

5th March 1937

**THE
LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

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.

Friday, 5th 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.

MEMBERS SWORN:

Mr. Alan Hubert Lloyd, C.S.I., C.I.E., M.L.A. (Government of India: Nominated Official);

Mr. Kodikal Sanjiva Row, C.I.E., M.L.A. (Government of India: Nominated Official); and

Mr. Hardit Singh Malik, M.L.A., (Government of India: Nominated Official).

THE CHILD MARRIAGE RESTRAINT (AMENDMENT) BILL.

PETITIONS LAID ON THE TABLE.

Mr. Deputy President (Mr. Akhil Chandra Datta): Sir, I beg to present the Report of the Committee on Petitions on the Bill to amend the Child Marriage Restraint Act, 1929.

THE GENERAL BUDGET—LIST OF DEMANDS.

SECOND STAGE.

Mr. President (The Honourable Sir Abdur Rahim): Before the House proceeds with the demands for grants, the Chair would like to inform Honourable Members that an arrangement has been arrived at among the leaders of various sections of the House, as regards the order in which the cut motions relating to these demands will be taken up in the Assembly. According to that arrangement, today the European Group will move their cut motion relating to Customs Revenue from 11 A.M. to 12-45 P.M. and the Democratic Party will deal with their motion regarding the policy of protection from 2-15 to 5 P.M. Tomorrow the Independent Party will move their motion relating to Defence from 11 A.M. to 3 P.M. and the unattached Members will have the remaining time on that day. Monday, the 8th March and Tuesday, the 9th March have been allotted to the Congress Party for moving their three cut motions relating to Indians Overseas, Frontier Policy and Executive Council—General Administration. The Congress Nationalist Party will have the whole of Wednesday, the 10th March, for moving their motion regarding the repressive policy of the Government. If the motion of the European, Democratic or Independent Parties is not finished in the time mentioned, the Chair will allow 5 to 10 minutes more.

[Mr. President.]

As regards the discussion on the cut motions, the Chair has, in consultation with the Party Leaders, decided to impose a time limit on speeches as follows. The Mover of each cut motion will be allowed 20 minutes, other speakers 15 minutes, and the Government Member replying 20 to 30 minutes, and, if necessary, more. The Chair does not propose to reserve any discretion to itself.

Mr. F. E. James (Madras: European): Sir, I should like to move cut No. 216 on demand No. 18—Finance Department.

DEMAND NO. 18—FINANCE DEPARTMENT.

The Honourable Sir James Grigg (Finance Member): Sir, I beg to move:

"That a sum not exceeding Rs. 11,03,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1938, in respect of 'Finance Department'."

Mr. President (The Honourable Sir Abdur Rahim): Motion moved:

"That a sum not exceeding Rs. 11,03,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1938, in respect of 'Finance Department'."

Revenue Duties.

Mr. F. E. James: Sir, I beg to move:

"That the demand under the head 'Finance Department' be reduced by Re. 1."

Sir, in moving this motion I should like to explain that we are using a well-known parliamentary device for the purpose of eliciting information and expressing certain views on one aspect of the budget. We do not intend to use this in any way as a motion expressing either disapproval or censure of the Government. (Laughter.) In saying that, I hope our point of view will be understood

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): On a point of order, Sir, I should like your ruling on this point. Is it open to raise a cut motion on a budget for the purpose of ventilating one's views and saying, in advance, that the Mover does not propose to move a censure of the Government? Is not that a waste of public time?

Mr. President (The Honourable Sir Abdur Rahim): It depends upon the Member who has given notice of the motion to say what his object is having in regard the nature and scope of the motion. If his object simply is to discuss a certain question or to draw the attention of Government to a certain matter, the Chair is not aware of anything which can prevent him from doing that. He may not desire to censure the Government, and he may seek only to obtain information and to express his own views. Therefore, the Chair thinks the motion is perfectly in order.

Mr. F. E. James: I am very sorry to disappoint my censorious friend.

Mr. Bhulabhai J. Desai (Bombay Northern Division: Non-Muham-madan Rural): You will be more disappointed in the end. (Laughter.)

Mr. F. E. James: In that case, of course, the vote will mean nothing, as usual. (Laughter.) But the purpose of this motion is to discuss the question of revenue duties and this is not a new subject of discussion in this House. We raised the matter first in March, 1934, and again in March, 1935, and on the second occasion the Honourable the Finance Member assured us that he would press on with a departmental inquiry and examination and collection of material in connection with the revenue duties which in his view was a necessary preliminary to any reconstruction of the revenue tariff, and he further went on to point out that any subsequent inquiry which might take place would by the nature of things have to be an entirely impartial inquiry. Now, I am not going into the history of the growth of the revenue tariff, except to remind the House that in successive years it has risen from five to a general level of twenty-five per cent. *ad valorem* and then it was, in a sense added to by the policy of discriminating protection, with its consequent effects upon tariffs. Then came the Ottawa Agreement, with the introduction of preferential duties. Then, in 1931, there was the emergency surcharge upon all revenue duties. An emergency surcharge which, I may remind the House, still remains and, although originally it was part of the emergency plan, the emergent character of that surcharge appears to have disappeared with the passage of time. Today the revenue duties are as a result extremely high. Let me give the House just a few figures taken at random from the customs schedule. General revenue duties are on 160 articles and preferential duties are on 162 articles, most of them *ad valorem*. Most of these general revenue tariffs are at the figure of 25 per cent. *ad valorem* or in the case where preferences operate 30 or 20 per cent., in some cases 30 per cent. to 40 per cent. and even higher in the case of certain articles. Fire works, 50 per cent. Camphor, 50 per cent. Prints and engravings, 50 per cent. Motor cars 37½ to 30 per cent. Ribbons, 50 and 40 per cent. Certain textiles, 50 and 30 per cent. Clocks and watches 50 per cent. Electric apparatus, 50 and 40 per cent. Jewellery, 50 per cent. Cutlery, 50 per cent. Gold pen nibs, 50 and 40 per cent. Silver plates, etc., 50 per cent. Various metals and articles made therefrom, 30 and 25 per cent. Certain types of machinery, 30 and 25 per cent. Wireless apparatus, 50 and 40 per cent. Harmoniums and Gramophone records, 50 per cent. Toys and similar articles, 50 and 40 per cent. Smokers' requisites, 50 per cent. and so on. There are a large number of articles, not otherwise specified, which bring in a considerable amount of money and are charged a revenue duty of 25 per cent.

Now, I would remind the House that all these are revenue duties and not protective duties. These revenue duties play a very important part in India's economy. It is interesting to note that in the five years before the depression the general level of revenue duties was in the neighbourhood of 37 to 37½ crores. After the crisis and after the emergency taxation and also with the intensification of India's revenue duties, their yield was 31 crores in 1931-32, 24 crores in 1934-35 rising to 25 crores in 1935-36. Perhaps it is difficult to draw any clear conclusion from these figures for there are price variations which have to be considered, but I think one thing can be claimed and that is that, in spite of the increase in the amount of duty, there is a certain lack of resilience in the returns from these duties, particularly in the last year or year and a half when prices of manufactured articles have shown some increase. Sir, the Party

[Mr. F. E. James.]

which I represent expresses some concern over the continuance of these very high revenue duties. I may remind the House that indirect taxes play a more important part than direct taxes in India's revenue system. The *Hindu*, in its leading article yesterday, observed that indirect taxes are regressive in nature and impose a heavier burden on people with small incomes than on people with large incomes. That applies particularly in the case of revenue duties.

Now, I would remind the House that this danger, which we see today, is to be still more apprehended in regard to the future. As I have already said, most of these duties are based upon *ad valorem* calculations. Therefore, when prices of imports are comparatively low, there is not much hardship; but when in a world of rising prices, the price of manufactured articles begins to increase, as is the tendency today, then the result of a calculation on an *ad valorem* basis is that the incidence of the tax is even higher and there was a very real apprehension in our minds that this may be the effect in the world of today. I would ask the Honourable the Finance Member whether he would not subscribe to the dictum of Sir Walter Layton that a reduced tariff is the surest way of preventing an undue rise in prices. We think that these revenue duties do trench upon the purchasing power of the people from day to day. The Honourable the Finance Member has admitted in the course of his speech that provincial legislation has recently had the effect of restricting rural credit. We suggest, therefore, that in view of that restriction there is an even stronger case for an inquiry into the effect of these revenue duties. Sir, I am quite prepared to admit, and it has already been mentioned by one Honourable Member on my right, that there is a great danger in this matter of the overhaul of the revenue duties because, although they are imposed for revenue purposes, in fact they have had over a number of years a protective effect. They have given adventitious aid to a number of industries and in any inquiry in the direction of a scaling down of revenue duties account must be taken of this particular factor. In fact, the decline under one particular head in the revenue duty may be caused not so much by law of diminishing returns in the ordinary way as by the growth of an industry in the country within the shelter of that tariff wall. That is not necessarily a bad thing. On the other hand, the information at our disposal is not by any means complete. We knew at the time of the Ottawa Agreement how difficult it was to secure evidence as to industries which have grown up in different parts of the country under the shelter of the revenue tariffs. We do feel, on the other hand, that the very height of these revenue duties may result in loss to the country while fostering unstable industries. Sir, the policy laid down by the Government of India and generally accepted by the country is a policy of discriminating protection. We suggest that the continuance of a high revenue tariff may have the effect of indiscriminating protection to industries which never can satisfy the canons laid down by the Fiscal Commission. It is the consumer who ultimately pays for the instability of uneconomic industries. There are a number of articles in the tariff schedule that are incapable of economic manufacture in this country and the tariff on these articles is too high and imposes a restriction upon importation which is definitely bound to be to the detriment of the agriculturist who relies upon reciprocal foreign trade for the sale of his products. Sir, we quite agree that protection is all right as long as there are safeguards, and the safeguards to India's protective policy at present

are those laid down by the Fiscal Commission. There are three canons which have to be satisfied by any industry applying for protection. The effect of the revenue duties and the continuance of the surcharge is to give this country protection without safeguards. While I claim that this is not in the best interests of India, I am quite prepared to admit that in making any inquiry into the matter the actual scaling down of revenue duties upon any reasonably well-established industries in recent years would have to be watched.

Pandit Lakshmi Kanta Maitra (Presidency Division: Non-Muhammadan Rural): Do you not admit that some of these revenue duties are also protection in effect?

Mr. F. E. James: Well, of course industries have grown up under revenue tariffs, they have acquired vested interests and now claim their benefit on the contraction of these revenue tariffs without having made the slightest effort to satisfy any enquiry by the Tariff Board or to satisfy the three main canons laid down for the granting of protection by the Fiscal Commission and accepted by the Government of India.

Sir, there is another point which occurs to us which I would like to put to the Honourable the Finance Member; that is the effect, the restricted effect of these high revenue duties upon trade generally. On 14th February, 1935, the Honourable the Finance Member said that our revenue tariff was "a hindrance to trade and a burden on the consumer". I received last week a pamphlet from the Indian Chamber of Commerce in Calcutta in which they urge the tremendous and vital importance of increasing India's foreign trade. The world tendencies today are surely in the direction of the lowering of tariffs. Although the world is back at the production figures of 1929 level as far as international trade is concerned it is only up to between 3/5 and 4/5 of the pre-depression level. Banker after banker in this country and in the West has emphasised the importance of an increase in international trade. There was a tripartite agreement not long ago on monetary and tariff questions between the United States of America, France and the United Kingdom by which of course India was indirectly affected. It was the first important step in the direction of greater freedom of movement of goods between all countries, and I would suggest to the Honourable the Finance Member that the internal activity in regard to production in this country should not lead us to forget the paramount importance of international trade and the growth of our export trade. There is a general movement, as I have said, for the lowering of tariff walls. There have been agreements between Canada and the United States, agreements between countries in Central Europe, agreements between the Scandinavian countries and I would suggest to the Honourable the Finance Member that the time has come when the Government of India should consider whether a lowering of her revenue tariff would not contribute to the general impetus of international trade which has come by the scaling down of tariff walls. Sir, in 1935, the President of the Bombay Chamber of Commerce, in a speech at the Associated Chamber of Commerce, made the following statement:

"The question today is whether India's national policy should be a minimum of essential outside purchases, thereby limiting her ability to sell, because of her unwillingness to buy or to encourage a broad exchange of commodities with other countries I suggest that in a general revision of the present duties, the first move should lie in the direction of lowering the duties on goods which are not produced, or cannot

[Mr. F. E. James.]

be economically produced in India. Secondly I would encourage the importation of goods which do compete with locally manufactured goods provided, that fair treatment is accorded to existing local industries and that reciprocal consideration is received from the selling countries and India's balance of trade is favourably affected thereby."

Last year, the Honourable Member for Commerce and Railways emphasised the importance of international trade to the revenues of the railways in this country in a quotation which I have no time now to make.

Sir, in this connection we have one additional point to make. There are now negotiations proceeding between this country and the United Kingdom which have reference to the Ottawa agreement. I have seen references in different parts of the country to the desirability, in the event of the non-ratification or in the event of the denunciation of the Ottawa agreement, to the desirability of putting up the duties. I wish to urge the Government of India very strongly indeed that if as a result of these negotiations the preferential duty is not continued on any one or more items, they must ensure that the duty should be restored at least to the pre-Ottawa figure and not raised to the higher level which has been imposed against foreign countries. In other words, that whereas the duty which was 25 per cent. was altered to 30 per cent. against foreign countries and 20 per cent. against United Kingdom, if a preferential rate is not continued in favour of the United Kingdom the duty should not be raised to 30 per cent. but should be raised to the pre-Ottawa level at least. Sir, the purpose of this cut, I should like to repeat is first of all to enquire of the Honourable the Finance Member what is the result of the preliminary departmental enquiry which he promised to this House—I think it was two years ago—and to which my Honourable friend, the Leader of this Group, made reference in his general speech on the budget; secondly, to enquire what is the next step which he proposes to take in connection with the revision of the revenue duties; and thirdly, to impress upon him the importance of reconsidering the whole question of revenue duties having regard to the industries and the revenues of the country and to convey to him the concern which many people in this country have expressed at the effects of the indefinite continuance of high revenue duties. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim): Cut motion moved:

"That the demand under the head 'Finance Department' be reduced by Re. 1."

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, no wonder that the Honourable the Finance Member when he addressed the other House yesterday said that only when he visits that place he has rare moments of pleasure. I am sure, when he heard my Honourable friend, Mr. James, he must have felt "Oh! God save me from my friends". The House does owe an obligation to my European Group friends, because every year they bring forward a cut with a view to drawing the attention of the House and of the Government to the fact that there should be revision of taxation policy of the Government. So far, Sir, we are in agreement. But with what fell from the lips of my Honourable friend, Mr. James, except in the demand which is made at the conclusion of the speech, this side of the House is in entire disagreement. We do at times want to help the Honourable the Finance Member in suggesting ways and means as to how he can balance his budget and not at the same

time fetter or hamper the growth of Indian industries or introduce new methods of taxation by which industries will go to the wall. We have asked the Honourable the Finance Member,—not only the present Finance Member, but his predecessor—that the time has come when there should be a scientific revision of the taxation policy of the Government of India.

Unfortunately I do realise that the Honourable the Finance Member suffers from many handicaps. One is the new Government of India Act, 1935, the second is the compulsory subsidy of five crores to Burma which is made into a dependency or colony under British rule, but the British Government in England pulls the Finance Member in India to make a subsidy of five crores, and the Finance Member has no power to say "No" to it. The third handicap is the Ottawa agreement about which my Honourable friend, Mr. James, felt so soft, but which the country and the mercantile community in India, the Indian section of it, is ever ready to denounce and which this House has already denounced. If a fair minded economist comes, not from England, but from the League of Nations of which I believe India is still an original member, if we do not import, as we are usually importing experts from England, if we import an expert from the League of Nations, that expert will say that his considered view is that the Ottawa Agreement has resulted in the deterioration of the revenues of the Government of India, the lowering of the income of the producer, and, therefore, the Finance Member could not balance his budget.

Then, Sir, the Finance Member is handicapped for the overheavy military budget. He has to obey the Commander-in-Chief and also he has to subsidise three crores more to Burma by orders so that Burma may become a solvent country which it could never become since the Montford reforms. This year I am surprised that Burma shows a surplus of two crores, which is due to the subsidy which the Finance Member is forced to permit. Then, I need not refer to the increased expenditure under the heads "Political", "External" and the new stunt,—it may be a good commercial stunt,—which the Finance Member has introduced recently of writing off the capital. Somehow in the railway budget we found that the statutory ratio was taken into account and eight crores of rupees of capital was written down. Then, my Honourable friend, Sir Cowasji Jehangir's Accounts Committee's report for the Postal Department was suddenly accepted by the Government of India without a debate on the floor of this House and the Postal Department has written off two crores of its liabilities. Then, Sir, in the Public Accounts Committee, we found suddenly that a loan of 1,70 lakhs that was given to the New Delhi Municipality was written down by 1,10 lakhs at the sweet will of the Finance Member. Then, there is that sword of Damocles hanging over our heads in the shape of my Honourable friend, Sir Raghavendra Rau's Resolution whereby he wants certain obligations to be written off. These handicaps there are. Still, even within these limits, the Finance Member, if he applies his mind as a free Finance Member of India, and not, as he is at present, under the dictation of Whitehall, can adjust revenue duties in such a way that he will not touch, as he has touched, the sugar excise duty, and would not have to worry over new sources of taxation. This is not the first time I am suggesting this. I think this is the fifth time that I am suggesting various methods of taxation which if honestly examined would supply ample resources to the Government of India and would greatly relieve Indian industries and the Indian taxpayers.

[Mr. B. Das.]

The first thing that I would suggest, even at this late stage, is that the Finance Member should see his way to put an embargo on the export of gold and put a duty of five per cent. on all exported gold. Even the other day, my friend, Sir Leslie Hudson, suggested some such thing. But I was pleasantly surprised to read a passage in the *Statesman's* editorial on the present year's budget, where discussing the favourable trade balance which the Finance Member discussed in his budget speech, the *Statesman* says:

"On the figures that is true but it is very unsatisfactory that such a large proportion of the export should be gold. Great Britain and America have now all the gold they need, and we believe it would be a wise policy for India to check the outflow and seek to use India's hoards as a basis for internal credit. The figures for the export of gold from India since September 1931 are staggering. Originally that export benefited not only India but the credit system of the world. Today it is being drained to European and American hoards. India gains on her trade balance, but from her point of view it is a far from desirable item of export and would be better employed as a basis for issues of currency."

I do hope the Finance Member agrees with his Anglo-Indian friend who wrote that article.

The Honourable Sir James Grigg: No, I don't.

Mr. B. Das: I wish he could disagree with them more often, and not on this particular issue only. Sir, in the other House, the Finance Member, while justifying the increase of the import duty on silver, is reported to have said that he could not regard with equanimity a tax on hoarded and unremunerative capital. But I do hope that if that five per cent. on gold be collected by Government, it goes out of the pocket of the hoarder; it does not decrease Government receipts in other directions, and I do not think he should not be chary of taxing the export of gold.

The next thing I would suggest is that the Finance Member should see his way to put an excise duty on cigars and cigarettes. Three years ago the import duty on cigarettes was raised. European firms have come and have established factories, particularly Wills and Carreras, and are selling cigarettes at the same prices as imported ones. I cannot understand why 6 annas per tin should be pocketed by these manufacturers. There are many cigarette manufacturing firms in India doing flourishing business, and, as cigarette is a luxury commodity, I do not mind its bearing an excise duty. At this stage I will repeat what I said in 1934 that although we Indians dislike excise duties, the time has come when excise duty has been forced to become a permanent feature of the Indian system of taxation. There are excise duties on sugar, cotton, matches, etc., and two years ago there was an excise duty on steel ingots,—although I deplore it very much and do not want it on steel, a key industry. But if excise duties are to be levied, cigars and cigarettes should be the first item that should be taxed. For the last seven years I have been suggesting that there should be an equalising duty on kerosene and petrol. The difference that the Burma producers or the Assam producers pocket by a lower excise duty, they should not get. Of course, it will not bring in larger revenue now, because the Burma Government for three years will enjoy by an unwanted treaty the advantages that India would otherwise enjoy on the excise duties on

petrol and kerosene. Yet I would suggest that the time has come when they should equalise that difference of one anna between the export and import duties on kerosene petrol and other produces, whereby Government will eventually get an additional receipt of one crore and 25 lakhs of rupees.

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

Mr. B. Das: Sir, I would suggest that the import duties on wines, ale, beer, brandy and liquor should be raised. I find the consumption is going up, and it is a luxury article. Those who can afford to drink a glass of wine in the evening can afford to pay an anna or two more on these things.

The Honourable Sir James Grigg: Sir, will the Honourable Member just give me the evidence on which he states that the consumption of wine is going up?

Mr. B. Das: I was just looking at your sea-borne accounts

The Honourable Sir James Grigg: My reading is that it is precisely the contrary.

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): That is his personal experience! (Laughter.)

Mr. B. Das: I shall give the figures on some other occasion, but I do think the time has come when we should put an import duty on all foreign experts. A large number of experts are being imported into India, and if a tax is put on their salaries, Indian finance will benefit.

The Honourable Sir James Grigg: Will the consumer pay?

Mr. B. Das: The taxpayers will pay as usual. Then, in addition to taxing foreign experts, I would say that the Finance Member has even treated light-heartedly that Italian firm which manufactures salt at Aden. They had no business to allow him the same facilities as Indian manufacturers at Aden. If Aden was to receive for one year the same rights and privileges as it was enjoying so long, this House has been emphatic all along that the Italian firm should not take shelter and take advantage of the protective tariff of one anna and six pies

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

Mr. B. Das: Then, I stop.

Sir H. P. Mody (Bombay Millowners' Association: Indian Commerce): Mr. President, my Honourable friend, Mr. James, has raised an issue of considerable practical importance, and I am sorry to find that some of my friends on this side have misconceived the position that he has taken up. India's dependence in the main on customs revenue for financing the requirements of the country has raised many complicated issues. On

[Sir H. P. Mody.]

the one hand there is the question of the claim of the protected industries. On the other hand, the revenue needs of the country require examination at the same time. Then, again, the incidence of revenue duties on the agricultural industry also demands investigation, and finally there are the needs of the unfortunate consumer who would be, I may say incidentally, much better off if he had not such misguided champions off and on. How are all these adjustments to be made? As I conceive the motion which has been placed before the House, Mr. James merely requires a sort of expert examination of all these problems as affecting the fixation of revenue duties. I do not quite know how my Honourable friend, the Finance Member, handles these things: I suppose when he sits down to the job of budget making he calls for his Secretary and asks him to look up the latest sea-borne trade returns, inquires which items are showing signs of health and which items signs of decay, and then makes a few adjustments here and there and comes forward with a proposal which is in the main the maintenance of the same revenue figure as before. Now, I say with great respect to him—and I am not suggesting for a moment that he is handling these matters in a light-hearted way (Laughter)—that this is rather an empirical method of settling a business of vital importance. What I would like would be the setting up of some committee on the lines of the Import Duties Advisory Committee for the purpose of keeping in touch with the trend of events from day to day as they affect the articles which are imported into this country. I am not suggesting for a moment that another expert need be imported for this purpose: as a matter of fact, I have a great deal of sympathy with what my Honourable friend, Mr. B. Das, said about taxing experts. But I would do it in another way—I would put an excise duty on them at so much per pound (Laughter): one or two very heavy experts have come to this country and they might have yielded a considerable revenue!

Now, my thesis is—and I am sure it is also the thesis of my Honourable friend, Mr. James—that these are all questions which require, not a perfunctory examination at the time of the budget, but a committee sitting from day to day and watching the trend of Indian and international trade. I have pressed in another connection, that is, with reference to protected industries, for the appointment of such a committee. I do not think my Honourable friend, Mr. James, suggested for a moment that the shelter under which some of the industries have grown up in this country, the shelter of the revenue duties, should be taken away. I do not think he has said that at all. His whole point seems to me—that certainly is my point—to be that all these questions require a careful examination. We have heard a great deal, about raising the purchasing power of the masses and their standard of life. That is of course a very important problem, but it cannot be solved in a day, nor for the matter of that, in a decade. But more important for the purposes of this debate is the question “How are you going to raise the standard of life of the richer classes?” (Laughter.) How are you going to induce them to disgorge their gains and to make money circulate? For that purpose, I would, if I were the Finance Member, actually encourage the idle rich to cultivate a few vices. I would encourage them to smoke and drink, and there are heaps of other things that I would encourage them to do. (Laughter.) My friend, Mr. Das, was perfectly right when he said that wines and spirits and tobacco ought to yield more revenue, but not by the method which he suggested. Make them cheaper for more people to

consume them. As a matter of fact, the sum and substance of this token cut

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): What is the experience of the Honourable Member?

Sir H. P. Mody: So far as my experience is concerned, I smoked and drank before the duties were raised and I still smoke and drink; but I would have to reconsider if the duties were raised a great deal

Mr. S. Satyamurti: Go in for toddy!

Sir H. P. Mody: Like everything Swadeshi, it goes to my head! What we are really concerned with is not the scaling down of any particular duties, which are in the Schedule today without an examination. Incidentally, I was surprised when my friend, Mr. James, started off with a list of duties and at the head of them placed fire-works, which he said carried 50 per cent. duty: I thought they were free in this House! The other day, my Honourable friend, Sir Leslie Hudson, in the course of his speech on the budget, mentioned the case of watches and clocks and things of that kind which are not to be regarded any more as luxuries. It is possible that a reduction of duty on those might yield a more substantial revenue. What we are out to prevent is the revenue duty so operating as to bring in the law of diminishing returns; and, I submit, that can only be done by a committee of people who knew their job and who would be able to apply their minds to it more than the Finance Member can, handicapped as he is for want of time and leisure. For these reasons I feel that the motion of my Honourable friend, Mr. James, deserves the support of every one in this House. I will repeat, in order to remove a rather rooted misconception which I find prevailing among some of my friends here, that the idea is not to affect protected industries. The idea is not to hurt even industries which are not protected, but which in essence are protected through the revenue duties providing a shelter for them. The idea is to make a scientific examination of the revenue tariff and to make such adjustments from time to time as might yield more revenue without at the same time affecting any of the industries which have grown up in the country.

There is just one other point that I should like to mention, and that is, with reference to the question of international trade which my friend, Mr. James, raised as also calling for a careful examination. Sir, the machinery of the Government of India for the purpose of revision of treaties is most inadequate. I am going to develop that point when I speak, as I hope to, on the Finance Bill. At the present moment, all that I wish to say is that the Commerce Department has neither got the time nor the facilities for the examination of the trade treaties which India has with a number of countries. They have no time to apply themselves to the question of a revision of those treaties. Every single treaty nowadays requires months and months on end to negotiate, and I say that, situated as we are now, that is to say, in the midst of a world which is a combination of units, every unit being dependent upon every other, we cannot afford to adopt the present methods to deal with problems of such fundamental importance. Sir, I strongly support the token cut of my friend, Mr. James.

Dr. F. X. DeSouza (Nominated Non-Official): Mr. President, as one interested in agriculture, and being myself an agriculturist in a small way, I have very great pleasure in extending my cordial support to the motion for the token cut moved by my friend, Mr. James. The revenue duties which are enforced in this country were fixed, according to the Report of the Indian Delegation to Ottawa, on certain principles. Those principles are that a revenue tariff will be imposed on a moderate uniform rate of duties on all commodities, subject however first to the levy of a much higher duty on particular articles, especially luxury articles, second to exemption from duty or admission at low rates of duty of other articles where the national interests require such concessions. Those articles on which admissions at low rates of duty or exemptions from duty are demanded are again divided into six categories, namely:

- (1) Commodities of importance to the cultivator, such as agricultural implements and manures.
- (2) Particular medicines such as quinine, the wide distribution of which is important from the point of view of health.
- (3) Commodities a duty on which might operate as a tax on knowledge, such as printing machinery and appliances.
- (4) Commodities a duty on which might retard a desirable development still in its infancy, such as air craft and radio appliances.
- (5) Commodities a duty on which would impede the development of industries, such as power machinery, raw materials and dyes.
- (6) Commodities a duty on which might appreciably increase the cost of railway transport, such as locomotives and many other classes of railway material.

Now, Sir, since the duties were originally fixed, circumstances have changed. As my Honourable friend, the Leader of the European Group, pointed out, those which were luxuries some time ago have become necessities today. Then, again, the progress of science has discovered uses of articles for agricultural purposes which were unknown when those duties were fixed. I would refer, for instance, to the utilisation on a very large scale of copper sulphate for agricultural purposes. Copper sulphate is now taxed as a chemical at 25 per cent. *ad valorem*. Now, Sir, it is very largely used by planters for spraying purposes and it should I maintain be taxed not as a chemical, but as a manure. Then, again, rubber hose is very largely used for spraying purposes by planters and by other agriculturists. There, again, the scale of duty on rubber hose is very high and it should be reduced

Mr. S. Satyamurti: Travancore makes rubber hose, I think.

Dr. F. X. DeSouza: Is that so, I do not know.

Then, again, there are obvious anomalies in the scale of duties with regard to machinery. If you look, Sir, to Articles 72 and 72 (6) of the Schedule, you will find that for machinery where power is used the revenue duty is fixed at only ten per cent. whereas where manual or animal labour is used, then the tariff is as high as 25 per cent. Obviously, for cottage industries you require machinery where manual or animal labour is used, and the tax on such must necessarily be reduced for the purpose of the growth of cottage industries. Anyhow, all these are questions which, in my humble opinion, require very very careful examination. I don't say

reduce them all; I don't say put any of them up, but they require a very careful examination, not by a small departmental committee, certainly not by one of the employees of the Finance Department or even by a Committee of this House, but by a Commission on the same lines as the Fiscal Commission, because the matter is one of very great importance and every interest should be given a hearing. As my friend, Mr. James, pointed out, the falling off in the revenues points to a falling off in the quantities imported, and if we wish to trade with foreign countries, if we buy more from them, we shall be able to sell more to them. If so, I think it is absolutely essential that some means should be devised by which we shall, consistently with our agriculture and our industries, be able to buy more from other countries so that we may be able to sell more of our agricultural produce to them.

But, Sir, I would strongly urge that in evaluating the scale of duties, no harm of any kind should be done to those cottage industries which have grown up under the shelter of these revenue duties. The tendency in this country unfortunately is the reverse of the tendency in all other civilised countries in the world. Instead of having progressive industrialisation, we are having progressive ruralisation. The statistics of the Census of 1921 and 1931, respectively, show that, while in 1891 the rural population was 61 per cent. of the total population, in 1901 it rose as high as 66 per cent. and in 1921 it rose as high as 70 per cent. That state of things cannot last for very long, especially as side by side with ruralisation the expropriation of the small cultivator is proceeding at a very rapid rate. For that also I have authority from the Census Report. This Report shows that, while in 1921 the number of landless labourers was 291 for a thousand cultivators, in 1931 it rose to 407, per thousand cultivators. This progressive ruralisation and progressive unemployment will be diminishing the purchasing power of the population. And I feel quite certain that my friend, Sir Leslie Hudson, who feels keenly for the welfare of the agricultural classes, would be the last person to advocate a change in the revenue duties which by hitting cottage industries may increase the number of landless cultivators and labourers without work and lead to further pauperisation of the countryside. I quite realise the need for further imports, for I consider, unless we import more we cannot export more; and I think that without hitting our cottage industries a careful examination could be held by a Commission like the Fiscal Commission into the scale on which the revenue duties should be revised, so that the agriculturist may benefit from imported articles and, to that extent, I support the Honourable Member's motion.

Mr. S. Satyamurti: I shall be very brief, because I really want to give my Honourable friend, the Finance Member, the fullest possible opportunity of ventilating his position in a matter of this very difficult and delicate kind. But, Sir, I think the ruling which you gave this morning plainly helps us in a discussion of this kind because I do not know what is the purpose of this cut motion as yet. I have heard that it is not a censure motion. Now I know the negative side of it.

Mr. President (The Honourable Sir Abdur Rahim): The Chair may point out that it is the usual practice, a well known practice.

Mr. S. Satyamurti: I am not commenting on your ruling, but I am simply making the point that I am not able to understand what the object of this motion is.

Mr. President (The Honourable Sir Abdur Rahim): That is plain.

Mr. S. Satyamurti: Sir, you will see my difficulty. My difficulty is this. What is the purpose of this motion? My Honourable friend, the Mover, has ventilated some of his views, some other Honourable friends have ventilated their views, and I will ventilate my views presently, and I have no doubt that the Honourable the Finance Member will ventilate some of his views. If that is the object of this discussion, I fail to see where it leads to. The only suggestion which has been made is this. You must have some Committee, not experts, not foreign experts except subject to income-tax and "excise duties", but some kind of scientific examination of the whole scheme of fiscal arrangements in this country. It seems to me to be a very tall order, even for the Finance Member to obey. I do not think it is possible for any Finance Member, just now in these critical times, on the eve of Federation on the one hand, and on the eve of provincial autonomy on the other, to start an examination from A to Z of the whole scheme of revenue duties, for the purpose of doing what? For the purpose of not affecting protected industries as my Honourable friend, Sir Homi Mody, says, for the purpose of not affecting the agriculturists one way or the other except to give them more facilities, and not affecting, I take it, the revenues of the Government of India. I want to put it to the Honourable the Finance Member: "It is all right for friends to come and give advice profuse as to what you should do and what you should not do. But what do you say about the revenues?" He is a brave man, even with three crores of deficit. He will manage things somehow or other, and like Oliver Twist he hopes that everything will be all right and that he will be able to get whatever he wants.

The Honourable Sir James Grigg: Mr. Micawber.

Mr. S. Satyamurti: I made a mistake, I thank you for the correction. The other fellow. (Laughter.) My Honourable friend hopes that everything will be all right, like Mr. Micawber. I protest against this motion, because, first of all, it is inopportune. I do not think it is right for the Government of India to start uprooting the entire fiscal system of this country, just to oblige some people who want to drink more or smoke more (An Honourable Member: "And other indulgences"). . . or do other things which cannot be named on the floor of the House. (Laughter.) It seems to me that it is not the proper thing to do. Then, I suggest that the revenue position of India today is not such as to encourage this examination. Let us see what are the facts on which this motion is based. I am obliged to my Honourable friend, the Mover of the motion, for giving me a copy of the various articles on which he complains that there are very high duties. Let me take them in order. Fireworks, 50 per cent. I will not add to what some of my Honourable friends have said. But, speaking seriously, I think 50 per cent. on fireworks cannot do any harm to the poorest in this country. (An Honourable Member: "100 per cent.") Camphor 50 per cent. We burn a lot of camphor in our temples, but the amount of camphor that is used by a person is not worth more than three pies, and I do not think it is going to make any difference. Prints engravings, etc., 50 per cent. Motor cars 37½ per cent. and 30,—I suggest 50 per cent.

Sir H. P. Mody: You are supporting the motion. (Laughter.)

Mr. S. Satyamurti: Well, Sir, it is not my Honourable friend, Sir Homi Mody's motion. "Scaling down"—that is the phrase I heard from the Honourable the Mover, again and again, but if scaling down includes scaling up also, then it is another matter. (Laughter.) Ribbons 50 and 40, textiles 50 and 30, electric bulbs 50 and 40, jewellery 50, cutlery 50, gold pen nibs 50 and 40, silver plates, etc., 50, various metals and articles made therefrom 30 and 25, wireless apparatus 50 and 40, clocks and watches 50, musical instruments 50 and 40, harmonium and gramophone records 50, toys, etc., 50 and 40, smokers' requisites 50. What is wrong with all these duties? There is only one item which I have not read out of this list, and that is machinery. I am told that the agriculturists may be badly affected by the high duty on machinery. But, certainly, what is the machinery which the agriculturists want to import from other countries? I believe we can make most of the machinery which the agriculturists want in this country, or otherwise we ought to make them. It seems to me that there is absolutely no case for this motion. As for the thesis on indirect *versus* direct taxes, a high authority has been quoted in support of it. But it seems to me that these beautiful fiscal maxims have got to be applied, considering the circumstances of this country. If the Finance Member agrees with that view that indirect taxes are more regressive than direct taxes, I say nothing; as a point of fiscal theory it is perfectly all right. But it seems to me that, with the present position of this country, with an income-tax of 17 crores, we are in for a fairly long period of indirect taxes. The Honourable the Mover of the motion also referred to the fact that, if these duties are reduced, there will be cheaper foreign goods in this country. Is it really for the benefit of the consumers in this country? This theory of the consumer's interest is always trotted out. I am surprised at my Honourable friend trotting it out, and saying that the consumer will be better, if these misguided champions won't be here. I give my friend a warning. He represents an industry, which has gained the protection of this House; but if he goes on constantly trotting out the theory of the consumer, he will have to thank himself. He will come and squeal later, if he goes on in that strain, and loses the protection he has got.

Sir H. P. Mody: Don't be light-hearted! (Laughter.)

Mr. S. Satyamurti: As regards those industries, which have grown under the shelter of the protection of the revenue duties, my Honourable friend, the Mover, trotted out a new theory that some of them do not satisfy the test of the Fiscal Commission, and therefore ought not to enjoy protection. I am yet to know that the Fiscal Commission's report is the last word on the theory of protection in this country. The Commission's report is out of date by some years and it has got to be revised. I am not sure that we must get all the raw materials in our own country. Why should we not import some of the raw materials and yet get protection in this country? Again, when these revenue duties have got a protective effect, why should we remove them simply because these industries do not satisfy certain *a priori* tests? The Mover was willing to grant that reasonably well established industries may be given this protection longer. Who is to judge that? It seems to me that the point which the Honourable Member who spoke before me made is very good, namely, that cottage industries and small industries have grown under the shelter of these revenue duties, and they ought not to be disturbed. He seemed to mourn

[Mr. S. Satyamurti.]

the progressive ruralisation in this country. I am not one of those—it may shock my friends to know—who think that in this country we have any use for indefinite progressive industrialisation, and still bigger industries. The future lies in cottage industries and small industries and progressive ruralisation. I want the seven lakhs of villagers in this country to improve their cottage and small industries by cheap electric power and we must think more of our villages more than we do of our own towns. Then, the Honourable the Mover made a point which I could not quite follow, namely, that if the Ottawa negotiations which are still going on in a mysterious manner,—we know nothing about that,—do not fructify in resuscitating in some form or other the Ottawa Agreement, we ought to go back to the pre-Ottawa level. He illustrated it by saying that the duty which was 25 per cent. and was altered to 30 per cent. against foreign countries and 20 per cent. against the United Kingdom should not be raised to 30 per cent. but should be raised to the pre-Ottawa level only. Does he mean that it ought to be 25 per cent. against all countries including Great Britain and there should be no 30 per cent. against other countries?

Pandit Lakshmi Kanta Maitra: No preference.

Mr. S. Satyamurti: That I understand, but if really you want 30 per cent. protection against a foreign country, I do not see why we should not have the option to do so in spite of the Ottawa negotiations not coming back in some form or other. It should be left to the country to decide in each case, whether we want protection, and, if so, to what extent. Sir, my Honourable friend from Bombay laid down very sound canons as to the revenue duties and he wanted us to consult the claims of the protected industries, the revenue needs of the country and the incidence of revenue duties on the agricultural industry but to suggest that the present duties do not satisfy any of those conditions seems to me too tall an order.

After all, it seems to me that in this country the biggest problem is not to raise the standard of life of the richer classes but to raise the standard of life of the poorest class by at least one pice a day. He is a man who does not know the country in which he lives, who talks lightheartedly of this new theory of the standard of life of the richer classes. He does not see the portents which are coming. He thinks that the richer classes are going to be left where they are. I am going to recommend the precept of Sir Otto Niemeyer to this country. The richer classes in this country are not taxed as heavily as in other countries. We will tax them, and we will make them understand that the real problem before the country is to raise the standard of life of the poor, dumb, voiceless millions of this country. If they can spend one pice more per day, we can feed all the industries of this country

Sir H. P. Mody: You require a joke to be drilled into you before you can see it.

Mr. S. Satyamurti: My friend makes a serious point and wants to cover it up as a joke. After two years with him in this House, we can understand him. I have understood him. He is very clever, but he is not too clever for some of us. We understand him through and through. My friend waxed eloquent, and he was serious about this joke of asking for all sorts of concessions. He is an economist. He says that the richer men

are able to spend more on luxuries, and that means more prosperity for the country. But to say it was a joke is nonsense. I say he was really making a point. When I haul him over the coals, he tries to shelter himself by saying it was a joke. My point is that this motion leads us nowhere. If the Honourable the Finance Member can find time and money for examining this question, by all means let him. If he can prove that in any particular case, there is hardship, it will be removed, but I do suggest that to ask, on the eve of Federation and Provincial Autonomy, that the whole tariff system of India should be turned upside down is not helpful or useful.

Mr. T. Chapman-Mortimer (Bengal: European): Mr. President, it is not my purpose today to answer in detail some of the criticisms that have been levelled at the admirable speech of my Honourable colleague, Mr. James. There are, however, one or two remarks made by my Honourable friend, Mr. Satyamurti, on which I feel I must pass a comment before I come to the main burden of my speech. In the first place, Sir, he began his speech and he ended his speech by questioning the value of this cut motion. As my Honourable friend, Mr. James, explained, it is a perfectly well recognised parliamentary practice. We have raised this debate in order to elicit from the Treasury Benches some kind of statement which will lead to more public information on this important matter of the revenue duties. It seems to us perfectly reasonable to make that request. Then, Sir, he said or he alleged that the purpose of this debate, in so far as it had a purpose, was that we were trying to force on India or on the Finance Member a new inquiry into these duties or a new commission of some sort to inquire into the whole question of fiscal policy. May I please disillusion him? We have no such intention. We do not consider that any such inquiry of that nature is necessary. Nor was that in Mr. James' mind at all. What he had in mind was, I believe, to make the point that he made on previous occasions in this House in 1934 and I think again in 1935. He said that it was urgently necessary that the Honourable the Finance Member and his Department should get down to brass tacks in order to have an examination made of these revenue duties. I found myself, however, in complete agreement with my Honourable friend, Mr. Satyamurti, over two things, first of all where he said,—and I welcome what he said,—regarding the future of Indian industry lying at least to some extent in the development of cottage industries as well as in the development of large scale industries such as iron and steel, and again I agree with him where he said that beautiful economic maxims were all very well, but what you had to consider was what was good for each country at any particular time, and that, Sir, is precisely why we on these benches are in favour of a very considerable revision, in the downward direction of revenue duties as and when it is financially possible. We all know that as a practical fact a large percentage of the Central revenues is derived from customs revenue. In 1913, the percentage was only 16·8 per cent., in 1921—which is before the Fiscal Commission inquired into the whole matter—it had risen to 31 per cent. and today it is over 50 per cent. The figures of actual revenue were 9·56 crores in 1913-14 and 45 crores today. That is the first practical issue and it is on that that we hinge the whole of our argument. The Fiscal Commission envisaged this when they laid emphasis on the fact that, when they recommended a policy of protection for India, they pointed out that the Indian tariff must be levied with due regard also to the interests of revenue,—in other words it must be a tariff partly for revenue purposes and

[Mr. T. Chapman-Mortimer.]

partly for protection. They showed how a great many industries might be protected with advantage to the country, but they equally showed how, even after you protect certain important industries, a large residuum of duties remain, where purely revenue consideration should be taken into account. They then explained why it was that they recommended for the moment that *ad valorem* taxes were probably the best means of raising revenue at that time. They explained that normally in highly developed industrial countries and in countries where there was a high protective tariff *ad valorem* taxes were not good and were not in general application, and they pointed out that the Government of India should give consideration to this fact with a view to developing as and when it was possible *specific* as opposed to *ad valorem* duties. They pointed out that in the case of *specific* duties there were several important advantages. The first of these is ease of collection which is obviously good for the Government. Secondly, there is no dispute or delay over the amount of the tax to be paid. This is obviously good for the importer; thirdly, little chance of fraud, which is good for the consumer and good for the Government and bad for the dishonest importers; fourthly, good where prices are stable or relatively stable. They also pointed out that when prices are low, the burden of a *specific* duty will obviously be high or relatively high and as prices rise, so the burden would tend to decline whereas *ad valorem* duties rise as prices rise. Since the days of the Fiscal Commission, we have seen an enormous rise in the percentage rate of the *ad valorem* duties, so that, if their argument is sound in this respect, and I maintain that it is, there is a greater need today for *specific* duties on many articles, more than ever before. It is perfectly true that in certain cases *specific* duties are obviously not easy of application and in fact in some cases impossible. Nevertheless, I do suggest that my Honourable friend, the Finance Member, should give his consideration to this aspect of the question. There was another point that is sometimes forgotten and that is this, that though *ad valorem* duties are probably best when your level of duty is not high, they are definitely disadvantageous when the duty is high. People also who claim special advantages for *ad valorem* duties as revenue producers take to no account at all of the law of diminishing returns. When prices are very high, the natural tendency will be for producers to hang off. It is therefore very important that the burden of tax in these circumstances should be as low as possible, and in this case a *specific* duty would obviously be superior. The customs revenue in 1921-22, as I have pointed out, yielded 16 per cent. of the revenues of the Central Government, or Rs. 84 crores. The general level of duty then was 11 per cent. In 1922-23, it was Rs. 41 and odd crores and the general level was 15 per cent. Today approximately we are getting Rs. 45 crores in revenue from the customs duty on an average basic level of 25 per cent! In other words, whereas in 1921-22 the revenue was 41 and odd crores while the basic level was about 15 per cent., today it is only four crores more and the basic level is very much higher; the present high rate is thus definitely acting in restraint of trade. Every month, during the past year, except May, there was better exports than in the previous year. This is exactly the reverse of what has been seen in the return from imports during the last year, when in all months, except July, the position was definitely worse than in the previous year. The present trend, therefore, shows quite unmistakably a significant consistency which seems to lend support to our claim that some of these duties are far too high. In fact, I went to the trouble of examina-

ing some of these duties and the return on them. On ten of these duties I find, that, as compared with 1934, in 1936 the Government lost no less than Rs. 85 lakhs of revenue, and yet not one of these ten cases comes under any of the protected heads, nor does it come under any of the heads which by any stretch of the imagination could claim protection in this country. Sir, I submit that these are very significant figures. They bear out all the points that my Honourable friend, Mr. James, has brought out, in spite of the attempt that my Honourable friend, Mr. Satyamurti, made to decry the value of the illustrations that he gave. Sir, I do not wish to say more except to say this, and that is that, as at present levied, as my Honourable friend, Mr. James, has pointed out, these revenue duties are becoming more and more like unregulated protective duties,—which was exactly the point that the Fiscal Commission stressed when they said that it was most important that a definite policy of protection should be adopted in India. They pointed out how under a high tariff, if you do not have a clear-cut protective policy; you would be liable to give protection in the least convenient and the least beneficial way; it would be given in a casual and haphazard manner and, above all, there will be no assurance that it will be permanent because, as was pointed out in other passages in their report, these revenue duties . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has only one minute.

Mr. T. Chapman-Mortimer: I will conclude, Sir—these revenue duties would then have to be varied in accordance with the financial requirements of the moment. Sir, I support the motion.

The Honourable Sir James Grigg: Sir, this question is, of course, a very important one, and it is a question upon which in the past at any rate a good deal of controversy has been raised. I say "in the past", because the course of the debate this morning has been a little confusing and a little surprising to me, and I seemed to see in several quarters a certain change, a re-orientation in this matter; I do not know whether I am right, but it certainly seemed to me that both Sir Homi Mody and Mr. Satyamurti were Daniels come to judgment, and I thought that a new note crept into both their speeches. I do not mean, of course, that I had any misunderstanding of Sir Homi Mody's little joke about reducing taxes on food and drink and tobacco, so that all the rich could over-feed themselves and get drunk and come home late, in the interests of the revenue of the country, but it seemed to me that there was a little less insistence on the interests of the producer than sometimes has appeared in his speeches, and in the same way I seemed to hear a new note in Mr. Satyamurti's speech, and that was a recognition that India must remain for a very long time to come primarily an agricultural country. I may say I agree with him. Of course Mr. Das, as usual, lined up the Congress Party with Big Business and I do not think that his Leader would have entirely supported him in that matter (Laughter.) So if I deal with these points in a somewhat confused manner, I hope I shall be forgiven, because I really found a little tendency, and perhaps I might say humbly, I was a little gratified to see from two such important quarters a certain approach to the point of view which I have put forward from time to time in this House,—and not with much acceptance, I may say, hitherto. Of course, the Indian business man is all in favour of making the revenue duties higher and higher, which

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means more and more protection and less and less of revenue. On the other hand, the unfortunate Finance Member, as has been pointed out, cannot view with any equanimity an indefinite continuance of the process of destroying the main source of revenue upon which the stability of the Central Government depends. So here you have got a direct clash of interest. It is not the only clash of interest. My Honourable friend, Sir Leslie Hudson, the other day, in his preliminary notice of this motion, laid down this principle of fixing revenue duties; I think I have got his words more or less: "the highest possible revenue consistent with the freest possible interchange of goods". Of course, there is a great deal of truth in this. But I do not think it carries us the whole way for it seems to me to obscure rather too much the position of that person whose name it is or rather was until yesterday blasphemy to mention in this House, and that is the consumer; and the second clash is that between the consumer and the producer. After all, revenue duties are a tax upon the consumer.

Prof. N. G. Ranga (Guntur *cum* Nellore: Non-Muhammadan Rural): What are revenue duties?

The Honourable Sir James Grigg: I will attend the Professor's classes, outside. After all, all revenue duties are a tax upon the consumer and I do not think it can be said that the only function of a revenue tariff is to squeeze the consumer until he ceases to be able to consume and perhaps we might pursue this a little further. I wish it were possible to have a debate on the principles of taxation at which Mr. Satyamurti hinted, a little more fully rather than that we should confine ourselves to the one narrow aspect of them raised this morning. I take it that the main principle of taxation is ability to pay; and for my part, and I gather that Mr. Satyamurti agrees with that, "ability to pay" is the principle which we should continue to aim at. But in these days of economic nationalism we are getting towards a different principle, namely, to impose those taxes which will most increase the profits of the domestic capitalist, which will press most hardly upon the consumer and which will yield as little as possible to the fisc. That seems to be the modern theory of taxation. Personally, I would lay it down as the principle for India that our revenue tariff—I am leaving now the general question of principles of taxation—in order to fit in with this general principle of ability to pay should, as far as luxury articles are concerned, be pitched at the level which yields the highest revenue, taking, of course, a long view and not an immediate one. By that I mean that diminishing returns do not begin in a night. They take some time to develop and therefore the evil effects on the revenue of too high revenue duties are not immediately disclosed. Therefore, the aim of the fiscal machine should be to pitch their duties on luxury articles at a level which will yield the highest amount taking a long view.

Then, with regard to articles of staple consumption, I would say that the duties should be fixed as low as possible to realise the money which the Treasury needs and that duties on instruments of production, including in that essential raw materials, are only to be imposed if the optimum luxury duties and the moderate import duties on staple commodities fail to yield all that the Exchequer requires and even then they should be levied at the lowest possible level. Subject to these principles, a tariff should be as simple as possible from the point of view of leading to as few admin-

istrative delays at the ports as possible. These, I take it, are the principles on which the Indian revenue tariffs started by being based but under pressure of financial stringency and perhaps, I may add, under other less compelling factors it seems to me to have become something very different. It is certainly very burdensome upon the consumer, it is certainly in places a burden upon production and the question now is whether it has ceased or is ceasing to be fully effective as a revenue producing instrument. Two years ago, as I have been reminded this morning, I told the House that we were conducting a departmental examination of the revenue tariff and the kinds of considerations which entered into that examination are those which I have just tried to summarise briefly. A year ago this preliminary examination was completed and the question of taking action arose. At that time the conclusion we reached was—and perhaps I may say that prices had not then shown any very definite tendency to rise—that, broadly speaking, not many of the duties had shown definite evidence of decline in yields though there was evidence that a number of them would begin to do so not before long. So, it seemed to me then that action was not very urgently required although we were prepared then and are prepared now to take action immediately in cases where the decline in yield has definitely set in and, indeed, in one case, I think, we did take action during the year. Moreover, there was another reason for waiting a little longer, namely, the uncertainty as to what is going to happen, as Mr. James pointed out, to the Ottawa Agreement. Obviously, the Ottawa preferences are a very important element in the revenue tariff. No scientific review of the tariff could effectively take place until we know finally whether the Ottawa preferences were to go altogether, whether they were to be retained or whether some of them were to be retained and some of them were to be abolished or whether some new ones were to be added. In the event of some or all of the preferences being abolished, another question arose—and Mr. James has pointed that out—whether the foreign duty should remain the standard, whether the United Kingdom duty should remain the standard or whether a duty should be fixed at some intermediate stage. A year ago, when prices were lower and *ad valorem* duties less oppressive, the answer would have probably been the third of these choices and that is what I understood Mr. James to say, namely, that the proper course even now would be, if the Ottawa preferences go, to fix the duty on all articles at the intermediate level. Well, Sir, I would have agreed with him a year ago. Then, as I said, the evidence of diminishing returns was inconclusive but now the evidence of diminishing returns is becoming more definite and the question of what to do about the Ottawa duties in the event of the abolition of the preferences is now a very much more complicated question. Lest I should be misunderstood, let me say that when I say that the evidence now is more conclusive of diminishing returns I do not mean to say that there are a large number of duties which would definitely yield more in the first year at a lower level. What I do mean to say is that there are a number of duties, which, if we could afford it, it would pay us to reduce now in order to preserve their yield on a higher level taking a period of years. What I have said may sound very vague and inconclusive, but after all the debate started by being a discussion and not a censure in spite of the objection of Mr. Satyamurti. It may all sound very indefinite and inconclusive but obviously in matters of taxation it behoves those people who are responsible for proposing changes in taxation to be cautious. I do not propose, therefore, to say very much more at present except to assure Mr. James and Honourable Members generally that this

[Sir James Grigg.]

question is being kept constantly in mind and, indeed, it is more than that, it is under the most anxious consideration. It will be obvious from what I have said that there are two aspects of the question. The first is to protect the revenue where a definite decline has set in and the second is a general revision in accordance with the definite principles. It is no mystery that I have always hoped that the second task would be possible though it might mean some immediate sacrifice of revenue in the interests of future revenue and of a well-balanced system. But I would say that it would, I think, be folly in pursuit of such a balanced revenue tariff to try to put into operation one or two only of the principles which I think should be laid down and which I set out as being desirable principles in framing it. In other words, the problem must be treated as a whole. Then, Sir, as to the question who should conduct this review, I do not agree with Sir Homi Mody that another Fiscal Commission or Standing Advisory Committee is the proper body to conduct such an examination and here, I think, I find myself in agreement with Mr. Satyamurti. I do not see quite what that Committee is going to do. In the first place, all these specific revenue questions are pre-eminently the business of the Executive and it is the most difficult thing in the world for the Executive to admit any encroachment upon its preserves. The responsibility is theirs and the responsibility for keeping the knowledge from the public is theirs and it is pre-eminently a sphere where, I think, the Standing Advisory Committee would be least useful. But apart from that no fiscal Advisory Board on taxation matters is ever going to agree. Unless they are permanent civil servants, they will represent interests and when they represent interests, you are getting not one report, but half a dozen and that strengthens the reasons that I have for holding that this matter is essentially one for the executive. Sir, on the main debate that is all I have to say. But I may just add two sentences about Mr. James' reference to the international situation. Of course it is quite true that there are signs of an international movement for downward tariffs and it falls into two well marked groups. First of all there are the Scandinavian countries in Europe where there is a genuine desire for a freer interchange of goods and a genuine desire for lowering the duties on that account. Then there is, what broadly, but not completely accurately one can describe as the ex-gold bloc where there has been a move to reduce duties in order to prevent a rise in the cost of living or in order to prevent an undue rise in the cost of living. It will not be any news to the House that my personal views are that I hope that the Scandinavian initiative will spread outwards and the reason why I think so is that in that case it ought to be possible to see a time when prosperity and international trade will increase to such an extent that India can afford to pitch her revenue tariffs at a lower level and so reduce the burden on the consumer and forestall the tendency towards diminishing returns. In the meantime, of course we should not leave out of account the possibility that the example of the ex-gold bloc may become applicable to India, namely that India may find it necessary to reduce her tariff at places in order to prevent an undue rise of prices.

Mr. F. E. James: Sir, I beg leave to withdraw my motion.

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

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

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

DEMAND No. 12—EXECUTIVE COUNCIL.

The Honourable Sir James Grigg: Sir, I beg to move:

"That a sum not exceeding Rs. 1,19,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1938, in respect of 'Executive Council'."

Mr. Deputy President (Mr. Akhil Chandra Datta): Motion moved:

"That a sum not exceeding Rs. 1,19,000. be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st day of March, 1938, in respect of 'Executive Council'."

Policy of Protection.

Raja Sir Vasudeva Rajah (Madras Landholders): Sir, I beg to move:

"That the demand under the head 'Executive Council' be reduced by Re. 1."

My object in moving this cut is to discuss the policy of Government in regard to the protection of some of the chief industries of India. I know, Sir, that in the matter of protection the Finance Member holds very strong views against it. He has made no secret of it but has given expression to those views which has created in us considerable uneasiness. It has been explained that these were his personal views and that the policy of Government continues to be that of discriminating protection as adopted in 1923. But in another way it is being sought to minimise the benefits of protection. Complaints are being made that the yield from Customs has fallen on account of the protection to industries. We are also being told that the Revenue Tariff is too high and requires to be scaled down, while opinion in this country is against this new policy which seems to find favour with the Finance Department.

It will not be denied that all industries in this country including the great agricultural industry should be developed and I take it that this cannot be adequately done without giving reasonable protection to the industries concerned. It was years ago that the Fiscal Commission fully examined the question in all its aspects. In their report they stated that "We have considered generally the advantages and the possible disadvantages which would attach to a considerable development of Indian industries. We have no hesitation in holding that such a development would be very much to the advantage of the country as a whole, creating new sources of wealth, encouraging the accumulation of capital, enlarging the public revenues, providing more profitable employment of labour, reducing the excessive dependence of the country on the unstable profits of agriculture and finally stimulating the national life and developing national character".

As regards the effects on the yield from import revenue duties, the Commission said that the need for a higher revenue would lead to a high level of duty, that, therefore, "Import duties must continue high and that, whether intended or not, protection will be given". It may also be pointed out that in many cases, such as textiles and steel, during

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certain years the import revenue actually increased as a result of higher protective duty and fell when the duty was lowered. Protection helped the revenue position actually.

Instead of reversing the present policy, it is necessary for India to go ahead. World conditions have changed considerably since 1923. Most of the then Free Trade Countries, including the United Kingdom, have raised high tariff walls. The intricate system of exchange controls and quotas and other measures in force in many countries have compelled India to lose much of its trade. India must, therefore, seek a greater economic security within its own borders. Instead of having to export its raw materials—to markets which are not friendly to it—India must try to convert them into goods at home. Also the standard of living must be raised so that the people might consume more food and for these industries must be encouraged.

There is an important aspect which has not been touched so far, and that is "Agricultural Protection." By this I mean the protection of agricultural products and the products of cottage industries. The Government of India has been very slow in granting protection to commodities like wheat and rice. Pepper and cocoanut have not been considered at all though for some time their condition was precarious and it is only because of some fortuitous circumstances that their conditions are a little better now.

The present policy of unconcerned attitude towards agriculture should be changed and measures should be taken to secure for these agricultural commodities a fair price. The Fiscal Commission did not consider this question because they were more concerned with the policy of industrial development. But a true policy of protection must embrace all commodities that require such help. In the United Kingdom protection is afforded to all kinds of agricultural products, such as wheat, beet, sugar, horticulture and animal husbandry, dairying, poultry, etc. In India so far the only agricultural products which have received some small, and a very inadequate measure of protection are wheat and rice. The condition of rice in the Madras Presidency is still causing great distress to the ryots. For the last seven years it has come to such a low uneconomic level that there is hardly any margin left for ryots to continue cultivation without getting involved in heavy debt. If once the tenantry is ruined it is a hard task to replace them by new ones as the fate of the new comers will be similarly courting disaster in a short time. The country requires the Government of India to seriously consider the protection of agriculture as a major issue. It is not enough to devote a little attention to rural uplift and other matters. The development of agriculture can be secured only if the grower of the crops is assured a fair price in the home market. Instead of that he is being threatened by foreign imports. Even though this year has been a favourable one to the agriculturists in the Madras Presidency and even though there has been no failure of crops, the Madras Government has been compelled to forgo a large amount of its land revenue by way of remissions owing to the low uneconomic price of rice prevalent there and the consequent inability of the ryots to pay the full assessment.

The protection of cottage industries is another important question that should be taken up by the Government of India. Small scale industries are rising all over the country. The newly laid grid system of electric supplies in Madras and other provinces will require the development of vast areas in which small scale industries should flourish. Of course, the agriculturist has to find more occupation for that portion of the year when he is perforce idle by means of cottage industries. Under the shelter of revenue duty many small industries have risen all over the country. If the duties are to be lowered these new industries will suffer.

Of late, foreign competition, specially from Japan, has severely hit several of these small industries. Japan has begun the policy of concentrating on small industries and it is said that as much as one half of Japan's production and exports come from small scale industries, each concern employing just a few persons and spread out all over the country. In India also small scale industries must be encouraged. The little research and loans and other kinds of assistance given by Local Departments of Industries is not enough for this development. Protection by means of tariff is necessary to assure that these industries do not suffer. If only the Government of India could secure fair prices to these small scale industries by means of adequate duties the countryside could be improved. Small scale industries will generally benefit the agricultural classes, as it is they who will mostly invest their small savings in them. They will give occupation to a proportionately larger number of persons and also improve the standard of living of the agricultural classes.

The question then arises as to how this is to be done. In order to find out the articles that stand in need of protection and the extent and scope of protection that should be given there must be set up a permanent Tariff Board whose duty it should be to examine the whole question thoroughly and to report to Government. It is not enough if it is done in a haphazard manner by the Department of Commerce. But the task must be given to a body of experts that will constitute the Tariff Board whose duty it should be to watch the growth of the industries and how it affects not only the producers but also the consumers. It is a great pity that the Tariff Board that was constituted some years ago is not now functioning. *Ad hoc* Committees, as now set up at times, are of no good. They will neither have experience nor continuity of policy or will even command confidence of the people. There is full scope for a permanent Tariff Board to be constituted as the one we had for over ten years and they must examine all questions coming before them and must advise Government as to what should be done for the development of the industries concerned. It should also be possible for those who apply for protection to apply to the Tariff Board direct for the examination of their application without having to go through the Government of India which takes an unusually long time and serves no useful purpose. It should also be their duty to watch the effects of the protection so that it does not become either excessive or deficient and also to see that the development and the organisation of the industries proceed on business like and satisfactory lines. The excessive internal competition in the sugar industry might, I think, perhaps have been prevented if there were a suitable authority to watch the industry.

At present an industry which applies for protection must first present its case to the Government of India. The Government then make a departmental enquiry for determining whether there is a *prima-facie* case

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for reference to the Tariff Board. This being a departmental enquiry it is merely a secret enquiry and decisions are arrived at *ex-parte*. It is necessary that the Tariff Board when it is made a permanent body should have the right of directly entertaining the application. This will ensure promptness and confidence. I have heard that an association of glass industry made an application for protection in 1926. It took five years for the preliminary enquiry and it was only in 1931 that a reference on this application was sent to the Tariff Board. The Tariff Board reported on it to the Government of India in 1932 and the Government passed orders adversely in 1935 on some technical point. That an application of this sort should take nine years for disposal and to get a negative answer looks fantastic. All this should be remedied and a Tariff Board on sound lines should be constituted. The present policy of indifference should give place to a carefully chalked out policy of protection, which is the only hope of salvation. I am sorry that the Government has been indifferent in the matter and are not doing their duty to save the ryots from the grip of poverty.

With these words, I move the motion.

Mr. Deputy President (Mr. Akhil Chandra Datta): Cut motion moved:

"That the demand under the head 'Executive Council' be reduced by Re. 1."

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, although the Raja Sahib of Kollengode, who has moved this motion, dealt with problems in Madras, most of his remarks apply to many provinces in India and I shall speak about the whole of India, rather than confine myself to one province. We have to see what policy Government have pursued in the past in the matter of protection. In the past protection has been given only to the industries enumerated by my friend, Mr. James, in the morning. I do not agree with him when he said protection should be confined only to those industries which can hold their heads up. Protection whether given in the shape of revenue duty or in any other shape should be given in all cases where it is in a poor condition in our country. A cottage industry, not properly financed in the beginning, can be encouraged by revenue duties; and if it can be kept up, only through a revenue policy, that revenue policy should be continued and every facility should be given to cottage and small industries. I think that is the duty of the Government of India. How long are we to be told that our country is an agricultural country and nothing else? We find that the prices of commodities grown in villages have gone down so much that people cannot live in villages on the income from land. As I pointed out last year in the budget Session, the price of wheat was ridiculously low, and the cultivator could not grow it with any profit: the Government lowered the import duty and I warned them at the time: what I said then has come out exactly true and the Government have shown hopelessly that they could not understand the position of the wheat grower. The result of lowering the duty was that at harvest time wheat sold as low as 18 seers to the rupee: now it has gone up to 9 seers. If a check had been put at the time and the duty kept up, they could have sold it at about 13 seers instead of 18 seers, and the money would have gone into the pockets of the agriculturist instead of into the pockets

of the middlemen, who made 50 and in some cases 100 per cent. profit in a few days. But Government is as slow as ever with their red tapism. The Honourable Member must write to his Secretary; his secretary must consult his additional secretary; his additional secretary must consult the joint secretary and he must consult his deputy secretary and so forth—I do not know how many hands it has to pass through, before anything can be done. All the notes have to pass through various officers before the Government can come to any conclusion

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): And the Deputy Secretary has to consult you?

Sir Muhammad Yamin Khan: And the Deputy Secretary has to consult the Honourable Member from Bombay who is a millionaire, who must sleep on these questions as usual. (Laughter.) He must see what the mills are making in Bombay, whether they make 50 per cent. or 20 per cent. Once he finds that the Bombay mills are losing, then the mill-owners in Bombay raise a hue and cry like the cry of jackals all round for giving them protection, but if they find that the mills are not losing, then you will see its representatives here in the Government lobby

Sir H. P. Mody: We are with you.

Sir Muhammad Yamin Khan: Now, Sir, if you will read the speeches made last year on the floor of this House, you will find that Government's actions have been most unjustifiable. If the surplus population of the villages cannot find anything to subsist on, where is this surplus population to go? They must find some work to do, but they don't get it. The result is they are going to the towns where too they cannot find employment. The people living in towns have to compete now with the village population which is migrating to the towns, with the result that unemployment is growing rapidly and the Government get all the blame. The protection policy ought to encourage those people to establish small industries in the villages, like the hosiery industry and other allied industries. This will provide employment to large classes of people in the villages. Now, Sir, there are many places in India today which are served by electricity, and in such places small cottage industries can be started with great advantage to the poor people, but the trouble is, your protection policy is such that you impose a revenue duty of about 30 per cent. on machinery. If anybody wants to import small machinery to be installed in a village, he has to pay 30 per cent. duty. This heavy imposition of the duty is greatly retarding the import of small machinery into this country, with the result that cottage industry cannot make rapid strides. I don't see my friend, Mr. Ramsay Scott, here, but if you will go through the reports from Cawnpore, you will see it is stated there that England and other countries have not been able to back large orders for woollen cloth, on account of the high prices prevailing today. If duties are fixed in such a way as to bring in more profit to India instead of to Italy and other countries, it will result in a large measure of benefit to the people of this country. Sir, the whole protection policy of the Government is entirely wrong. I will leave out for the moment any reference to the sugar excise duty, because I shall have another opportunity of discussing that question more fully at a later stage, but I shall draw the

[Sir Muhammad Yamin Khan.]

attention of Honourable Members to the question of steel protection a question to which attention has been drawn repeatedly in this House. My friends here represent the Tatas in this House. I do not know how many Members there are who have shares in the Tata concerns, or how many people there are in the Government of India or in the Secretariat who hold shares in the Tata concerns, because, it is a surprise to me why the Tatas are so favoured people and why Government should give protection to a concern whose shares have risen in value from Rs. 500 to Rs. 1,200 in two years' time, particularly after the protection was given. That must be due to the large profits the company is making and the huge dividends they are paying to the shareholders. Government know fully well that the prices of steel have gone up and are going up every day. If Government say that on account of war clouds in the horizon iron will not be sold in the market, they have to reserve all the stocks of iron for some other purpose, probably there might be some justification or some basis to justify the high prices. If the protection had been given two years ago . . .

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

Mr. S. Satyamurti: Is the Honourable Member supporting or opposing the cut motion of his Leader?

Sir Muhammad Yamin Khan: I am supporting, Sir.

Mr. S. Satyamurti: I am glad to hear it.

The Honourable Sir Muhammad Zafrullah Khan (Member for Railways and Commerce): It does not sound like that.

Sir Muhammad Yamin Khan: Therefore, Sir, the policy of the Government ought to be to see that protection is immediately withdrawn from all such industries which really do not need protection or which are in a self-supporting condition, and extend protection to all cottage industries and other minor industries in the country. Agriculture must certainly get its full share of protection. With these words, Sir, I support the cut motion, although there may be some difference between my angle of vision and that of the Mover. As far as the cut goes, we agree.

Mr. M. Ananthasayanam Ayyangar: Sir, to talk of India as being only an agricultural country is not to understand facts or to read history aright. Sir, until 100 years ago or until the steam engine or the steam power was discovered, I may confidently tell the House,—and history tells us that,—India was one of the most premier industrial countries in the world. There was not a single article of any use that was not produced in this country. No doubt, all these articles were produced as cottage industries. Now, to ask us to go back and take to the old agricultural implements and produce the ordinary needs of life so as to make us content with that, and not to face world competition either in the near or remote future is to tell India to sit down with folded hands and be forever a down trodden country. That kind of advice has been given to us repeatedly, and we have been told that India is an essentially agricul-

tural country, and, therefore, to keep quiet and don't ask for any protection for any industry. I say no to this. Sir, the recommendations of the Fiscal Commission have become absolutely out of date. Instead of discriminating protection, I would plead for indiscriminate protection for any kind of industry in this country. (Hear, hear.) Sir, I would ask those protagonists of discriminating protection to think twice before they give this advice to us. Let us take England.

One of the requisites for affording protection, as laid down by the Fiscal Commission, is that there should be plenty of raw materials in the country. Another is that there must be skilled labour, and the third is that in a limited period of time it must be possible for the industry to stand on its own legs. These are the three conditions that the Fiscal Commission has laid down. Let us take the first, the existence of raw materials. Is there one fibre of cotton produced in the whole country of England, and similarly the other country which comes into serious competition with Lancashire does not produce one fibre of cotton. I mean Japan. Still it dumps the whole world with its textiles. Unless you make the world one unit and one single power rules the whole world, you cannot go on indulging in these platitudes which do not apply in your own country. From the statistics of world production of beet sugar, I find that beet sugar is not produced in England in large quantities but still today we find that beet sugar subsidies are being given in England. For what purpose? Can England compete with Java or even with India where the sugar industry is still in its infant stage? Can it compete with the production in India even? India produces nearly 4,000 million tons of sugar. Can England compete? Then, why do they give protection or subsidy to that industry there? Don't apply these principles only to this country and say, you must be content with producing rice, wheat, gingelly, brinjal, tomatoes, etc? Let us take those articles which we can produce without much of electric or steam power. What about rice, wheat? Are we in a position to compete with respect to wheat with Canada or Australia? The wheat fields of Australia and Canada are so cultivated—there is a vast extent of land in those countries—that it is impossible for the whole of northern India, though all the lands be converted into wheat cultivation, to stand the world competition of Canada and Australia, and that is why protection has been given to wheat in this country. Go to the south where rice is produced on a large scale. Last year, we clamoured for the imposition of a heavy duty on the import of Siamese rice into this country. We wanted Rs. 1-8-0 a maund duty. I do not know whether it was the Commerce Member or the Member for Industries and Labour—they imposed only a duty of twelve annas per maund of broken rice. The Siamese people are so clever that instead of sending broken rice they have been sending paddy and thus have circumvented this impost. If you only go to the south and see, you will find that there is plenty of paddy produced but there is no market. I will assume that this is an agricultural country. What about the agricultural products themselves? There are 80 million acres under rice cultivation in this country, and in the rest of the world there are 40 million acres. We produce 40 million tons of rice whereas the rest of the world produces 30 million tons. Are we able to stand the world competition? No, and that is why protection has been given. Therefore, it is a myth, let us not be deluded by the plea that we can stand world competition by merely producing rice, wheat, chillies, etc.

[Mr. M. Ananthasayanam Ayyangar.]

(Laughter.) Each country is trying to be self-sufficient. As regards rice, Japan, Korea, Indo-China, Siam are growing rice, and in Java they have converted the sugar cane fields into rice fields, and each country is trying to become self-sufficient in its raw products as well as its finished goods. That is with respect to rice.

With respect to wheat, I have already submitted that Canada and Australia are producing enormous quantities of wheat that they do not know what to do with them and they are being thrown into the wide seas. That is the position with respect to raw products. When the foreign market is denied to us for raw products what should we do? No doubt the Honourable the Finance Member wants to impose an excise duty on sugar. The sugar industry is still crawling on its legs, we have not captured even the home market, and still some particles of Java sugar are dripping in this country. I am longing for the day when our sugar industry will capture the market of the whole world. Are we having that ambition? What is this Government doing to put us in that direction? We are not even told that there is a prospect of that in the near or the remote future. Let us take leave of these platitudes. Let us not tamely submit to the advice that is not given in the best interests of this country. As I have been able to read, there is only one solution. From the smallest pin right up to the aeroplane, everything should be done in this country. Give one more morsel of food to the hungry mouths in India. Don't talk of the consumer again and again. I know, barring the salaried officers, there is no other person in this country who does not produce. It is only the salaried officer who sits in these benches that can talk glibly of the consumer. The others who are employed in agriculture are both consumers and producers. If there is no market for their produce, how can they consume? Have you created any industrial class in this country? Barring a few men for whom my Honourable friend, Mr. Joshi, on that side and my Honourable friend, Mr. Giri, on this side have been fighting with lock-outs and knock-outs, with wage cuts and wage rises—are there any industrial classes in this country? Is this the benefit of British rule in this country? Therefore, I would say, take it item by item, make the country self-sufficient, constitute a Board of Trade or Board of Industries just as other countries have done for Jute, Sugar, Cotton, etc. There are various ways in which it has been done.

Take, for instance, Germany. I find in the morning press that a company has been floated with a capital of 200 million pounds or 2000 millions I do not know—for the production of artificial rubber. It is a disgrace to our scientific knowledge and to the benefits of British rule that we have not been able to do anything like that. On the other hand, you have Boards of Control here for restriction of the production of rubber, for the restriction of the production of tea, and so on. If necessary, have similar boards for Sugar, for Iron, for Cashew Nuts, for Motor industry. I would appeal to the Indian black Member in the Treasury Benches—but black becomes brown and brown becomes white as soon as one gets into the Government lobby, even though one may be as dark as myself. They have really no heart in the matter. It is unfortunate that, whether it is Indian or European, both of them are of the same colour so far as we are concerned. That is why sometimes I was about to appreciate and about to join my Honourable friend, Mr. Sri Prakasa, in

his cry, stop with Indianisation. If really the Honourable the Commerce Member should have the interests of his country at heart, let him start a Board of Control or call it by whatever name . . . (*An Honourable Member: "Board of Trade."*) Yes, Board of Trade, the Board of Control is the Board of the Bureaucracy. Call it if you like by any other name, or a permanent Tariff Board. Let it investigate. Protection to glass industry was refused simply because, though 98 per cent. of the ingredients are to be found here, only one or two per cent., that is soda ash is not available here. What attempts have been made to manufacture soda ash here? In the Kathiawar State they wanted to start an industry or some British Indian subjects wanted to start an industry, but what help was given by this Government? I repeat that question. There are 135 glass factories making all kinds of glassware, chimneys, beads, etc., and is it the right attitude that any Government which has the interests of this country at heart should take—to refuse protection simply because one or two per cent. of the raw material is not available in this country? I would, therefore, have protection at any cost, at all costs.

The Honourable the Finance Member said this morning that for revenue purposes you may impose any amount of customs duty, but not for any other purpose. I assure the House that I for one am prepared to put myself to any amount of restriction and inconvenience if industries can flourish in this country from the smallest to the biggest, and we can then say with our hands on our heart and with heads up that we are determined to be an industrial nation. I would say it is a disgrace that we have not been able to do anything so far. I remember a Collector in my district, an English officer, who attended a tea party. After it was over he came out and saw dozens of motor cars standing outside. He was anxious to know where these cars were made and when he was told that one was from Italy another from America and so on, he hung down his head and said, "Oh, there is no English car". This gentleman in charge of a district was so very anxious that we should buy cars from England. What about us. Has any attempt been made to make these articles in our own country?

Finally, Sir, I would say one word to Sir Homy Mody. I would request him in the name of the 33 crores of people not to abuse the protection that this House has given him. I have received complaints that the Tata Steel and Iron Works do not sell steel products or pig iron which may be used by small foundries. They have sent me an appeal that the Tata Steel Works should open small depots all over the country. I want that India should be made self-sufficient in every way within a reasonable period of time. Let your Board of Trade or Board of Control or Tariff Board, whatever it may be, fix the maximum amount of prices and the maximum amount of dividends that can be given to directors. It is immaterial if there is no precedent for such a Board with such powers. There is no precedent for 37 crores of people being held in subjection for over 150 years by the domination of a foreign empire. Likewise, it does not matter if there is no precedent for this suggestion. Let us create the precedent. Sir, I have done.

Mr. H. S. Malik (Government of India: Nominated Official): It is with considerable diffidence—and I may even say with trepidation—that I rise to intervene in this debate, and I trust that the House will bear

[Mr. H. S. Malik.]

with me for any shortcomings in my contribution to it and put them down to my inexperience and my unfamiliarity with the atmosphere and surroundings to which I find myself suddenly elevated.

Sir, I feel that the Honourable Member who has just spoken has lifted the debate to an emotional plane where it is difficult to consider economic problems, shall I say, dispassionately. Among other things, he expressed his dissatisfaction with the adequacy of the protective duty that was imposed on broken rice. Let us, Sir, consider the actual results of that duty in the form of the imports since that duty was imposed. I have the figures here of total imports of rice, broken rice and paddy from foreign countries. In 1934-35, the imports of whole rice were 51 thousand tons. They had gone down, in 1935-36, to 29 thousand tons and for the ten months April, 1936, to January, 1937, they had decreased even further and were down to 15 thousand tons. The figures with regard to broken rice are even more striking. In 1934-35, they were 232 thousand tons. In 1935-36, they were 62 thousand tons, and for the ten months of 1936-37, 3 thousand tons.

An Honourable Member: What about paddy?

Mr. H. S. Malik: I will give you the figures in the case of paddy. There was a small increase in 1935-36 as compared with 1934-35 when the imports were 112 thousand tons. They went to 125 thousand tons in 1935-36; for the ten months of 1936-37 they are 70 thousand tons. I think, Sir, in all fairness, Government may claim that the direct result of the duty imposed on broken rice has been a reduction in our total imports of rice from foreign countries and has, therefore, directly benefited the producer in India.

As regards the general position, as I understood it, the proposition put forward is that discriminate protection as decided upon by the Government on the recommendation of this House has proved inadequate, and that the time has now come when the country should go in for indiscriminate protection, that is to say, encourage every industry, small or big, efficient or inefficient, because the ideal is to be national self-sufficiency. Well, Sir, I do not think I need trouble the House with the opinions that have been expressed by international experts regarding the complete futility and barrenness of the policy of national self-sufficiency. I think Honourable Members are well aware of the findings that have been come to by the Economic Committee of the League of Nations.

Mr. S. Satyamurti: But nobody follows it. What is the use of that?

Mr. H. S. Malik: Nor will I trouble the House by covering familiar ground and going over the history of protection in India. Honourable Members are fully aware of it, but I would like to say this, that one of the cardinal principles of the policy of protection as followed by the Government of India is to hold the balance between the interests of the producer on the one hand and those of the consumer on the other. It is true that circumstances change but economic facts have a way of persisting over long periods of time, and after all, it must be remembered, the

Fiscal Commission reported only in 1923. I will read out, if I may, a very brief extract from the report of that Commission on this point. They say:

"It may, we think, be taken as the view accepted by economists that a general increase in import duties tends to produce a general rise in prices in a country and not merely a rise in the price of imported articles, and such locally produced articles as directly compete with them."

Therefore, indiscriminate protection is going to affect the consumer throughout the country. Sir, it is said that America has done it, that Great Britain has done it; but I venture to ask—how can you possibly compare conditions in America and Great Britain with conditions in India? On the one hand, you have a population there with a very high standard of living who can afford the luxury of high rising prices. On the other hand, you have in India a large population the majority of which are living on a bare subsistence level who certainly cannot afford even a small rise in the price of the commodities which they consume from day to day.

Mr. M. Ananthasayanam Ayyangar: What about Japan?

Mr. H. S. Malik: So the whole point is this, that this policy of protection Government have followed consistently ever since 1924, when protection was first given to the iron and steel industry. That is definitely, in the view of the Government, the policy best suited to the country. It holds the balance between the manufacturer and the producer on the one side and the consumer on the other. Some mention has been made that Government should assist cottage industries. I think Honourable Members are well aware of the financial assistance that has been given from year to year by the Central Government to cottage industries. One Honourable Member mentioned the case of hosiery. I would like to point out that hosiery is, as a matter of fact, protected and also that hosiery machinery is on the ten per cent. list.

Pandit Nilakantha Das (Orissa Division: Non-Muhammadian): You mean grants are made to cottage industries?

Mr. H. S. Malik: Grants for the development of cottage industries in Provinces have been made from time to time by the Central Government.

Pandit Nilakantha Das: You mean "hand-loom".

Mr. Deputy President (Mr. Akhil Chandra Datta): This is the maiden speech of the Honourable Member and he had better not be interrupted. He is feeling it, it seems.

Mr. H. S. Malik: Therefore, I think it is a little unfair to attack a policy which will stand the test of any reasonable examination. I maintain that this policy has resulted in a very great benefit to some of the major industries in India. We all know the history of iron and steel, cotton textiles, and sugar. It has also resulted in a great benefit to industries which are connected with them; and I maintain that it is in the interests of the general community in the country that this policy of protection should remain unmodified. (Loud Applause.)

Pandit Nilakantha Das: Sir, after the speech of my friend, Mr. Ananthasayanam Ayyangar, I had no mind to take part in the debate, but after the maiden speech of my friend over there, I really do not understand what is actually meant by the Government's policy of protection. Is it protection of industries or protection of this Government? He has, first of all, said that emotional things should not be brought into the discussion and he gave us cold statistics. Sir, the whole question of protection of national industries must have some sentiment lingering about it and the term "national" is itself something emotional. But statistics are misleading specially to this side of the House. Still, if you come to his statistics, what do they show? My friend, Mr. Ananthasayanam Ayyangar, has said that, because there was some duty on broken rice, the import of paddy increased for Siam, and other rice exporting countries have circumvented it by exporting paddy. The figures we were given show that till the last year the import of paddy increased enormously. Then, again, if, as may appear from figures for seven months this year, that increase is retarded to some extent—of course not to the extent of the increase—it may be that there is an ample produce, a very good crop in the country now, and because people have no purchasing power, they are perhaps selling it at the lowest price possible. This may retard import. Hence the question whether the internal price of paddy has gone up must be considered side by side with the import figures.

Then, again, it has been said that England and India cannot be compared. Other countries have got a better standard of life. We have got no standard of life. Sir, no figures have even been attempted to be collected for unemployment in this country. Ours is a vast country, and every one knows that in the jail; our diet is six pice a day. Many people even intentionally manage to go to jail for this luxury of life. This indicates our wealth as well as employment. How can we be England? But in one thing he has perhaps thought, and Government perhaps think, that India should be England. Whenever they think of any protection, they think of a big industry, and, in fact, my Honourable friend has said that many big industries are being protected. But how many big industries can maintain this country or increase the standard of life of our people in general, and in what manner? Sir, I think our Government are protecting the big industries with a purpose, and that purpose is obvious. They are giving protection to the textile industry, and, overnight, they could very easily reduce the protection by a five per cent. preference to England! Sir, the preference was actually given over-night without giving any opportunity to anybody in the country to know of it, what happened? The big industrialists calmly pocketed it. Surely they fretted within closed doors, but they never gave it out as they should have done for they valued their immediate self interests better than patriotism. They are fed with sops and the country is sought to be deluded thereby. We sometimes think that organised big industries are the nation. They kick up a row. It is carried even into this House, and they are given a sop in the name of protecting India's industry. This, I say, is a delusion, for our nation is not in some big industries alone. It is more in small and cottage industries, which cry for protection. I am coming to it.

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

Now, in big industries, again, look at the steel industry and the Tatas. The Tatas are practically a monopoly; I do not know what has been the arrangement between Bengal Iron and them; there was going to be a merger; perhaps it has failed. However, it is a business between two companies, practically a monopoly, if it is not a merger, and thereby actually one. But what has happened? What are Government doing to adapt their protection to this steel monopoly to the circumstances obtaining in this country? As my friend, Mr. Ananthasayanam Ayyangar, rightly said, we are a country where we should only think of small and cottage industries. We have been crying time after time and we have cried hoarse about these small cottage industries, but what has been done? Here just take the instance of Tatas. They are not supplying their raw products like pig iron and semi-finished products like bittels in this country, and today the wailings are going on in the papers that England does not give preference to Tata pig iron, and they cry that some preference should be given. Who knows, this may not be the basis of a trade agreement? All pig iron was exported to England under an agreement, and now it is being diverted to Japan and other countries. Not an ounce of it is ever sold in India. The same is the case with bittels and other semi-s, i.e., semi-finished products. Our small industries that still exist in the country are not only starved, but they are not being encouraged and they cannot flourish. New ventures are impossible.

Whenever protection is thought of, our Government look to the Finance Member. With protection, you think of some revenue. But it is a very bad principle. If you want to give protection, give it without any immediate consideration of revenue. For revenue you can open up other avenues. Of course, to some extent you can adjust revenue with protection, but you cannot give protection only with a view to bigger or smaller amount of revenue. Unfortunately, that has been your only outlook, so much so that, even in the case of protected industries like sugar, which we shall consider at a later stage, you are putting excise duty and that to an extent which will be a very heavy burden on the consumer. But had you not looked to immediate revenue in tariff protection, had you thought of protection of our industries, as such, today side by side with your protection duties you would be encouraging small and village industries, you would be today giving subsidies and orders or promising orders for advance purchases and would be giving even bounty in certain cases of small and cottage industries. We have always demanded this, but in vain.

Our Provincial Governments have been asked to promote their industries. The other day, in my province, there was a small committee appointed to reorganise education, and they had a big programme before them. One of the items was vocational and technical education beginning from primary schools. I said, what is the use of all this? Suppose a man gets vocational training for seven years, by the time he attains the age of 19. Say, then, he is able to make a chair, and then what happens? He will go from door to door to sell the chair which he has made. Out of pity, someone might purchase it, because it is Swadeshi. He has no market for all his vocational training and dexterity. For the sake of central revenue, chairs will be imported in millions from Czechoslovakia and some other foreign countries. Under conditions like this what can the provinces do to promote industry?

Thus, whenever you talk of protection, you think of big industries and give them some tariff protection, so that you may get some revenue.

[Pandit Nilakantha Das.]

If this sort of protection continues and a more thorough and more circumspective policy is not adopted, then to talk of protection is simply to deceive some people in this country and to create big vested interests to support this Government as long as they can. I like protection of industries, and I admit that in certain circumstances tariff protection should be given. I am not against it. Let it not be said that I am speaking against protection of industries, but this country should not be treated like England or any other European country, for this country cannot be industrialised in the manner in which England has been industrialised. In everything you must adapt theories to surrounding circumstances, and as my friend said you don't always think of chilies, brinjals, tomatoes and other such agricultural produce as the outlook of our industry. Our industries should spread and the Central Government should see that those products are sold at least in this country, and in that way all your protection should be directed. If the produce is not sold, then no industry can ever thrive. In the provinces, they are thinking of vocational training and technical training, but what will they do? In our country, even at the present time, there is enough vocational and technical capacity in the caste system which is not yet dead.

Mr. N. M. Joshi (Nominated Non-Official): It ought to be dead.

Pandit Nilakantha Das: It ought to be dead in other aspects of it, and not so far as traditional and hereditary vocational training is concerned. It has gathered moss and that moss should be taken cut; it should be liberalised. I am not thinking of inter-marriage and inter-dining. But so far as technical and vocational culture and training are concerned, it is yet a very good institution and it may well be utilised even at the present day. This craft caste endures even among Muhammadan weavers and artisans. I do not know what will happen in the next generation, but even at the present day if you simply give some impetus to the purchase of village products, all your artisans will come to life again. There is enough training in the country if we can only utilise it by giving proper protection to it. That will be the real protection to our industry, which you should aim at.

Then, think of small and subsidiary industries. We say, let us have locomotives and motor cars. But the Government say that they cannot take up industrial undertakings, but if somebody comes forward, they are ready to help him. I will give an illustration to the House as to what happens in such cases. Suppose a man makes electric bulbs, he will be asked by the Member in charge of Industries to go to Alipur and get them examined. I know of a particular instance when my friend after much difficulty was allowed free examination. Then you will come back to the Member of the Industries with the result of the technical examination. If you per chance succeed there, then the question will be whether you can sell it at the market price. You must satisfy them. After that, if possible, a trial order will be given. In this way, even the boldest and most adventurous capital of this country, which is by the bye very shy, cannot be provoked into investment.

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

Pandit Nilakantha Das: So, I say that if you want to protect the Indian industry, you should think of spreading small industries in this country. You are protecting Tata's. Tell them and compel them to sell their raw products in this country. Small foundries and small industries with their pig-iron and semi-s will rise up. Encourage them, give them subsidy, give them promise for advance orders and even give them a bounty, and for that purpose direct your hand of taxation to the proper quarters. Do not always depend on consumers and do not in their name abandon or damage protection. Do not do that.

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

Pandit Nilakantha Das: Think of your small industries and help them in every possible manner.

Mr. Mathuradas Vissanji (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, it was only the other day that a flood of telegrams of protests came from different parts of the country about this sugar excise duty. It did not rest there. It was followed up even by letters and circulars by the interests which are concerned in it. A question may be asked whether they are all representing manufacturers. I would say, not only manufacturers. They represent every section. Of course the manufacturers were there; but, at the same time, the trader was there too. What they are thinking about is that it was not desirable at all to increase the excise duty at this stage when the special Tariff Board was going to sit to examine the question of sugar protection within a few months. Government ought to have waited till the Tariff Board reported and that meanwhile they ought to have filled up the deficit by revenue from some other source. The position of sugar industry, as I am aware of, is quite different from what is generally known. There seems to be a feeling among the Government circles that the country is now beginning to over-produce. I do not think it is so. Really speaking, it is not tending to over-production. What happens is that the weak manufactureres are sometimes creating a sense of over-production by underselling and undercutting the rates. But when protection was given to the sugar industry in the initial stages, it would have been much better if Government had taken the precautionary measure of introducing something like a licensing system, whereby the distribution of producing factories in different provinces would have been well observed, and the consequence would not have been what we find today. Even now it is not too late in the day. If only the Government have the brains to take that sort of motherly care towards the industry, I am sure the precarious position of the industry would be relieved much sooner than otherwise. I would draw the attention of the House to the fact that if care is not taken about this industry, very probably it will be a repetition of what happened in the past to the cotton ginning and pressing factories. Care was not taken about the licensing of those factories in their initial stages, and what is the present position of the country therein. Practically every province is growing cotton, and the country has been flooded with all sorts of factories and today we see only one-third of the factories working and two-thirds nearly idle. Just imagine how much capital has been locked up therein. It will run into several lakhs and I am afraid probably into crores. Just think of the machinery that is lying idle.

[Mr. Mathuradas Vissanji.]

Similarly, if care is not taken with regard to the sugar industry, very probably we may find in the near future that some of the factories may have to close down in order to relieve the depression in the industry. I would suggest to the Government to take very good care, and if really Government care for the welfare and prosperity of the industry they should take motherly care and see to the proper distribution of this industry in the country. My Honourable friend from the Government side mentioned that the protection policy as run by the Government is quite suitable to the country. I am doubtful about that. If it was so, really speaking we would not have been in the condition in which we are today. Every Member of the House from this side has been proclaiming from one end to the other how we are suffering from want of cottage industries growing in different parts of the country, with the result that we are suffering for want of employment. I need not dwell upon that point at length, because my Honourable friend, Mr. Ayyangar, as well as the previous speaker have already spoken on that topic. I would mention one more point, and that is that the sooner the Government take up this question and pursue a protectionist policy in the interest of the country, the better it would be for all concerned. (Applause.)

Bhai Parma Nand (West Punjab: Non-Muhammadan): Sir, I rise to speak because I was very much moved by the speech of my Honourable friend Mr. Ayyangar. I wholeheartedly agree with him in so far as protection to every industry is concerned. I agree with him in the fact that India is not an agricultural country as so often it has been alleged to be. I do not quite understand this assertion. As stated by him, my view is that agriculture may be one of the chief industries of this country, but besides agriculture there are other industries which can flourish in this country, and for which India is quite capable.

If we go back to our old history, we find that India was not merely an agricultural country. From very ancient times, India has also been a manufacturing country as well. When the Greeks came over to India, they were surprised to see that the two main industries of this country were manufacture of sugar and the manufacture of cloth. Greek writers remarked that India was a strange country where two plants were grown, one of which yielded a juice like honey and the other plant gave us a fruit containing a substance like wool. Their idea of cloth-making was taken from wool and their idea of sweetness was of honey. Next we come to the Portuguese time. They came to India by the end of the fifteenth century. In those days, there was no sugar produced in Europe, except the quantity which was taken over to Europe by trade from India. The Portuguese were the first people to take away the sugarcane plant from India to their possessions in the West Indies. At that time, sugar was one of the greatest industries in India, and India exported sugar to other countries. Till that time people in Europe used sugar only when the doctors prescribed it. Sugar was not put on the market as an article of common use. Then, later on, before the Great War of Europe began, the Germans finding no sugar industry in their country tried to make sugar out of beet root and flooded Indian market with their produce. That was possible because the German Government gave bounties to the manufacturers and thus practically secured full profits to those factories which supplied sugar to foreign countries.

Again, in the matter of cloth, when the European traders came over here in the beginning of the seventeenth century, their first trade was to buy manufactured cloth from here and carry it to Europe and elsewhere. The British East India Company had to carry manufactured cloth from Bengal, Madras and Surat; therefore, they established factories in several places in order to collect stores of cloth to be exported to foreign countries, because, if the ships came and waited for the manufacture of cloth, they had to suffer a great loss. Thus, in order to supply ready made cloth to these ships, factories were established at Surat and on the Madras and Bengal coasts. It is clear that this country was engaged in the two main industries of sugar and cloth. But what do we find now instead? The sugar industry became extinct and cloth manufacture also disappeared. Hence I say that this idea that India is an agricultural country and cannot be a manufacturing one is entirely erroneous.

It is often said that we must have cottage industries. It is all very well to say that cottage industries are very useful and will help the villagers; but we have to remember that we had all these industries when the European nations came over here. How is it that they could not be kept alive? Even now it is not possible for us to maintain them against foreign competition. If we could shut out this foreign competition and make our country self-sufficient in industrial matters, cottage industry might flourish. But that power we have not got. Till then there is only one course and it is to develop our industries on a large scale in order to be able to compete with the manufacturing countries of the world.

Our Government say that they are very anxious for rural uplift. They are spending money over it. I do not really understand what this means. The first need of the villager is bread and something to pay his rent and land revenue with. Unless they get these, there can be no uplift for them. It is no use giving them broadcast talks and some music and songs that will not solve their trouble. Their greatest need is how to get food. I would ask my Honourable friend, Captain Lal Chand, to go and visit these villages that lie near about the sugar factories. I saw some of the factories. I found cartloads of sugarcane waiting for miles, and sometimes for weeks in order to have the load disposed of. The factory owners are not really biased against them, but they can only consume a certain quantity of cane on a day; and these cultivators, who are anxious to sell their cane, have to wait to get their turn. This is not the case with one factory, but almost in every factory. And, why so? Because the cultivators get payments in ready money, whereas if they cultivated any other crop, it would lie in their homes without any one buying it, and, after a lapse of time, they would get nothing out of it.

An Honourable Member, on the Government side, said they could make *gur* if the factory was closed up. But who would buy their *gur*? They could not eat it nor their families could use all of it. If they took it to the market, they could make no profit out of it. That is why they cultivate sugarcane and sell it to be used by the factories. My point is that, if you want to help the villagers and the cause of rural uplift, the best thing is to have some kind of factory in a village, and then you will see its effects. Those people get money to pay their rent and land revenue with. Trade is encouraged, they buy things and the shopkeepers get business, and the other people also who deal with these cultivators

[**Bhai Parma Nand.**]

get plenty of money. So one sugar factory helps so many people. It is one thing to be jealous of the profits that the manufacturers make, but at the same time we must see that there are so many people engaged in these factories, between 500 and 1,000 workers who are benefited, thousands of peasants who easily make their living.

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

Bhai Parma Nand: I will lastly deal with the loss of Government revenue on account of the increase of the protective duty against Java sugar. Formerly, 14 crores worth of sugar was being imported from Java. Now, most of that sugar is being produced in this country. Where does this money go? Of course, a part of it goes as profits to the manufacturers, but the greater part goes to the villagers and the labourers. Then, again, Government do not benefit only by the excise duty, but get some money as income-tax out of the people who are paid in those factories and in the shape of land revenue out of the cultivators. In many different ways, this money comes to the coffers of Government. It will not be a wise policy to kill the industry by an increase in the excise duty, as it is not wise to kill the goose that lays the golden eggs. It would be quite wrong first to give protection and then to impose duty in such a way as to impair the effects of protection to the sugar industry which is yet in its infancy.

Mr. Husenbhai Abdullahai Laljee (Bombay Central Division: Muhammadan Rural): Sir, this morning we have heard about the customs duties. Now, we are asked to consider the excise policy and duty on sugar. The most important question to my mind is what is going to happen to our country's products which is an agricultural country? May I know from the Treasury Benches if they have not yet realised whether it is now possible that most of our raw materials like rice, wheat, etc., will be able to find a market, as they have been finding all along? And if these articles cannot find a market in the world, how are they going to get their revenues, not only for the Centre, but also for the provinces? That brings me to another important point, and that is this: everywhere you find in the world that a policy has been adopted of becoming self-sufficient and also a policy of stopping the drain from their countries. In these two respects, I ask, what progress has been made in India? Why should we keep our doors open to those who will not allow us to take anything of ours into their countries? Take any country in Europe. I also ask, in all fairness, whether it is not a fact that when customs duties were increased in India on account of shortage of revenue, were not at that time customs duties increased all over in Europe by every country? If that was so, has any of those civilised nations reduced the customs duties on any of those articles unto now? I had the privilege of attending the International Chamber of Commerce meeting in 1935 in Paris. A lot of talk took place that we should all keep our doors open. Every body said the same thing. But, in fact, what happened was, in private conferences, everybody said: "Who is to begin?" I heard this morning a story about the Scandinavian people: but even there only in some articles they have made bargain of give and take. They have not kept their doors open. What about Germany, Italy and Japan? Of

course, with regard to countries which are prepared to take our goods, we should certainly make provision: it is in that way and in that way alone that we can help our agriculturists and consumers and we can save ourselves in these days.

As regards these excise duties, as my Honourable friend just now said, about 14 crores of rupees were being drained away for sugar for years and a big sum for matches, etc., from this country, before. That is now a saving in this country, and we have to watch their progress and protect these industries.

An Honourable Member: Who gets that money?

Mr. Husenbhai Abdullabhai Laljee: That money remains in the country. The theory has been put forward off and on that we must look to the interests of the consumer, and further, the Fiscal Committee Report of 1924 is being often and often brought forward. I do not know why we should treat that report as a religious law now, even after twelve years when world conditions have changed so much. As regards this talk about consumer's interests, I ask, are not manufacturers and consumers both Indian? Is it not better that an Indian should keep the money in India, if possible, rather than that the Dutch or other foreign sugar manufacturers or match manufacturers should have it? If the money is in the country, is it not ultimately in the consumer's interests? If we are able to find a market for our raw produce in our country, it is very good, or even if we find market outside, it is good; but if we cannot find a market anywhere in the world, how are we going to buy foreign goods, and with what? If other countries decrease their duties, or if they take away customs duties as much as possible, to enable us to sell, then and then only it will be for us to consider. I assure the Government that the far better policy would be that they should look to the interests of Indians in the same manner as all other countries in the world are doing for their people. Give me a single instance where protection once given has been removed in the case of a necessity article like sugar. The sugar industry came in this western manufacturing form only eight years ago. For so many years this drain of 14 crores was going on: and now this move is made which may make easy for the foreign sugar to compete and come. I object to that, and I do hope that we will tell Government that we will take into consideration, not the fiscal report of 12 years ago, but what is now going on round us in the world at large. See for yourself what is happening to your industries, textiles, matches, etc., and what is happening in England with regard to the sugar industry.—chemical and dye industries,—and very recently, what we heard three days ago, to the steel industry also, where the import duty of ten per cent. has been reduced to help that industry. That is how a Government look at the welfare of the people. I know that our Government also try to do that, but, at the same time, I know also the fact that they have to be consistent with the policy that has been laid down for them; and, so long as that is the position, it is our duty to tell them clearly that we do know what is going on in the world outside, and that it is now impossible to keep back facts that prevail in the world at large. Please do according to what the world and other countries are doing for their own people, and then and then only you would have done your duty.

Mr. Sami Yencatachalam Chetty (Madras: Indian Commerce): Sir, in speaking on protection policy I realise that we are on the horns of a dilemma. We have a Government which are inwardly unsympathetic towards the policy of protecting industry in this country, though outwardly they have committed themselves to a policy of protection as recommended by the Fiscal Commission. If I am speaking on this occasion, I am speaking as a protectionist who is anxious that the policy of protection that has been created should be protected from being abused. I am a protectionist in the sense that during the period of protection the industry that is protected would see on its own behalf its best to relieve unemployment, to stop the drain of wealth which otherwise would inevitably follow by the importation of foreign articles, and ultimately to bring benefit to the consumer by reducing the prices to a level at which we could get the imported article. Protection is not intended to pile up the dividends of shareholders or the profits of managing agents and managing directors or to create an imperialistic monopolistic policy in the industry or to allow them to kill their smaller rivals or their competitors from other provinces or industries which are not amenable to their management. To the extent that these abuses should be safeguarded against, it is necessary that the Government should have a very careful and watchful eye on these industries.

Now, let us see how the protection that has been accorded to some industries has been used. I quite agree that there has been a large improvement in the textile industry, but having regard to the fact that this protection is for a limited period, are we not bound to see whether, during the period of protection that the industry has enjoyed, it has done anything to get itself out of this protection at the lapse of the limited period? If not, what the causes are due to? Was every thing that was possible to be done by the industry itself done in order to enable it to stand on its own legs at the termination of the period prescribed by the Fiscal Commission and sanctioned by the Government? I fear not, on the other hand, I feel that what the cotton industry has done is to kill the handloom industry; while anxious and solicitous to accord reciprocal privileges to foreign importers, it has done nothing in order to satisfy the claims of the handloom industry which has been very largely displaced, in some presidencies at any rate, and I am sure that this large cotton textile industry will not listen to the demands and claims of the handloom industry because they know that they can kill this industry by sheer indifference and neglect, and, moreover the handloom weavers and manufacturers are weak, they are not organised and they have not got the backing of the Government in a manner they deserve in order to exact from these industrialists any sort of working arrangement by which the handloom weaving industry might also be maintained.

Now, Sir, with regard to steel, the same thing has happened; particularly with regard to steel, it is a monopolistic concern, it is a single man's concern, and privileges have been given to that company for the protection of steel. What do we find that Company is doing? Apart from the protection received from the Government in the shape of protective duty, I think it has also secured some additional concessions from the Railway Board by way of freight charges. I do not know . . .

Sir Oowaji Jehangir: No, no,

Mr. Sami Vencatachelam Chetty: Have they been withdrawn? They were given once, and I should like to know whether they have been withdrawn.

Now, Sir, with regard to their sales policy, their sales policy is becoming troublesome and tyrannical. It is only in a few places which are near or adjacent to these protected industries that they give the benefit of the protection; while the whole country is paying the price of protection, it is only a few provinces, the provinces nearest and perhaps adjacent to the industries that get the benefit of reduced prices, whereas distant provinces like Madras do not derive the benefit of the protection on account of the excessive freight charges they have to pay. Their sales policy, Sir, ought to be regulated so that the person who is very near the industry gets steel or the manufactured commodity at the price at which it could be sold even at the distant parts of this country, that is to say, the rates must be averaged.

Mr. B. Das: What do you suggest?

Mr. Sami Vencatachelam Chetty: I, therefore, suggest that a Committee ought to be permanently set up to watch over the doings of these industries and see how far the protection has been properly used by the industrialist companies, what benefits have been enjoyed by the consumer and the country instead of seeing that large dividends are given to the shareholders. Sir, there must be a limit, as long as protection exists, to the profits that these manufacturers are allowed to take. An industry which has been given protection for, say, a period of 15 years, if it cannot stand on its own legs at the end of the termination of that period, what is the meaning of the protection? You cannot go on protecting industries indefinitely if they don't make any sincere effort to protect themselves after the lapse of the protected period. All this I say, Sir, with a view that protection should be granted to industries which require such protection against the importation of foreign articles. It is very desirable that the country should clothe itself, should arm itself, should supply itself with all the needs, and all the materials should be made in this country. To that extent it is desirable that the Government should extend protection, but while so doing they must see that the protection accorded is properly exercised and used for the benefit of this country as a whole. Sir, I have done.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, I find that the debate from this morning has centred round some of the most thorny problems, but it has betrayed a confusion of thought, and, if I may say so, expressions have been used in a very loose manner. Sir, we have been told that India is an agricultural country, while other countries are non-agricultural, that there is a conflict between the interests of the consumer and the producer, and several other similar theories have been trotted out. In fact, I do not know if Honourable Members really suggest that there is an inevitable clash between an agricultural and a manufacturing country. Is the United States of America an agricultural or a manufacturing country? What is it supposed or believed to be? I think the Finance Member knows that the United States of America produces, and has been producing for many decades, a much larger quantity of primary commodities than our country. He knows, I believe, that the United

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States of America produces at least eight times the quantity of wheat that our soil yields, and that at the same time the United States of America has a population only one third of that of India, yet the United States of America does not export as large a share of its wheat as we do. The United States produces many times more cotton than we do, yet it spins and weaves most of it within its own boundaries. Is the United States an agricultural or a manufacturing country? In which class and under which category would the Honourable the Finance Member place this country?

Again, Sir, is there an inevitable conflict between the interests of the consumer and the producer? And what is a producer? What do Honourable Members exactly mean by a producer? A plough man? A man who uses the axe and the sickle? So far as economics go, I believe, services are included within the range of production, and a person who organises business is as much a producer as one who tills the soil. In what sense is the word "producer" used when we are told that there is a conflict between producers and consumers?

And, I should like to know if the strange phenomenon that prevails today has struck the Honourable the Finance Member? The basic facts are indisputable. We produce agricultural wealth which England, Japan and many other countries being under a natural handicap cannot produce. Yet, if this argument of agricultural and manufacturing countries is pushed to its logical conclusion, we would arrive at this, that while countries which cannot produce anything may impose import duties freely, those which produce raw materials themselves should not impose such duties. I think nothing could be more preposterous. If even countries, which do not produce anything out of their soil, can impose import duties on the goods without which they cannot subsist and which they need for their very existence, it is much easier and much more natural that countries producing their own raw material should impose import duties on goods imported from other countries, because such countries can easily convert the raw materials themselves into manufactured articles and make use of them. What is the situation in our country today and how very deplorable and lamentable it is? While we produce wheat, our people starve, and England has got a surfeit of it; while we produce cotton, our people have no raiments and die for want of necessary cloth; but England, though she does not know what a cotton plant is like, exports millions of yards of cloth to other countries! Is this a just and appropriate arrangement? I think these facts show the inherent weakness of the present system.

Sir, what I have urged is, I think, simple enough, but when I state further that countries like England at a time did impose very heavy import duties on textiles and other goods imported from other countries, and it was in consequence of such import duties levied by them that they succeeded in building up the industries within their own country, the argument, I think, becomes conclusive. So, the fault does not lie in the imposition of the import duty. It lies in the method of the enjoyment of the wealth produced thereby. There has been a confusion here, inasmuch as production has been mixed up with distribution. Nobody can say that the production of more of wealth is by itself undesirable. If by imposing a protective duty on goods that a country imported from other countries, while people inside the country remained unemployed—if by substituting indigenous goods in their place you added to the wealth of the

country and removed unemployment, you are certainly raising the economic level of the country progressively; there can be no doubt about it. If we had been importing from other countries what we now begin to produce for ourselves, then certainly the wealth that we now produce is undoubtedly more than we had been producing previously. The question that may arise and to which the Honourable the Finance Member has to apply his mind, is, what should be the most equitable system for the distribution of additional wealth produced inside the country. But there can be no question that the production of more wealth by itself must be stimulated, and if an import duty can serve as a lever for that purpose, it must be utilised with that object in view. I think so far no sane man need raise any objection.

We have also to take stock of other factors in the world today; and they are these. There is a craze for economic nationalism. Every country wants to be self-contained. There are high tariff walls, and they are still being raised higher and higher in many countries. There is the system of quotas, bilateral agreements and the like which tend to restrict trade and to limit the scope of your own exports. Besides, India is a debtor country and it has to remit a large amount, in cash or kind, outside every year. Can it manage to do so if it does not produce more wealth? Will its people be able even to assist if they are not able to produce more in the economic sense? I think the Honourable the Finance Member knows what Fawcett said and what other economists have repeated, and what is an obvious truth, that there is a limit to the quantity of primary commodities that any individual can consume. The amount of food that I may use in spite of my big volume cannot be increased except by a few ounces, however delicious be the dishes placed before me. But I can have ten dresses a day. I may put on fifty pairs of shoes from morning to evening. So if you want to enlarge the quantity and scope of wealth inside your own country, it can be done only by the extension of manufacturing processes, and not by means of agricultural processes alone, specially as the Honourable the Finance Member knows, today every country is trying to be self-contained in the matter even of agricultural produce. We have heard a lot about the sugar industry. Don't we know that England has imposed a duty, I think, of 11s. 10d. per cwt. of sugar, which comes to more than Rs. 7 a maund, and, at the same time, the United Kingdom is giving a bounty of four crores for beet-root sugar industry, though experience has proved that it is not possible to develop such industry in the climate of England or Scotland? My Honourable friend also knows that there is an import duty of more than one shilling on every pair of shoes imported into the United Kingdom today. Every country today imposes import duties on goods manufactured abroad, even though such goods cannot be economically produced within the borders of those countries. In these circumstances, what should we do here? How are we to build up the economic wealth; how can we build up the economic structure of this country? The main question is, how can you produce more wealth, how can you add to the purchasing capacity of the average citizen, and how can you raise his standard of living? What is the remedy? The obvious remedy is to extend the process of manufacture by utilising within your own country, so far as possible, the raw material. But how can you utilise that? You have to compete with other countries which have been producing these goods and which have the experience of ages in that line. You cannot compete with them unless you give some sort of

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protection to infant industries in your own country. So, the imposition of an import duty becomes a necessity. In my opinion, it would have been much better if the State itself had taken up the question of industrialisation: because it is only thus that the bigger industries can be systematically linked up with the smaller industries, cottage industries co-ordinated with key industries and thus alone can agriculture and manufacture thrive side by side at one and the same time. But this the Government will not do, this they refuse to do. It is in fact only by some such plan that you can avoid the phenomenon of depressed areas which is oppressing England today. But that is not permitted to us. We are not allowed to proceed on these lines. If the choice ultimately lies duly between the imposition of an import duty and having a high tariff wall on the one hand, and the destruction of the wealth of the country on the other, we would much prefer the former to the latter. I really feel sorry that in matters of this type there should be such an amount of fallacious reasoning which cannot stand the test of reason or of economic canons even for a minute. I concede that there can be other methods by virtue of which distribution of additional wealth could be done in a more equitable manner than by the imposition of an import duty. But production of more wealth is the absolute necessity of the hour, and without that we cannot advance at all. Is it not, after all, a very painful state of affairs that, while we should be producing wheat, the man who produces it must be starving for want of bread, that while we should be producing cotton, the man who produces it must be shivering for want of a loin cloth? The exports from this country even of primary commodities are not really due to free trade or free will. A man himself starving would not like to part with his wheat, the man himself shivering would not like to part with his cotton. He is constrained to do so; it is distress trade just like the export of distress gold. We should look at the question from a correct point of view.

Then, again, where is the conflict between the producer and the consumer? We have been told a lot about the sugar industry. I want to know if really there is a conflict between the interests of the producer and the consumer. What is the present state of affairs? By imposing this sugar duty, we have extended the area under sugarcane considerably in recent years. Thereby we have been able to add to the income of the cultivators to the tune of about nine crores, and, at the same time, we have been able to give employment to thousands of people.

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

Pandit Govind Ballabh Pant: The State has got some compensation for the loss in import duty in the form of excise duty. Now, how can you have more of excise duty? That is the problem. It is not by making sugar dearer. You have to make it cheaper, so that the area of consumption may expand inside the country and people, with a lower level of income who are today unable to purchase sugar because of its high price, may be able to purchase it. If you lower the price of sugar, then you extend the field of consumption. When you extend the field of consumption, thereby enabling the manufacturer to lower the price still further, you enable also the agriculturist to produce more sugarcane and

to get better price for it than he had been getting for *gur*. Ultimately, the problem will be solved by producing the thing cheaply and that can be done, not by imposing a higher excise duty, but by facilitating and increasing the consumption of indigenous sugar. I believe the Honourable the Finance Member knows that, till the year 1932-33, the income from excise duties in this country was no more than a crore. Today it is about eight crores. What is it due to? It is because of the extension of the manufacturing processes that it has gone up. Again, take the case of cotton textiles. Is there really a conflict between the consumer and the producer? We have been every year roaming all over the world in order to find a market for the raw cotton we produce. Had there been no textile industry in our own country, what would have been our plight? Would we have been able to consume the millions of bales that Bombay, Ahmedabad and Sholapur are utilising today in their own mills and is the consumer and the producer of cotton any the worse because of the extension of the textile industry? Suppose you withdraw the duty and reduce the production of textiles. What will be the consequence? We will not be able to consume as much of raw cotton as we are doing today, and the world outside will not accept more. Ultimately, the country will be much poorer than it is and will not benefit in any way thereby. Much has been said about the report of the Fiscal Commission. I do not know where the fiction was found in that report that if you don't produce the raw products yourself, then you cannot impose an import duty. I have carefully read that report, and I challenge any man to point out to me that it is one of the conditions in that report that no import duty should be imposed for the manufacture of articles for which the raw material is not exclusively or even mainly produced in this country. It is nowhere laid down in that report. The scope of discriminating protection, even according to the principle evolved by that Commission, is much wider than the narrow ground within which the present Government desire to restrict it. I have no hesitation in stating that they have been by degrees whittling down the principle laid down by that Commission with the result that several industries, which ought to have received protection, have been denied protection. Sir, I am afraid my two minutes are now over.

The Honourable Sir Muhammad Zafrullah Khan: I agree entirely with the Honourable Pandit who has just concluded his speech that there has been a good deal of confusion of thought contributed towards the discussion of the matter that is now before the House.

An Honourable Member: You at least agree that there has been confusion of thought.

The Honourable Sir Muhammad Zafrullah Khan: I am sure, the House will acquit me of any desire of indulging in levity if I were to illustrate the position of Government in this matter as the result of this afternoon's debate by relating two short stories. I am not generally given to telling stories, but these have come so forcibly to my mind that I think they are apposite to the present case.

Pandit Govind Ballabh Pant: Punjabis seem to have a genius for telling stories.

The Honourable Sir Muhammad Zafrullah Khan: It helps to bring people back to a practical appreciation of the questions under consideration. A short time ago, a gentleman came to see me and said: "I am a lawyer, but that is not my ancestral profession. My ancestors and myself have for long carried on trade, and I have a good deal of commercial experience. You are the Commerce Member of the Government of India. I took up the profession of law as a side line, but it seems to be petering out. Could you give me suitable employment?" I explained my difficulties to him, but he had a suggestion to make. He said: "Look here, about these protective duties, I could tell you a good deal if I were in your Department as to how to do it." I explained to him the machinery by which these matters were adjusted and told him that these things were settled on the advice of the Tariff Board. "Oh", he said, "then you can make me the Tariff Board." (Laughter.) I asked: "What fault do you find with the Tariff Boards that have been constituted from time to time?" "The only fault I find with them", he said, "is that they recommend enhancement of duties where they ought to be reduced and they recommend reduction of duties where they ought to be enhanced." I asked: "Are you quite sure?" He said: "Yes." I told him that the matter was quite simple. All that was required was to do exactly the opposite of what the Tariff Board recommended. The other story is this. There was a gentleman called "Mian Har-Dil-Aziz", or "Mr. Tried to Please Everybody". He was a good swimmer and his business was to carry people across a river. Once he was carrying a man across the river. When he was in mid stream, somebody shouted from the bank, "Mian Har-Dil-Aziz, please come here at once. I am in a great hurry. You must carry me across immediately." The swimmer thereupon dropped the man he was carrying in the stream and returned to the bank. When he was carrying the other man, a third man from the other bank shouted for help. Again he dropped the man he was carrying and rushed to the opposite bank. Now, the suggestions that have come from various quarters remind me of that story. I have been told that in certain cases the protection that we have granted was not justified or has proved excessive, so we should abandon those industries and take up others. If we accepted that advice, we should merely be acting the part of Mian Har-Dil-Aziz.

With this preliminary observation, I shall go on to deal with some of the criticism of Government's policy that has been advanced on the floor of the House. The first criticism was this. We will assume that India is primarily an agricultural country and then let us see whether you have done anything for agriculture. In this connection, Government's alleged failure to give adequate protection to wheat and rice was commented upon. Now, the Honourable Member, who took up the question of the duty on wheat, said: "All of us told Government last year that if they reduced the duty on wheat, prices would go down. The result has been that though prices did not go down at the time of the harvest, as compared with previous harvests, they have at the end of the year gone up considerably and that is exactly what we warned Government about." I submit that this is exactly the contrary of what the Government were warned about. The fallacy in the argument is this. I am told that the price is now very much higher than it was at the time of the harvest. It was said: "If you had not reduced the duty, the price at the time of the harvest would have been the mean between the harvest price and the present price." I am afraid I cannot agree.

Sir Muhammad Yamin Khan: What made the low prices at the time of the harvest?

The Honourable Sir Muhammad Zafrullah Khan: The prices did not go down at the time of the harvest. Only they have since risen considerably and that had nothing to do with the lowering of the duty last year. The Honourable Member seemed to me to be under the impression that if the duty had not been reduced, then prices would have remained higher by the amount by which the duty was reduced, even during harvest time. Nothing of the kind. The object of the duty was to keep out foreign wheat from India.

An Honourable Member: Which it did not.

The Honourable Sir Muhammad Zafrullah Khan: Which it did completely, and, therefore, the object of the duty was fully achieved. Once that has been achieved, internal prices are not governed by the amount of the duty. Otherwise, the Honourable Member's contention would be that to raise prices you have only to raise the scale of the import duty, which is patently untenable. The Honourable Member, I am sure, stands alone in this House in putting forward a contention of this kind. What did actually happen was that even the lowered duty continued to be entirely ineffective, in the sense that there was no danger of any kind of imports, and there were no imports. During the latter part of the year, prices have risen considerably owing to other factors, and India, after a number of years, finds herself in the position of an exporting country so far as wheat is concerned. Now, with regard to rice. Figures have been quoted by Mr. Malik to show that there too the criticism of Honourable Members does not appear to have been justified, viz., that a duty of twelve annas per maund on broken rice was not sufficient. The suggestion was made that Siam has circumvented that duty by exporting to India paddy instead of broken rice. The figures do not justify that contention. It has been already pointed out that as against 29,000 tons of rice imported last year, this year the imports are not likely to exceed 18,000 tons. The figures for broken rice are likely to be 4,200 tons as against 62,000 tons last year, and the figures of paddy are likely to be 84,000 tons against 120,000 tons last year. When the Honourable Member found that the figures did not support his contention, he raised the question of price and he advanced the theory that the cultivator, having nothing to fall back upon, has been selling his rice at distress price. That too is not so. The data that we have been able to gather this year show that on the average prices have been higher by about five per cent. as against last year, so that with regard to the price as well as with regard to the quantity of imports, the duty has proved quite effective. Therefore, Honourable Members cannot say, with regard to wheat and rice, that Government have been indifferent and that they have not watched the situation and have not done what was necessary.

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot: Non-Muhammadian Rural): Is that the Rangoon price or the Madras price?

The Honourable Sir Muhammad Zafrullah Khan: That was the Rangoon price. I have not been able to obtain the Madras price. But as there is no duty between Burma and India, I imagine that if the Indian price had been very much lower than the Burma price, there would at once have been exports from India to Burma.

Another criticism was this: "Though you have been helping certain big industries by the grant of protection, you have done nothing for cottage industries". Now, may I point out that that raises a slightly different question from the general policy of protection accepted by Government. That is a question of internal competition, of adjusting conditions between two industries internally, because there the competition is mainly between cottage products and mill products. But even there the Government of India have done a certain amount to help the cottage industries. The action taken by the Government of India in that direction has already on previous occasions been detailed before the House,—the help that they have been giving to the handloom industry, to sericulture and recently to the woollen industry; but, as I have said, the question is more of adjustment between two industries, and in this connection may I point out, not so much as an argument for shifting the responsibility, but as a condition which perhaps holds out a certain amount of hope in the direction in which Honourable Members are interested,—that the development of industries, together with technical and scientific research, is a provincial subject except to the extent to which it may be declared to be a Central subject, in the public interest by the Governor General in Council.

Pandit Govind Ballabh Pant: Except to the extent that you take all the money yourself and have a monopoly of tariffs and customs.

The Honourable Sir Muhammad Zafrullah Khan: It has been suggested by Honourable Members on the opposite Benches: "There is no question of revenue; that can easily be raised, it can always be raised; therefore, money ought to be spent freely in encouraging cottage industries."

Pandit Govind Ballabh Pant: Yes. It can always be raised by the Centre—not by the provinces.

The Honourable Sir Muhammad Zafrullah Khan: Why not by the provinces? It is their responsibility primarily. The stand taken up by some Honourable Members was—it is always possible to raise money, money can always be raised for this purpose, the Honourable Member, I think, was not present in the House when one of the members of his own Party said that this kind of consideration really has not much value. If that consideration does not apply

Pandit Nilakantha Das: Sir,

The Honourable Sir Muhammad Zafrullah Khan: A very hopeful feature of the situation, as I am trying to show, is that

(Interruption by Pandit Nilakantha Das.)

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is not giving way.

The Honourable Sir Muhammad Zafrullah Khan: One hopeful feature in the situation is that in several provinces it will now be possible for the Party, to which Honourable Members opposite belong, to give all the help to cottage industries which they think ought to be given to them, and the Centre will watch, not only with interest, but also with sympathy, all the efforts that are made in this direction; and let us hope that it will be possible for the Party, wherever it may be in such a position, to show to the Centre and also to the other provinces what should have been done in the past which has not been done. I hope that they will start along healthy and beneficent lines and that we shall soon begin to see the results of their efforts

Mr. S. Satyamurti: You take all the money and ask us to do it.

The Honourable Sir Muhammad Zafrullah Khan: If there is that consideration, that with the available money you have got to do the best you can, and that you have got to make every rupee yield the maximum benefit, then the argument that revenue considerations are immaterial loses its force. Then you have got to judge the matter on its merits, that with the available money in the provinces, you have got to do the best you can, and with the available money in the Centre, we have got to do the best we can. I was very glad to note the new alignment of policy with regard to this matter, not that it had not been thought of before, but it has been brought out far more prominently this afternoon—viz., the balancing of economic considerations between the bigger and the smaller industries. Though I may point out that when you have given them protection to the extent desired, some of them will have a tendency to develop into big industries.

The general question was then taken up and it was said: "You go on telling us what the Fiscal Commission has laid down and that you are committed to a policy of discriminating protection as the result of the recommendations of the Fiscal Commission which were accepted by this House." Now, on that, two lines of criticism have been advanced. The first was that the Commission and its recommendations are now out of date. It was said: "Surely, after twelve years you do not want to continue to follow the recommendations made by the Fiscal Commission." I do not know what may be regarded as a suitable period for reviewing the Fiscal Commission's conclusions, but surely one cannot have a new Fiscal Commission every year or every other year; though I admit that if the principles laid down and the recommendations made have clearly become inapplicable to the conditions that operate today, it might be a very good ground for setting up another Commission. But what is it to which Honourable Members take objection in the Fiscal Commission's report? Is it to the principles laid down by the Fiscal Commission? They have laid down three conditions with regard to this matter. In the first place, they say that the industry should possess some natural advantage with regard either to the supply of raw materials or labour or a large internal demand. I hope I have correctly summarised the first condition laid down by the Fiscal Commission, because Pandit Govind Ballabh Pant objected that it was being interpreted as if it meant that the Commission had said that, before you grant protection to an industry, the entire raw material required for that industry must be found within India. That obviously is not the case. He was quite right in saying that the Commission had not laid that down as a condition. I have summarised

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my interpretation of the first condition. The second condition, so far as I remember it, is that the industry should be one which, without the grant of adequate protection, could not establish itself or would not be able to establish itself within a period which may be desirable, that is to say, as quickly as might be desirable. The third condition is that the industry should be one which, after the enjoyment of protection for a certain period, would be able to stand on its own legs and would not become a permanent burden to the taxpayer and the consumer. I hope I have fairly summarised the three conditions laid down by the Fiscal Commission. Now, I do not see that any of these conditions has become outworn or inapplicable. Some Honourable Members have said that they do not want any of these conditions. They want indiscriminate protection for every industry under all conditions and to any extent that might be necessary. To that, I shall come in a moment.

An Honourable Member: We want to stop the drain.

The Honourable Sir Muhammad Zafrullah Khan: I appreciate the motive. I do not question for one moment the motive behind the Honourable Member's suggestion. The motive is very laudable and desirable if it is possible of achievement.

Now, with regard to these three conditions, nothing has been said which should make Government relax any of them. We cannot reasonably say that it does not matter whether an industry has any natural advantage or not, we must protect every industry, nor can it be said that even if an industry is likely to be a permanent burden on the consumer, we must nevertheless protect it. The bulk of the House is clearly not of that opinion. The difference between the other side of the House and this side of the House is not one of principle. I believe the difference was expressed by the last speaker in the terms that he did not agree that these principles had been applied to specific cases properly by Government in coming to a decision with regard to particular industries whether protection should or should not be granted to them. I venture to submit that on such matters there will always continue to be a difference when it has got to be decided whether under certain circumstances certain conditions have or have not been fulfilled. In such cases there may be an honest difference of opinion without there being any ground to question the motive of Government. Even then I would submit that the Government have not a bad record with regard to this. Honourable Members have themselves referred to two industries, with regard to one of which it has been said that the protection has become excessive and with regard to the other it has been suggested that Government ought to have some machinery to watch the progress of that industry and to see whether, apart from keeping down imports of the kind of goods that that industry manufactures inside the country, the subsidiary benefits that are expected from protection are flowing from that industry or not. The suggestion is that the degree of protection granted to that industry, if not excessive, is certainly not less than adequate. Apart from these two industries—iron and steel and textiles,—there are other industries, such as sugar, matches, wood pulp, paper, silver thread and wire, heavy chemicals and raw silk that have been granted protection.

Pandit Govind Ballabh Pant: Was any duty imposed on these articles during the last two years?

The Honourable Sir Muhammad Zafrullah Khan: These are industries to which, since the report of the Fiscal Commission, protection has been granted.

Pandit Govind Ballabh Pant: There was a time when it was properly and generously applied, but there has been a change of policy recently. That is the argument.

The Honourable Sir Muhammad Zafrullah Khan: That point I have already dealt with. There has been no change in policy whatever. There may be a difference between Honourable Members on the other side and Government on the question whether the conditions laid down by the Fiscal Commission were or were not satisfied with regard to any particular industry, but the Government of India cannot be accused of not having considered the whole question extremely sympathetically.

Pandit Govind Ballabh Pant: They have brushed aside the recommendations of their own Tariff Board.

An Honourable Member: What about the glass industry?

Mr. Bhulabhai J. Desai: They keep it on paper, but do not apply it.

The Honourable Sir Muhammad Zafrullah Khan: Then, it does appear that the difference between Honourable Members on the other side and Government is that with regard to certain industries Government did not take the decision which Honourable Members on the other side thought they ought to have taken.

Pandit Govind Ballabh Pant: Or which the Government's Tariff Board took.

Mr. President (The Honourable Sir Abdur Rahim): Let the Honourable Member proceed with his speech.

The Honourable Sir Muhammad Zafrullah Khan: When Government appoint a Tariff Board, they do not try to ensure any particular recommendation by the Tariff Board. They set up a Tariff Board which they think would be suitable to conduct an enquiry into the conditions of an industry that might be under investigation. A reference was made to one Tariff Board. It was said that overnight we reduced duties with regard to certain goods in order to help Lancashire and that we were doing nothing for the country. In the first place, it was not done overnight. The matter was submitted to the Tariff Board, who made their recommendations after a thorough enquiry and then action was taken. The same Honourable Member, however, remarked that as the result of the recommendations of that Tariff Board, Government reduced the duties to some extent and there was no howl from the industry from which it can be concluded that Government's action did not affect the industry. With that I entirely agree. Government were convinced that the recommendations were perfectly fair and would in no sense reduce the protection

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accorded to that industry to less than adequate and as the Honourable Member himself pointed out the industry had completely accepted it.

With regard to the general question of import duties that may be necessary to foster the industries of the country, may I point out to Honourable Members that there is a fairly high tariff wall in operation in India since a number of years. That affords natural protection to almost every industry that might be started in this country. I admit that with regard to a particular industry, that degree of protection may not be adequate, and, therefore, it may be necessary to look into the conditions of that industry in order to decide whether that industry fulfills the conditions laid down by the Fiscal Commission, and, if so, what the degree of protection should be. But, subject to that, a certain amount of protection is in effect being given under the revenue duties.

Mr. S. Satyamurti: Are they going to be reduced?

The Honourable Sir Muhammad Zafrullah Khan: On the average to the extent of 30 per cent, that is enough to create a favourable atmosphere for the fostering of industries generally. So far as the benefit to any particular industry is concerned, it does not matter to that industry whether the duty that is put on is described in the Schedule as a revenue duty or as a protective duty. So far as its duration is concerned, of course, other considerations apply. But, as I have said, apart from the plea for protection on the basis of conditions laid down by the Fiscal Commission, every industry in India has, for a number of years, now enjoyed protection by the natural operation of the revenue duties. I have drawn attention to that, because I felt during the speeches of some Honourable Members that an outsider, when he reads these speeches, might gain the impression that everything was entitled to enter free into India. As Honourable Members are fully aware, that is very far from being the case.

Mr. S. Satyamurti: Are these revenue duties going to be reduced?

The Honourable Sir Muhammad Zafrullah Khan: That was discussed this morning.

Mr. S. Satyamurti: But the Honourable Member's colleague said something else this morning.

The Honourable Sir Muhammad Zafrullah Khan: My Honourable colleague gave a full reply to the debate. I admit that these duties are not guaranteed as protective duties. With regard to their incidence and their duration, they are governed by entirely different considerations. But in effect they have been there. The Honourable the Finance Member explained this morning the situation with regard to them and Honourable Members, who may be interested in their duration, can make their own calculations on the basis of that.

Lastly, I come to the position adopted by those Honourable Members who have suggested that they do not want discriminating protection; what they want is indiscriminate protection—I believe these were the very words—for every industry under all conditions and to whatever extent it may be necessary. I would be sorry to believe that apart from sentiment—

a very honourable and a very patriotic sentiment—only were it capable of realisation—those Honourable Members really mean what these words import. It would not be possible to calculate the burden that would be imposed upon everybody, I would not call them producers or consumers, that would be placed upon the country as a whole were that policy given effect to. I am not trying to develop the thesis that because India is mainly an agricultural country, therefore there ought to be some restriction imposed upon its development as an industrial country. Without entering into questions of high economics and the benefits or the dangers of self-sufficiency, I do not think it can be maintained that in countries situated like India which have large tracts of territory which can be devoted usefully to agricultural pursuits, there should be no attempt made for the establishment of industries. As I have pointed out and as is admitted on the other side of the House, since the report of the Fiscal Commission, Government have approached this question with sympathy, and, under the new conditions upon which we are about to enter, I hope at least with regard to some of the provinces that there will be a greater interest taken in these matters at both ends and we might be able to progress faster along healthy and economic lines with regard to the fostering of our industries. (Applause.)

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

"That the demand under the head 'Executive Council' be reduced by Re. 1."

The Assembly divided:

AYES—65.

Aaron, Mr. Samuel.
Aney, Mr. M. S.
Anwar-ul-Azim, Mr. Muhammad.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Bhagavan Das, Dr.
Bhagchand Soni, Rai Bahadur Seth.
Chaliha, Mr. Kuladhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Vencatachelam.
Das, Mr. B.
Das, Mr. Basanta Kumar.
Das, Pandit Nilakantha.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhulabhai J.
Deshmukh, Dr. G. V.
Essak Sait, Mr. H. A. Sathar H.
Fazl-i-Han Piracha, Khan Bahadur Shaikh.
Gadgil, Mr. N. V.
Ganga Singh, Mr.
Ghiasuddin, Mr. M.
Ghulam Bhik Nairang, Syed.
Giri, Mr. V. V.
Govind Das, Seth.
Gupta, Mr. Ghansham Singh.
Hans Raj, Raizada.
Hosmani, Mr. S. K.
Ismail Khan, Raji Chaudhury.
Muhammad.
Jedhe, Mr. K. M.
Jehangir, Sir Cowasji.

Joshi, Mr. N. M.
Kailash Behari Lal, Babu.
Khare, Dr. N. B.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Laljee, Mr. Husenbhai Abdullabhai.
Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.
Mangal Singh, Sardar.
Mody, Sir H. P.
Mudaliar, Mr. C. N. Muthuranga.
Muhammad Ahmad Kazmi Qazi.
Murtuza Sahib Bahadur, Maulvi Syed.
Nageswara Rao, Mr. K.
Nauman, Mr. Muhammad.
Pant, Pandit Govind Ballabh.
Parma Nand, Bhai.
Raghubir Narayan Singh, Choudhri.
Rajah, Raja Sir Vasudeva.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Sant Singh, Sardar.
Santhanam, Mr. K.
Satyamurti, Mr. S.
Sham Lal, Mr.
Sheodass Daga, Seth.
Som, Mr. Surva Kumar.
Sri Prakasa, Mr.
Umar Ali Shah, Mr.
Vissanji, Mr. Mathuradas.
Yakub, Sir Muhammad.
Yamin Khan, Sir Muhammad.

NOES—43.

Abdul Hamid, Khan Bahadur Sir.
 Ahmad Nawaz Khan, Major Nawab Sir.
 Aikman, Mr. A.
 Anderson, Mr. J. D.
 Bajpai, Sir Girja Shankar.
 Bansidhar, Rai Sahib.
 Bewoor, Mr. G. V.
 Bhide, Mr. V. S.
 Buss, Mr. L. C.
 Chanda, Mr. A. K.
 Chapman-Mortimer, Mr. T.
 Craik, The Honourable Sir Henry.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Gidney, Lieut.-Colonel Sir Henry.
 Griffiths, Mr. P. J.
 Grigg, The Honourable Sir James.
 Hudson, Sir Leslie.
 James, Mr. F. E.
 Jawahar Singh, Sardar Bahadur Sardar Sir.
 Lal Chand, Captain Rao Bahadur Chaudhri.
 Lalit Chand, Thakur.

Lloyd, Mr. A. H.
 Malik, Mr. H. S.
 Mehta, Mr. S. L.
 Menon, Mr. K. R.
 Metcalfe, Sir Aubrey.
 Morgan, Mr. G.
 Mudie, Mr. R. F.
 Mukherjee, Rai Bahadur Sir Satya Charan.
 Nagarkar, Mr. C. B.
 Naydu, Diwan Bahadur B. V. Sri Hari Rao.
 Noyce, The Honourable Sir Frank.
 Rau, Sir Raghavendra.
 Row, Mr. K. Sanjiva.
 Sale, Mr. J. F.
 Sarma, Sir Srinivasa.
 Scott, Mr. J. Ramsay.
 Sher Muhammad Khan, Captain Sardar Sir.
 Tottenham, Mr. G. R. F.
 Verma, Rai Sahib Hira Lal.
 Witherington, Mr. C. H.
 Zafrullah Khan, The Honourable Sir Muhammad.

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Saturday, the 6th March, 1937.