lines from an article by Mr. S. C. Joshi, dated the 16th September, the following day. My reason for asking your indulgence is that Mr. N. M. Joshi insinuated that the printer's devil had got into the article and made a mess of it. I would therefore read a little more than what I did on the previous occasion:

"This deplorable situation enables a few to live exceptionally well by impairing the capacity of the State to undertake larger activities and employing much larger numbers. It gives an artificially elevated position to the official where he comes to consider himself as an altogether superior person. . . . The amount involved is large, amounting to as much as Rs. 40 crores."

I hope my Honourable friend, Mr. N. M. Joshi, will not try to show the House that this refers only to gazetted officers because by no means can their remuneration be shown to be as much as 40 crores.

I said at the beginning that I was unable to find the orders about re-adjustment of wages and salaries after the War. But in looking over the memorandum that the Railway Board prepared for the Royal Commission on Labour I find they do touch on them. They say:

"Post-War Revisions of Pay: To meet the altered conditions, temporary increases of pay were given to Railway labour in 1917 in the form of a war allowance and the rate of the allowance was enhanced from time to time till 1920 when the allowance was merged in a general revision of the scales of pay. The scheme of revision was framed and sanctioned with due regard to the increased cost of living in the various provinces traversed by the several railways and as the lower paid employees were particularly affected by the increase in the cost of the necessaries of life, the percentages were fixed on a sliding scale, giving much larger proportionate increases in the lower grades."

Sir, you will see that the assumption that I made in the memorandum from which I read extracts is now verified. Hence from these various articles it is very easy to draw one simple conclusion. That in the present need for retrenchment our proper course is to follow, as near as may be, the inverse of the course that was followed after the War in 1920 and the following years. If we do not do so, we continue to maintain that privileged class to which my friend Mr. S. C. Joshi took so much exception and which I am quite sure the House has no desire to create or to maintain.

You will, Sir, perhaps with the rest of the House expect me to make some suggestion as to how it should be done. In our innumerable difficulties we very often find it convenient to look back to see what in their wisdom our ancestors did. In this particular case my own memory goes back to a time when ordinary Government servants, especially menials, had a fixed pay. I remember for example that the pay of a *syce* was about Rs. 3 a month and he would receive a further remuneration which was called by various names; he called it *bhatta* but the Finance Department probably would call it compensation for dearness of provisions. This

is rather a longer term. I would not say how long it lasted, but it went on very nearly till the time of the War and I am not quite sure for what reason it was abolished. Probably because it was argued that the index figures from which these allowances were compiled were not accurate enough to regulate these allowances properly or that the people who were concerned with the payment and with the audit of salaries thought it was a great deal of additional and unnecessary work. But as I read out from the Railway Board's memorandum this scheme of compensation for dearness of foodstuffs was still in force till 1920 when all these things are merged in the single consolidated rate. The fact, however, is that at the present moment we have extraordinary minima of pay, which are enormously in excess of the remuneration which persons performing similar labour can obtain from private sources. I put down a question and hoped that by to-day it would have been answered, but I hope perhaps in giving his reply the Honourable the Finance Member will be able to give me an answer to it. If he would give an answer, then we shall know exactly how far this statement of mine can be relied on. I can answer for my own part of the country that the gap between the railway minima and the remuneration paid by private employers is absurdly wide. I, therefore, recommend the course of splitting up the remuneration of labour into separate portions as being justified by the wisdom of our ancestors. Now, the Honourable the Finance Member will be aware that this excellent course is followed by the whole of the civil service in the United Kingdom in which pay consists of basic pay *plus bonus*—that is a nice word like *bhatta*—if that course is followed it will be very convenient. I hope, Sir, the Honourable the Finance Member will take this matter into consideration and will produce a scheme by which wages and salaries can be readjusted to present conditions and under such arrangements as will make them self-adjusting in the future.

Mr. A. H. Ghuznavi (Dacca cum Mymensingh: Muhammadan Rural): Sir, our sympathy must go with the Honourable the Finance Member in the deplorable predicament in which he has been placed in balancing the Budget. However cautious his estimates were, his receipts have fallen far short of his expectation. And the cause is not far to seek. It is the world-wide depression over which he had no control. Nevertheless, to my mind, he has left no stone unturned to cope with the ever-changing situation. We listened to his masterly speech the other day with deep attention, and I must say that it left us not a shadow of doubt that he on his part applied the axe with a grim determination. But the expected income dwindled month after month and the huge deficit was inevitable. Luck has not favoured him, so it seems, since he assumed the reins of his office, or even if it did, he could not make headway with such a top-heavy administration.

My Honourable friend, Mr. Mody, said that the extravagant expenditure incurred during the last 11 years has resulted in this bankruptcy, and that however they may overhaul their machinery they cannot, with this elaborate administration, make both ends meet. Sir, it is not 11 years—I would go further back. The unfortunate annulment of the partition of Bengal, with the transfer of the Capital to Delhi, is the beginning of the era of the criminal waste of public money. Millions have been sunk in Delhi alone without any corresponding return—a staggering waste, perhaps without a parallel in the history of the world. Then came the successive reforms with all their paraphernalia which contributed in

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no small measure to this wanton extravagance. They have loaded every province, as well as the Central administration, to breaking point. In the good old days a Lieutenant Governor with a Chief Secretary could cope with all work and carry on the administration efficiently. We have now in each province a Governor with an array of Executive Councillors and Ministers, numbering in some provinces as many as seven, and countless Secretaries and Assistant Secretaries with expanding Secretariats. This alone eats away almost all the income, leaving barely anything for the nation-building departments or for the reserve for rainy days. The salaries of the Judges of the High Courts remain where they were 60 years ago, but those of the Secretaries and other officials have gone up by leaps and bounds. How long and how far can one meet this ever-absorbing expenditure by piling taxes upon taxes? Government have bled the people white and the limit will have surely been reached. Half of these troubles is due to this self-imposed burden at the top of the administration, and warnings have always fallen on deaf ears. The retrenchments that are being carried on—even though, thanks to Government peculiar sense of justice, the axe has fallen heavily on my community who are an insignificant minority in the Service—would not touch the fringe even. Retrenching a few coolies, clerks and assistants cannot bring us any the nearer to solution. And in this connection, I must confess it was not a small surprise to me the other day when the Honourable the Commerce Member gagged me while making my submission to this House as to how a saving of half a crore of rupees could be effected if the scheme I had placed before the House was adopted. It reminds me of what the late Mr. Jackson, the famous English Barrister in Calcutta who was known in Bengal as "Tiger Jackson", remarked years ago, before a Criminal Bench of the Calcutta High Court. In defending the accused in the Chartered Bank fraud case he said: "My Lord, if you raise your little finger against even a cooly in the employment of Government, the whole Government is up in arms against you". That was truly said. The head and front of my offence was that I wanted to explain to the House how enormous savings could be effected in coal purchase and colliery management, and raised my little finger against an employee of Government. And behold, the whole of Government machinery is stirred to its very depth and is set in motion to stifle me. What pained me most was that the Honourable the Commerce Member charged me with taking shelter under the privilege of a Member of this House in making that statement, and yet would not allow me an opportunity of repudiating it. I made that statement in the interest of the public, and let me assure the House that when I make any statement on the floor of the House in the public interest. I am ready and prepared to repeat it in public interest whether sheltered by the privilege of the House or not. I, at least, never attempted to shirk my responsibility or shelve the discussion on the subject, sheltered by the rules and regulations of the House or by raising points of order. Sir, when I move my cut I shall demonstrate that by lack of supervision over coal transactions of the Railways, the Commerce Member has made the Government and the Railways lose half a crore of rupees from year's end to year's end.

Sir, the purchasing power of the public has been decreasing in an alarming manner and this was clear from the Honourable the Finance Member's own showing. In spite of the increased duty, the ton of sugar

which cost Rs. 312 in 1926-27, cost Rs. 237 in 1930-31, and on a five years' average, a quantity of about 850,000 tons was the expected figure of import, whereas the consumption has dwindled down to 475,000, i.e., almost to half, although the price was 30 per cent. cheaper than before in spite of raised taxation. That demonstrates clearly how the purchasing power of the people has been diminishing year after year.

During the last 11 years, the Central Government, according to my Honourable friend, Mr. Mody, lived beyond their income to the tune of 56 crores. But how much more it would be since the time of the change of Capital to this dead city of Delhi can well be imagined. The overhauling of the departments, however, there must be, as otherwise the Finance Member will find that he can no longer go on. The Military expenditure can also be further reduced. Whenever we proposed a reduction in the Army Budget we were told it had reached its limit and there was no room for reduction. But yet we see that from 56 crores in 1927, it has come down to 46 crores 74 lakhs in 1930-31. The Military Budget is yet too heavy, and if there is a will to curtail it, a way can be found out. His Excellency the Commander-in-Chief would be doing a distinct service to India if he would look to further reduction in the Army Budget.

Hony. Captain Rao Bahadur Chaudhri Lal Chand (Nominated Non-Official): Sir, the rapidity with which events have been moving in the past, and the complications that have cropped up during the last two or three months make the task of administration very difficult. The present political situation alone was enough to embarrass any Government and if we take into consideration the financial strain all the world over affecting our economies, the task becomes still more difficult. To frame a Budget, a correct estimate of the income and expenditure, at such times is an extremely difficult task.

The Budget that has been presented to this House reflects the greatest credit on the Honourable the Finance Member and his lieutenants. The lucid statement and the exhaustive explanatory notes show how much time and energy he must have given to it. Ever since the beginning of the session, the Honourable the Finance Member has had to devote most of his time here, and judging from the voluminous and lucid information he has placed in our hands, it appears he must have been working very hard outside Assembly hours. Our sincere thanks are therefore due to him and to his subordinates.

Sir, we are passing through the most critical period of Indian history. There is on the one hand a political unrest of vast magnitude, and there is also an unprecedented financial crisis. I will not discuss the political unrest to-day except in so far as it affects the Finances of the State, and will confine my remarks to the financial measures taken by the Government. The appointment of Retrenchment Committees and the Finance Bill showed that Government wanted to tap all the resources and to stop all waste. But with due regard to the recommendations of the various Committees, whose arduous labours have been applauded by the Honourable the Finance Member, I sincerely believe that the retrenchment proposals fall far short of the needs of the situation and unless a drastic step is taken to reduce expenditure, it will be difficult to carry on. The services are still very expensive and the machinery of Government is still

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more cumbersome than is necessary for a poor country like India. There is some excuse for paying high salaries to Europeans as they have to come away from their homes and serve under uncertain conditions, but to pay the same salaries to Indians serving in their own country is not logical

Mr. N. M. Joshi (Nominated Non-Official): We did not ask them to come here.

Hony. Captain Rao Bahadur Chaudhuri Lal Chand: The day is far off yet when we will be free from that. Besides, some simple methods should be devised to suit the conditions of this country.

Sir, the department where retrenchment has been most satisfactory is the Army Department, and His Excellency the Commander-in-Chief has shown great aptitude and tact in adapting the Army Budget to changed conditions. The cuts have been most satisfactorily carried out, and in spite of the change in the political situation since September last he has fulfilled the promise announced at that time.

With your permission, Sir, I wish to draw the attention of the Government to one aspect of their taxation policy. So much fuss is being made here and elsewhere of the condition of a handful of millhands in the name of "Indian Labour". Probably the idea has come from the west, where this section of labour forms such a large majority of the population and is an important asset. I hope my friend the Honourable Mr. Joshi will agree with me that the majority of Indian labourers are working in fields and not in mills or mines. India is purely an agricultural country, and 75 per cent. of its population lives upon agriculture. They are not only cultivators of the soil, but also the breeders of cattle. They are, however, scattered over the length and breadth of the country and you cannot make them pass through the streets of Bombay and Calcutta for purposes of demonstration. I am not going to refer to their want of representation in this House or on the Round Table Conference or on any of the Committees that are now at work, not because their case can be heard *ex parte* without detriment to their interests, but because they are in a majority in this country, and protection is needed only for minorities and not for majorities. I will show that this working class has been given a step-motherly treatment by Government and the policy of taxation is very faulty.

The chief privileges of this House are, first, to levy taxes, and secondly, to spend the money so realised. The first privilege allows them to dip their hands in the pockets of the people, and the other entitles them to spend that money. I will now show that we have been impartial in levying taxes and are not spending money on people in proportion to their contributions. For this purpose I will take the case of the peasant proprietor. He owns a small holding and cultivates the same himself. So he is both the landlord and the tenant. The majority of agriculturists belong to this class and its importance is enhanced by the fact that the Indian recruit comes from this section of the population.

Comparisons are odious, but for the purposes of my case I will compare the land revenue policy of Government with its income-tax policy. Honourable Members will remember that when it was proposed to bring the

minimum taxable income down to Rs. 1,000, it was argued that poor peoples' bread and butter should not be taxed. It was then said that Rs. 1,000 was not enough for bare living of an average family of six persons. Be it Rs. 1,000, or Rs. 2,000 or even Rs. 500 or even as low as Mr. Joshi has rightly pointed out, this principle of exempting bread and butter from taxation is perfectly sound. But may I ask if a similar margin has been left for the peasant proprietor? Every inch of land is taxed, no matter whether the holding is small or large, and whether it gives bread or butter or none at all.

I know I will be told that all lands belong to the Crown and we are only lessees from one settlement to another. But if the Crown is owner of all lands, agricultural and otherwise, then why has a similar tax not been levied on sites of houses and shops and factories? When did the Crown dispose of these sites? Has the Crown lost its inherent right of ownership in Chandni Chowk lands, and is only owner of bare fields? (*An Honourable Member*: "They pay ground rent".) No, they don't. The value of house sites, shops and all such property has gone up as a result of the peace given by settled Government, and yet the Crown has been divested of its ownership in the best position of the properties of this land. I will just give one illustration to show the unjust nature of this theory. For instance, I own two acres of land near Delhi. That is all un-irrigated, and I sow the cheapest crop on that land, and that is only fodder. It gives me only Rs. 12 per annum as income. The revenue officer comes round and takes away Rs. 2 a year from me because it is land reserved for agricultural purposes. Suppose I turn it into a factory and my income goes up to Rs. 1,999. The revenue officer comes and says, "Oh, it has ceased to be agricultural land and therefore I do not want anything from you". The Income-tax officer comes round and says, "Your income is below Rs. 2,000 and so nothing is wanted from you". Therefore, although that land has given me more income, yet I am free . . .

Mr. N. M. Joshi: You have to pay a fine for turning the agricultural land into a factory.

Hony. Captain Rao Bahadur Ohaudhri Lal Chand: No. Not at all. So, we are not impartial in levying taxes, and naturally the burden falls on the party that is not present here and is unrepresented in other important places also. They are Indians not for rights but for liabilities. True democracy demands that they should be treated as brothers with equal rights.

Sir, the Government of India as at present constituted, including of course this House, is a combination of big landlords, big officials and capitalists or the moneyed classes, and it is no wonder that they should ignore this class. Taking the big zemindars alone, how many of us here would agree to a graded system of assessment on the lines of the income-tax? My suggestion may create a split in the zemindar camp, but I may point out here, as I did before the Agricultural Commission in 1926, that the future parties in India will be landlords and capitalists on one side and peasant proprietors and labourers on the other. The times are coming when, if the Lothian Committee keeps its eyes open, the next reforms will see half of these benches occupied by peasants.

Sir, I will be told that land revenue is a provincial transferred subject, and that I should go to the provinces for these exemptions of bread and

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butter from taxation for the small landholders. I accept this argument. But is not industries a provincial and transferred subject, and have not Government and this Assembly agreed to give bounties to certain favoured industries and to interests which had influence here? The time has come when agriculture should be classified as the biggest industry in India. The land revenue policy needs complete overhauling and the small landholder who cultivates his small holding should be given a margin of bare subsistence before he is taxed.

Sir, we are very grateful to the Honourable the Finance Member for leaving us free at the time of the Finance Bill in November last. But I am no less surprised at the easy way in which paragraph 2 of his speech has been drafted by the Honourable Member. While describing the general economic position, he says, "India had quite a *normal year* as regards agricultural production". This gives the Honourable Members here and the world outside an impression that the condition of the agriculturist is normal.

Sir, this is not so. If this had been so, the Punjab Government and the United Provinces Government would not have had to give general remissions in land revenue and *abiyana* on a liberal scale. The Punjab's remission alone amounts to about 2 crores during the course of this year. But there is a Persian proverb :

"*Shunida kai buad manind didah.*"

"What you hear can never be like what you see". For this purpose I would refer to the economic position of a district just on the other side of the Delhi Cantonment. The Government of India circulate papers and blue books whenever there is any emergency. I would propose, Sir, that in this case Honourable Members may be circulated or taken round in Gurgaon District to have a look at this agricultural *prosperity*. I learnt with great sorrow from the Deputy Commissioner of that district some time ago that the arrears of land revenue and other dues like *takavi*, etc., amounted to 70 lakhs. This figure would have reached a crore if the Punjab Government had not been liberal in remissions of land revenue and *abiyana*. To this may be added another 30 lakhs due to co-operative societies and Central Banks.

Sir, the peasantry is regarded as the backbone of a country. Can this bone remain safe when this heavy burden is on the back? I have searched in vain in the volumes supplied to us to find an equivalent of bounties paid to industrial concerns. There is no such machinery for agriculturists as the Tariff Board is for industrialists. There is not a pie set apart for the amelioration of the condition of agriculturists. Let Government set an example, at least in Delhi and Ajmer, which areas are directly under them. Let the present system of assessment of land revenue be modified to give an exemption on the lines of income-tax, and let bounties be granted for freeing the agriculturist from this debt. Money will be needed and the only source is retrenchment. If any officer objects to cuts, let him be made to tour in Gurgaon district and see the position for himself. The Lordly atmosphere of New Delhi with its green plots during the day and dazzling lights at night is hardly fitted for economy in expenditure.

The question arises, why are we quiet, and why do we not give utterance to our grievances? The reason is not far to seek. We are convinced that there will be *Kuraj* (anarchy) before *Swaraj*, and it will be then time for the poor classes to make good their losses.

Mr. B. Das: You agree with Pandit Jawahar Lal Nehru.

Hony. Captain Rao Bahadur Chaudhri Lal Chand: I believe in what I have said. Sir, one word more, and I have finished. The depressed classes were neglected by the Hindus, and to-day they are being sought after. On the one hand, a Moonje-Rajah pact is being advertised, and on the other, Pandit Madan Mohan Malaviya is giving *Diksha* to them in Benares. This is all exploitation for a monopoly of the loaves and fishes of Government. Numbers do count when democracy is in sight, and I hope my Honourable friend Mr. Rajah will not allow these classes to be exploited either by Colonel Sir Henry Gidney or by Dr. Moonje. My sympathies are with them, because if they are *depressed* we peasants are *oppressed*. We are all in the same boat.

Sir, I will refer to one more point before I close. The present agitation in India is causing heavy expenditure to the administration. But if you go to an ordinary villager, he will ask for a remission in taxes instead of *Swaraj*. He wants bread first and *Swaraj* afterwards. Pray assure him that the burden of the extra expenditure on suppressing movements calculated to create disorder in the country will not fall upon him. If sums amounting to nearly three lakhs of rupees are to be spent on one case in Delhi alone, the taxpayer will be dissatisfied and discontent will increase. Steps should be devised to locate the extra burden on shoulders responsible for this disorder. The innocent should not suffer with the guilty. The Government's primary duty is to maintain law and order, and that includes perfect security to peaceful citizens.

Bhai Parma Nand (Ambala Division: Non-Muhammadan): Sir, the balancing of the Budget is intimately connected with taxation. Yesterday, when the question of taxation was under discussion, it was said on behalf of the capitalists that the taxable capacity of the rich people had reached its last limit. On the other hand, it was urged by the representatives of the labouring class, that the poor people could not pay any more. Both the parties are perhaps right. I want to deal with the question of taxation from another aspect.

I think this question of taxation is deeply connected with the question of constitutional problems, and on that point, I wish to make a simple criticism on the subvention that has been granted by the Honourable the Finance Member and the Government to the newly created province of the North-West Frontier. Reading the history of England, and more particularly the development of constitutional progress in that country, I find that the fundamental principle in which all constitutional progress takes its origin, is the principle that there can be no taxation without representation.* The kings who wanted to tax the people were compelled by their subjects to first of all take their consent through representatives chosen by them before levying any taxes on the people. Let us consider this subvention from that point of view. Perhaps there can be no

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practical way out of that difficulty as it confronts us, but discussing it from a theoretical point of view, I would say that the grant of this subvention is not only a departure from constitutional principles, but it is in direct contravention of the fundamental principles of the constitution. We know, as a matter of fact, that the North-West Frontier Province has been a charge on the Central Government ever since it was created into a separate province. But now the position has altogether changed. Before this time the Province was subject to the control of the Central Government, and the Central Government had full authority and control over the Government of that province. Well, the people of that province wanted to have autonomy and representative institutions. Naturally their aspirations have been met by the Government with approval in spite of the opposition of certain classes and certain sections. Now that they have got representative institutions, the question arises, why should the Central Government pay for the expenses of this new province? This is my main objection to the grant of the subvention. (*An Honourable Member*: "Amalgamate them with the Punjab.") Do it by all means. That is what we wanted. When this province was first separated from the Punjab, the expenditure was only Rs. 74 lakhs a year, and during all these years the expenditure has been continually increasing, reaching the limit of Rs. 364 lakhs in the year 1927-28. The deficit, which was only Rs. 38 lakhs then, has gone up to Rs. 284 lakhs, *i.e.*, $7\frac{1}{2}$ times what it was. This question of this increasing expenditure was before the Government of India, and they in their despatch discussed it and traced its history. They say, when the province was separated, its management quietly was made over to the Government of India and all its expenditure was made a part of the Budget of the Government of India. No regular settlement was made between the two Governments. For some years a kind of domestic arrangement prevailed between the Government of India and the Chief Commissioner. But soon after, it was found that half the cost of expenditure proved greater than the whole of the revenue and the Government of India made up the difference by a so-called "assignment". This assignment was gradually given up, and it was found after some time that the expenditure on this province had grown so big that the Government of India found some difficulty with regard to the distribution of the money for administered and non-administered areas. We know that the Frontier territory is divided into two parts; one is the five administered districts, and the other is the tribal area, the non-administered districts. Of this tribal area, nearly half is under the influence of the British Government and the other is under the influence of Afghanistan.

Major Nawab Ahmad Nawab Khan (Nominated Non-Official): It is not right. They are semi-independent. They are not under Afghanistan.

Bhai Parma Nand: I am not saying that they are under Afghanistan, I said that they are under the influence of Afghanistan. The greater portion of this expenditure was incurred on the maintenance of order in the non-administered areas. Finally, for the purpose of re-casting the claims of these areas, an officer was appointed on special duty to distribute between the settled districts and the tribal area the revenues and expenditure of the North-West Frontier Province. The officer submitted his report but nothing definite has yet been decided on that point.

My second objection to the grant of a subvention of one crore of rupees to the newly created province is the extravagance of the
 4 P.M. Frontier Government. From the figures we find that the Government of the North-West Frontier Province has been very lavish and free with other people's money and its expenses have been increasing every year. I would just like to quote certain figures. Taking 1927-28 as the basis of comparison between the North-West Frontier Province and other provinces, we find that under Land Revenue and General Administration, the expenditure per head in North-West Frontier Province is 1·04, while it is ·66 in Madras, ·36 in Bengal, ·50 in the United Provinces and ·28 in Bihar and Orissa, ·71 in Central Provinces and ·65 in Assam. Similarly turning to jails, justice and police we have got expenditure per head 1·4 in North-West Frontier Province, while in other provinces it is much less than this. It is ·76 in Bihar and Orissa, ·54 in Assam and so on. Taking educational expenses, very nearly the same proportion goes on. Now taking the lowest scale of expenditure per head in the major provinces, the total expenditure in the North-West Frontier Province should have been only 32 lakhs, whereas it actually rose as high as 145 lakhs, which shows that the province has already a very expensive machinery of Government and that the province is spending much more than other provinces of the country.

Mr. Abdul Matin Chaudhury: What are the figures for education?

Bhai Parma Nand: Under education, Sir, taking 1927-28 we find that the North-West Frontier Province spent ·79 per head, while in Madras it is ·52, for Bengal it is ·33 and in the United Provinces ·31. So in education also the North-West Frontier Province is spending more per head than any other province. Therefore we ought to think twice before we make the machinery of the Government more expensive than it is already. I take the words of Mr. Ghuznavi on this point, that the reforms and the representative machinery attached with them are really the cause of all our deficits and heavy expenditure. If that be so, Sir, we have to think twice before we add to the expense of a province which is already dependent on others.

What I mean to point out is this, that if the people of the province want to have representative machinery, they should not expect money to flow from other parts of the country in order to keep up their Government. They should openly declare that they are ready to shoulder their own burdens. I don't think any of us should object to the grant of self-government or representative institutions to any part, but to grant representative institutions to a people who are not prepared to bear the expense of the machinery of the Government can in no way be justified. Such people do not deserve such privileges in any form. To give a grant of a crore of rupees to a province of 25 lakhs of people means giving away Rs. 4 per man every year and that sum has to be taken out of the pockets of the tax-payers of this country, who are no doubt much poorer than the people inhabiting the Frontier province. If the Frontier people are unable to pay the expenses of more highly developed Government they should rest content with the least expensive machinery.

One argument that is very often put forward, is that the Central Government should bear all these expenses, because the North West Frontier Province people are our gate-keepers. I say it is an utterly fallacious

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argument. I do not think that the North-West Frontier Province in any way performs the duty of gate-keeping for the rest of India. If they could have done so, there would have been no need of such a large Army. We have to spend more than 60 crores a year on the maintenance of our Army, a thing against which every one of us grumbles when he talks of the expensiveness of the Budget. The real gate-keeping is done by the Army besides the Frontier Watch and Ward, which gets about 96 lakhs every year from the Central revenues. Again 90 lakhs are spent on the Political Department. They are also taken from the Central revenues. From the present indications, we can form no definite opinion as to whether the sympathies of the Frontier people would be on the side of India at the time of any foreign invasion. I do not think therefore that this argument about gate-keeping has any substance behind it.

This subvention is nothing but a concession to the Muslim communal demands, as they are found in the 14 points of Mr. Jinnah. I do not grudge even that. The Frontier people want representative institutions, but they are not able to bear the burden of expenses and they should at least admit that the Muhammadans are getting favoured treatment. The other day when the Railway Budget was discussed, I quoted figures from the report of Mr. Hassan to show that one-fourth of the appointments of subordinate and higher services were in the hands of the Muhammadan community and they had no right to clamour every time for more Muslim representation in railway services. What happened then? So many of the Members of the Muslim community, got up and attacked me saying that I was a communalist and a Hindu Mahasabha man. Why? Because I was opposing communalism in services and in other matters. (*Some Honourable Members*: "Question.") Sir, if a man speaks the plain truth, he thereby becomes a communalist, and the people who make it a business to clamour for communal privileges, are not communalists.

There is one thing more. My Honourable friend, Sir Henry Gidney, said on a previous occasion, that we wanted to oppose, while he and his community wanted to support, the communal claims of the Muslim community, while our case was that services should be given on the score of merit and efficiency. But today while urging the claims of Anglo-Indians he says, because they have been the main factor in the building up of railways in India the Anglo-Indians have got preferential claims. I admit that that claim should be recognized by us, and I certainly did not say that they do not have any right to these services, but, on the same analogy and on the same principle, Sir Henry Gidney and his friends should acknowledge that those people who have been giving their services all these years for the building up of the railway system, have a right not only to continue in service but even to have some preference. Who can deny that members of my community have been rendering a great service in the building up of railways and in the administration of the country, should not be turned out and supplanted by new persons who have hitherto done nothing, and who have been, so to say, sleeping all this while. I contend, Sir, that it would be inflicting a grievous wrong on members of my community that they should now be sought to be turned out in the street and their places given to another set of people,—not on the score of higher or equal efficiency and merit, but simply on the ground that their population ratio is so and so

Mr. President: Order, order. The Honourable Member's time is up.

Maulvi Sayyid Murtuza Sahab Bahadur (South Madras: Muhammadan): Sir, as facts and figures have been fully dealt with by previous speakers, I shall not take up the time of the House in dealing therewith, but, as one who has seen the ups and downs of life, I shall give a piece of advice to the Government. Sir, the repressive policy that they have adopted is not at all calculated to mend matters (Hear, hear), or to improve the financial crisis the country is passing through. Sir, this state of affairs will prove disastrous not only to the governed but also to the Government. (Hear, hear.) Sir, the best course, therefore, to be adopted by the Government is to resort to the course adopted by Lord Irwin. (Hear, hear.) Sir, many of my Honourable colleagues may differ from me (*Voices:* "We all agree"), but I am strong on that point. (Hear, hear.) But there is this difficulty, Sir. If Members of Bhai Parma Nand's stamp should come forward to say that they are nationalists and that they are not communalists at all, well, then many of the Members that belong to the minority community have to think twice before they can enter into any sort of pact with the majority community. (Hear, hear.) Now, my Honourable friend, Bhai Parma Nand, the other day did not like the idea that Mussalman claims should be put forward before the House. Today he comes forward to protest against the subvention to the N.-W. F. Province, and in doing so he criticizes the Government for spending so much for the N.-W. F. P. Administration. He says that the Pathans are not the gate-keepers of India and so they do not deserve any concession whatsoever. But he is a new-comer to the Assembly; he has not taken care to go through the Report of the Committee which was presided over by Sir Denys Bray, the then Foreign Secretary. (*Bhai Parma Nand:* "I have read the Report, Sir. The Hindu members were opposed to the proposals.") What is the recommendation of that Committee, Sir? Can my Honourable friend repeat some salient portion of the Report, if he has read it at all? That Committee recommended long ago that reforms should be introduced into the N.-W. F. Province for the reasons set forth in their Report, and it was in 1926, that I moved a Resolution in this House recommending to the Governor General in Council that reforms should be introduced into the N.-W. F. Province and that that province should be placed on the same level as the other provinces in India. Even then, Sir, some of the staunch nationalists like Pandit Madan Mohan Malaviya, a leader for whom I have got a personal regard, as much regard in fact as Bhai Parma Nand himself has, because he is my personal friend, even they opposed it, and if I remember correctly, the present Leader of the Nationalist Party also did not favour that Resolution, and I am also sorry to say that the *ex-member* of the Nationalist Party, Diwan Bahadur T. Rangachariar, whom I miss now today, opposed it tooth and nail. Then another leader, Sir Sivaswamy Aiyer, belonging to the Liberal Party, even he did not give vent to his liberality here. Now here comes Bhai Parma Nand, who levels the charge against Muhammadans that they are communalists. Now I ask, is not my Honourable friend a communalist when he opposed this thing yesterday, Sir? Mr. B. Das wanted to move an adjournment motion on some other ground yesterday. That is a different matter.

Mr. B. Das: I want that the money should be distributed to all new provinces and not to the N.-W. F. Province alone.

Maulvi Sayyid Murtuza Sahab Bahadur: But now the reason assigned by Bhai Parma Nand is a quite different one altogether. The House is fully alive to the fact that the Hindu Mahasabha of Dehra Ismail Khan particularly, and other Mahasabhas opposed the introduction of reforms into the N.-W. F. Province even till some time ago, but now that it has been made a separate province, the Hindus are going to get 5 seats out of 28 seats, and our Sikh brethren also will have a seat,—out of 28 elected seats. (*An Honourable Member:* "40 seats.") We do not attach any importance to nominated seats which are included in that figure. Out of 28 elected seats, six go to non-Muslims, and only 22 go to Muslims, and we do not grudge it. On the contrary, we feel glad that our Hindu and Sikh brethren get six, that is, nearly 24 per cent. Had they got 25 or even 30 seats, we would not have grudged it, unlike my Honourable friend, Bhai Parma Nand.

Bhai Parma Nand: I am very glad to hear it.

Maulvi Sayyid Murtuza Sahab Bahadur: Thank you. So, Sir, the spending of one crore of rupees and that too for three years, is objected to. We do not know how matters will shape themselves after three years.

Mr. B. Das: It will be for 100 years at least.

Maulvi Sayyid Murtuza Sahab Bahadur: Thank you. If we get nationalist brethren like you, there will not be any difficulty. Now two crores of rupees are spent on strategic lines, but Bhai Parma Nand has not a word to say against that. If however one crore is spent for the benefit of Mussalmans—and not for them only but for Hindus, Sikhs and others put together—even then, because the Muslims form the majority there, my Honourable friends will come forward under the guise of nationalism to oppose us; in reality, Sir, I say they are communalists of the first order.

Now, a word to the Government. So far as our Honourable friend the Finance Member is concerned, we should necessarily sympathise with him because he is placed in a very delicate position. We fully realise the position in which he finds himself as he also does, but so far as the military expenditure is concerned, I would make an appeal to him to enlist the further co-operation of His Excellency the Commander-in-Chief and also of the Secretary of State, so that 48 crores might not be the minimum expenditure on the military. In fact, it will not be 48 crores but it will be 50 crores, including the two crores that has been spent on strategic lines. So, Sir, our financial difficulty could be tided over to a great extent if palpable saving is effected in that direction. The sooner this is done the better. There is my Honourable friend, Sir James Crerar. For him and for the rest of the House I will quote only one couplet in Persian and with that I will conclude my speech.

*"Unchi dana kunad, kunad nadan,
Lek bad az kharabiye bisyar."*

Translated into English, it means this: "The unwise employ the same method as the wise for achieving his object, but the difference is that the wise will embrace the earliest opportunity of doing so, but the unwise will be a day after the fair." So I would request the Government not to

be dilatory, not to be one day after the fair, but to take prompt action in this direction, so that our financial condition may be improved. (Applause.)

Mr. President (The Honourable Sir Ibrahim Rahimtoola): I should like to ascertain the wishes of the Honourable House as to whether they wish to sit to a later hour or whether they wish to close now and allow the Honourable the Finance Member the necessary time to reply on the whole debate. The Chair is perfectly agreeable to sit to a later hour if that is the wish of the Honourable House. Does the House wish to close? (*Several Voices*: "Yes.") I take it that the House agrees that the debate should now close and I therefore call upon the Honourable the Finance Member to reply.

The Honourable Sir George Schuster: Sir, I must commence by saying that, generally speaking, I feel that I have nothing to complain about in the tone of this debate. Honourable Members, on the whole, have been most kind to me, and I think that they have stuck, if I may say so, rather more closely to the point of the Budget in this debate than is usual in the case of general discussions on the Budget. My Honourable friend, Mr. Mody, was particularly kind. He tried to "temper the wind to the shorn lamp" by asking me to appreciate that if he delivered blows at me, I must take it merely as a sign of desire on his part to keep my interest alive in the debate. I think, Sir, that even without that kindly softening of his blows, I should have been able to stand the wind. The wolf's clothing which I now have to wear affords a sufficiently thick protection.

Sir, I am left at the end of the debate in this position,—if I might adopt a simile from a game of cards with which some of us are familiar. Having started the deal myself and having seen what the other players had to say and what they did in the way of taking cards, I feel that I can stand on my own hand. I am taking no further cards. I am quite content with the statement of the case as I put it in my original speech, and I would ask Honourable Members to go carefully through that again and through the papers we have circulated, for, I believe, that they contain satisfactory answers to practically all the points that were made. Sir, I started by saying that I was grateful to those who have spoken in this debate for the way in which they had dealt with the subject and particularly for the remarks which many of them made about myself. I should like, if I may, to say that there is one particular element in those remarks which I do appreciate and should like to feel that I deserve, and that is the appreciation of my attempts to be clear in the statement which I put before the House. In spite of the somewhat double-edged compliment which my Honourable friend the Leader of the Nationalist Party paid to me, I did not endeavour to practise any art in putting forward that statement (Applause) except the art of giving a clear statement in order to avoid any sort of misunderstanding.

(At this stage Mr. President vacated the Chair which was taken by Sir Hari Singh Gour.)

A good deal has been said in the course of the debate about the limitations under which a Finance Member in this country must labour today in the present circumstances. I freely admit that. Indeed, it is one of the main points of my whole statement of the case that in the course of

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these great tidal movements of economic forces, no Finance Minister or Finance Member can really prevent or alleviate the main causes which are at work. That is really the dominating factor in the present situation, and I do not accept what was said about the special limitations that apply to a Finance Member sitting here today. To those who say that, I would reply: Look round the world and see how other Finance Ministers are dealing with their task. I think it is probably true to say that in no country is there now a Finance Minister in office who has remained in office throughout the critical period of the last three years. If there is, he has probably already lost his reputation. (Laughter.) I suppose the nearest parallel is Mr. Hoover, the President of the United States. There you have an example of an extremely able man, whose efforts to stem the economic forces have been unavailing. And when the people of this country say, let the Government try to alleviate the situation, I would ask them to look at what has been done or attempted in the United States in the many measures which they have attempted. When this crisis came upon them, their general attitude was: "We are so business like and our country is so resourceful that we can laugh at this kind of economic crisis. We shall devise methods to make ourselves immune." And yet I believe it is fair to say now that there is no country in the world which is suffering more severely from the economic crisis than the United States. That I think may be pointed to as an example of the limitations of Governments to deal with a crisis of that kind.

One may look to another form of Government which has taken other forms of action. One may look to Russia and the Soviet Government. None of us know exactly how they are getting through the present crisis, but to those who feel that Russian methods might be suitable to this country, I would say, study what has happened, read the books and ask yourself whether this country would submit to the tyranny which is necessary if the Government of any country is going to try and deal with the economic situation as the Russian Government has done. I do not for a moment believe that this country would stand treatment of that kind, nor do I believe that India, whether under the present Government or in the future, would be able to throw up a Government which could deal with the situation in the ruthless manner which has been adopted in Russia. Looking round the world, I believe there is only one country which shows us an example which all would wish to follow in dealing with the present crisis and that example I think we may fairly claim is that of the British Government. What has happened there is not an illustration of the ability of any particular man who happens to be holding office. Indeed it is pertinent to remark that the present Government came in to prevent something happening which happened a very few weeks after they came in, and which many people say was the real cause of the favourable change in the situation and of their present success.

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

It cannot be claimed that it is the ability of any individual, but what one can say is that there the nation responded to the need and the nation said: "We are determined to have our financial affairs managed on sound lines and we are going to put into power the sort of Government that we think will do that." That is what England is doing to-day. That is what

all countries are looking to with increasing respect. And that I believe is the lesson to be learnt from what has been happening in the world during this unparalleled crisis. No human skill of any particular individual can alleviate its effects, but if a nation pulls together and is determined to make a national effort then they can face any crisis without fear of any disaster.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): May we have a national Government here?

The Honourable Sir George Schuster: Now, Sir, before I deal with the main points which I can regard as affording the main "motif" of the Budget debate, I might take one or two special points to be selected from the various speeches. My Honourable friend the Leader of the European Group asked us in future to insert in the Financial Secretary's Memorandum a longer statement of the financial results of Government. This indeed we did consider, but the difficulty is of course that the figures in the years before 1921, and before the reforms, were made up on quite a different basis, because there was not the same distinction between provincial and central finance. Therefore it would be very difficult to prepare a table on the same basis going right back over all provinces. I shall have more remarks to make on this a little later on in my speech.

My Honourable friend Mr. B. Das referred to the two orphans that we were now adopting, I think that was his phrase, Aden and the North-West Frontier Province. I do not think that the expression is quite apt—particularly not in the case of the N.-W. F. P. That is no case of adopting an orphan, but rather of sending a young man out into the world when he has attained his majority. Now, as regards Aden, my Honourable friend expressed some anxiety that when Aden came under the Central Government, the expenditure might increase. I do not think that he need have those fears, at any rate that is not a matter that arises to-day. As regards the N.-W. F. P., I do not wish to deal with that in detail now, because I understand there will be a fuller opportunity for discussing that in connection with the Demands for Grants. I only want to say this, that a great many speakers have referred to this subvention of one crore as though it were some new gift to the province. I think Honourable Members who have read my speech will appreciate that that is not the case at all, but it is simply the result of preparing the Budget in exactly the same way as we should have prepared it if the province remained under the central administration. My Honourable friend, Mr. Das, also made a suggestion that a committee should be appointed on the incidence of taxation. It may be that certain further enquiries in which Government might be associated with un-official representatives would be of value in the coming year, but I do not think that any special enquiry into the incidence of our present taxation is exactly what is required. What we require rather is to undertake a task to which I referred in the closing passages of my own speech, we want to watch how the existing taxes are working and consider whether they should be modified as part of our permanent system of finance or whether there are any alternative methods which could be devised so as to produce that popular effect which is described as broadening the basis of taxation. I notice that although I heard a good deal about that in the course of the November debates, and although many people promised to give me ideas on that subject, no one has been particularly bold in coming forward with practical suggestions. My Honourable friend, Mr. Das, did

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indeed put up three suggestions in November, and I can tell him that I had them all most carefully examined; but came regretfully to the conclusion that they were not measures which we could immediately adopt or measures which would be likely greatly to improve our revenue position. But if any one has suggestions to make and if we could discover that on certain lines the Government would receive support, that Government might devise methods of taxation which would bear less heavily on the country, I can only say that we would receive those suggestions with the greatest possible welcome and give them the most careful consideration. My Honourable friend, Mr. Das, also referred to the question of the public debt and particularly to the position of Provincial Governments. I only just take up that point, not that I mean to say anything about it now, but because I fully recognise that it is a most important point for future consideration.

I come now to the speech made by my Honourable friend from Bombay, Mr. Mody. There was one particular phrase in his speech to which I must refer. He said that the Government have been "playing ducks and drakes with the public finance" for the last 12 years, and had out-run the constable to the extent of 56 crores, that they had in fact spent 56 crores more than they had earned during that period. Well, of course, there is an easy and obvious answer to that, which may be given in the first place, and that is that although the sum of the deficits and surpluses during those twelve years does amount to not 56 crores but about 54 crores, including what we forecast for the next year, one must take into account that during that period very substantial sums had been set aside for the repayment of debt. The total amount set aside for the repayment of debt during that period has been 6½ crores and 40 lakhs. It exceeds the actual deficits by 7 crores and 93 lakhs. Now there is nothing that I desire less than to suggest that some provision for a regular sinking fund is not a necessary feature of any sound financial system, and I should be most unwilling that any remarks of mine should be interpreted as meaning that I consider that beyond the needs of sound finance. At the same time we do not want to paint our picture in too black colours just now, and to say that we have spent 56 crores more than we have earned during the last 12 years is, I submit, putting the position in far too unfavourable a light.

Dr. Ziauddin Ahmad: Sir, may I just interrupt the Honourable Member? Has not the debt which is not yielding revenue increased by this amount during the same period?

The Honourable Sir George Schuster: No, Sir. The debt, other things being equal, would not have increased by this amount, because each year we were putting aside this sum for the reduction and avoidance of debt; and if there had been no other transactions at all which the Government undertook, no other borrowing of any kind, our debt at the end of the 12 years would have been 7 crores and 93 lakhs less than it was at the beginning. That is the simple position. But there are one or two other things that I wish to say on that. In the first place the Government of India have in the past—and I hope the tradition will be preserved in the future—adopted a very conservative policy as regards what they treat as capital expenditure. Every kind of capital expenditure on works which are not revenue producing, expenditure on buildings, roads, etc., is all provided for out of revenue, and the only important exception which has ever

been made to that has been the case of the New Capital account for New Delhi. We might, if we had followed the practice of other Governments, have financed a great deal of that expenditure out of loan funds. I do not want to suggest that we would have been right. Our practice has been the right one. On the other hand it is a point to be made in considering the Government's financial position.

Another point that I want to make is this, that it happens that this particular period of 12 years is selected in rather an unfortunate way. The two first years with their heavy deficits represent the tail-end of what one might describe as the abnormal period of the war and the post-war years. Now, if you wish to look back over the history of Indian finance,—and here I am taking up the point made by my Honourable friend Sir Hugh Cocke—you will find the following results—I may here quote from a book called "Sixty Years of Indian Finance" by Prof. K. T. Shah, in which you will find that he gives a long summary of the financial results and he says:

"It will be noticed that there is an almost unbroken series of heavy surpluses from 1898-99 to 1913-14. The total net surplus during that period is 54 crores. Before that period surpluses and deficits were almost evenly balanced."

So that there was a long period of accruing surpluses before the war, the total amount of surpluses coming to 54 crores. Then came the war period, say from 1914-15 to 1922-23, when undoubtedly the Government of India finances went through a very heavy strain and the total net deficit on those years was about 80 crores. But that, if one considers again the position through which other countries of the world went, is not really a very heavy burden to have had put upon a country. And if then you start from the end of what I call this war period, then in the last ten years, taking into account the current year and our forecasts for next year on balance the deficits are just 11½ crores, against which there has been set aside for debt repayment 53 crores and 39 lakhs. I do not think that that is a bad position, and I think that as long as India can maintain that sort of position, her finances will remain on a very sound basis. Looking back over past history, one has got to recognise that a country like India goes through certain cycles. It goes through a few years when things are difficult and when deficits may perhaps occur. That can be stood if the general system of finance is maintained on a sound basis and if, when times get better, instead of taking advantage of improved conditions to allow expenditure to expand, those times of good years are used for accumulating surpluses. That is what India will have to do in the future to make up for the period through which we are just now going. Undoubtedly in these critical years we are not setting aside as much for the redemption of debt as we ought to do on a general average.

Then, Sir, there was a small point made by my friend Mr. Morgan. He wished for an explanation of a certain table in the Financial Secretary's statement and he wished to know why in the cost of collection of revenue from stamps there has been a sudden jump from one lakh in the current year to an estimate of 15 lakhs for next year. That is entirely due to the change that we are making in the accounts for the Nasik Printing Presses. As I explained in my Budget speech, instead of showing the net figure for Nasik we are now showing the gross expenditure on the one side and the gross revenue on the other. That is why that figure has to go up in the accounts by 13½ lakhs.

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I cannot leave these special points without making some sympathetic reference to what fell from my Honourable friend Diwan Bahadur Harbilas Sarda about his beloved home-place, Ajmer-Merwara. I am sure we all sympathise with him, but I do not think that he can fairly claim that what has been done as regards the North-West Frontier is an excuse for asking for generous, I may even say charitable, treatment from the general body of tax-payers in India for his own home. I think that that would be the general sense of the House and much as we sympathise with my Honourable friend, I think our reaction to what he said must remain one of sympathy.

Diwan Bahadur Harbilas Sarda (Ajmer-Merwara: General): I only want sympathetic treatment and nothing else.

The Honourable Sir George Schuster: Then, Sir, turning to what I may call the main themes of this debate, one point which has received a good deal of consideration has been that as regards the incidence of taxation; and there certain remarks which I made in my Budget speech have, I must say, cast a sort of apple of discord into the ranks of those who sit opposite to us in this House. Yesterday a conflict was waged between my Honourable friend Mr. Mody and my Honourable friend Mr. Das. Then my Honourable friend on my right, Mr. Joshi, joined in, and I thought that I should be left to give a sort of judgment of Paris between these three. But this morning they were joined by another goddess, my Honourable and gallant friend Sir Henry Gidney. He is, I must say, what I might describe as a whole-hogger, or perhaps, to use a suitable synonym, an all-salt man. It is refreshing to find somebody with such a simple doctrine, but I doubt very much whether his doctrine would achieve success in the House if we had embodied it in practical proposals. Now, Sir, I do not wish,—and the time does not permit me,—to go in detail into all that was said on this subject. What I do wish to point out, particularly to my Honourable friend Mr. Joshi, is this, that in making the statements which I did I was trying merely to put before the House an absolutely impartial objective review of the facts. There are certain interesting facts which are thrown out in what is happening now, and I do think it most important that the public should realise what is happening. However anxious we may be to avoid increasing the burdens of the poor,—and no one is more anxious than I am to avoid that sort of result,—it is impossible to get away from the fact that so far as Customs duties are concerned, there appears to be a very definite limit to what we can raise in the form of revenue from certain kinds of Customs duties. It is also apparently clear that even in these hard times with increases of rates on certain of the common necessities it is possible to get more revenue. Those are inescapable facts, and whatever my Honourable friend may say about the purchasing power or the general condition of the people, those are facts which appear from our revenue returns. The House can make what it likes out of those facts. I merely stated the case. That is so far as concerns Customs.

My Honourable friend then went on to say that so far as income-tax is concerned he thought it desirable that we should spread our net wider. That is a question which perhaps in the future we may be forced to consider. I personally should be extremely unwilling to do it, because

I do not think my Honourable friend appreciates what the administrative difficulties would be in including those very small incomes which he would seek to include. It has been bad enough to go down to one thousand: that meant actually a doubling of the total assesses in the country, putting another 350,000 on to the list. If we were to go down still further to 500 rupees, the administrative difficulties would be very great indeed.

Then another main point that has been made in the debate was this: a generally expressed opinion that we shall not realise our estimates. Now I think no one who reads my speech will blame me for any lack of caution in the way in which I presented my case. I made it quite clear both now and in the earlier debates in September that, in the present disturbed world conditions, it is impossible for anybody to be sure of realising his estimates. But the point that I want to put to the House and the question which I have had to ask myself is this: are we, because the world conditions are now disturbed and because our estimates are liable to go wrong, entitled, on the evidence before us now, to ask the House to vote us further revenues and further supplies? The answer to that, I think, is quite clear. Our estimates have been made up on a very reasonable and conservative basis, and I could not have come to the House at this stage and said "Give me more money. I must have a larger margin of safety." That is a point which I am sure will be appreciated by my Honourable friends in every quarter of the House. But what they would say, I have no doubt, in reply is, "Certainly we wish for no more new taxation: that is not what we should have suggested: but we think that you should have provided yourself with a margin by further measures of retrenchment." Now I do not intend to enter upon the question of Retrenchment in any detail today. I look to my Honourable friend, the Leader of the Independent Party, as likely to be a protagonist of the retrenchment argument in any debate which we have in this House. He himself, in the earlier stages of this debate, had a sort of look in a cautious way at the fence, and I thought he was going to take it and go on and continue his course over the retrenchment field; but he did not seem to like the look of it very much today,—apparently his two prompters on either side were not quite ready with their figures, and I gathered that he thought discretion was the better part of valour and that he would live to fight another day. So I shall wait until my Honourable friend delivers his attack before I deal fully with what he has to say. But I may again refer to the very full information which we have circulated and I do sincerely hope that Honourable Members will study that information. I also hope most sincerely that we shall find time to have a really thorough discussion of this subject, because we on this side are most anxious to listen to any arguments that may come from my Honourable friend, who was Chairman of the most important Retrenchment Sub-Committee or from any other quarters of this House, and to consider whether in any way it will be possible for us to go further than we have done. I assure him that I shall listen to his arguments not as one who is waiting to pick holes in them, but rather as one who is anxious to obtain ideas and suggestions from him.

There is one small point in this connection to which I would like to refer. My Honourable friend referred to the point that he had not received any particulars of the terms of compensation which the Government propose to offer to retrenched officials. I shall have great pleasure in providing him with copies of all the documents relative to that subject and

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I will make arrangements to circulate them to Honourable Members so that before the debates begin on the grants next week, they may have a chance of seeing what we have been doing in that matter.

Having taken that line, I think that it is unnecessary for me to say anything more on retrenchment and therefore I will leave alone one of the arguments of my Honourable friend, Mr. Mody, who came out with that somewhat familiar slogan that what was really required was a complete overhaul of Government expenditure. I can assure him that Government expenditure has had a very complete overhaul during the past year and if he can turn either to the civil or the military estimates and find any changes which we could introduce which would make a substantial modification in the financial situation short of very large reductions of troops, (and that raises quite different issues), I can assure him that I should be very much surprised. Indeed, as I know that he is a man who is not averse to taking a gambling risk, I shall be prepared to lay him a very large sum of money that he will not succeed.

Before I close, I would like again to refer to those four tasks which I mentioned in the very last portion of my Budget speech. I do want to hear what Honourable Members have got to say on those points, and I am somewhat disappointed that I have not heard more about them in the course of this debate. I have only one more word in conclusion. Some Honourable Members in speaking today, and some of those who have commented on my Budget speech in the Press have alluded in very critical terms to what they describe as my complacency about the situation. I can assure Honourable Members that there is no element of easy complacency in the way in which we view the present situation. We are not, as some of our critics suggest, living in a fool's paradise. I think I can claim my Honourable friend, the Leader of the Nationalist Party, as witness to my own capacity and as evidence in support of the thesis that the epithet of a fool does not apply—he certainly gave me a very different character today,—while I can certainly assure the House that none of us are in danger of mistaking this country, as it exists today, for a paradise. We realise that we live in the midst of very great difficulties and that there are most important tasks still to be performed before we can say that the country is re-established in a sound position. But I would ask Honourable Members what possible service it can be to this country to exaggerate the difficulties and make the situation out to be worse than it is, or what possible service it can be to India that any section of the public of this country should interfere with the Government in its honest attempts to perform those tasks which remain to be performed.

The Assembly then adjourned till Eleven of the Clock on Friday, the 11th March, 1932.