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THE LEGISLATIVE ASSEMBLY DEBATES

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Volume II, 1937

(23rd February to 13th March, 1937)

FIFTH SESSION OF THE FIFTH LEGISLATIVE ASSEMBLY 1937



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Legislative Assembly.

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LEGISLATIVE ASSEMBLY.

Wednesday, 3rd March, 1937.

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

QUESTIONS AND ANSWERS.

NEW PASS RULES ON RAILWAYS.

475. *Mr. Mohan Lal Saksena: (a) Will the Honourable the Railway Member state how much savings are likely to be effected by the new pass rules on the railways?

(b) Were the subordinate officials, affected by the new rules, given any opportunity of expressing their view in the matter?

(c) When were the last rules framed, and how long did they remain in force?

(d) Is it a fact that the subordinate employees had made strong protests against the old rules?

(e) Will Government lay on the table a comparative statement regarding the number of passes curtailed for officials and subordinates?

The Honourable Sir Muhammad Zafrullah Khan: (a) It is not practicable to evaluate the financial advantage accruing as a result of any changes in the Pass Rules.

(b) The views of Railway Administrations were obtained, but Government are not aware what officials were consulted by these Administrations.

(c) and (e). I would refer the Honourable Member to Mr. Muhammad Azhar Ali's unstarred question No. 34 and my reply thereto on the 2nd March, 1937.

(d) Representations on the effect which the changes in the rules had on the staff concerned were received.

Mr. Mohan Lal Saksena: Is it not a fact that till April, 1933, officers were not allowed more than six sets of passes?

The Honourable Sir Muhammad Zafrullah Khan: Officers were allowed any number of passes that they asked for before these restrictions were introduced.

Mr. Mohan Lal Saksena: It is not a fact that, from the 1st April, they were allowed only six sets of passes for return journeys or 12 passes for single journeys, and that it was later on that the rules were changed?

The Honourable Sir Muhammad Zafrullah Khan: I know at one stage it was proposed to reduce their number to that extent, but I am not quite sure whether that was actually brought into force. While the matter was still pending, the final decision arrived at was to give them the number that they enjoy at present, that is to say, twelve.

Mr. N. M. Joshi: Would the Government of India place this matter of free passes before the Central Advisory Council?

The Honourable Sir Muhammad Zafrullah Khan: No, Sir, the decision having already been arrived at, it would serve no useful purpose to do that.

Mr. Lalchand Navalrai: Would the Honourable Member appoint a committee of the railway officers themselves to consider this question, when there have been so many complaints from every quarter?

The Honourable Sir Muhammad Zafrullah Khan: I am afraid that would be constituting people judges in their own cause.

Mr. Mohan Lal Saksena: Is it not a fact that a circular was issued from April, 1933, restricting the number of passes in the case of officers to six sets for return journeys or twelve sets for single journeys?

The Honourable Sir Muhammad Zafrullah Khan: It is quite possible that that was so, though I am not quite sure of the date.

Mr. Mohan Lal Saksena: Will the Honourable Member take it from me that they were restricted to six sets of passes?

The Honourable Sir Muhammad Zafrullah Khan: I have not contested the fact that that was the original proposal, and it might have come into operation for some time while the matter was still pending, but the final decision was to restrict the number to twelve sets.

Mr. Mohan Lal Saksena: Why was the number of passes allowed to officers increased to twelve sets?

The Honourable Sir Muhammad Zafrullah Khan: As I have said, it was not a question of increasing it. The matter was still pending, and it was thought that a restriction to six from an unlimited number would be too drastic at one step.

Mr. Lalchand Navalrai: May I know if any representations have been made to the Governor General in Council to consider this question?

The Honourable Sir Muhammad Zafrullah Khan: I have seen several representations, but I could not say whether they were addressed to the Railway Board or to the Governor General in Council.

Mr. Lalchand Navalrai: Will the Railway Board please place the matter before the Governor General in Council for him to consider this matter?

The Honourable Sir Muhammad Zafrullah Khan: I am not aware of the distinction that the Honourable Member is seeking to draw; the final decision has been promulgated already.

Mr. Lalchand Navalrai: The point is that it may be that the Railway Board has done this or the Member in charge of Railways might have agreed only to what the Railway Board has recommended, but I am asking this question: since it is so very important that the railway staff from every part of the country is complaining about this, would the Railway Member be pleased to place this matter before the Governor General in Council?

The Honourable Sir Muhammad Zafrullah Khan: The "Railway Member" is the "Governor General in Council" in this matter.

Mr. Lalchand Navalrai: He is only one of them.

Mr. President (The Honourable Sir Abdur Rahim): There can be no argument on this.

Mr. Lalchand Navalrai: Sir, I am asking whether this matter will be placed before the Executive Council of the Governor General.

The Honourable Sir Muhammad Zafrullah Khan: The Honourable Member is not entitled to put that question.

Mr. President (The Honourable Sir Abdur Rahim): What is the question?

Mr. Lalchand Navalrai: My question is, whether the Honourable Member will please place this question before the Executive Council of the Governor General for it to consider it.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is not asking for information, but for action.

Mr. Mohan Lal Saksena: With reference to the answer to part (c) of my question, may I know how long the last rules were in force?

The Honourable Sir Muhammad Zafrullah Khan: I have referred the Honourable Member to my reply to unstarred question No. 34 by Mr. Muhammad Azhar Ali.

Mr. Mohan Lal Saksena: Is it not a fact that representations were made by the railway employees against these rules?

The Honourable Sir Muhammad Zafrullah Khan: As I have said, several representations were made.

Mr. Mohan Lal Saksena: Sir

Mr. President (The Honourable Sir Abdur Rahim): This question appears to have been fully answered. Next question.

Mr. Mohan Lal Saksena: Sir, I should like to ask another supplementary question. Thousands of employees are concerned . . .

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

Mr. Mohan Lal Saksena: Sir, (*Cries of "Order, order".*)

RESENTMENT AMONGST INDIANS AGAINST THE BINDER REPORT ON INDIANS IN ZANZIBAR.

476. *Mr. Mohan Lal Saksena: (a) Are Government aware of the strong feelings of resentment amongst Indians against the Binder Report?

(b) What action, if any, have Government taken to safeguard Indian interests in Zanzibar?

Sir Girja Shankar Bajpai: (a) Yes.

(b) The Honourable Member's attention is invited to my reply to parts (b) to (e) of Mr. T. S. Avinashilingam Chettiar's starred question No. 197 on the 25th January, 1937.

Mr. T. S. Avinashilingam Chettiar: Sir, in view of the fact that that question was not answered on the floor of the House because I was not present, would the Honourable Member kindly repeat the answer to that question?

Mr. President (The Honourable Sir Abdur Rahim): That is no valid reason.

Mr. S. Satyamurti: May I know if Government are aware that Mr. Binder's recommendations amount to completely and legally arm the Clove Growers' Association with monopoly powers by giving them the exclusive right of buying cloves from the growers?

Sir Girja Shankar Bajpai: Yes, Sir, we have taken account of all aspects of the Binder Report.

Mr. S. Satyamurti: May I know if Government are aware that, according to this report, they need not even engage Indians in this trade of buying, and, then, if they are engaged, there is no obligation on their part to continue to engage them?

Sir Girja Shankar Bajpai: No, Sir, the report does not say that Indians may not be appointed agents for the purpose of internal buying; but I quite recognise the fact that the Association is a body on which Indians are not represented, and that is a point which we have made in our representations.

Mr. S. Satyamurti: Are Government aware that in this Clove Growers' Association, although it is so called, there is not a single grower among its members?

Sir Girja Shankar Bajpai: That is so; there is no grower amongst them, but the answer of the Zanzibar Government is that the growers are not sufficiently advanced to sit on the Committee.

Mr. S. Satyamurti: May I know whether Government have examined the suggestion of Mr. Binder that it ought to develop into a co-operative body, and have they examined the possibility of its never becoming a co-operative body by its very structure and constitution?

Sir Girja Shankar Bajpai: Sir, there is a long history behind that. The position is that Mr. Strickland, an *ex-Registrar* of Co-operative Societies in the Punjab, who went into this matter in Zanzibar, said that it would take something from twenty-five to thirty years for a proper co-operative movement to develop there.

Mr. S. Satyamurti: Have Government examined this question that this establishment of a monopoly by the Zanzibar Government is a distinct violation of the provision in the treaty between Great Britain and Zanzibar originally concluded in 1886, under which "His Highness the Sultan of Zanzibar binds himself not to allow or recognise the establishment of any kind of monopoly or exclusive privilege of trade within his dominion to any Government, Association or individual"?

Sir Girja Shankar Bajpai: Sir, questions regarding the operative part of that agreement or treaty were asked, I believe, last year, and I think the Honourable the Foreign Secretary then replied that this particular treaty was abrogated some time in 1891.

Mr. S. Satyamurti: May I know if Government are aware that, in the very near future, there is every possibility of this Clove Growers' Association being substituted openly by a European Syndicate of businessmen?

Sir Girja Shankar Bajpai: I am not aware of any European Syndicate of businessmen assuming the responsibilities which are now entrusted to the Clove Growers' Association.

Mr. S. Satyamurti: As regards the moratorium, has Government's attention been drawn to the remark of Mr. C. F. Andrews, who went into this question very carefully, that it is nothing less than a scandal that the moratorium which involves

Mr. President (The Honourable Sir Abdur Rahim): That is a matter of argument.

Mr. S. Satyamurti: I am simply asking whether the Government's attention has been drawn to this.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member can ask only about the report.

Mr. S. Satyamurti: The report also deals with the moratorium.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member cannot go into the discussion of opinions.

Mr. S. Satyamurti: I am asking what is the latest position with regard to the moratorium. How long is it going to be prolonged, and are Government aware of the great hardships to Indian merchants by this indefinite prolongation of the moratorium?

Sir Girja Shankar Bajpai: On the subject of moratorium, I have answered questions before. The position now is that a draft Bill to deal with the question of indebtedness, including the moratorium, has been prepared. It is under examination with us now.

Mr. S. Satyamurti: Are Government aware that, during the period of two years, Indians have received no payment whatever?

Sir Girja Shankar Bajpai: That is so.

Mr. Mohan Lal Saksena: May I know what steps were taken to safeguard the interests of the Indians when the Treaty with the Sultan of Zanzibar was abrogated?

Sir Girja Shankar Bajpai: As far as I remember, if the abrogation of the Treaty affected anybody adversely, it affected all interests adversely.

Mr. President (The Honourable Sir Abdur Rahim): This matter has been fully discussed. Next question.

STATE CONTROL OF THE BENGAL AND NORTH WESTERN, ROHILKUND AND KUMAON AND MADRAS AND SOUTHERN MAHRATTA RAILWAYS.

477. ***Mr. Mohan Lal Saksena:** Will Government state the reasons for which they have not taken over the charge of the Bengal and North Western, Rohilkund and Kumaon and the Madras and Southern Mahratta Railways?

The Honourable Sir Muhammad Zafrullah Khan: I would refer the Honourable Member to the Debates on the railway budget.

ELECTION OF MEMBERS TO THE STANDING COMMITTEE FOR THE DEPARTMENT OF COMMERCE.

Mr. President (The Honourable Sir Abdur Rahim): I have to inform the Assembly that the following Members have been elected to the Standing Committee for the Department of Commerce, namely:

- (1) Sir Leslie Hudson,
- (2) Mr. T. S. Avinashilingam Chettiar, and
- (3) Mr. H. A. Sathar H. Essak Sait.

THE GENERAL BUDGET—GENERAL DISCUSSION—*concl'd.*

Mr. President (The Honourable Sir Abdur Rahim): The general discussion of the budget will now be resumed.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Mr. President, the feelings of the people of India, throughout the whole country, must have been very much disturbed to hear from the Honourable the Finance Member a tale of disappointments and unexpected difficulties, as regards the financial position of the country. The

Honourable the Finance Member has no doubt shown great courage in making his proposals to meet the deficits, but I am afraid that, in spite of the assurances given by him that his proposals will not inflict any hardship or even cause inconvenience to the people of India, they are sure to create hardship as well as resentment.

Sir, his first proposal, as regards the increase of excise duty on sugar, has already created a great stir in the country and cannot be treated in a lighthearted manner. I think it would affect a very large number of small sugar factories which provided employment for a large number of people in this country. Moreover, I think that the proposal of raising the excise duty at this time of the year will not prove fruitful. What I mean to say is that it would not bring the estimated income to the Government while it will create hardship on the consumer and only the middleman would be profited by the same.

Then, Sir, his second proposal, namely, the amalgamation of the income of different persons, in order to calculate income-tax on a larger scale, is still more unjustifiable. It is very unfortunate that the new Income-tax (Amendment) Bill was passed, hurriedly, in an empty House. I am afraid that this Bill will create very great hardship and will give unlimited power to the income-tax officers to harass the people and it will also lead to corruption in the department.

Then, Sir, his third proposal, namely, the imposition of an excise duty on silver, cannot also be looked upon as an unmixed blessing. From one point of view, it cannot be considered as objectionable, namely, that it will encourage the circulation of money and will stop the hoarding of silver. But, when we consider that silver is now the only treasure of the people of the country and that silver is the only commodity which the people in India now keep as their life saving, in order that it may help them in their time of need and distress, I think the imposition of an excise duty on silver cannot be welcomed from this point of view. Moreover, the rate at which this duty has been imposed is really very exorbitant.

Mr. President, we find that signs of prosperity are now appearing in all the countries of the world. We have seen in the papers that the slump of trade in England has disappeared, and that trade is prospering as much as it was some years ago, but it is very unfortunate, indeed, that India has not received any share of this all-round prosperity, and our budget again shows a deficit. I am not a financial expert, and I am not in a position to suggest any means, but what I submit is that India has now reached at such a stage that the financial instability of the Government of India is bound to create great chaos and may lead to revolution in the country. I would, therefore, suggest that the whole financial policy of the Government of India should be reviewed and revised. Well, Sir, it might be said that, before the budgets are presented to the Legislative Assembly, they are placed before the Standing Finance Committee, but unfortunately the procedure is such that the details of the income and expenditure cannot be examined either in the Standing Finance Committee or in the Assembly. Here on the floor of the House we only take a few cuts and the whole budget remains a sealed book and untouched. On these few cuts, mostly political speeches are delivered without taking the financial point of view into consideration. I would, therefore, submit that a non-official Committee with a non-official Chairman should be appointed, in order to go thoroughly into the details of the budget and to scrutinise the income and expenditure

[Sir Muhammad Yakub.]

of each and every Department, and an effort should be made to balance the budget by means of reduction of expenditure, and not by means of imposing extra duties and taxes. This is a very serious matter, and the sooner the Government of India pay attention to this matter, the better it would be. More than this, I do not propose to say on this stage of the budget.

Lieut.-Colonel Sir Henry Gidney (Nominated Non-Official): Sir, I have great pleasure in joining the previous speakers who have congratulated the Honourable the Finance Member on the way he has extricated the finances of India so as to prepare it for the advent of the reforms. In the sugary way in which he has short-circuited the financial current, he has earned the sobriquet of "Sugar Daddy" of this House. For what has he done, Sir? Realising that he has lost about eight crores in the revenues from imported sugar, he proposes to increase the sugar excise from Rs. 1-5-0 to Rs. 2/- a cwt. by which he hopes to secure an additional revenue of 1,15 lakhs. He also proposes to fill up the gap in revenue by raising the duty on silver from its present level of two annas to three annas an ounce, which will produce an additional revenue of 50 lakhs. By these two measures, he, therefore, hopes to balance the anticipated deficit in the budget. I do not think any one will deny, after reading the speech delivered last year by the Honourable the Finance Member, as far as sugar is concerned, that his forecast was not only a miscalculation, but an over-valuation. Some would call it too much cocksuredness. I should prefer to say: when the Finance Member viewed his forecast last year, he did so very optimistically. In 1937, he reviews it very mistioptically. And so he finds his present position is one of hope deferred, and his future outlook is one of hope preferred. To short-circuit the Honourable the Finance Member's speech: what is his chief object? He proposes to make up his deficit, and, in supporting the prognostications of the Niemeyer Report in regard to India being able to bear the cost of the new Constitution, his desire is to see that a politically reformed India will not result in a financially deformed India. In short, he asks this House to swallow a sodium-chloride pill with a thick sugar-coat. Indeed the Finance Member's effort to balance his budget might aptly be described by a reference to the Holy Book which, I would, to suit the occasion, translate as follows:

"Ye, are the light-hearted Members of the Assembly;

And ye are the salt of India's earth;

But, if the Budget hath a deficit;

Wherewith shall it be balanced,

Unless its salt be sugared and silvered."

Sir, previous speakers have amply dealt with the wisdom or unwisdom of the means by which the Honourable the Finance Member proposes to balance his budget. Some have favoured his proposals regarding sugar, while others have expressed a contrary view, but I feel sure that none will deny that neither of these measures will, in any way, touch the poor man's pocket, and, as such, no doubt it will appeal to those Honourable Members of this House who make the protection of the poor man's pocket in this country their chief concern. There is no doubt that sugar has been over produced in this country, and there can also be no doubt that most people felt that, in time, it would have to face the present position. I, therefore, propose leaving these financial intricacies to those Members who have a

closer knowledge and are more familiar with such matters. I would only remark that the imposition of this excise duty must forestall the finding of the Tariff enquiries. I desire to confine my remarks mainly to two subjects, and, when dealing with them, my remarks will be very brief, because, no doubt, I shall have ample opportunities when the demands for grants are being discussed, to speak more fully on these and other subjects.

My first point has special reference to that part of the Finance Member's speech—"Posts and Telegraphs" in which he states "The saving under working expenses is due partly to economies in expenditure". Sir, it will be interesting to know how much of these savings are traceable to retrenchment of staff and the ruthless cutting down of salaries. As far as my community is concerned, I find that, whereas, 2,551 Anglo-Indians and Domiciled Europeans were employed on the 31st March, 1932, on the 1st January, 1936, this small number fell to 2,072, which means a drop of 19 per cent. in less than four years. I referred this matter to the Officer in charge who has, in a measure, satisfactorily explained this reduction and which reduction I note is *pari passu* with an equal reduction in other communities. I will, therefore, not stretch this point any further, but I must add that staggering as this must appear when considered in relation to the entire service, it is even more so where statistics, bearing on the staff and salaries on the telegraph side alone, are concerned. The pay and prospects of the traffic staff have been seriously affected by excessive retrenchment in the personnel of the entire branch. Indeed these retrenchments have not only gone far beyond even the drastic retrenchments recommended by the Cowasjee Jehangir Report and the Varma Committee, particularly in both upper and lower telegraph branches of this Department, whilst the postal side has been less affected, particularly the superior appointments, but have in many instances been distinctly against the many pledges given by the Government of India as per their Resolution No. 3062-3036-101 of April, 1914, on the amalgamation of the Posts and Telegraphs Departments and in letter No. P/1 Camp, dated the 11th November, 1925, in which the Honourable Member in charge of Labour and Industries confirmed the assurance that the pay and prospects of existing members of the service would not be adversely affected by any scheme of reorganisation recommended by Departmental Committees. They have also constituted a distinct deprivation of the employees' vested interest which to reforms are supposed to be sacrosanct. Sir, it is my lamentable duty to have to bring to the notice of the Member in charge of this Department of the violation of Government of India (Home Department) Resolution of July, 1934, as also of section 242, sub-sections (2) and (3) of the Government of India Act, 1935. Sir, this Resolution distinctly states, as far as the members of the Anglo-Indian community are concerned, that they should be employed in those branches of the Department in which they are ordinarily engaged. I submit, this has not been done, and I desire to state on the floor of this House that there has been an open violation of the Government of India Resolution and which, I understand, was agreed upon in the closest consultation with the Secretary of State for India. My reason for making this statement is that the Member in charge of this Department has reduced, not in a reasonable manner, but in a most unreasonable and unjustifiable manner, our percentage of employment in the telegraph branch of the Department from nearly 60 per cent. to 20 per cent. and increased our employment in the postal branch, in which we were sparingly employed, to

[Sir Henry Gidney.]

five per cent. of the total cadre, that is to say, he has increased our numbers employed in the postal branch of the Department from, as was before, less than 300 to now a total of 1,500. We are not and have not been in the past *ordinarily* recruited into the Postal Department, and I cannot understand why this change has been forced on us and contrary to the Government of India Resolution which is abundantly clear on this matter.

As far as section 242, sub-sections (2) and (3), is concerned, the Honourable Member in charge of this portfolio has paid no "due regard" to the three specific parts of this section, namely, (a) specific appointments, (b) numerical percentages, and (c) remuneration of appointment. In point of fact, he has paid an utter disregard to this section.

Sir, I dealt with this matter in great detail in my speech on the railway budget, and I shall not weary this House with a recital of those details except to draw the attention of the Honourable Member in charge of Labour and Industries to that speech, and I trust that he will take the first opportunity to make a suitable reply. I further submit, Sir, that the new scales of pay offered, ranging as they do from Rs. 20/- to Rs. 40/- as initial salaries, are hopelessly inadequate for the employees of my community, indeed this is a starvation wage.

Sir, I now turn to the most important part of my speech,—I refer to the national air defence of India which so closely concerns the Defence Department of the Government of India, especially its Air Force Department. The national defence barriers of India, namely, the mountains, such as the Himalayas, no longer prove an asset on account of the powerful factor of attack, namely, aircraft have made such rapid progress as a means of warfare. The success of warfare today definitely depends upon the mechanisation of a nation,—a fact that has been adequately demonstrated in the recent Abyssinian campaign. Who will deny that India is far behind almost any other nation regarding her air defence, for we are not manufacturing any products for mechanical transport, and, even if these were obtainable in large quantities, in times of emergency the number of Engineers available in India for their maintenance is hopelessly inadequate. Aircraft contains training in transport mechanical engineering and allied subjects in its highest form, and an adequately trained engineer can turn his hand to practically any form of engineering required by mechanical transport, aviation, therefore, forms an excellent training field in engineering for the purpose of supplying personnel in various branches which can be used as a reserve for national defence.

Now, Sir, let me turn to aircraft progress and development as we see it in the world over and compare it with what obtains in India today. No one, not even the Army Member, will deny that the air force is rapidly replacing all other armaments and that the supply of air force reserves, in the event of war, is practically *nil* in India. I am aware that an air reserve force is under consideration and has been under consideration for some time, but why this delay? Why should India lag behind all other parts of the Empire in her air defence? India, with the exception of a very small British air force, and a still smaller Indian Air Force consisting of a total of 2,120 British officers and ranks and a total of 1,479 of all ranks of the Indian Air Force, would be practically defenceless, specially if a big European war were in progress, which would *ipso facto* necessitate the concentration of the entire British Royal Air Force in England. What

would India do under such circumstances if a nation with a large air force decided to attack her by air, and such an event is not entirely impossible? Surely India should be self-reliant and be able to have her own aerial defence force. If the Defence Department hesitates to appreciate this fact in its entirety, and, I am sure, it does not, I submit that this could be adequately supplied by the development of internal aircraft services, the personnel of which would form the nucleus of a national air reserve. Sir, the subsidies which have been recently passed by the Standing Finance Committee will find employment for a few Indians trained for aircraft purposes, and although Government are to be commended for now adopting a policy of subsidising services, it may be pointed out that that subsidy is only being applied in connection with the Empire Air Mail and that no encouragement whatever is being given to internal services which would create air-mindedness in India and encourage more services to develop.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has only two minutes more.

Lieut.-Colonel Sir Henry Gidney: Sir, I submit that the time has come when the Government of India must devote some money from their Air Force budget to the development of internal services in which I include the Aeronautical Training Centre of India, Ltd., in Delhi.

The Civil Aviation Department of the Government of India today is, I understand, overstaffed for its requirements, with officers and inspecting officers with very little organisation which they can supervise. It is not use having your landing grounds, it is no use training your ground engineers, if you have not enough air services operating in India. We urgently need more. I submit that the time has come,—indeed it has long passed,—when Government should liberally subsidise the development of the internal services which, in addition to being an air force reserve in times of emergency, would help the development of industries in this country. Sir, we have developed in this city against great odds and disencouragement a training centre which is doing well,—in fact, it is doing so well as to merit the eulogy of Government. I submit, Sir, that the Aeronautical Training Centre of India, which has been developed and which stands today as a sample of what an Indian concern can do,—for it is entirely of Indian capital and its Directors consist of all communities and of all interests,—is worthy of very liberal support from the Government. It is working today and working well. It has acquired the rights to construct an advanced type of air-craft in India which is today being used in England for the training of the Royal Air Force Reserve Officers. I submit that the time has come when Government must support it very liberally either with an annual subsidy or the grant of liberal scholarships till it is able to stand on its own feet—the same as it is subsidising Imperial Airways and which, after all is said and done, is almost entirely a British concern with British capital and from which India gets no benefit. I want the Government to encourage internal air services in India so as to form the nucleus of India's future air force as is being done, on such large scales, by other Colonies, e.g., Canada, Australia, etc. Why should India alone lag behind in the development of her air services?

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member's time is up.

Mr. N. M. Joshi (Nominated Non-Official): Sir, the impression which I formed when I heard the speech of the Honourable the Finance Member this year was somewhat different from the impression which was left on my mind when I heard his previous two budget speeches. When he spoke in the two previous years, he left an impression on my mind that he felt that he knew everything in the world, he made no mistakes at any time and that he needed no caution. Fortunately for him, on account of the heavy taxation imposed upon the country by his predecessor, his previous two budgets showed surpluses; and as he felt no doubts at all as regards the rightness of the course which he was following, he started on a wild career, first of surrendering taxation which was a good source of income, and extravagantly undertaking expenditure on concerns which were not the business of the Government of India.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): What taxation did he surrender?

Mr. N. M. Joshi: The House is aware that, during the last two years, the Honourable the Finance Member surrendered taxation,—surcharges on income-tax, for instance. He also surrendered some other taxation. Not only that, but he recklessly spent crores of rupees on what he was pleased to call rural development,—a subject for which the Government of India have no responsibility. I could have understood this course if the Finance Member had not known at that time that Provincial Autonomy was coming and that Burma was going to be separated. I could have understood the Honourable the Finance Member in those circumstances surrendering taxation. But he knew that Provincial Autonomy was coming, he knew that Burma was going to be separated, and he knew that, on account of these two circumstances, he would require more money. Not only did he surrender his sources of income, but he spent money on objects which were not the concern of the Government of India.

Sir Cowasji Jehangir: Why did you not object then to rural uplift? Why do you object to it now?

Mr. N. M. Joshi: I can only object by making a speech and by nothing else. Fortunately for us,—I use that word “fortunately” deliberately,—the estimates of the Finance Member as regards customs have proved somewhat wrong, and on account of that we find the Finance Member in a somewhat chastened mood. I hope this new mood of his will remain, and if it remains it will be of some use to this country. Because, I feel that a Finance Member who feels self-assured,—I should have said, full of self-conceit,—is a source of danger. And if on account of something, may be on account of a deficit in his revenues, his spirits are a little cooled and he feels some doubt about the wisdom of his course, it will be of great use to this country.

Sir, before I speak on the subject-matter of the budget, I should like to deal very briefly with what the Finance Member has stated in his speech as regards changes in the form and nature of the demands which he has placed before us. On account of the passing of the Government of India Act, some items which were votable to some extent have become non-votable. The whole of the expenditure on the Governor General, the whole of the expenditure on the Public Service Commission, has been now made non-votable. Several other items perhaps have become non-votable. The

Honourable the Finance Member also informed us that he has changed the number and the form of the demands which he has placed before the House. I would like to ask him whether he consulted the Standing Finance Committee about the changes he has made in the nature and form of the demands and whether he has consulted the Standing Finance Committee also about the changes in the nature of the demand, that is, the change from votable into non-votable. This question of changing votable into non-votable items is a matter of great interest to this House, and, I am sure, the House will watch this matter very closely. Before I leave this subject, I would like to ask him why he has treated the item of about Rs. 1,00,000 spent on the South African Delegation, as a non-votable item, and under what section of the Government of India Act it has been so treated.

As regards the general finances of the Government of India, I have no doubt that the House is interested in watching its progress from year to year, and it is because of that that the machinery of the Standing Finance Committee was created. I am glad my Honourable friend, Sir Muhammad Yakub, also referred to this subject. The Standing Finance Committee was created, because the Legislative Assembly in its full Session could not give sufficient attention to the examination of the details of the budget. We know our time is generally spent in discussing political and other matters during the seven days of the budget discussion; and because the Assembly does not find time, the machinery of the Standing Finance Committee was created in the year 1921. The object of this Committee, when it was formed, was three-fold: the first was that, shortly before the introduction of the budget, the Committee would be given an opportunity of examining the civil voted estimates; the second object was that proposals for supplementary grants should be examined by it; and the third was that the Committee should, in the course of the year, deal with schemes for fresh votable expenditure put forward by the Departments, but these schemes should be limited to major schemes which would be sufficiently large to have an influence on the budget. I do not wish to go into the various developments of the Standing Finance Committee, but one of the objects was that a Committee of this House should examine in detail the demands for grants placed before the House. It is absolutely necessary that the expenditure of the Government of India should be scrutinised in detail by a Committee of the House. It is true that they place before the Standing Finance Committee large items of new services or even new items of expenditure; but the Government of India's expenditure does not always grow by large items of expenditure or by items of expenditure which may be called new services. The expenditure goes on growing even by small bits spent on every Department. It is, therefore, necessary that the growth of the expenditure should be watched very carefully, and it should be watched by a Committee of the House. I, therefore, felt that the Standing Finance Committee would do this work.

Unfortunately the scope of the work of the Committee is being restricted from year to year. The first scope was defined in the year 1921. It was restricted to some extent in that year. Again, without consulting the House, it got its scope restricted in, I think, 1923; and now the Honourable the Finance Member is making an effort still further to restrict the scope and functions of the Standing Finance Committee. His proposal is this:

"All substantial proposals for new votable expenditure will be referred as hitherto to the Committee however those proposals are to be financed, whether by budget

[Mr. N. M. Joshi.]

provision reappropriation or supplementary grant. Where the estimate accepted by the Committee in the event turns out to be substantially exceeded, the Finance Department will report the matter to the Committee, but unless supplementary grants are occasioned by the adoption of substantial new schemes which have to be referred to the Committee in view of their intrinsic importance, the Finance Department will no longer refer such grants to the Committee."

What the Honourable the Finance Member proposes is this: that if the Finance Department places a proposal underestimating the cost of it and when it secured the consent of the Standing Finance Committee, if the Finance Department exceeds the expenditure on that item, the Finance Department will not consult the Standing Finance Committee. That is not fair to the Committee

The Honourable Sir James Grigg (Finance Member): Are you not representing the memorandum as the exact opposite of what it, in fact, says?

Mr. N. M. Joshi: No.

The Honourable Sir James Grigg: I think you are.

Mr. N. M. Joshi: I think what is meant in this sentence is that if the expenditure sanctioned by the Committee is exceeded

The Honourable Sir James Grigg: No; not at all. If the work turns out to cost more than was originally estimated, the Standing Finance Committee will be informed of that fact.

Mr. N. M. Joshi: It is not stated in this report that if the estimate placed before the Committee is exceeded by the Finance Department, that Department will again come to the Committee for its approval. It is not stated in the report at all

The Honourable Sir James Grigg: It certainly is not stated to the contrary.

Mr. N. M. Joshi: My point is this: the functions of the Standing Finance Committee are being restricted

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

Mr. N. M. Joshi: I say the functions of the Committee should not only not be restricted, but should be widened. I, therefore, hope that the Honourable the Finance Member as well as the House will consider this question very seriously. The public expenditure must be scrutinised by some machinery and it should be scrutinised by a Committee of this House. I, therefore, hope that the House and the Finance Member will give serious consideration to this subject. I would also ask the House to give consideration to the scope and functions of the Public Accounts Committee. As the Honourable the Finance Member is trying to restrict the functions of the Standing Finance Committee, I would like to ask him whether he is also trying to restrict the functions of the Public Accounts Committee similarly. If that is so, I would like the House to keep a

very close watch on the proposals that might emanate from the Honourable the Finance Member on this subject. As my time is up, I shall reserve my other remarks for another occasion.

Major Nawab Sir Ahmad Nawaz Khan (Nominated Non-Official): Sir, I do not rise to praise or criticise the budget. I believe that every honest man cares more for his duty than for the pleasure or displeasure of others. The duty of every Finance Member in each country is to do his duty honestly. On this point and for this reason I congratulate the Honourable Sir James Grigg for doing his duty honestly and conscientiously, without any fear of attacks or any hope of praise from any quarter. It is quite true that honour and shame from no condition arise, act well your part, there all the honour lies. ("Hear, hear" from the Congress Party Benches.) Sir, yesterday, my Honourable friend, Lala Sham Lal, said that there were two items which were supposed to be untouchable, namely, expenditure on defence and the pay of highly salaried British officers, and I should like to speak very briefly on both these items.

Sir, I hope that every Honourable Member of this House will agree with me that from a patriotic and national point of view, the chief aim and object of every political party in India should be to have peace and prosperity in India, because no improvement in any direction can be made without peace and prosperity in the country. Now, let us see how peace and prosperity can be maintained and continued in the country. It is an evident fact that peace and prosperity can only be maintained and continued if the country is well protected and safe from external attacks and internal disturbances, and every Honourable Member knows well that such safety can only be achieved if the country possesses a strong defensive power which, in other words, means strong air forces, land forces and navy. Now, one can imagine how strong an air force, a land force and a naval force is required for India and how much money also is required to keep such defensive forces always ready and quite equal to the forces of all the other first class powers in the world. In my opinion, the standard for the air force should be that if any two first class powers attack India, our air force should easily repulse them and protect the inhabitants and civil population of the cities of Karachi, Bombay, Madras, Calcutta, Delhi, Lahore, Peshawar and other big cities in India which are open and exposed to aerial attacks by any power any day. As for land forces, I should like to point out briefly that a good strength of British soldiers in India for a hundred and one reasons is very necessary, I cannot discuss that aspect of the question fully here, because I have only 15 minutes limit to speak, and, therefore, I leave it to my other friends and Captain Sir Sher Muhammad Khan to deal with it and other points if they like to do so.

Now, I shall hastily and briefly speak on the question

Mr. Lalchand Navalrai (Sind: Non-Muhammadian Rural): Do you object to bombs being thrown in the N.-W. F. P. or not?

Major Nawab Sir Ahmad Nawaz Khan: It is much better than attacks by land. I have explained it over a hundred times to my interrupters, and yet they are not satisfied. I certainly can't help.

Mr. Lalchand Navalrai: I know you have explained it

Mr. President (The Honourable Sir Abdur Rahim): Let the Honourable Member continue.

Major Nawab Sir Ahmad Nawaz Khan: I shall briefly speak on the question of high salaried British officers. Sir, it is often criticised by such persons who are ignorant of the mode of life in England, cost of education and the compulsory expenses which the high rank and position of the officers demand. If we see how many advantages the British rule, the British brain and the British money ("Hear, hear from the Congress Party Benches) have given us, then we will not complain so much about the high salaries of the British officers. Sir, we must not forget what Britain has done for us which all the former Indian monarchs lacked. Having lived in comfort, ease and peace for over a century, we have forgotten the historic terrors of the past. Indeed, we are an emotional race; the great emotion of India, like the armies of her historic conquerors, have a habit of thundering over the land, devastating the country and passing away, while the patient masses raise their heads again and resume their ancient ways. Perhaps you will agree that Britain cannot be classed in the category of such conquerors. What useful purpose have the invasions of Alexander, Mahmood of Ghazni, Timur of Gorkan and Nادر Shah served to our country? They stormed and plundered and then returned with the rich spoils, loot and slaves to their respective lands. The rule of early Hindus or of those foreign monarchs, whether Muslims or Mongols, who established dynasties and settled in India was marked by continuous internal warfare, famines and civil wars between the king and other petty rajas.

The continuous civil wars between the king and his subjects weighed heavily on human sensibility. The freedom of religion and personal liberty, as it is now in India, was unknown to the history of those times. You know that for unthinkable ages there had been in Asia, including India, two main departments of Government: that of finance or internal plunder, and that of war or external plunder, and most of the Indian monarchs followed this principle. If by chance one dynasty changed so it was replaced by another, perhaps worse or of the same type and mentality, and without any appreciable change in the form of the Government. As far as our knowledge goes

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): May I know, Sir, how all these remarks are relevant to the budget?

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is really straying too far from the budget. He must confine himself to the budget.

Major Nawab Sir Ahmad Nawaz Khan: I am explaining briefly the reason why British officers are paid high salaries

Mr. President (The Honourable Sir Abdur Rahim): But it is not necessary to go into the history of Mahmood of Ghazni

Major Nawab Sir Ahmad Nawaz Khan: I am merely trying to explain. .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member should accept the Chair's ruling and proceed with his speech.

Major Nawab Sir Ahmad Nawab Khan: Very well, Sir. However prejudiced we may be, we have to take facts at their face value. Britain's services to our country are obvious, and no doubt we are mutually benefited by each other. Take, for example, the postal service, wireless, telegraphs, telephones, banks, air force

Mr. Sri Prakasa (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Starvation, poverty

Major Nawab Sir Ahmad Nawaz Khan: efficient lines of communication, roads, schools, colleges, universities, provision for every sort of modern medical and industrial education

Pandit Lakshmi Kanta Maitra (Presidency Division: Non-Muhammadan Rural): What is the Honourable Member reading from? What is the name of that book?

Major Nawab Sir Ahmad Nawaz Khan: Network of railways and canals covering the country, preservation of forests and upkeep of innumerable hospitals, establishment of medical research institutions, commercial advancement, religious freedom and peaceful living form the main features of British rule. The systematic arrangement of law courts, the armies that guard our frontiers, the navy that guards our coast and the police that looks after our daily interests in the towns and villages are also the blessings of British rule. From a collection of separate petty kingdoms, in which unity was practically unknown, has developed a single empire, under one Central authority, by which all parts are bound together.

The spirit of impartiality was lacking in the Indian ruler, because if the ruler was a Muslim over Hindu subjects or *vice-versa*, naturally he had more sympathy for his co-religionists than for his vanquished subjects of extraneous faith

Mr. President (The Honourable Sir Abdur Rahim): Really the Honourable Member is not speaking on the budget. He must confine himself to the budget.

Major Nawab Sir Ahmad Nawaz Khan: Then, I have nothing further to say, Sir.

Mr. J. F. Sale (United Provinces: Nominated Official): Sir, I would like to say a few words in reply to some remarks made by a gentleman on the opposite side of the House yesterday. I am speaking in my private capacity as one who has served the country for thirty years and is about to quit it. Sir, the British members of the Indian Civil Service are not all "die-hards". There are those among us, including men whose families have served in this country not without honour for two or three generations, who recognise that the coming changes are right in principle, and are ready to work them with sympathy. There is a prospect of the Congress Party taking office in several provinces. In my own province, it is understood that the highest post is likely to be taken by the Deputy Leader of that Party, who recently was my neighbour in Kumaon, and whom we all respect on account of the high tone of his speeches in this House. If they take up the responsibilities of office, as

[Mr. J. F. Sale.]

few of them have had experience of administrative work, they will probably need such help as the Imperial Services are able to give. The situation will not be an easy one, either for the new Ministers or for the Services. I venture to suggest that Honourable Members might bear this aspect of the matter in mind, and might refrain from uttering scornful phrases, such as were heard yesterday, about selfish Government servants who enjoy large salaries and disregard the needs of the poor villagers. Such phrases are felt as unjust by men who for many years have borne the burden and heat of the day and have striven to give of their best to India. Though personally I hope that a sufficient number of the right type of Britisher will continue to enter the all-India Services, the proportionate number of them is decreasing rather fast; and it should be remembered that within five years all the conditions of their service are to be reviewed, no doubt, in full consultation with the Legislature. Sir, I ask the House to keep these points in mind and exercise all due forbearance. That is all I have to say.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, I have read with great interest the speech delivered by the Honourable the Finance Member the other day. When I read his speech, I was really surprised that a man of his experience and knowledge should be wailing and shedding crocodile tears over the condition of his own budget. Sir, I had the honour of listening to his speeches of former years and also to the speeches of his predecessors, but I have never found such a plaintive tale as I have found on this occasion. He said he had a different kind of story to tell, "a story of disappointment and of unexpected difficulties super-imposed upon those which we expected and had braced ourselves to bear". Sir, I have not been able to know what the difficulties were which he had to surmount—what the difficulties were in framing a budget which was already for several years not a deficit budget but a surplus budget. The condition of this country has not been disturbed during the last year, and I challenge my Honourable friend to show how it was disturbed during this year and the last year. If the condition was stable, if the people were peaceful, if the trade was to a certain extent in a flourishing condition, where can be the justification for this deficit budget? The real point is that all the considerations that are being paid to the framing of the budget are only from the point of view of profiting the European and the European nation. The gold drain is being lamented by every one, and whom does it affect? It affects this country, it affects India, it affects the whole nation. The imposition of duties—whom does it affect? It affects the country, it affects the Indian people. How does it affect Europeans, and European countries? If there have been no disturbances in the country, what were those elements which my Honourable friend had to surmount? The present budget has been framed with eyes and ears closed. The Finance Member seems to have no knowledge of the conditions of this country. He does not know the poverty of the people. He does not know in what lingering state the Indian industry is now. This budget has been framed without any imagination at all. I find that by the framing of this budget there might be repercussions in this country—my Honourable friend. Sir Muhammad Yakub, said that it may lead to a revolution. Though I would not go so far as that, it would have repercussions in the minds of those disappointed youths who are having no

employment anywhere. There is no planning in this budget, there is nothing of the kind for providing employment to the youths of this country. The small protective duty which was given to the sugar industry with one hand has been taken away with the other.

There were only two items on which the Indian cultivator relied to pay his rent to the Zamindar, and the Zamindar in turn to pay the revenue to the Government. They were sugar and opium. We know that opium is not allowed to be cultivated, and the sugar-cane cultivation is the only one left. It was taken up by the cultivators on a large scale, specially in my own part of the country, and generally in northern India. But what do we find? By the imposition of this excise duty, you have deprived the cultivator, and also the consumer is affected by it. The Finance Member says that this duty will not affect any one. It will affect the cultivator very, very seriously, and the way in which it will do so is this. Formerly, the cultivator used to bring his cane to the factory and get a decent price. And what will happen now? The sugar-cane will not be brought to the factories. Some of these small factories will be broken up, and there will be no scope for the cultivator to bring his produce to these factories. The result will be that he will start making *gur* in the old way, with the result that he will not get the increased price which he would get if he took his cane to the factories. Therefore, the cultivator has been deprived of the two great items from which he could pay off his rents to the zamindars, and the after effect of this will be that the zamindars will not be able to pay their revenue, and the Government revenue will be lessened, and there will be absolute discontent in the country. There are sins of omissions, if not of commissions in this budget.

An Honourable Member: Of commissions also.

Mr. Muhammad Azhar Ali: There are only two items, that is sugar and silver, on which taxes have been levied through this budget, but certain heavy taxes, which have been already levied for years and years, have not been reduced at all. Sugar is a nascent industry. It was just like a child. The result is that it is being stifled, and there will be nothing left to the poor cultivators of India. Sir, in the budget speech, the Honourable the Finance Member has said that he is providing money for the constitutional experiments. It is all right to say that you will experiment, but as the Indian phrase goes:

"Hamari jan jai apki Ada thairi."

"You may experiment to any extent you like, but the result will be that I will die and you will still be experimenting."

Looked at from the political or the economic point of view, these two duties cannot be justified in any way. It is not statesmanlike, nor will they contribute to economic prosperity. It is said that money is required for the schemes of reforms, but from the trend of public opinion we find that it was not so very necessary to provide for these reform schemes as it was necessary to provide for the peace and contentment of country, and the more you tax the peasantry and the cultivator, the more mass agitation and the more mass organisations there will be, and there is bound to be disturbance, and Government themselves will be helping the disturbance among the masses. Cultivation will not improve, while industries will be dwindled by your new taxation. The result will be that,

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with your repressive laws, the drain of gold, disregard of public opinion and floating of new loans, the country will be burdened and ruined, and all the consequences, which I have described, will follow from the present budget. It was very easy for the Honourable the Finance Member to put a duty on the export of gold, to reduce the expenditure on the army, reduce the pay of the higher services. He could thus get some money, but I am sorry to see that he has not been considerate enough to look into these matters or the question of removing any tax at all. With these few remarks, I resume my seat.

Mr. Basanta Kumar Das (Surma Valley *cum* Shillong: Non-Muhammadan): Mr. President, I thank you for giving me this opportunity to take part in this budget debate. The budget, that is under discussion, being a budget for the year in which the new experiment under the Government of India Act, 1935, which they call "reforms" is to be inaugurated, has a value and significance of its own, which the Honourable Members have taken sufficient note of.

A deficit budget, following one which was devised to have been a surplus budget, but has actually given us a deficit, undoubtedly demonstrates the capacity of the Honourable the Finance Member to make exaggerated estimates. Sir, it is said that Finance Ministers are invariably jugglers, who ply their trade with figures, which they make to speak what they intend them to speak. The Honourable Sir James Grigg is no exception to that, and my suspicion is that his last year's performance was a juggler's performance intended to delude us and to offer a justification for his grant for rural uplift, which now appears to be merely a stunt. But, Sir, if that was not so, the question naturally arises with what heart (*A Voice*: "Light heart.") did the Honourable the Finance Member address himself in framing his budget for the year 1936-37, which, instead of giving us a surplus of six lakhs as expected, has led us to face a deficit of Rs. 1,97 lakhs. In his budget speech last year, he talked glibly of India's coming prosperity and displayed a degree of optimism which certainly took us aback. The Honourable the Finance Member has, of course, attempted to furnish us this year with explanations for the deficit that has accrued in the current year. The causes that he has detailed could have been very well foreseen, and it was certainly up to him to tell us why he could not foresee the causes which might operate in nullifying all his anticipations. He has no doubt pleaded guilty to the charge of over-budgeting, and when he says that "in order to turn the flank of accusations of under-budgeting, he might have advanced too far," he practically gives up the case that the causes could not have been foreseen and really admits that he did prepare the budget with a heart which was not at all burdened with any care and thought that were necessary and required of him as a responsible Minister of Finance of this vast country. (Hear, hear.)

But, Sir, the fact of the matter really is that the Honourable the Finance Member has no policy to follow to secure the best interests of India. His is a policy antagonistic to the interests of India, and that is clearly discernible from what he says and does. The most practical steps that suggest themselves to every well wisher of India and which are every year dinned into his ears by the Honourable Members of this House have no value for him. He is determined to go merrily his own way turning

a deaf ear to the real demands and needs of the country. He feels no scruple to increase the burden of taxation of the people of India, already overburdened with iniquitous taxes of various kinds and shapes. His only business is to strive for increased revenues in order to produce a balanced budget without caring for the measures that are necessary to be adopted for removing the appalling and grinding poverty of the people. And, Sir, a balanced budget of the Central Government is intended to serve no other purpose except to help the exploitation of the country by those whose interests it is to exploit. The Government of India Act of 1935 has been designed to make the grip of the British people in India tighter, and what better can be expected of one of the exploiting people in the role of a Finance Minister of this unhappy land of India!

And, Sir, realising that the two deficit budgets in quick succession would be sufficiently disconcerting to us, the Honourable the Finance Member has employed specious arguments to console us and to convince us that there are no grounds to lose heart. I invite the attention of the House to what he has said in paragraphs 25 and 26 of his speech. What he has said there is designedly a budget of hopes,—I should say a surplus budget of hopes,—intended to build for us a fool's paradise by deluding us into the belief that India's prosperity is on the increase. He has told us that there is the hope that "the restriction of rural credit caused by the Indebtedness Bills in the provinces is in the long run bound to increase rural prosperity, and, with it, the prosperity of the country as a whole". He has also asked us to entertain a fond hope based on the substitution of silver imports for imports subject to a higher duty. He has pointed to the increased railway traffic returns as another ground of hope. He has referred to the steadily increasing prices of primary products and the increase in exports of merchandise to build up high hopes about the coming prosperity of the country.

Sir, he has got another item in the budget of hopes he has presented. It is the hope of increasing revenue by improving and tightening up the administration of existing taxes! Sir, with this budget of hopes, the Honourable the Finance Member has also been pleased to convey to us the warning "not to exaggerate the importance of a gap of one or two crores," telling us at the same time of his optimism that "Sir Otto Niemeyer's prognostications would be realised in the long run, and even in the near future his programme would be fulfilled" with the help of the taxes that he has proposed for immediate imposition. Sir, I put it to the Honourable Member to consider if they can pin their faith on this budget of hopes drawn up so cleverly by the Honourable the Finance Member. I ask the House to say if the Honourable the Finance Member is not really building castles in the air, and is proceeding in a way which will ultimately bring about a desperate position in the finances of the country. But, Sir, while going to examine his budget proposals, in the first place, I joint issue with the Honourable the Finance Member over his assertion that the Indebtedness Bills will in the long run increase rural prosperity. He starts with the premise that the purchasing power of the cultivator stands affected by the restriction of rural credit caused by the Indebtedness Bills, and that it is also diminishing the moneylender's profits, and then he at once arrives at the conclusion that in the long run these measures are bound to increase rural prosperity. Sir, while it is true that by reason of the Indebtedness Bills the moneylender's profits have been diminished, and while it is true that the increasing prosperity of the cultivator will make the

[Mr. Basanta Kumar Das.]

idle funds of the moneylender to be employed, the assertion that the cultivator's purchasing power stands affected only by the Indebtedness Bills is not correct. The cultivator has lost his purchasing power on account of the heavy pressure of his chronic indebtedness. As a matter of fact, the Rural Indebtedness Bills have been of doubtful value in the absence of other measures to relieve the appalling agricultural indebtedness in the country. The rural indebtedness Bills deal with only one aspect of the complicated question of how to remove the agricultural indebtedness from the land. Unless other effective measures are adopted to deal with the other aspects of the question, the rural indebtedness Bills will be of no value, and to assert that these Bills alone will ultimately bring prosperity to the people is really to ignore the actualities of the situation. Sir, where are the measures to give more land to the cultivator? Where are the measures to prevent floods and inundations of the cultivator's lands? Where are the measures to grant relief to the peasants against the landlords' exactions? Where are the measures to make the Co-operative Department of the Government to be of real value to the peasants? The Government are certainly indifferent and apathetic towards these measures, and I ask the House to remember what fate the Resolution, that was passed during the last Simla Session on this subject, met with. In the absence of these and many other beneficial measures that should be devised, the Honourable the Finance Member may deceive himself by believing that the increasing prosperity will be brought about by the rural indebtedness Bills, but certainly he cannot delude us into such a belief and make us live in the fool's paradise that he wants to build up for us.

Sir, then the assertion that the increase in the purchases of silver is indicative of the hoarding tendency of the people and is a sure sign of coming prosperity has been shown by several Honourable Members to be completely hollow. The rural indebtedness Bills have, according to the Honourable the Finance Member, affected the purchasing power of the cultivator, who is groaning under the weight of heavy and chronic indebtedness; certainly, then, the purchase of silver is not being made by the cultivators, but by others who may be speculators and capitalists. Can it then be said that the increase in the purchase of silver is certainly indicative of coming prosperity? Thirdly, Sir, as regards the increased railway traffic returns and the rise in the price of primary products, what do they indicate? A surplus of 15 lakhs in the income from the railways, instead of an expected deficit of Rs. 3,50 lakhs, certainly appears to be a miracle. My shrewd suspicion is that there might be some jugglery somewhere in order to meet the requirement insisted upon by Sir Otto Niemeyer to the effect that if the railways did not set their house in order soon enough, then the entire plan of Federation Finances, as he had laid them out, would be in jeopardy. But, Sir, there is another cause which, I feel, has contributed to bringing about an increase in the railway traffic returns. There is the prospect of an imminent outbreak of hostilities in Europe, and this prospect has undoubtedly led the capitalists and speculators to purchase our raw materials in large quantities, thus giving increased earnings to the railways. This also accounts for whatever rise there might be in the prices of some of the primary products. Sir, the increased railway traffic returns and the rise in the price of some primary commodities, if any, are certainly due to abnormal circumstances coming into existence and cannot be depended upon as furnishing a sure indication of coming prosperity.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has only two minutes more.

Mr. Basanta Kumar Das: I shall presently conclude, Sir.

Lastly, Sir, as to the increase in exports of merchandise, we cannot take such a rosy view as the Honourable the Finance Member has done. Does not this merchandise include gold? The unrestricted flow of gold out of India is to be encouraged to give tone to the economic health of Britain! And we all know the views of the Finance Member on this. Granting that there is an increase in exports of other merchandise, the export of gold is certainly to be viewed as draining away the wealth of India leading to her impoverishment. Sir, the Honourable Member has himself indicated in clear terms that he cannot depend on the budget of hopes which he has drawn up, and he has, therefore, come forward with proposals for taxation. These proposals for taxation have been severely criticised by the Honourable Members who have preceded me, and I cannot usefully add anything to those criticisms. I would only say that it has borne in upon me by indisputable facts that insidious attempts are being made to depart from the fiscal policy that has hitherto been followed. But I want to ask the House to judge the mentality of the Honourable the Finance Member who has found his way to tax the import of silver and not to tax the export of gold. Does not this conduct of the Honourable the Finance Member illustrate my view point that **budget-making** in India is not so much for the best interests of India as to help the exploitation of India by our masters across the seas? (Hear, hear.) Sir, the increase of taxes proposed is objectionable in every sense. The inauguration of the so-called reforms in the provinces will require further taxation by the provinces themselves in order to carry on the top-heavy administration that will be set up. This is, in all conscience, disquieting.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member's time is up.

Mr Basanta Kumar Das: And, Sir, Sir Otto Niemeyer's award relating to the subventions to be given to some of the Provinces will not go far enough towards solving the financial difficulties of these Provinces. For the purpose of meeting the burdens that have been imposed upon them on account of the reforms, in my province, measures of taxation have already been adopted in the teeth of opposition. Other provinces will certainly follow. The time limit has been reached, and I finish, Sir, by saying that I shall take my chance to speak on the other features of the budget when the demands for grants would come before the House.

Manlana Shaukat Ali (Cities of the United Provinces: Muhammadan Urban): Sir, I am not feeling well, and I do not think I shall take up much time of the House. I think I will be able to finish my speech easily within the 15 minutes that are allotted to me. I have just been going round in India and have been watching the agricultural condition. I have been very much interested all my life in agriculture. I myself own a farm, fruits and vegetables, and I am planting a number of other farms also. I was very glad to see that the encouragement that the Government gave to the sugar industry has done a great deal of good to the agriculturist. But if you hurt that industry in any way,

[Maulana Shaukat Ali.]

you not only hurt an important industry of the country, but you will eventually hurt the cultivator a great deal. If, out of 100 acres, one sets aside 10 acres for sugar-cane cultivation, then there is always some ready money coming to him at a fixed price. But if you want to handicap the sugar industry and tax it, then eventually the cultivator will get less for his crop. Therefore, both on account of the industry and on account of the cultivator, I would very much like the Honourable the Finance Member to reconsider the whole position. I think this industry has developed wonderfully well through the encouragement given by the Government of India, and I think it is a very fine object lesson to us all that once we decide to do a good thing and get proper encouragement, in a few years' time new industries spring up automatically without much trouble.

Now, the old *khandsari* system is gone—and my people were engaged in it to a great extent—because the beet-root sugar from Germany killed it, and we suffered a great deal on account of that. The Government of India gave us encouragement to start sugar factories, and I must congratulate them on the wonderful results that have followed that encouragement. We are now practically able to stand on our own legs so far as the sugar industry is concerned. The sugar industry in my town of Rampur is encouraged by the State and by other people from British India with wonderful results, and the cultivator is happier. There are about 3,000 people who are engaged in this industry and the cultivator gets ready money for his crop. What is more important is that the cultivator likes to run no risks as regards one or two crops. I was myself in the Opium Department for 15 years and the cultivators used to take advances from us and bring to us their opium. We classified the opium, had it weighed and went through the accounts and paid them off the same day and they were always very glad, because they wanted the money for buying clothing for their families and for marriage parties and so on. Now that opium is gone and the sugar-cane has taken its place I want everything should be done to encourage its cultivation, and I am very happy to say that the present Viceroy is taking keen interest in the development of agriculture, with the result that our methods of agriculture are now improving. The sugar-cane is now much better, and I think that, in the interests of the agriculturist, the Honourable the Finance Member should reconsider the position.

Then, I want that more money should be available for constructive work. I feel very strongly that even our Indian people, who are in different services, are getting big salaries and I think the time has come when we ought to reconsider the whole position. How long can we go on giving them salaries which do not go hand in hand with the economic conditions of the cultivator and the people of India? I must say and I say it very strongly and I will press it on every possible occasion that everything should be done for the people who are getting less than Rs. 200, especially people who are in the early stages, such as the peons and menial servants, etc. But so far as people beyond Rs. 200 are concerned, I think you can start a cut in their salaries and bring them to a position that will enable us to balance our budget. I know as an Indian with a family of children and grand-children that we can live comfortably on much less than what most of our officers are getting. If you act in this way, you will be able to save a few crores of rupees for the

poor agriculturist. I know there is great unemployment in the country. Government cannot supply service to everybody, nor can the railways, but there is plenty of room even now in agriculture. We can start fruit and vegetable farms. I am doing this myself practically today. I know that a little investment in that direction will provide with work two or three youngmen easily and give them a fair start in life. I think it will be a very useful thing. The cultivator will gain, the land will gain, and the country will gain. We will have more fruits, more vegetables, and, at the same time, will be able to give employment to thousands of our unemployed. Our zamindars are, I am sorry to say, absentee landlords, and I have been so myself. We leave our estates to our agents who squeeze as much money from the agriculturists as they can to pay to the Government. I think my friend, Mr. Sri Prakasa, will bear me out when I say that as long as you manage to pay the Government dues, you are all right. But now the times are changed and the old zamindari is not such a paying thing as it used to be at one time. Naturally, our youngmen must take to agriculture. I have five farms in Bhopal, and Sir Joseph Bhore, the former Commerce Member, who is in charge and who knows his work, asked me to keep aside 10 acres of land for the sugar-cane which the State will buy on the spot. I consider, therefore, that if we touch this industry, I am afraid we will be hurting both the industry and the poor cultivators. Therefore, I appeal to him to withdraw this tax.

Then, we must have enough money for the development of agriculture. We do want money for the advancement of our education. We have also got a programme for the development of the airways, and I am not going to laugh at it. I think it is a very good investment. We ought to keep pace with the things that are happening in other parts of the world. But where are you going to find all this money from? My only answer is that you are paying too much salaries to your officials, the majority of whom are Indians, and their number will grow more and more as time passes. We will give to our people lesser salaries and make them understand that the masses are suffering on account of their high salary. We will ask them to cut down their expenses. I think Government ought to do this, because we spend too much money on the salaries of these officials. Of course, I do not mind their getting good furniture, a good house, nice sanitary arrangements, and also good food. But there is a limit to all this. I am in touch with the official class. I go to their houses, I dine with them, and they are very kind to me. I also go to the clerks, and I know some of them intimately. I think we are paying them too much in the shape of salaries. I want that there should be a cut of five per cent. in the salaries of people who are drawing from Rs. 300 to Rs. 500, and, for those who get above Rs. 500, there should be a cut of ten per cent.

I want something to be left to the Finance Member so that he may do something to cut down expenses and save money for the constructive programme. I know nothing about finance. I know that when I have got money in my pocket, it is all right and I am generous. When there is very little in my pocket, I hold my hands tight. When I have money, I go and distribute to my children very generously and also to my friends, and I also entertain people. But supposing there is no money, I sit tight. The Government should do the same.

[Maulana Shaukat Ali.]

The next point to which I wish to refer is Indianisation, as a means for saving money. I think the time has come when the trusteeship and the guardianship of the British should end. After all, the Britishers have been great teachers. I am honest to acknowledge that. I owe a great deal, next to my mother, to an Englishman, and I have a soft corner for my English friends. I have received in most cases nothing, but kindness from my English friends here and outside, both in the days when I was in service and in my days of outlawry or vagabondage. I appreciate all their kindness. If they are not kind to me, if they are nasty, I can also be nasty to them. Therefore, talking of Indianisation, I submit that the time has come when the Britishers have to prove that their guardianship has been to our good. I think a policy of conciliation will go a great way in removing misunderstandings. There is no use of abusing each other. No use of picking holes against each other.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must speak to the budget.

Maulana Shaukat Ali: What I want to say is that the Government will not get any money from us unless they win our confidence. The Government have got to win my confidence first before I can vote for funds. I can give my vote only on certain conditions.

Mr. President (The Honourable Sir Abdur Rahim): That will be perfectly relevant when the demands are before the House.

Maulana Shaukat Ali: I have nothing more to say at present.

Mr. Surya Kumar Som (Dacca Division: Non-Muhammadan Rural): Sir, my view is that, in framing the budget, there must be a change of mentality in the Finance Member. The outlook should be national. It will not do for him to find out money from wherever he can. In finding out money, the Finance Member should look to the interests of the country. That is, its trade, its commerce and its effect on the masses of the people. If keeping all these principles in mind, he can balance the budget, it is only then we can congratulate the Finance Member. It is not that we care for a surplus or for his balancing the budget. What we care for is this, that the raising of money does not affect the industries injuriously, and that it does not throw great burdens upon the poor people. That is to say, there must be a national outlook in framing the budget.

In the present instance, what do we find? First of all, the Finance Member made it clear in his speech that the nascent sugar industry was not faring well for the last two years, and particularly last year it was not faring well. If that is a fact, what did the industry expect from the Finance Member? Would it not expect a little sympathy from him, help from him in all ways? As if the imposition of an excise duty of Rs. 1-5-0 was not enough to kill the industry, he has come out with a proposal to increase it to Rs. 2 per cwt. This is all with a view to driving this industry out of existence. He has frankly admitted that he wishes some of the sugar mills to disappear from the field, and he said that by this process the weaker mills will go out of existence. So, his mind is clear on the point that he has no soft corner for the development of sugar industry which is one of the most important new industries in India.

I, therefore, submit that the imposition of another duty or tax on the sugar industry, which is a nascent industry and which is struggling for the past four or five years, is not justifiable. This industry ought not to have been touched.

Then, the Finance Member wanted some money and he wanted to hit something. He at once hits silver which is really a commodity with which the masses are most intimately concerned. The poor people never think of wearing gold ornaments. Sometimes, if they have some spare cash, they purchase some trinkets of silver. The Finance Member has no hesitation in increasing the import duty on silver by one anna, thereby affecting the masses of this country. We, middle class people, have very little to do with silver. It is only the poor cultivator, the peasants, for whom we found the whole of the Treasury Bench was crying aloud last year, that have been affected by this duty. The Government were very anxious last year to resuscitate the village industries, and large amounts were granted only to buy the goodwill of the peasants. But, in the present election, the masses have understood the game too well, that the grant was made not out of consideration for the poverty of the masses, but that it was a political stunt which was meant to allure them and to induce them to go against the interest of the country.^a The masses have shown their intelligence in seeing through it, and they have given the right reply. It appears to me that this has been taken to heart by the Finance Member, and, therefore, he was on the look-out to hit the masses in some way for their sin. That is his motive in levying the silver duty.

Next coming to the Postal Department, we all expected that the Finance Member would give some relief to the poor people. The whole country has been crying for a reduction of the price of the postcard from three pice to two pice. We were crying hoarse in the press, on the platform, and on the floor of the House for the last two years. Last year, a cut was carried to that effect in which, I am glad to say, even the European Group, who never go with us in the same lobby, gave their vote in favour of the two pice postcard. The Government ought to have considered twice before treating even the vote of the European Group in such a light way. I expected that the Government would have obliged the masses by reducing the postcard price from three pice to two pice when the European Group also sided with us. We find that the Finance Member has given some relief under the postal head. But, for whom has he given that relief? The reduction of a slight charge on packets will benefit, whom? Not the masses. Most of the middle classes also have very little to do with these packets. It is only the big European firms which deal with thousands of packets every day that will be benefited by this reduction. So, we see that the so-called sacrifice, which the Finance Member is making in the way of reduction of charges on packets, is meant to help the rich big European firms. Of course, some Indian firms will also get the advantage as in the case of the Tea Cess Committee, which came into being, because large European capital was invested in the tea industry, and some poor Indian tea owners were saved along with them. In this case also, some Indian firms will benefit, but the object of the benefit is not they, but the big British firms. The Honourable the Finance Member was in difficulty about money, and he should have solved it in a manner which might not put a burden on the poor masses. He also ought to have taken care that the people may not suspect that he was trying to benefit the already pampered higher class of Englishmen in this country. So two reliefs have been given: one of them has not benefited

[Mr. Suryya Kumar Som.]

the masses at all, and the other has put a burden on them. This increase of the sugar excise duty will mean great misery for the people. Some of the mills will go into liquidation, some will disappear, and that will throw out a large number of labourers and officers out of employment.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has only two minutes more.

Mr. Suryya Kumar Som: Yes, Sir, I will finish. The worst effect will be that the agriculturists of those places, who have already replaced wheat and paddy by this most paying crop, will lose their market. It will entail a great deal of misery and poverty upon the great mass of people. So the effect will be much more dangerous than the Finance Member had the imagination to conceive.

I will conclude with one observation. This bureaucratic and anti-national mentality must disappear; and if it does disappear, I am sure our Finance Member will be as efficient and as good as anybody else. But the difficulty is that he has not the interest of India at heart. He has to look to the interest of the bureaucracy, and he is an agent of the imperialistic and capitalistic Government which always support big and rich people and neglect the masses.

Mr. C. N. Muthuranga Mudaliar (South Arcot *cam* Chingleput: Non-Muhammadian Rural): Sir, I suppose one has to be thankful that there has not been more taxation than what is proposed, although, read as a whole, the prospects are distinctly gloomy and we might have more taxation next year. It is, as has been described elsewhere, a *gumastah's* or accountant's budget, and no imagination or foresight has been displayed. For years we have been crying for the half anna postcard, and it is sad to reflect that the able Member from Madras who is in charge of Posts and Telegraphs could not have induced his colleague in the Finance Department to make this reduction and earn a name for himself as well as for his colleague. The small reduction proposed in parcel rates is intended to benefit the commercial community and not the poor man. The poor man who is the real India has been crying for bread, but he has been given a stone. The reduction in postcard rates could have taken precedence over the reduction in parcel and book packet rates. But, no. This Government would not even blunder into the right path and benefit the poor. No reduction in the posts and telegraph charges, no reduction in salt tax, and no prospect of reduction in the price of sugar, and no reduction in the land revenue with which the provinces are intimately concerned. What have we to be thankful for? The millionaires and European business men in India have to be thankful, because their incomes have been left intact: even the customs duty on articles of luxury and other things they get from abroad has not been increased; their menu and their clothing have not been touched, and the small temporary surrender in the defence budget is hedged round with so many conditions that the taxpayer has no reason to be enthused over it. The defence budget continues in fact to drain the nation's revenues as no other single department does, while the millions of the poor in India have to continue in their poverty, their squalor, their illiteracy and their disease and mal-nutrition.

There is only one thing that can save this country at this stage, and even this remedy might not be available if things advance too far. The first thing to be done is to adjust the ratio to realities. There has been no mention even of the ratio which was fixed and continues to be fixed solely with a view to England's profit at India's expense, and still the Britishers pretend to be trustees of India's masses. Until the ratio is brought to 1s. 4d. as it was before, there is no salvation for us.

Another important thing is to find out and fix the maximum and minimum salaries payable to Government servants and the servants of local bodies in India. This is the most important and urgent thing to be done immediately. The Government are aware that the Congress has passed resolutions fixing the maximum salary of any individual Government servant at Rs. 500, and when they get the opportunity in the provinces as Ministers and in other capacities, they will carry out the resolutions to the extent they can. But that does not absolve the present Government from doing their duty. It has been repeated *ad nauseam* that while India is the poorest country on the face of the earth—the vast majority of its population do not know what a square meal per day means—the services it has to support are pampered and they are paid huge salaries, the costliest service in the world. All this tall talk of the Britisher coming out to serve India and at the same time insist on having more than his pound of flesh and not reducing his salary at all, while salaries of many other services all round have been reduced by the Retrenchment Committee of 1930-31 merely shows the pious hypocrisy of the Government of India and of the Imperial Government. We have heard nothing yet of what they propose to do in the matter of the revision of pay of the Indian Civil Service, the Indian Police Service and the Indian Medical Service though numbers of questions have been asked on the floor of the House. We have till now been put off with evasive replies. The Lee loot still continues. Whenever there is a deficit budget the Finance Member comes forward with fresh taxation, no matter if it affects the infant indigenous industries. They could not think of giving up the Lee loot or of proposing a temporary cut in salaries of high officials as had been done on a previous occasion. The mere giving up of the Lee concessions alone would give us a saving of about two crores.

The military expenditure does not show any falling off. Has there been any attempt to adapt the army to Indian needs and Indian conditions with any sincere desire that the people of the country, who are willing to take up a military career, should have the facilities which any national Government would give? No. On the other hand, the principle of divide and rule is being carried further and further, and the old, old diehard principle of military caste and tradition is sought to be perpetuated under new names and forms. At the rate at which the Army is Indianised—let alone nationalised—it will take a century at least before anything tangible is done. It would be very interesting indeed if the figures can be compiled to show how much of this army budget is spent purely on British or non-Indian personnel and equipment every year for the past say, five years and the amount on Indian personnel. It is notorious that the army maintains hospitals absolutely superfluous to its need and requirements, and that we are made to pay through our nose for maintaining and educating the army personnel who after being fed and clothed and educated at our expense for five years at a time or whatever the period may be, go away and we have to begin the process all over again

[Mr. C. N. Muthuranga Mudaliar.]

with a fresh batch. This doctrine of English doctors and English teachers and English nurses for the British personnel is most pernicious: surely the vast number of medical graduates we are turning out in our colleges and hospitals, including Anglo-Indians must produce enough good men even for fastidious tastes of the army. But, no. It must be kept as a dumping ground for third rate and fourth rate medicos from abroad, and when even these cannot be attracted by extravagant bonuses and salaries, fifth rate and sixth rate men have to be imported. It will be a very good thing if an enquiry is made into this matter by the Indian Medical Council and their opinion invited.

I now come to the excise duty on sugar. The proposed increase in the excise duty is sure to hit, not only the ill-organized factories as the Finance Member has called them, but also the well organised and well managed ones, in fact; it will hit the industry as a whole. Moreover, the import duty has not been raised correspondingly to the raised excise duty.

This is bound to hit the industry hard. While the Government's duty is to help the ill-organised factories, they seek to kill them. Government, at first, imposed protective duty on foreign sugar and encouraged the starting of sugar factories. When all the machinery that could be purchased from foreign countries has been purchased the Government comes down upon the industry to kill them and thus help the foreign sugar combines in which Britishers also seem to hold shares.

This, Sir, is the third and presumably the last budget Session of this Assembly. What have we—I mean the representatives of the people—been able to achieve in these three years? Have Government responded in the least to our demands and Resolutions? Has taxation been reduced in any sphere? Are the people happier or better today than they were three years ago? Has the incidence of the disease and mortality gone down? Have the people become more literate and better able to stand by themselves? Notwithstanding the importation of experts in almost all departments from abroad, it cannot be said that any improvement has been effected in any department of national life. It might be said: "Oh! but Provincial Autonomy is come and the Federation will come soon, and after that you are going to have a new heaven and a new earth". But, is that said with any seriousness or merely with the last idea of a departing official: "After me the deluge". On the advent of Federation, we have to find more money for capital and recurring expenditure. The Federation or the Constitution, of which it is a part, does not give a free hand to the people's representatives. Already we hear rumours that an engineer has been appointed to select a site and prepare estimates for constructing the Federal Lower House in Simla. Already Simla is becoming unhealthy, and accommodation either for the officials or for the Assembly Members is very insufficient. With the new Federal Houses, accommodation is bound to be still less. The Government will do well to give up the Simla exodus even this year and save a lot of expenditure. May I at least request that the Simla Session of the Assembly and Council of State be given up even from this year and save a lot of inconvenience to us all.

In this connection, I am informed that the Government feel that the Simla Session is cheaper than the Delhi Session on account of two factors..

namely, the conveyance allowance given to the Members of this House during the Delhi Session and wagon charges given to M.L.A.'s cars brought with them to Delhi. This reminds me of a Tamil saying which I need not repeat here. For people who consume lakhs into their pockets to point to the hundreds given to the M.L.A.'s is simply ludicrous. But, Sir, on behalf of the Members on this side of the House, I am willing to make a sporting offer to Government. We will forego the conveyance allowance and the wagon charges for Members' cars; will Government give up the Simla Session and have the September Session in New Delhi? Will Government abandon the idea of incurring large capital expenditure on account of accommodation for the Federal Lower House in Simla? Sir, time was when there was not much of accommodation or conveyances in New Delhi when these allowances were fixed. But now a lot of accommodation is available in Government quarters and in private quarters; and, with a lot of cheap conveyances now available, Honourable Members on this side will not grudge to give up their conveyance allowances and wagon charges: they will give up bringing their cars, and they can manage with the daily allowance that is given to them.

Mr. M. S. Aney (Berar Representative): Sir, the Honourable the Finance Member, in presenting his statement to the House, has himself described it as a story of disappointment and of difficulties superimposed upon what he had expected and braced himself to bear; and, having made that kind of prelude, he immediately proceeded to point out to the customs revenue and the heavy fall under that head and particularly the heavy fall under the sugar import duties. Whatever may be said about the reduction of revenue under sugar import duty, it would be wrong to describe it as an unexpected difficulty. When he presented the budget statement last year, he was conscious that the calculations made by him were ill-founded about the import duty from sugar; and I believe anybody who had the slightest imagination and who knew what he was about could have easily seen that the protection afforded to this industry was not only calculated but intended to bring about, in course of time, a complete annihilation of import duty on sugar. If that was not the object, there was no meaning in giving protection duty to sugar at all. One of the ideas—in fact I believe, if I mistake not, one of the conditions on which protection duties are given and recommended by the Fiscal Commission is this: that the industry must show signs of rapid growth and become self-sufficient. When an industry does that, it should be a matter of which the Finance Member should be proud; and, I am sure, had there been a national Government, it would have looked upon the achievement and progress which the sugar industry has made in this country during the last few years, as a matter, of which it was proud. It would hold it up to the admiration of the outside world as proving the wonderful capacity of the Indian people. On the other hand, I find that the Honourable the Finance Member is complaining and he thinks that, unless something is done to replenish his diminishing revenues even at the cost of the industry which the Government of India have taken so much pains to build up during the last few years, he will not be satisfied and the result is, he has come forward here with an additional excise duty on the sugar industry.

Sir, there is a Sanskrit sloka written by the great Sanskrit Poet, Kalidasa, which says:

“Vishavrikshopi samvardhya swayamchettum sampratam”

[Mr. M. S. Aney.]

The meaning of this is, even if you have grown a poisonous plant, you should not cut it; it does not behove a man to cut a poisonous plant if he has grown it himself. I only mention this in order to bring to the notice of the Honourable the Finance Member that the sugar industry which has grown in this country owes much to the Government of India. They can certainly claim the credit of having established an industry which had been practically extinct, and the Government of India should be the last to do anything that would prove injurious to the continuance of the industry in a prosperous condition in this country.

Sir, this opens up a very important question of policy, in my opinion. What is the fiscal policy which the Government of India are to follow? Is it merely a policy that will bring in larger revenues to the exchequer, or is it a policy that would help in building up a national industry in this country which is calculated to bring in certain advantages which might compensate for whatever loss there may be to the revenues for the time being. Taking the case of the sugar industry itself, I can confidently say that there is a net annual saving of something like 16 to 19 crores to the Indian people. Before this industry assumed such dimensions, the Indian cultivators and Indian consumers had to pay to foreign countries something like 16 or 17 crores on account of the price of the imports of foreign sugar. That was the position a few years ago. Now, all that money is saved in the country itself. My Honourable friend, Sir James Grigg, is laughing,—I can quote to him the exact figures and show that the saving of 16 crores to this country by itself must have gone a long way to improve the economic condition of thousands of cultivators and thousands of poor people. There is now a network of sugar factories spread all over India, and over a lakh of people are employed in them. There are also educated young men who have found employment in those factories. Taking all these advantages into consideration, it will be seen that this excise duty will hit all these people very hard, apart from affecting the industry as a whole, because this excise duty will tend to eliminate a number of sugar factories and encourage the import of foreign sugar, and I think, therefore, that the Honourable Member has done the greatest wrong to this country as well as to the budget. What is the income he is expecting from the extra excise revenue? Not much.

Then, Sir, another thing which I wish to notice in connection with this is that this is a budget on which the coming reforms have cast their shadows. It is only, in my opinion, the penumbra of it. The eclipse is to come, but the penumbra itself shows that the position of the Central Revenues is something of which the Finance Member ought to be anxious, and when the full period of five years will elapse and more contributions will have to be made and the income-tax revenue will have to be shared along with the provinces, I do not know what the position of the Central Revenues will be

Mr. S. Satyamurti: He won't be here then!

Mr. M. S. Aney: He won't be here, but the Government won't die. The King does not die; there will be somebody to do the work which the present Finance Member is doing here. I believe he has been showing a great deal of anxiety for giving a good start to the so-called Provincial Autonomy which is to come. If that is so, let me assure my friend that the

way in which he has given a start is not very encouraging.—I am using only a mild term,—he has no doubt held out assurances,—I do not know how far he himself believes in his own assurances that things may improve and the Neimeyer Award may not prove altogether a difficult thing to tide over. Having studied the income coming from various sources like customs, income tax and so on, I feel that there is no tendency for these revenues to come up to my friend's expectations. His budget expectations are not satisfactory; they fall short of his expectations,—I don't mean to suggest that my friend is not an expert to make proper calculations,—but the fact remains that he bases his calculations in one way and that the results don't come up to expectations. He himself has described the result as due probably to over-taxation already existing, and, therefore, it results in diminishing returns. But if that is so, let me tell my friend that the reduced revenues that are coming are indicative of the incapacity of the people to pay more. Therefore, the sources my friend has tapped for getting more revenues from the people are not correct. You cannot think of better times coming when more revenues would be coming into the coffers of the Government, on the strength of which you build your future programme to give subsidies to the provinces so that the provinces may have a good start

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member can resume his speech after Lunch.

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. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Mr. M. S. Aney: I have mentioned already that there is no scope for any further expansion of revenues, and, therefore, the only direction in which we can hope for improvements is in the direction of economy and retrenchment. From that point of view, I will first attempt to draw the attention of the Honourable Member to the enormous growth in the cost of collection which I find mentioned in Table IV of the Explanatory Memorandum of the Financial Secretary. I find that under Customs, if we begin from the year 1931-32, the cost of collection has gone up from Rs. 90 lakhs in 1931-32 to Rs. 1,35 lakhs in the year 1936-37. Similarly, we find an increase in the cost of collection under Income-tax, from Rs. 75 lakhs in 1930-31 to 89 lakhs in 1936-37. If we take the total cost of collection for all the items given in that page, it has gone up from Rs. 3,06 lakhs in 1931-32 to Rs. 3,70 lakhs in 1936-37. My point is this, that if all these items of expenditure, which come under the cost of collection, are closely scrutinised and brought down to a proper level, a level at which it stood in the year 1921-22, considerable relief can be given.

Again, another big item of expenditure to which reference has already been made by Honourable Members is the military expenditure. In my opinion, the figures of the net military expenditure given here do not properly convey to the House the exact extent of the burden which the country has to bear in the name of defence. For that purpose it is better

[Mr. M. S. Aney.]

to look into the figures of gross expenditure, for gross expenditure is the real expenditure incurred, and net expenditure is the figure which you get after deducting out of the gross expenditure certain receipts which come to the Exchequer in the course of the year. And what is the tendency that you find there? We find that the total gross expenditure for the budget year will be about Rs. 51 crores 26 lakhs and 17 thousands—I am giving this figure from page 8 of the Estimates of Expenditure on the Defence Services. This is not the only expenditure that is incurred for the sake of defence. You must add to it the amount of Rs. 2 crores loss which we have to incur on the strategic lines which are also for the purpose of defence. Then, there is one more item to which I would invite the attention of the House, and that is what is known as expenditure under Tribal Areas. Most of that expenditure—which comes to about Rs. 1,92 lakhs—is of a semi-military character; in fact, all that expenditure is for the purpose of the defence of India, and nothing else.

An Honourable Member: Voted or non-voted?

Mr. M. S. Aney: It is all non-voted; I am only dealing with the non-voted items, and not with the voted items at all. If we add up all these, we can have an approximate idea of the enormous burden that the country has to bear, the poor taxpayer of India has to bear for the sake of defence. It comes to about Rs. 55 crores 18 lakhs and 17 thousands. That is the burden which the poor taxpayer has to bear. I think a poor country like India is not in a position to maintain that machine which means such a gigantic amount. Some remedy must be thought out to cut down the cost of this defence to a reasonable figure, and I believe it ought not to be difficult for the Finance Member and for His Excellency the Commander-in-Chief to confer together and find out some ways of bringing down the total cost to a reasonable figure. Out of our total revenues of Rs. 117 crores or something like that, if we spend Rs. 55 crores and odd for the sake of defence, very little indeed is left for any other kind of work to be taken on hand. A big moiety is taken up by the services in the name of salaries and allowances and more than a moiety is taken up by the military department, and what remains for the Finance Member to think of the poor cultivator of the country, the village uplift and other things about which we heard him waxing eloquent at the time of the last year's budget and also a year before that. This year, of course, he has omitted all reference to this uplift affair. He has found that his own position is rather precarious, and, for the sake of making his both ends meet, he has avoided all reference to rural uplift.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more to finish his speech.

Mr. M. S. Aney: I shall finish within two minutes.

Having shown these two items where it is possible for the Finance Member to exercise economy and bring down the expenditure to a reasonable extent, there is one more thing to which I want to draw attention. I am glad that my Honourable friend, Mr. Muthuranga Mudaliar, has referred to the Simla Exodus. The Simla Exodus has been nothing but an extravagant luxury in our opinion and the enormous expenditure incurred by the Government of India for the sake of enjoying a trip to the hills during summer and remaining there for about seven months leaving the

Capital for the building of which a sum of something like Rs. 20 crores has been invested, completely deserted, is huge waste of public funds—For five months this Capital is occupied and Simla is empty

Mr. Muhammad Nauman (Patna and Chota Nagpur *cum* Orissa: Muhammadan): That has been in existence for many years.

Mr. M. S. Aney: Both of them are desolate for more than half the year, one wishes that both of them remained desolate for the whole of the year. This extravagant expenditure incurred by the Government of India can be cut down. One more point in that direction which I should like to refer to, and it is this.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Mr. M. S. Aney: Then I shall only say this. We find that this service is something that resembles the thorny bushes that were planted round to serve as fence to protect the garden of the Indian cultivator. What we find is that the bushes have grown to such an extent that all the manure and sustenance and water that is given to the garden crop has been taken away by this wild growth and the garden has been withering. The only remedy is to cut down and uproot this wild growth, in order to protect the poor man's garden. With these observations, I conclude my remarks and thank you for giving me an extension of half a minute.

Sir Cowasji Jehangir: Mr. Deputy President, the Honourable the Finance Member has presented his budget in a very matter of fact manner. He has not indulged in the privilege of a Finance Member of discussing economic and financial policies of the Government. He has confined himself merely to relating the figures of the three years under discussion, and I am not at all surprised that he has thought it wise to do so. In the first instance, the Finance Member has been criticised throughout the length and breadth of India for what he has said

The Honourable Sir James Grigg: And for a good deal of what he has not said.

Sir Cowasji Jehangir: That is the lot of all public men. It is one of the privileges of public men to have words put into their mouths, and since he has become a great public man in India, he will have to suffer that inconvenience. Well, Sir, I am not at all surprised that he has now changed his tactics, because another handicap, under which he suffers, and all Finance Members suffer, is the constitution under which we work. He has no elected party behind him to defend him. He has an Opposition whose duty it is to oppose.

The Honourable Sir James Grigg: At pleasure.

Sir Cowasji Jehangir: We are here merely to oppose. (*An Honourable Member*: "Not merely to oppose"), and having no one to defend him, and having a large number of elected Members to criticise him, he keeps mum—a very wise thing to do. There is another reason why he should keep mum. There is no reason why he should attempt to convince us that he is right.

[Sir Cowasji Jehangir.]

His position as a Finance Member makes him an autocrat. He merely listens to our criticism and at the end of the discussion, he can apply his privileges and get everything certified. Then, why trouble to convince the Opposition when he has, under this excellent Constitution, the power of certifying everything, every one of his taxation proposals. Well, Sir, under the circumstances, I am not surprised that he has merely placed figures before us and refrained from what a Finance Member generally does do—expand on this occasion on general principles and policies.

Now, Sir, this year's budget has been framed under exceptional conditions. The finances of a whole country have been separated, resulting in a big loss to the finances of this country—India—which has long been foreseen. He has known for some time the loss arising from the separation of Burma. Over and above that, India has struck difficult times, and anybody, who had studied the returns during the past months, would have foretold a deficit. Therefore, the conditions under which he has framed the budget have been rendered doubly difficult. He has to meet the loss which he foresaw. He has also to meet the loss which he did not foresee when he last presented the budget before us. Under these conditions, a very big deficit was something that we expected.

Sir, there is just one point in this budget which has been alluded to by one of my Honourable friends, which requires further emphasis. He has shown a gross loss in next year's budget of 3,42 lakhs. I would respectfully point out to him that I have my grave doubts whether that loss which he has shown is not less than it really is; for he has taken credit for an amount of 2,29 lakhs recovered from Burma in respect of debt and other liabilities and he has given the revenues credit for that amount. It is a return by Burma of debt which this country incurred on behalf of Burma. The loss that has been incurred by this country due to the separation is loss of taxation, such as customs, excise, income-tax, salt, loss which is going to recur year after year, while the amount of the gain is a return of debt with interest. The amount that he could legitimately have taken to revenue was the amount of interest due on the debt, but not the capital amount of the debt itself, and, therefore, it appears to me that the loss for next year is really bigger than 3,42 lakhs by the amount of the debt returned by Burma to India. I think it is a point that is worth considering, and I trust the Finance Member will deal with it.

The Honourable Sir James Grigg: I will deal with it.

Sir Cowasji Jehangir: Now, Sir, I am not usually given to congratulating Finance Members, but on this occasion I do desire to congratulate him on having kept down the defence budget. Just at present, all over the world, the mania is—I would not call it mania, it may be legitimate expenditure—in other parts of the world—to spend more money on defence and armaments. Of all the big countries in the world, India has been the one exception, and I have no doubt that credit is due to the Finance Member in this respect. It is his duty to keep down expenditure. In all countries, the army are a powerful factor. In India, luckily this year, at any rate—I do not know what is coming to us in future—the expenditure on the army has been kept stationary and it is something to be thankful for. Another thing on which India has to congratulate herself is that Waziristan has only cost us 11½ lakhs. If I had been asked the day before

the budget statement as to whether a hole was going to be made in our pockets by these frontier expeditions, I would certainly have put it at a higher figure than 11½ lakhs

The Honourable Sir James Grigg: There will be some backwash next year.

Sir Cowasji Jehangir: How much?

The Honourable Sir James Grigg: Nothing that need cause you unnecessary alarm.

Sir Cowasji Jehangir: I hope not 30 or 40 lakhs?

The Honourable Sir James Grigg: No.

Sir Cowasji Jehangir: We congratulate ourselves then on having to pay only 11½ lakhs after all we have heard about these expeditions.

An Honourable Member: The full accounts are not yet in hand.

Sir Cowasji Jehangir: Sir, my speech is going to be very matter-of-fact, because I know I have only a quarter of an hour, and I shall merely refer to facts and nothing else. The Honourable the Finance Member has said that there is no necessity for borrowing this year. I would suggest to him that when money is cheap, he might consider the ways and means of converting the sterling debt into rupee debt while he can. We do not know how long money is going to remain cheap, but if he does not require it for his own purposes, he might yet consider whether it is not worth his while taking this opportunity of converting our sterling debt into rupee debt.

Mr. N. M. Joshi: It must fall due.

Sir Cowasji Jehangir: My Honourable friend, Mr. Joshi, says "it must fall due". There are ways and means of converting one debt into another without its falling due, and the Finance Member knows how to do it if he wishes it. Another point I would make is that Treasury Bills ought to be encouraged. Sir, the lowest denomination of Treasury Bills just now is Rs. 25,000. My friend might consider the advisability of reducing the minimum to Rs. 10,000 so as to encourage the smaller investor to go in for Treasury Bills,—and he knows the importance of Treasury Bills to a Reserve Bank. I am not going to emphasize that further; I merely make the suggestion for his consideration.

Now, Sir, we come to the new taxation that he has suggested. I am by no means an authority on the sugar industry, but, looking at it broadly it appears to me that Government are going in a vicious circle. They have encouraged the sugar industry to be built up in this country, and it is one of the romances of industrial India of today that within a short period of time we have been able to build up an industry which has nearly replaced the whole of the import of sugar into this country. (Hear, hear.) I should have thought we had occasion to congratulate ourselves upon our enterprise and our pluck in taking advantage of the opportunities that were given to this country to build up a great industry and

[Sir Cowasji Jehangir.]

stop the imports of a commodity, which is a necessity of life. Sir, having done that, we may have gone a little too far; the country may have got a little more supply than the demand; but a definite policy of now trying to curtail that industry is questionable. I say, again, I am no authority on the sugar industry, but looking at it generally and from a broad point of view, I say, you do all you can to encourage an industry; you build it up; you do so with great success; and then as soon as you find that your imports are falling and your revenue is falling, you immediately do your best deliberately to discourage that industry. What do you do? And the Finance Member has made no secret of it: he says, "I want to wipe out the inefficient sugar factories in this country". Now, in every industry in the world, there is efficiency and there is inefficiency. There is Lancashire. Suppose the mill industry in Lancashire was able to find a market even at a loss. Would the British Government have said that they would take measures to wipe out that mill industry, because some part of it was inefficient in some respects? (Hear, hear.) No. When the mills stop by themselves automatically, then the Government comes to their assistance, to devise means as to how best to finance such concerns, to improve them, to modernise them, and see what they can do; but they do not take deliberate measures designed to wipe out the so-called inefficient part of the industry. Sir, it is going in a vicious circle. All these twelve years you have built up the industry by a tariff wall. Having done that, your imports must decrease; they must come to zero; you must be self-sufficient in sugar, and it is only natural that the country should want to do so, and its enterprising industrialists will help you to do so. Having done that, why, immediately within ten or twelve years, do you say, "Oh, a certain section of this industry is inefficient; let us stop that, let us wipe it out, let us make the efficient stronger and stronger"? I do not know whether that is a very wise policy. I am not touching on the very important point of how far the agriculturist will be hurt. We heard some very interesting figures from an Honourable Member on the Government Benches showing that three-quarters of the agriculturists in sugarcane will not be affected, because their supplies go to the manufacture of *gur*—a fact I was not aware of—and that, therefore, if it affects any portion at all, it will be only twenty-five per cent. of the cane growers. That may be perfectly correct, but as I have said, I am not going to express any definite opinion as to what effect it will have. It is probably certain to affect *gur* and it may improve the prices of *gur*, but I am looking at it from the wider point of view

Mr. Bhulabhai J. Desai (Bombay Northern Division: Non-Muhamadan Rural): It will not improve the price of *gur*.

Sir Cowasji Jehangir: That is what the Honourable Member, Mr. Mudie, said; I do not understand the matter sufficiently to be able to express an opinion definitely, but I do definitely say that, looking at the wider aspect of the matter, it seems to me to be a curious policy to build up an industry and then say that, as some part of it is inefficient, we should get rid of that inefficient part.

Then, Sir, as to silver, the only point I would urge upon the Honourable Member is to see that there is no more smuggling on account of this rise of tax. There is a prospect of that smuggling coming in again to

frustrate all the efforts of my Honourable friend. I am certain, he will take full measures as I am convinced that he is a Finance Member who is taking strong measures against all kinds of smuggling, but let my friend see that this increase does not have that effect.

Now, Sir, as to income-tax; and I will have concluded. I am one of those who have believed and constantly expressed the opinion in this House that there is a considerable amount of evasion of the tax. Even with the Act as it stands, if everybody paid the tax that was due, your returns would be much greater than they are today. Sir, there is evasion of income-tax in most countries. I know that in some countries of Europe evasion of income-tax is practised. In England, evasion of income-tax is the least in Europe. In India, I am convinced that there is a great deal of evasion of income-tax. I think Bombay is fairly well off, and I can say, Sir, with some pride that we pay a larger percentage of income-tax than most parts of India. (Interruption.) I think I can say that with a fair amount of pride—not that I am provincial in any way. But the worst part of it is this that the more evasion there is, the greater is the temptation for increasing the income-tax, and the honest man will have to pay more while the dishonest man will get off! Therefore, let us see that the income-tax law is put into force properly. My friend, the Honourable the Leader of the Opposition, knows a great deal about the evasion of income-tax.

Mr. Bhulabhai J. Desai: You are entitled to evade it within the law. (Laughter.)

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Sir Cowasji Jehangir: Sir, I have no complaint against anyone who "evades" within the law (*An Honourable Member*: "That is not evasion but 'avoidance'"), but illegal evasion of income-tax is a thing that we ought to stop

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Sir Cowasji Jehangir: If I have anything more to say, I will take another opportunity of doing so.

Dr. R. D. Dalal (Nominated Non-Official): Sir, I heartily congratulate the Honourable the Finance Member on the lucid and interesting financial statement presented by him to this Honourable House on Saturday. Sir, the present is the time of all times when India needs a Finance Member and an astute economist like the Honourable Sir James Grigg. My Honourable friend, Sir James Grigg, has justly earned the gratitude of the country for his work in devising ways and means to ensure the success of the great constitutional experiment and for his assurance that the scheme of reforms is financially practicable; and however strenuously I endeavour to express our thanks to him for his great work in India, I feel that my words must be inadequate to represent the depth and sincerity of our feelings towards him. I can only say that we warmly appreciate his strenuous efforts on behalf of India, and that we thank him,—we thank him most heartily.

3 P.M.

[Dr. R. D. Dalal.]

Sir, in his interesting speech my Honourable friend, the Vice-Chancellor of the Aligarh University, referred to the Ottawa Agreement. So, Sir, with your permission, I propose to address a few remarks to the House on the subject of the Ottawa Agreement. In doing so, I shall endeavour to present to the House very briefly the salient facts on which a true judgment can be formed, and I firmly believe that my presentation of them should carry conviction to the minds of those whose eyes are not obscured by the mist of prejudice. Sir, an examination of the figures relating to our export trade shows a perceptible increase in the export trade in the preferential articles to the United Kingdom during the period covered by the Ottawa Agreement. This increase indicates that the Agreement has worked in the right direction. If we compare the figures for 1934-35 with those for the year just previous to the inauguration of the Ottawa Agreement, we find that the advantages that have accrued from the Ottawa Agreement have been divided almost equally between India and the United Kingdom. As regards the actual results of the working of the Agreement for a period of three years, a fairly satisfactory balance has been secured between the interests of India and the United Kingdom so far as trade in the articles covered by the Agreement is concerned.

Mr. S. Satyamurti: How is the Ottawa Agreement part of the budget?

Dr. R. D. Dalal: It has great effect on the budget.

Then, Sir, as regards many important articles, such as linseed, woollen carpets and rugs and tanned skins, we have increased our trade, not only with the United Kingdom, but also with other countries. Sir, it is said that our balance of trade has declined. When we speak of the balance of trade, we should consider not only the quantities of trade, but also the values of trade. The factor of price is a very important consideration. Let us compare the year 1934-35 with the year 1932-33. In the first place, there has been a general fall in prices. On the top of that the fall in agricultural prices has been much greater than the fall in industrial prices. The bulk of our exports are agricultural products. The fall in the prices of our exports has been much greater than the fall in the prices of our imports. If we add that factor to the general fall in prices, we can easily explain the decline in the balance of trade. Sir, it is quite true that the results of the Ottawa Agreement are not so satisfactory as they might have been, but that is due to causes over which neither India nor the United Kingdom has a dominating influence, namely, industrial depression, price fluctuations, changes in the demand for and supply of individual commodities, currency instability, and economic nationalism. Sir, from my heart I rue the day, the 30th March, 1936, when the motion to terminate the Ottawa Agreement was carried by one of the optimistic votes given by the Opposition.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member is speaking too much about the Ottawa Agreement.

Dr. R. D. Dalal: Sir, so far as I have studied the results of the working of the Ottawa Agreement, I am convinced that the Ottawa Agreement, considered as a whole and with especial reference to its limited scope, has met with a fair and reasonable measure of success.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions: Non-Muhammadian Rural): Sir, during the few minutes that are available to me, I do not think it is possible to touch even the fringe of the question which confronts us. I will, however, make a few comments on the narrative part of the budget as it has been presented, reserving my remarks on the more vital part of it relating to ways and means to a later occasion.

Sir, the Honourable the Finance Member has made an immortal contribution every year. The first year he made his entry here with Bacchanalian abandon, and this word will immortalise him for ever. The second year, that is the last year, he raised the stunt of recovery. It was very shortlived, and if there was any birth, it was still born. In the course of the year, it has died down. Now, in the third year, he has come in in a chastened mood like a good Samaritan, instead of a follower of Bacchus, with the slogan of resurrection. His present budget starts with it. The first one will be associated for ever with Bacchanalian abandon, the second with the vain stunt of recovery, and the third with false hopes of resurrection. But every year he has introduced something which, in the language of a Presbyterian pastor, must find an abiding place. Sir, today, I am not prepared to say much. I do expect that resurrection will set in some day. But not till the grave has been dug up and till the day of reckoning has been reached.

Mr. F. E. James (Madras: European): Till the last trump?

Pandit Govind Ballabh Pant: My Honourable friends opposite will soon be face to face with the day of reckoning, and, after that, the process of resurrection will set in and recovery will start. Well, it may be the last trump according to Mr. James, and for some of them it will be the last Doomsday. But for us it will mark the opening of a new era, and we are waiting for that day of reckoning as a prelude to the era of resurrection and reconstruction and recovery. Sir, the Honourable the Finance Member has presented a budget which I find it difficult to describe in parliamentary language.

The Honourable Sir James Grigg: So did I.

Pandit Govind Ballabh Pant: I am glad that the Honourable the Finance Member agrees with me that his child should remain unnamed and undescribed.

Mr. M. S. Aney: It should die unwept and unsung.

Pandit Govind Ballabh Pant: My regret is that it will not die before it has done the mischief of which it is capable. The least that I should say about it is that it is a barbarous budget. No civilized Government dare present a budget of this sort to any civilised community in any part of the world today. I have reasons why I am saying so. I know the Honourable the Finance Member does agree with me. He is the victim of circumstances, and he does not find it possible to present a better budget. But he cannot but feel sorry for being the victim of such circumstances. I will tell you why I say it is a barbarous budget. We are not living in the iron age when the resources of the community must be devoted mainly and almost exclusively to its protection against hostile

[Pandit Govind Ballabh Pant.]

forces or towards the defence expenditure. What do we find here? In this budget, about 63 per cent. of the receipts that we get in the form of revenue and taxes is devoted to defence expenditure. Sir, the figures given about defence expenditure in this Volume and in the statement of the Honourable the Finance Member are a bit misleading. I think they are incorrect. The actual figure of defence expenditure, according to the budget and the accompanying volumes, would be something like this. The total expenditure as given in the budget is 51 crores 26 lakhs. The total receipts for defence services come to five crores and 22 lakhs. Deducting the one from the other, the net expenditure would come to 46 crores, four lakhs, seven thousand. To that we add 1,04 lakhs which ought to have been saved because of the separation of Burma. Then, 20 lakhs on account of separation of Aden should be added. If you add all these figures, the total cost would come to 47 crores 28 lakhs, seven thousand. It is about two crores more than what the Honourable the Finance Member pointed out, and to that extent his statement is incorrect. In fact, as compared with the current year, the provision for military expenditure is one crore and 83 lakhs higher, and I see no reason why any Government should frame a budget like this in a year of such a critical nature as the one through which we are passing with an enhanced provision for military expenditure. In fact, the thing looked so indefensible that the Honourable the Finance Member had to hedge round and to manipulate his figures in such a manner as not to disclose the full provision. Sir, the military authorities have also betrayed a tendency towards over-budgeting. The Auditor General has commented on it, and the reason why they have done so is plain enough too. They want to get hold of as much as they can, and, now, contrary to all canons of finance, they have been allowed to transfer funds allotted to them for current purposes towards a defence reserve fund. This is their usual practice now. To get a large contribution from this House and then not to spend the whole of it, but to keep something up their sleeves which they may fall back upon at their sweet will and pleasure whenever they so desire,—I think this practice should be discontinued. However, that is a minor matter. I am not very much concerned with technicalities. What I want the Honourable the Finance Member to answer is this. When, according to the figures for 1935-36, England can do with a military expenditure of 15 per cent. on its total income, when Germany can do with a military expenditure of 15 per cent. on its total income, when Canada can do with a military expenditure of nine per cent., and Australia about four per cent. only, is it fair that a country like ours which, he must confess, consists of the poorest of the poor in God's earth, should be made to contribute such a huge proportion towards military expenditure? I am not unaware of the loan that has been raised in England, but there can be no comparison between England and ourselves. England has to maintain her rule over half of the globe, and she can earn in a year what we spend in 100 years. So, there is no comparison between us both. So far as we are concerned, it is criminal for any Government to raise the amount of military expenditure in a lean year like this when fresh taxes have to be raised merely to keep the apparatus of Government going. The way in which this Government acts in this country is further disclosed by some of the volumes that have been presented to us. The Honourable the Finance Member seems to be an adept in devising means that would take the hand of the clock back

and still further back. If you would look at the memorandum of the Finance Secretary, you would find that the proportion of voted to non-voted expenditure has come down. It is given at page 43. The percentage of voted to total in the case of expenditure charged to revenue was 48 in 1936-37 and it is going to be 46 in 1937-38. Again, taking expenditure not charged to revenue, the percentage of voted to total stood at 95 in 1936-37, but this proportion of voted to total has now dwindled from 95 to 63. Sir, I think it is unnecessary for me to comment upon it. This is just the way in which we are being prepared for self-government in this country, for Federal Swaraj in this country. Whatever little control this House nominally had in the matter of finance, it must be relieved of that and the voted items should be cut down, the voted proportion reduced and the non-voted ones raised. I ask Mr. James to think of the day about which I spoke in the beginning.

Then, look at another volume, called "A Statement showing Additions and Reductions sanctioned by the Governor General in Council in the Non-Voted Grants for the Year ending the 31st March, 1937". What do we find? In a year like this, when Government had been finding it difficult to make two ends meet, the expenditure under the head "Political" has gone up by no less than 26 lakhs and 67 thousand. There are eight pages of this book dealing with the various items in which the Governor General has considered it advisable to increase the expenditure on different heads in all conceivable ways of wasting money that could be devised. In all these he has raised the expenditure, with the result that, if you look at these pages, you will find that while the provision for Public Health, Agriculture and other things has been cut down and not been utilised and appropriated, the provision for Political Services has not been considered sufficient and the Governor General has himself sanctioned an additional expenditure of 25 lakhs net for this purpose. This is a typical illustration. While this expenditure under the political heads has been raised by about 26 lakhs, you will be interested to find on page 19 that the provision for grants-in-aid to non-Government secondary schools, grants-in-aid to non-Government primary schools, medical and public health, hospitals and dispensaries, grants-in-aid for public health purposes,—all these have been cut down and even the amounts actually provided for these purposes have not been fully utilised. It is not necessary to dwell on these things. That shows how the Governor General's mind works; that shows what notions of values his Government and he possess. Now, Sir, when I said it was a barbarous budget, I did not mean to overstate.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more.

Pandit Govind Ballabh Pant: Sir, I wish I could perhaps make a gift of those two minutes even. Anyway, I will finish within two minutes.

Sir, in all other countries, Governments consider it their duty to use the revenue primarily for constructive purposes. I have before me here the Civil Estimates for 1936 of the British Government of the United Kingdom. And what do we find there? There we find a provision of 70 crores for education, 200 crores for health, labour and insurance, 20 crores for trades and industry, 1½ crores for cattle-breeding fund, three crores for agriculture and fisheries, 60 lakhs for agricultural education. There

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is a provision for beet-root sugar subsidy of 50 lakhs and another for subsidy and assistance for the promotion of milk industry and the use of milk of 2 crores. There are similar other provisions and an allotment of no less than 60 crores for the assistance of local bodies. I know that we have a provincial field apart from the Central one. But that does not affect the main argument. These figures are for last year. For the current year we have not got the exact figures yet, but here is the newspaper report.

"The principal totals are these : 72 million pounds against post office; unemployment assistance vote, 51 millions; old age pensions, 45 millions; Board of Education, 49 millions; pensions, 40 millions; exchequer contribution to local revenues in England, 47 millions; and so on."

Sir, in other countries, the major portion of the money collected from the people is devoted to their welfare, to purposes which lead to social reconstruction relief, and promotion of trade and industry. In our country, the process has been completely reversed. I say, Sir, that the Finance Member was guilty of criminal waste and gross imprudence and injustice when he sanctioned the withdrawal of the cut on the salaries two years ago. He was again guilty of indiscretion when he reduced the super-tax surcharge. This ought not to have been permitted. These classes can easily afford to pay what was being taken from them. He must have known then that the rainy day was to be approached; he knew that this Provincial Autonomy as a part of this unwanted system was going to be imposed upon this country. He had to prepare for it; he knew all that. Then, why this indecent and precipitate haste in giving these reliefs to these people who least deserve any relief?

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up, but the Chair is told by the Leader of the Party that he will not speak and Pandit Pant is speaking as the Leader of the Party. Therefore, the Chair thinks he may have five minutes more.

Pandit Govind Ballabh Pant: If you allow five minutes, let that be given to the Deputy Leader of the Party as the Leader of the Party undoubtedly deserves greater concession. (Laughter.)

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair says this, because that was the arrangement made by the Leaders of the Parties themselves, and, strictly speaking, the Chair has no discretion, but at the request of the Leader of the Congress Party this concession has been given.

Pandit Govind Ballabh Pant: Sir, at the time the Government of India restored the cuts in salaries and made the cuts in the super-tax surcharge, they knew full well, as they know today, that the provinces had been cut to the bone. In the provinces, there were deficits then, there are deficits now: there has not been a single year when the provinces had not to face huge deficits. In 1931-32, if I remember aright, the total provincial deficits came to about five crores of rupees. Even in 1935-36, leaving Bombay, Madras and Punjab alone, the deficits exceeded two crores. How are these poor provinces to manage, when the Government of India determine the salaries of the higher and superior directly, and of lower officers

and officials indirectly, and enhance salaries and allowances even in periods of acute depression? The Government of India were most unfair to these provinces, and I say that they committed an act of criminal waste and of criminal indiscretion in allowing these concessions to people who can easily afford to do without them.

Sir, the Honourable the Finance Member has devised two methods this year for covering up the deficit. I do not know who has fixed this sum of one crore and four lakhs as Burma's share of military expenditure. The military expenditure of a frontier province like Burma must certainly be much more than one crore and four lakhs. And if a correct view is taken, the expenditure of the army in India must be cut down by at least five crores on account of the separation of Burma. It is strange that even in making a paper entry on account of the transfer of the army to Burma the Government have fixed such an inadequate amount as 104 lakhs. The Honourable the Finance Member has resorted to two devices for covering up this gap. He still sticks to his old stunt of recovery. The Government of India have played a most lamentable part in this matter. Of all the Governments on the face of the earth, the Government of India are the only Government which did not move their little finger in order to bring about the day of recovery: they did not render the least assistance during the period of stress and depression; but they were the first to announce it to the world that the day of recovery had set in and that all depression had passed away! I say, so far as they are concerned, it never existed: they have been thriving all the time and they have been bleeding the country all right, whether in fair weather or in foul: so far as they are concerned, there is no change in the weather, no depression, and, therefore, no occasion for recovery. But I ask the Honourable the Finance Member if he is really satisfied that there is not deep depression in the country. What are the features to which he has invited the attention of this House? There has been an increase according to him, in the exports; there has been an increase in the inland trade. Has he ever seen along with that the curious phenomenon of a reduction in income-tax, in the receipts under customs duties, and even in salt? The duty has gone down by 50 lakhs under salt this year. What does that show? The poor man has not enough even to purchase salt. He has to pass his days without salt, and yet the Finance Member glibly talks of recovery! I tell him, the prices of primary commodities have gone down so low that recovery cannot be conceived. He said prices are going up. I have before me here the report of the Reserve Bank for 1936 from January to December and it affirms that there was no change in commodity prices. I will not refer to other authorities. In fact, there has been no real change in the prices of agricultural commodities . . .

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Pandit Govind Ballabh Pant: Very well, Sir. There is an exceptional feature today because of the preparations for war, because of rearmament; and any Government possessing imagination and sympathy would have devised a hundred and one other ways for covering the deficit without taxing sugar and silver: an export duty on gold would have occurred to one easily. But these are matters with which I will deal at a later stage when we reach the Finance Bill. For the present I say with confidence that

[Pandit Govind Ballabh Pant.]

this top-heavy system will collapse by its very weight and the day of freedom and of economic prosperity in this country along with the day of recovery will soon be reached, as the day of resurrection and of reckoning are coming together fast. (Opposition Cheers.)

[Some Honourable Members rose to speak, as also the Honourable Sir James Grigg.]

Mr. Deputy President (Mr. Akhil Chandra Datta): The understanding was perhaps that the Honourable the Finance Member would get up at four o'clock to reply.

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

Mr. Muhammad Nauman: Sir, I do not want to take much of the time of the House in commenting on the budget, as other friends of mine have already exhausted the subject. With a heavy heart I must confess to a feeling of surprise at the unfortunate set-back in the budget as presented to us this year at a time when trade has revived and the basic prices of all the commodities have recorded substantial rises and shown signs of steady improvement. I do not agree with my Honourable friend, Pandit Govind Ballabh Pant, who has just said that he does not think that the basic prices of rural commodities have risen. Wheat has risen within six months from Rs. 2-4-0 to Rs. 3-8-0 per maund, and rice, paddy and grams are all showing signs of sympathetic improvements in prices. I am surprised to hear that from Pandit Govind Ballabh Pant anyway.

The presentation of budget is always looked with suspense and anxiety in every country; and much more in this country where the feeling is that further relief in direct and indirect taxation is absolutely necessary. The theory of taxing transport and means of transport has always been looked upon with contempt, and our exchequer is not as yet in a position to give appreciable relief in the imports of transport commodities till such time when we can develop our own industry of automobiles in India and then we will require safeguards through protective tariffs.

Of course, the statement of the Honourable Member is very lucid and deserves appreciation. So far as the expenditure is concerned, I agree with the Honourable Sir Cowasji Jehangir in appreciating Sir James Grigg's great tact in keeping down the defence budget at the old normal figure and in not having incurred higher expense in Waziristan and the great tact displayed in it at a time when the craze for high defence expenses are being preached everywhere else. I also appreciate the sincere effort made by him in making both ends of the budget meet although he was hedged round with difficulties of additional expenses in provinces and elsewhere. He has no doubt tried to tax a commodity where he lost, that is, sugar; and probably that was the idea in his mind which prompted him to tax sugar at this time, but my submission would be that the proposal cannot be very welcome in this sense that the sugar industry in this country is as yet in its infancy and it was nursed by the Government and we thought the Government would not like to place any burden on it so long as it could not bear it. It appears from the Honourable Member's speech that the figures of income-tax have shown that sugar factories

were not making very big profits, and hence any further taxation probably would affect the industry adversely and may be rightly termed as the last straw on camel's back. Sugar is one of the necessities of life and constitutes an allied article with staple food in this country and probably in other countries as well. The argument has been advanced by the Treasury Benches to say that this excise duty might profit *gur* manufacturers in India. I am not certain whether it will; but in case it really does, I am fully convinced that the measure will not be very much disapproved by the rural classes who consume and manufacture *gur* in big quantities. In case the prices of sugar record a rise, as they are expected to do, the burden will fall on the poor man; and unless the *gur* manufacturers are able to supply the rural areas, probably high rated sugar will be a great hardship. The proposal will cripple the profits of the industry no doubt, and may compel factories in combining to advance sugar prices and reduce their buying rate for sugarcane in spite of the fixed Government rates for sugarcane. Government may make rules, but the factories will compel agriculturists to pay them rebates, and this will be termed as trade commission and poor cane-growers will bear the hardship. Of course, the proposal seems equitable in the sense that money has to be found where it is lost, as the Honourable Member has stated that about eight crores is lost in sugar custom duty, but the Exchequer should have taken into consideration the entire necessities and circumstances of this country as one and should have adjusted them on the basis of the goodwill of the people. Of course, there may be a section which will always criticise for the mere sake of criticism, but there is a bigger group which will surely appreciate the arrangements if they are made in the interests of the entire country. No doubt the deficit had to be met, but money could have been found by raising the tariff duties on art silk and fents from Japan which are hampering the cottage industry of silk and mercerised silk in this country and this would have served the double purpose of giving protection to the Indian cottage industry and acquiring the required funds. The bright glaze of "Art silk" attracts people and demands a preference to cotton and Indian silk and the competitive low prices result in heavy buying by poorer classes and the middle classes mostly, although every one of us know that art silk is not strong enough and cannot stand washing as much as cotton or other silks of Indian manufacture do.

There could have been an encouragement given to the import of iron when Indian industry cannot meet our demands. Export of gold should have been taxed to bring some money to the Exchequer. For the economic solidarity of a country the Exchequer should always keep an eye on the general prosperity of her people so that the buying capacity of the people may increase and the taxes may be a relief in another form. The Exchequer should also carefully watch the trade balances of India with other countries and this would have provided a chance to the Honourable the Finance Member for such adjustments in indirect taxations through certain custom tariffs as would provide the necessary fund and also make the budget popular and more acceptable to the tax paying population. I think it is very necessary that when offering any criticism I should appreciate the Honourable Member's efforts at keeping down expenses in defence at least. Otherwise, we would have been faced with still bigger deficits. My friend, Mr. Aney, complained that expenses in income-tax had increased after 1930, but he does not realise that a more elaborate system has been introduced on account of extensive defaults and corruption. Our trade balances with Germany, France, Denmark, Italy and other countries have fallen in

[Mr. Muhammad Nauman.]

these few years and no effort is made to make good the position as yet. The great thing which should have been taken into consideration by the Honourable the Finance Member should have been the taxation of such imports into India which are making adverse position of our trade balances. Our only industry of jute is being substituted by Bulk Handling system in Australia, at least this is their effort. Of course, there are divergent interests in every country, and so have we here, and it is for the Exchequer to make equitable taxation in the interest of the country as a whole and ignore sectional interests of India. It should be to the interest of the majority, although it may be against some one particular class of interest. I always thought that our Finance Member had shown the greatest care for rural uplift and industrial development, and this year's budget is really surprising, although I do realise the enormous financial difficulties which have been created by Provincial Autonomy, Burma Separation and other factors but all the same effort should have been made in some other direction, and not on the crippling of the sugar industry, which has been so long nursed by Government as an important industry.

Now, Sir, coming to the Postal Department, I really feel satisfied with the little surplus, but no relief has been granted to the poor man for his postcard by reducing same to at least six pies which has been the demand of this House for many years. With these few words of a very brief review, Sir, I resume my seat.

The Honourable Sir James Grigg: Sir, I find it very difficult to get out of this debate anything sufficiently tangible to make a speech about. In fact, the debate has been very confusing altogether. Simultaneously I am accused of being too optimistic and of under-budgeting. I am accused of being an accountant and not a wizard. I do not know whether I can plead guilty to the first part, but I certainly plead not guilty to the second part, that is, I am not a wizard. I am blamed for not finding money for every kind of nation building scheme, while my friend, Mr. Joshi, complains bitterly that the deficit budget is caused by my having committed the outrage of finding money for development in the two previous years. So those two accusations cancel themselves.

Then, Sir, various provincial representatives complained that I had not given them enough money, while on the other hand I am exhorted to destroy as fast as I can the revenues of the country by an intensification of protection. Mr. Aney indeed used both arguments in the same speech. Altogether I think it is a very hard life. (Laughter.)

Then, Sir, I have had to listen for the third year in succession to all the usual platform accusations of exploitation on the part of the British, in spite of the fact that they have been over and over again exposed.

An Honourable Member: Wait and see.

The Honourable Sir James Grigg: The Deputy Leader of the Congress Party in particular repeated all his old diatribes in this direction, and I wondered whether I had travelled back in time,—so familiar was his speech to me. I have come to the conclusion that there is no chance of these accusations of exploitation ceasing until

Mr. S. Satyamurti: Exploitation ceases.

The Honourable Sir James Grigg: until you try to do things yourself, and, as you have got these things yourself over a large part of India, I think the only thing to do is to leave time to do the work which argument cannot.

Now, Sir, I should like to deal with one or two of the inaccuracies of facts on which some of these platform orations have been built, solely from the point of view of suggesting that if the factual basis of these diatribes is usual, if there is such carelessness over the factual basis of these orations, then there must be something wrong about the super-structure of inference as well. I think the latest Member of the Congress Party from Madras talked about 100 crores of external payments; other Members referred to 70 crores. Dr. Ziauddin Ahmad was one of them, I think. The real truth is that the external payments are about 45 to 50 crores

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): 78 crores.

The Honourable Sir James Grigg: 45 to 50 crores.

Pandit Govind Ballabh Pant: Including interest charges, bonuses and everything?

The Honourable Sir James Grigg: Yes.

Mr. M. Ananthasayanam Ayyangar: The Hilton-Young Commission stated that it is 78 crores.

The Honourable Sir James Grigg: But the interest charges have gone down enormously since then.

Mr. M. Ananthasayanam Ayyangar: By how much?

The Honourable Sir James Grigg: Anyhow, the proper figure is now 45 to 50 crores.

Then, again, Dr. Ziauddin suggested that what we had to aim at was an external balance of something like 70 crores. The Honourable Member who has just interrupted said that exports are decreasing. As a matter of fact, exports have been increasing very rapidly this year, and the external balance

Pandit Govind Ballabh Pant: I did not say that they were decreasing.

The Honourable Sir James Grigg: and the favourable balance of merchandise this year is at the rate of 70 crores a year.

Pandit Govind Ballabh Pant: I never said that they were decreasing.

The Honourable Sir James Grigg: I said the Honourable Member who just interrupted said so.

Mr. M. Ananthasayanam Ayyangar: On a point of personal explanation, Sir.

The Honourable Sir James Grigg: I am not going to give way. In a leading article, a newspaper, the other day, referring to the passage in my budget speech where I said that the surplus of merchandise in the first nine months of the year was fifty crores, said that all this had been made up by gold. A surplus of merchandise means commodities apart from gold. Then, it proceeded to base an argument on these 50 crores being gold *plus* commodities whereas, in fact, I was very careful to explain that commodities alone were included in merchandise.

Then, I come to Mr. Avinashilingam Chettiar who took up a statement of mine that the prices of primary products were rising and said that he had carefully looked up the index of wholesale prices and could prove that they were not rising. First of all, let us take him on his own ground,—for the index of wholesale prices we will take the “Indian Trade Journal” for February, 1937. The Calcutta Index Number of wholesale price for January, 1937, was 98, that is, higher at any time since January, 1932. In fact the figure is higher than in any month since January, 1932, and higher than the average for the year 1931. In fact I think it is extremely likely that the index of wholesale prices in Calcutta is now higher than it has been for the last six or seven years. So much for that little statement that the index figure of wholesale prices was not increasing. But I was not talking of wholesale prices; I was talking about primary commodities. Some of his colleagues from Madras said, that if I had gone to the villages, I would have found out that the prices of primary products are not rising. Of course, I have not the slightest doubt that you can find some among the seven hundred thousand and odd villages in India where prices are not rising, but the only thing we can go on is the all India prices. Let us take rice, and the standard price is the Rangoon price. At the present moment, the Rangoon price of rice is higher than in the corresponding month of either of the two preceding years.

Mr. K. Santhanam (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): What about Madras prices?

The Honourable Sir James Grigg: Wheat, during the period April 1936 to February, 1937, has been consistently higher than in either of the two preceding years. Cotton is above the price for 1935-36 though lower than the price for 1934-35. It is rising since last year. Jute is about the same level as last year. Groundnut is above the year 1935-36.

Mr. K. Santhanam: It is going down.

The Honourable Sir James Grigg: The figures I have got here show a rise for the preceding week. Linseed has been consistently higher than for either of the two preceding years.

An Honourable Member: What about rice?

The Honourable Sir James Grigg: I have given that. That was the first thing I gave.

Mr. K. Santhanam: The Honourable Member has given the Rangoon prices. Give some Indian prices. Burma has been separated.

The Honourable Sir James Grigg: That will not be separated for another month. (Laughter.) And I think my Honourable friend, Pandit Pant, himself said that there has been no change in commodity prices. I think I have destroyed that little illusion of his.

Pandit Govind Ballabh Pant: Here is the Reserve Bank's report for 1936.

The Honourable Sir James Grigg: Here is the "Indian Trade Journal".

Pandit Govind Ballabh Pant: Do you condemn both of your productions?

Mr. S. Satyamurti: Sir Osborne Smith's report must be wrong. (Laughter.)

Pandit Govind Ballabh Pant: It is also signed by Mr. J. C. Nixon, Secretary to the Government of India in the Finance Department.

The Honourable Sir James Grigg: My figures are later. It is the indubitable fact that the level of wholesale Calcutta prices in January is the highest for six or seven years. Another point was raised by Mr. Avinashilingam Chettiar, and this time he lighted on a good point, but, as usual, he ruined it by completely overstating it. He spoilt a perfectly good point which he had stumbled on, by overstating it. My Honourable friend, Sir Cowasji Jehangir, raised the same point and got it right—that is about 2.29 lakhs which is the provisional figure of the annuity from Burma. It is perfectly true that part of that represents a *quasi* sinking fund payment for the amortisation of a capital debt from Burma. But part of that sinking fund element is in respect of the joint unproductive debt of India and Burma which was presumed to be covered by the three crores of sinking fund which is already provided. But it is true that, in so far as that capital debt contains a railway element, the railways in India *plus* Burma have not in the past been making any contribution towards the sinking fund, and now Burma is definitely repaving its railway debt by means of a terminable annuity. So, possibly some 30 lakhs out of the figure of 2.29 lakhs is a sinking fund instalment which ought more strictly to go to enhancing the existing provision for the amortisation of debt. That is perfectly true, and there is no doubt that, if our difficulties had been less this year, it would have been stricter to have provided another 30 lakhs for sinking fund, but as I have said on several occasions in this House, I do not regard the sinking fund provision at the present moment as being entirely satisfactory. There is a little less cause for fear now that the railways are more nearly paving their way, but all the same there is no doubt that, as soon as the revenue position allows, we ought to increase our sinking fund provision. The Honourable Member from Bombay is perfectly right in thinking that there is to that extent a raid upon the sinking fund.

Sir Cowasji Jehangir: May I ask one point for explanation? What the Honourable Member means to say is that the sinking fund for the whole of the debt for Burma and India remains the same and that only the sinking fund on the Burma railways is affected?

The Honourable Sir James Grigg: Yes.

As I said just now, we have to that extent, and during this provisional year if you like to call it so, raided the sinking fund to the extent of 30 lakhs. That is a just accusation, but that accusation is perfectly inconsistent with the accusation—I am not quite sure whether it came from the same Honourable Member on this occasion, but it has been made in this debate—that we ought to have borrowed for the rebuilding of Quetta.

Sir Cowasji Jehangir: I made that and I maintain that.

The Honourable Sir James Grigg: Then, we come again to the latest joined Member from Madras who said that the least we ought to do is all that President Roosevelt has done in America. Well, let us leave out of account the devaluation of 40 per cent.—President Roosevelt did that only two years precisely after a similar step had been carried out in India. Let us take some of the other things. Forty hours a week in industrial establishments. Does the Honourable Member from Madras want that in India?

Mr. K. Santhanam: Most certainly.

The Honourable Sir James Grigg: Very well. You had better go and tell your employer friends so. Very heavy taxation of the undistributed reserves of companies, drastic increases in income and inheritance taxation. Does my friend want that here?

Some Honourable Members: Yes.

The Honourable Sir James Grigg: Go and tell your rich friends so.

Mr. Bhulabhai J. Desai: Only spend less. Don't spend more because you get more.

The Honourable Sir James Grigg: President Roosevelt has abandoned millions of acres of arable land. Does my Honourable friend want that here?

Some Honourable Members: Yes.

The Honourable Sir James Grigg: It looks to me as if the new paradise is going to be a pretty gloomy place. (Laughter.) Another of President Roosevelt's activities is spending on various forms of relief 4,000 crores in the course of three years. Does the Honourable Member want that?

Mr. K. Santhanam: In proportion.

The Honourable Sir James Grigg: Let us examine it a little bit more fully. I do not want to take him too literally and take 4,000 crores; let us cut off nine-tenths of it and take only 400 crores. I am afraid I can only make it as an assertion—there is nobody who can prove things which have never been tried, but I would say with a good deal of confidence that it

would have been quite impossible for the Government of India to have borrowed either in India or in England or the two together at the rate of 135 crores a year for three years. But let us take that it was possible. You do not suppose that we shall have got it at three per cent., do you? We should not have got it at three per cent. or even five per cent.; in fact, I am willing to stake a pretty large sum that if you had tried to borrow 400 crores of new money in India in the course of three years, the last instalments of it will cost you something like 10 or 15 per cent. in interest. But let us take a moderate figure, let us take an average of $7\frac{1}{2}$ per cent. Seven and a half per cent. on 400 crores means you have got to have an extra 30 crores a year, either by our ordinary fiscal machinery or by reductions of expenditure. The Honourable Member opposite says you must not increase taxes, and he knows it is perfectly impossible to extract another 30 crores of taxation out of the Indian fiscal machine.

Mr. K. Santhanam: Peasants already pay 30 crores of interest.

The Honourable Sir James Grigg: I am talking of the existing fiscal machinery, and it is quite impossible with the present levels
 4 P.M. of taxation in India to extract another 30 crores of revenue. So, I have not the slightest doubt that the Honourable Member would fall back on reductions of expenditure to find the amount. He will certainly say "introduce pay cuts and reduce the army by half". But this is all very well when you are merely twisting the lion's tail. As regards the former, the pay cuts, the Honourable Member and his friends can do something towards it in the months that are coming.

Mr. S. Satyamurti: They will do so.

The Honourable Sir James Grigg: Whether they will or not, we will wait and see.

Mr. Bhulabhai J. Desai: Supposing they propose to twist the dog's tail?

The Honourable Sir James Grigg: I don't know anything about dogs.

Mr. S. Satyamurti: Nor about lions!

The Honourable Sir James Grigg: I now come to one or two points of detail which were raised by the Leader of the European Group. Speaking about the air mail scheme, he expressed some anxiety, regarding the heavy cost which may be imposed on business men in India in sending commercial documents, which are generally heavy, overseas and asked whether they would be treated as second class mail. I do not think the Honourable Member need have any qualms or fears about it. Even if under the air mail scheme all first class mail has to be carried by air, it will be open to business men to send commercial documents by the foreign packet post, under the Business papers clause, the postage on which, I think, is 3½ annas for the first ten ounces. Business papers, as defined in clause 174 of the Post and Telegraph Guide, are legal and commercial documents and include all papers and documents which have not the character of personal correspondence.

[Sir James Grigg.]

The Leader of the European Group also raised the question of the revenue duties, but merely in a preliminary way, and announced that he was going to raise the question more fully on a cut motion during the debates on the demands for grants. Perhaps, I had better wait till that broadside and deal with it more appropriately then.

He then asked whether I can give him some indication of what the time table would be in regard to the report of the inquiry into the income-tax. Well, prophets are usually proved to be inaccurate, and I must speak with all reserve. I shall merely give my ideas as they exist at present. As I said in the budget speech, the measures recommended in the report fall into two classes, administrative and legislative. The report has been sent to various bodies who are interested in it—Local Governments, Chambers of Commerce and other important commercial bodies—with a view to getting their full observations on them. I imagine that process cannot be completed for another three months or so—which means that the Government of India would not be in a position (I am now talking about legislative measures, those which require legislation; administrative measures, I will come to later on) to begin to take decisions on the proposals in the report or the recommendations in the report until the Simla Session is upon us, so that there is quite clearly no chance of legislation in the Simla Session. But I hope to have ready by the time of the next Budget Session a fully drafted Bill containing the final decisions of Government, and my present idea is that the Bill should be introduced in the next Budget Session and referred to a Select Committee. That Select Committee would, I hope, sit in the interval between the Budget Session and the Simla Session and the Bill would finally be passed into law in the Simla Session next year—not this year. If that time table is more or less accurate—and I do not think it is possible to speed it up much more than that—the actual changes in the income-tax law will probably not take effect finally till the 1st of April, 1939. So much for the legislative part of the proposals. Then, there are the administrative parts of the proposals. Some of those require legislation, but some of them can be put into operation without any legislation. In so far as the administrative proposals are concerned with the domestic tightening up of machinery and increase of efficiency, they will be put into operation as soon as we possibly can. In so far as they are concerned with the improvement of the machinery of that part of the income-tax system, with which the public are concerned, this will in any case wait for the observations of the various interested bodies upon them. I would repeat that all this is merely a tentative sketch of what the programme might be, and I do not necessarily wish to bind myself to it completely.

I now come to the criticisms based on the proposals for an increased sugar excise duty, and I propose to deal with that in general terms, because the Deputy Leader of the Opposition has warned us ominously that he will have an opportunity of making a long speech on it at a later stage. Here again we have a good deal of self-destructing and contradictory arguments. We are told that it will simultaneously ruin the producer and the agriculturist and injure the consumer. It cannot both ruin the producer and injure the consumer. To the extent that the price goes on to the consumer, the imposition of an extra excise will be merely taking into the Exchequer the gain to the consumer caused by unnecessary price cutting on the part of the producer. There seems to be some conflict of

evidence, owing to the different qualities of sugar in the market, as to the extent of the price cutting, but as an absolute minimum—and I think the figure is at least twice or three times as much as that minimum,—the extent of the price cutting can be shown by the fact that Indian sugar is being sold at least—and probably a great deal more than—eight annas below Java import parity, so that there is very little chance of the reduction of the protective margin by eight annas causing the entry of a single ton of Java sugar into India more than is coming in for the specialised tastes which it supplies at present. To the extent then that the price goes on to the consumer, he merely has taken back from him a bit of the benefit that he has had from price cutting, and it certainly does the producer no harm, because he is getting the same net price as before. And it certainly does not do the agriculturist any harm. In fact, it may do him good, because I gather that the sliding scale of prices on which cane prices are fixed depend on the price of sugar, so that, if the price of sugar is enhanced by the excise, the agriculturist stands to gain a little. So far as the producer and the agriculturist are concerned, they suffer nothing and are saved from the ill-effects of a further increase in the present over-production. Now, to the extent that the producer bears it by increased price cutting, it certainly cannot do the consumer any harm, nor does it do the grower any harm, because, at the end of it, the price is certainly no lower than it is now,—and his price for his cane is fixed on a sliding scale. As regards the producer, if it is in fact going to be the case that over-production has reached such a serious pass that he is going to go on cutting his price and reduce the whole of eight annas himself, then, that shows what a parlous stage the over-production has reached; and the position then is that the industry is in an extremely dangerous position, and this small "operation" is necessary in order to prevent a dangerous disease from growing worse. Incidentally, at this stage, because a remark of mine was received with some misunderstanding, perhaps I might be allowed to say that as regards my remark about Sir T. Vijayaraghavachariar being an employee of the sugar industry, I was not in the least suggesting that there was anything immoral in his being an employee of the sugar industry: all I was suggesting was that he was not an entirely disinterested, a completely unbiassed witness as to the effect of this increase in the excise duty, not on the sugar manufacturer but on the cultivator.

Pandit Govind Ballabh Pant: Do you suggest that he is not giving an impartial judgment on the question?

The Honourable Sir James Grigg: I suggest he is doing what he is paid to do:

Mr. S. Satyamurti: You serve British interests and not Indian interests? (Laughter.)

Pandit Govind Ballabh Pant: Sir, does not that mean a reflection on an absent gentleman?

The Honourable Sir James Grigg: Certainly not. All I say is that he is paid by the sugar-manufacturing interests to represent them, and that his view about what is going to happen to the cultivator is not entirely unbiassed.

An Honourable Member: What interest do you represent?

The Honourable Sir James Grigg: I was explaining that I never intended to say

Mr. S. Satyamurti: You are perhaps the only unbiassed man in the world.

The Honourable Sir James Grigg: Very nearly.

Perhaps I might turn now to deal with the old mercantilist point that Mr. Aney trotted out that, if you spend 16 crores on buying a commodity in India instead of buying it abroad at a quarter of the price, you are making yourself much better off. Of course the fallacy rests on ignoring the fact that money is only a counter and the wealth of a country is not measured in money but in commodities: and, therefore, by this diverting the supply of sugar from abroad to India, you are spending, for your sugar, three and a half or four and a half times as much as you would have paid out abroad, and, quite obviously, the purchasing power available for you for purchasing other commodities is reduced to that extent and the welfare of the country must be less.

Mr. M. S. Aney: Questionable economics.

The Honourable Sir James Grigg: And, finally, in this matter of the sugar excise, I think we must preserve a certain sense of proportion, and I may with respect address that observation to the Honourable Member from Bombay who painted a rather lurid picture of the Government slaughtering ruthlessly the infant which it had taken so much trouble to nourish. Sir, at present the protection is, as far as I can make out on present Java prices, about 264 per cent. *ad valorem*, or rather it was up to the 27th February. Our proposals reduce this to about 247 per cent. *ad valorem*. Now, to give this well-nourished, possibly slightly pampered infant, 250 per cent. *ad valorem* protection does not show a very hectic desire. I suggest

Pandit Govind Ballabh Pant: What was the revenue duty in 1931?

The Honourable Sir James Grigg: I must look that up. But in any case you cannot base on a reduction in the protection margin from 264 per cent. *ad valorem* to 247 per cent. *ad valorem* the senseless repetition which I have heard today over and over again of the story that I have come out to India to undo all the industrialisation which has already taken place. Sir, all I want to do, as I said just now, is merely to prevent a further unhealthy over-expansion. There is one more point of detail that I would like to deal with, *viz.*, that raised by Mr. Joshi, who again put his head into one of his numerous mare's nests (Laughter) and proved to his own satisfaction that I was trying to abolish or at any rate render ineffective the Standing Finance Committee. That really is not so, and the Honourable Member must know that the original functions prescribed for the Standing Finance Committee are quite impossible to be carried out. Demands for grants can only be presented to the Assembly after the budget or simultaneously with the budget, that is, at the end of February. By the end of March, they have got to be passed, not by the Standing Finance Committee, but by this House. I do not know how many pages

there are of the volume, I believe there are 800 pages of grants, and if the Standing Finance Committee are to examine all those in detail before they ever come to this House and the House is to pass them before the 31st March, that really does not make sense. But all the same, although the Honourable Member's point is a bad one, there is in his remarks a good point. I am perfectly prepared to admit that the present Standing Finance Committee is not a satisfactory instrument and that, under the conditions in which it has to work, it can very rarely examine proposals with relation to the budget as a whole, and, personally, I think, for more than one reason, another unsatisfactory feature is that the Finance Member should be the Chairman. Quite obviously, every proposal that comes to this Committee must have been approved by the Finance Member in his other capacity, and it is really rather absurd that the Chairman of the Committee should be both judge and judged. Quite apart from that, I should personally be quite ready to be relieved of the extra work of presiding over the Standing Finance Committee. In the United Kingdom, they have an Estimates Committee which does not examine the estimates in relation to the finances of any particular year. It takes each year a block of estimates relating to a particular Department and calls witnesses from that Department. It has placed at its disposal a treasury official as a sort of *amicus curiae* and they go through these block estimates and feel themselves free, not only to examine anything new that has crept in, but to suggest alterations and reductions in the existing estimates. In fact they scrutinise on behalf of the House of Commons one of the blocks of estimates each year and then make their recommendations to the House of Commons and they are available for the Treasury in examining the estimates for the following year. Now, in the short time which remains before the new Constitution comes into force, obviously it may not be worth while to introduce that change; but the Standing Finance Committee is not a statutory instrument, and I throw it out for consideration that possibly in the future an Estimates Committee of the type which I have described and which obviously Mr. Joshi had in mind would be a much more effective instrument of examination than the Standing Finance Committee as at present composed. There is no doubt about it that in modern conditions the Standing Finance Committee cannot do effectively the task which was originally placed upon it, and, therefore, sooner or later some change in its functions and constitution will have to be made.

Well, Sir, I have dealt with the more important of the points which have been raised. As I said in the beginning, I have studiously avoided answering the more rhetorical and less factual speeches which are the echoes of the election campaign which is just over, and, perhaps, after the Pandit's descriptions, I ought to apologise for appearing before you in such a gentle mood. (Laughter.) Of course, the real truth is that the budget has aroused, so far as this debate at any rate is concerned, so little controversy that I have very little excuse for doing more than reply in a matter of fact way. I hope the House will appreciate my more light-hearted and, if I may use the expression, less abandoned method. (Applause.)

The Assembly then adjourned till Eleven of the Clock on Thursday, the 4th March, 1937.