

**THE
LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

Volume III, 1937

(15th March to 3rd April, 1937)

**FIFTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY
1937**



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LEGISLATIVE ASSEMBLY.

Tuesday, 16th March, 1937.

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

QUESTIONS AND ANSWERS.

EXTENSIONS GIVEN TO MINISTERIAL OFFICERS IN THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

678. ***Khan Sahib Nawab Siddique Ali Khan:** Will Government kindly state separately how many Hindu and non-Hindu officers in the ministerial staff of the Department of Education, Health and Lands and its attached offices have been given extensions of service during the last two years, and how many further extensions are proposed to be given during this and next year in the two categories separately?

Sir Girja Shankar Bajpal: A statement is laid on the table.

Statement regarding grant of Extensions of Service to Members of the Ministerial Staff of the Department of Education, Health and Lands and its Attached Offices.

The number of Hindus and non-Hindus on the ministerial staff of the Department of Education, Health and Lands and its attached offices, who were granted extensions of service during the last two years is as shown below :—

Name of Office.	Hindus.	Non-Hindus.
Department of Education, Health and Lands .	2	2
Office of the Director-General of Archaeology in India.	1	..
Office of the Director-General, Indian Medical Service.

The cases of other men who will attain the age of superannuation in 1937 and 1938 will be dealt with under the rules.

RESTRICTIONS ON THE KEEPING OF COWS IN QUARTERS IN NEW DELHI.

679. ***Bhai Parma Nand:** (a) Is it a fact that New Delhi Municipal Committee have passed certain bye-laws regarding restrictions on keeping cows, etc., within the limits of that Municipality?

(b) Is it a fact that according to those bye-laws cows cannot be permitted, in most of the quarters constructed by Government for their servants?

(c) Is it a fact that several residents of Government quarters have been keeping cows in their quarters ever since their construction?

(d) Did that practice cause any infectious disease in the locality? If so, when?

(e) Is it a fact that several representations have been made to the Municipality and the Government of India against those bye-laws?

(f) Is it a fact that there are open, sunny and airy court-yards attached to all quarters?

(g) Are Government aware that there is no restriction in other cities (e.g., Delhi, Lahore, etc.) where cows are being kept even in dark rooms and streets without causing any harm to the health of the inhabitants?

(h) Are Government aware that it is a religious duty of Hindus to worship and keep cows?

Sir Girja Shankar Bajpai: (a) to (h). Information has been called for and will be supplied to the House as soon as possible.

RESTRICTIONS ON THE KEEPING OF COWS IN QUARTERS IN NEW DELHI.

680. ***Bhai Parma Nand:** (a) What is the total population of the area to which the bye-laws passed by the New Delhi Municipal Committee regarding restriction on keeping cows, apply?

(b) What is the total number of cows and buffaloes that can be kept in the cow-byres constructed by Government or by the Municipality, and the total yield of milk from such cattle?

(c) Are Government or Municipality aware that this supply of milk is not sufficient for the needs of the inhabitants of the area?

(d) Is it a fact that large quantities of milk are daily imported into the New Delhi Municipal area from the surrounding villages?

(e) Is it a fact that there is no effective check if such milk is taken from the diseased and ill-fed cows and is adulterated with dirty and unfiltered water?

(f) Are Government aware that such milk is likely to cause diseases like typhoid, other fevers, cough and dysentery, etc.?

(g) Is it a fact that several persons have been prosecuted for keeping cows, etc., in New Delhi area?

(h) Are Government prepared to instruct the Municipality to allow the residents to keep cows in their quarters until at least satisfactory arrangements are made to suit their requirements? If not, why not?

Sir Girja Shankar Bajpai: (a) to (h). Information has been called for and will be supplied to the House as soon as possible.

RESTRICTIONS ON THE KEEPING OF COWS IN QUARTERS IN NEW DELHI.

681. ***Bhai Parma Nand:** (a) What was the total amount of Government grant to the New Delhi Municipal Committee during the last three years?

(b) Is it a fact that adequate arrangements for keeping of milch cattle have been made in the bungalows of the gazetted officers and other well-paid residents and poorly paid Government servants are being deprived of their only source of getting good milk? If so, what is the justification for this discrimination?

Sir Gija Shankar Bajpai: Information has been called for and will be furnished to the House as soon as possible.

QUALIFYING MARKS FOR THE READERSHIP EXAMINATION OF THE GOVERNMENT OF INDIA PRESSES.

682. *Mr. D. K. Lahiri Chaudhury: (a) Is it a fact that the minimum qualification for the post of a copy-holder in Government of India Presses is to pass the matriculation examination?

(b) Is it a fact that the Controller of Printing and Stationery has fixed the qualifying marks for passing the Readership Examination as follows:

English composition 60 per cent., dictation 60 per cent., and proof reading 75 per cent.?

(c) Is it not a fact that the standard of passing stated in part (b) above is too high for matriculates?

(d) Is it not a fact that the results of Readership Examination held in Government of India Presses in 1936 were not satisfactory for matriculates, and even many graduates failed?

(e) Are Government prepared to lower the marks of passing of Readership Examination as follows:

English composition 50 per cent., dictation 60 per cent., and proof reading 60 per cent.? If not, why not?

(f) Is it a fact that in the examination held by the Public Service Commission, only aggregate marks are taken in passing and if a candidate fails in one subject but can show aggregate marks, he is declared as qualified?

(g) Are Government aware that in many Universities the following system of passing exists:

If a candidate failed in one subject for 5 per cent. marks, then 10 marks are deducted for one mark and if, after deduction, the candidate can show aggregate marks of passing, he is declared as passed?

(h) Are Government prepared to adopt any of the systems of passing mentioned in parts (f) and (g) above for the Readership Examination of Government of India Presses and give that effect to the Examination of 1936? If not, why not?

The Honourable Sir Frank Noyce: (a) and (b). Yes.

(c) I have no reason to believe that this is so.

(d) No. The number of matriculates who qualified was practically the same as that of graduates.

(e) No. It is not desirable to lower the standard.

(f) The Honourable Member does not indicate which examination he has in mind. I believe that in some a minimum aggregate mark is not the sole requirement.

(g) I am not in possession of these particulars.

(h) Does not arise.

Mr. D. K. Lahiri Chaudhury: With reference to part (g) where I have asked: "Are Government aware that in many Universities the following system exists: If a candidate failed in one subject

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is arguing. It is an argument that because the system exists in the Universities, it should be applied here also.

Mr. D. K. Lahiri Chaudhury: I am not arguing, I am asking whether they are prepared to establish the same principle here which is generally adopted in many Universities?

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member may ask whether such a principle exists in University examinations.

Mr. D. K. Lahiri Chaudhury: Is it or is it not a fact that in Universities the system of allowing candidates to appear again only in subjects in which they have failed exists, and, if so, whether Government are prepared to consider the introduction of the same system here also?

The Honourable Sir Frank Noyce: I am not aware whether it is a fact or not that the system mentioned by the Honourable Member is in force in the Universities. But even if it is, I do not consider that a system which is in force in the Universities is suitable for a simple examination for copy-holders in the Government Presses. There are only three subjects and if they cannot pass in all of them at one sitting, they are obviously not suitable for appointment.

Dr. Ziauddin Ahmad: The system that is in force in the Universities is the system of grace marks. But it is not really grace marks. If a student has done below standard in one subject then he is compensated for the deficiency by his efficiency in another subject. This is really the system which prevails in Universities and may I ask the Honourable Member whether he will accept the same system for this examination also?

The Honourable Sir Frank Noyce: I am much obliged to the Honourable Member for the information.

HOLDING OF THE READERSHIP EXAMINATION OF THE GOVERNMENT OF INDIA PRESSES.

683. ***Mr. D. K. Lahiri Chaudhury:** (a) Is it a fact that the Departmental Examinations are held annually at fixed times?

(b) Is it not a fact that the above system is not observed in Government of India Presses and it is held at the discretion of the Manager?

(c) Are Government prepared to hold the Readership Examination of the Government of India Presses annually in October? If not, why not?

The Honourable Sir Frank Noyce: (a) Not always.

(b) For Readers, an examination is required to be held biennially in May for the Government of India Press, New Delhi, and in March for the Calcutta and Simla Presses. A test for compositors may be held any time at the discretion of the Managers, when the number of vacancies in that grade justifies this action.

(c) No. The number of vacancies of Readers in a Press in a year does not justify the holding of an examination annually.

**HINDU EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, NEW DELHI,
FORCED TO ATTEND OFFICE ON DUSEHRA AND BHARAT MILAP
FESTIVALS.**

684. *Mr. D. K. Lahiri Chaudhury: (a) Is it a fact that many Hindu employees of the Government of India Press, New Delhi, were forced to attend office on Dusehra (Durga Puja) and Bharat Milap festivals in October, 1936?

(b) Are Government aware that the Dusehra (Durga Puja) festival is the most important festival of Hindus (specially of Bengali Hindus)?

(c) Is it a fact that Muhammadan and Christian employees of the Government of India Press, New Delhi, are not booked to attend office on their festivals?

(d) Is it a fact that the Manager of the Government of India Press, New Delhi, declared Chhoti Dewali (12th November, 1936) as a communal holiday for Hindus?

(e) Is it a fact that many Hindus employees were forced to attend office on that day (12th November, 1936)?

(f) Is it not a fact that this is the first time that employees were forced to attend office on a communal holiday?

(g) Is it a fact that the Hindu employees who attended office on 12th November, 1936, applied for another communal holiday (11th March, Sheoratri) which was refused by the Manager of the Government of India Press, New Delhi?

(h) If the above facts are true, are Government prepared to direct the Manager of the Government of India Press, New Delhi, not to book members of that community on holidays (gazetted, local or communal) to which community the festivals belong? If not, why not?

The Honourable Sir Frank Noyce: (a) I presume the question refers to the industrial employees. A number of them including Hindus were booked for duty on the holidays mentioned by the Honourable Member to deal with emergent work.

(b) I am aware that it is an important Hindu festival.

(c) No.

(d) Yes, in consultation with the Works Committee.

(e) Some of the Hindu employees were booked to attend on that day for emergent work.

(f) No.

(g) Yes,

(h) No. The grant of holidays depends entirely on the state of work in the press. Every effort is, however, made to grant holidays for festivals to the employees belonging to the community to which the festivals relate.

Mr. D. K. Lahiri Chaudhury: Do they get any remuneration for the extra work they do on holidays?

The Honourable Sir Frank Noyce: I must ask for notice.

CHARGES FRAMED AGAINST THE DEPUTY POSTMASTER, DHUBRI HEAD POST OFFICE, IN CONNECTION WITH DEFALCATION FROM SAVINGS BANK ACCOUNTS BY THE BRANCH POSTMASTER, SUKCHAR.

685. *Mr. D. K. Lahiri Chaudhury: (a) Will Government please state whether it is a fact that the Branch Postmaster of Sukchar, under Dhubri Head Post office, defalcated some amount from Savings Bank accounts?

(b) Is it a fact that the said Postmaster was prosecuted and convicted by the court of law?

(c) Is it a fact that the defalcated amount was not realised from the accused?

(d) Are Government aware that after the conviction of the accused charges were framed against the Deputy Postmaster, Dhubri Head Post Office, who passed the warrant of payment?

(e) Will Government please state whether the signature of depositor on the application for withdrawal agreed with that on record in the Dhubri Head Post Office? If so, will Government please state the reason why the Deputy Postmaster was charge-sheeted?

(f) Is it a fact that the Deputy Postmaster has no authority to withhold or to refuse payment if the signature agrees?

(g) Are Government aware that the Deputy Postmaster, Dhubri Head Post Office, passed the warrant of payment on the strength of the genuineness of the signature of the depositor on the application for withdrawal?

(h) Is it a fact that the Deputy Postmaster though he followed the rules of the Postal Department, was asked to contribute Rs. 500 (five hundred) towards the loss to Government due to defalcation of the amount by the Branch Postmaster who was so long entrusted with cash and property of the Government?

(i) Is it a fact that the Deputy Postmaster preferred an appeal to the Postmaster General, Bengal and Assam, against the order of the Superintendent and prayed to him for examination of the signature of the depositor by the Government Handwriting Expert, even at his own cost?

(j) Is it a fact that the Postmaster General remained silent over this point and did not assign any reason for his refusal to entertain his prayer?

(k) Is it a fact that the Deputy Postmaster not having received any reply from the Postmaster General on the above point, sent a memorial to the Director General, Posts and Telegraphs, praying for an examination of the signature by the Handwriting Expert?

(l) Are Government aware that the Postmaster General withheld the memorial on the ground that the postal subordinates are not entitled to prefer an appeal to the Director General, Posts and Telegraphs, under the recent rulings?

(m) Is it a fact that the postal subordinates are prohibited from sending even any memorial to the Director General, Posts and Telegraphs, who is the chief administrative officer of the Department?

(n) Are Government prepared to make enquiries into this case and give protection to this innocent Deputy Postmaster? If not, why not?

The Honourable Sir Frank Noyce: (a) to (c). Yes.

(d) to (n). Government have no information and do not propose to call for it. No one is prohibited from sending any petition to the Director-General of Posts and Telegraphs, but such petitions are dealt with according to the statutory rules on the subject. Government do not propose to make any enquiries into the matter. It is open to the official concerned to approach Government in the usual manner.

ABOLITION OF THE IMPORT DUTY ON PIG IRON IN THE UNITED KINGDOM.

686. *Mr. M. Ananthasayanam Ayyangar: (a) Is it or is it not a fact that the President of the Federation of the Indian Chambers of Commerce and Industry wired to the Secretary to the Commerce Department that the removal by His Majesty's Government of the duty of 88.1/8 per cent. on pig iron imported into the United Kingdom is a breach of the Indo-British Trade Agreement?

(b) Is it a fact that in the United Kingdom the import duty of 88.1/8 per cent. on pig iron has been abolished?

(c) If so, is not the abolition a violation of the Indo-British Trade Agreement?

(d) If so, what steps have this Government taken to avoid that breach?

(e) Was this Government consulted by His Majesty's Government before the duty was abolished, and what was the attitude of this Government in this matter?

(f) If this Government were not consulted at all, do they propose to take any retaliatory measures? If so, what are they, and if not, why not?

(g) If this Government had been consulted in advance by the Government of United Kingdom, did they take the advice of the businessmen in India, before they replied to the Government of the United Kingdom? If so, what were the interests consulted? If not, why not?

(h) What will be the probable loss to India by the removal of the duty?

The Honourable Sir Muhammad Zafrullah Khan: (a) Yes, Sir.

(b) to (g). Government have seen a press report stating that import duty on foreign pig iron has been abolished by His Majesty's Government in the United Kingdom, but they have received no official intimation on the subject and were not consulted. The reason for the abolition of the duty on pig iron is reported to be that the requirements of the commodity in the United Kingdom are in excess of the supplies available in that country and the Empire, including India. The reported action of His Majesty's Government does not appear to the Government of India to contravene in any way the Ottawa Trade Agreement. Under Article 1 of that Agreement, and Article 6 of the Supplementary Agreement, dated the 9th January, 1935, His Majesty's Government in the United Kingdom undertook, subject to certain conditions, to continue the privilege of duty-free entry of Indian pig iron into the United Kingdom;

but there was no undertaking to maintain for Indian pig iron any margin of preference, or to continue to levy any duty on pig iron from other sources.

(h) Government have no information. I may however mention that they have not so far received any complaints from producers of pig iron in India that Indian exports to United Kingdom will be hampered by the recent action of His Majesty's Government in the United Kingdom.

THE INDIAN FINANCE BILL—*contd.*

Mr. President (The Honourable Sir Abdur Rahim): The House will now resume discussion of the motion that the Indian Finance Bill be taken into consideration.

Mr. Akhil Ohandra Datta (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Mr. President, almost half the revenue is taken up by the military expenditure and the bulk of the remainder is eaten up by the extravagant top heavy administration. Deficit is, therefore, more or less inevitable. That inevitable deficit this year is $3\frac{1}{2}$ crores gross and about $1\frac{1}{2}$ crores net. To make up this amount, it is proposed to raise the excise duty on sugar and the import duty on silver.

About the sugar excise duty so much has been said during the general discussion, during the last three or four days, that it is hardly profitable to prolong the discussion. But I must say this. The result will be that the cultivators will have to restrict their cultivation, the manufacturers will have to close down some of their factories and the consumers will have to pay higher price. That is, by one single shot, all the three birds have been killed. What is still worse, palpably this is the thin end of the wedge and is an attack on the policy of protection. The Honourable the Finance Member does not care for the policy of protection, nor does he care for the procedure. A statutory enquiry will soon be started under the provisions of the Sugar Act. He does not wait for that enquiry and for the decree of the Tariff Board, and in anticipation of that decree he puts that decree into execution. As regards the restriction of cultivation, may I invite the attention of the House to the report of the Tariff Board where it is said that it is essential in the national interest that the area under sugar-cane cultivation should not diminish and that further outlets should be provided for cane by encouraging the expansion of white sugar industry. The Honourable the Finance Member's avowed object is what has been done in this case by the Honourable Member to close down a number of factories. He no doubt cures the disease, but only by killing the patient.

Another remarkable feature of this year's budget is the attitude of Government with regard to cotton textiles. In 1936, cotton duty was reduced. Here, again, it is another attack on protection,—protection of one of our most important industries. This is a more direct attack, I mean an attack by the reduction of import duty. The Honourable the Finance Member looks at it entirely and exclusively from the point of view of Lancashire industry. He does not look upon it either as an instrument of protection or as an instrument of revenue. This, therefore, leads me to an examination of the fiscal policy of the country.

Sir, I shall run on without trying to amplify, because, although there is no time-limit, I must try to be as brief as possible, to accommodate other Honourable Members. The fiscal policy is based upon the recommendation of the Fiscal Commission, or, to be more precise, upon the recommendation of the majority of the Fiscal Commission. The policy recommended was a half-hearted and halting policy. There were very important restrictions and the policy, therefore, was not accepted by the minority. I am anxious to draw the attention of the House to this aspect of the recommendation that the majority was the smallest majority and the minority was the largest minority. What I mean to say is that, out of eleven members of the Commission, as many as five members dissented from that half-hearted policy that was inculcated by the majority of the Fiscal Commission. Now, Sir, as regards Indian members, out of the seven members as many as five dissented from this view. As regards the conditions the minority were of opinion that these conditions were too stringent, that they would cause delay and the progress would be extremely slow, that they would not produce adequate results, and that these conditions would impair its utility. Then, the minority were further of this opinion that the protection policy was applied at the wrong end because the majority gave protection to the consumer at the stage when they ought to have protected the industry. But there is another drawback and that is that the conditions were not based on the facts of each particular case but on certain general and *a priori* considerations. But there was a still more serious drawback in the policy and that is that the inevitable result of that policy would be to develop only the simpler and lower stages of manufactured goods and not of the specialised stages. Such a policy, declared the minority report, was not acceptable and could not be acceptable to the people of India, and in fact the minority report said that they did not know of any other country in the world, including the British dominions, which had so qualified the policy of protection. In fact, Sir, the minority were whole-hoggers. They were in favour of an unqualified pronouncement that the fiscal policy best suited for India was protection and unqualified protection. They advocated the immediate adoption of a policy of progressive and intensive industrialisation like that of the United Kingdom and the United States of America. Although in these two countries the industries are highly advanced, still their policy of protection is far more liberal and far more comprehensive than the one that was recommended by the majority of the Fiscal Commission. So that, to start with, there is that half-hearted and halting policy. Even the limited usefulness of that qualified policy was further impaired by the dilatory procedure that was laid down. That procedure in short was this. An application has to be made by the industry seeking protection. Government in the Commerce Department will consider it and if they think that there is a *prima facie* case for protection then only a reference is made to the Tariff Board. The Tariff Board after a preliminary consideration frames and issues certain questionnaire, invites opinion which may be written or oral, examines witnesses, and then if they think that there is a *prima facie* case they submit their report and then Government will either accept it or not accept it. If they accept it the matter is brought up before the Legislature. Then here again there is a time-limit and then after that fixed time there will again be a statutory inquiry and then again a report by the Tariff Board and then again the matter is brought up before the Legislature. That is the elaborate procedure laid down and that really nullifies the whole protection. What happens in England in these cases?

[Mr. Akhil Chandra Datta.]

There the procedure is quite different. There the protection is given by the executive and a temporary duty is imposed. After that, there is an inquiry, and then the temporary duty is made permanent. That was the way in which the steel industry was given protection in England very recently although the industry is very much advanced there. My point is that the dilatory procedure in fact nullifies the protection given. Then, Sir, the protection is further whittled down by the introduction of Imperial Preference in the scheme of protection,—I mean Imperial Preference not only with regard to unprotected industries but even with regard to industries which are protected. Sir, we know several instances. In 1927, reference was given to British steel goods by the Steel Industry Protection Act of 1927. In 1930, again, preference was given to British cotton piece-goods by the Cotton Industry Protection Act of 1930. Then in 1932 at the Ottawa Conference Sir Atul Chatterji said this :

“The Indian system of protection has led directly to a preference for Empire goods.”

Then, again, in 1934, preference was given to British iron and British steel by the Indian Iron and Steel Duties Bill of that year. Again, last year, as I have said before, preference has been given to British cotton piece-goods by the reduction of the import duty behind the back of the Legislature. Therefore, Sir, that absurd interpretation was put upon the fiscal theory of 1923, namely, discrimination not only in favour of the consumers but discrimination also in favour of British manufacturers. In other words, protection here means, according to this novel interpretation, not only protection of Indian industries but also of British industries. We all know, Sir, that the Fiscal Commission did not advocate a more thorough-going policy lest it should injure the consumers, and our Finance Member would not place any burden on the consumers at all for the protection even of our own industries. But under the principle of Imperial Preference Indian consumers will have to pay not only for the protection of Indian industries but also for the protection of British industries.

Then, Sir, comes the supplementary steel agreement. Protection is still further whittled down because that contemplates an arrangement by which the Tata Company will send Indian sheet bar manufactured at Jamshedpur to England, get them manufactured into galvanised sheets and bring back as finished goods to be disposed of in India. Then, Sir, this policy of protection is now in its last gasp in the hands of the present Finance Member. Sir, free trade is an exploded heresy in these days, but our Finance Member is a virulent and violent free-trader. He is the high-priest of free trade. His nostrum of free trade reminds me of a recent observation of a great economist who said :

“In the economic problems which have become the front line questions of every nation under heaven, we find ourselves with twentieth century machines and eighteenth century political ideas. We are out of gear; we are out of touch; but it is not yet too late to recover.”

Sir, I should like to ask the Finance Member: Was it honest on his part to accept the office of Finance Member of a country which has accepted the creed of industrialisation and protection as its policy? Did he not

know that like the United Kingdom and like the United States of America and like other countries in the world India also has abjured the doctrine of free trade? How can an honest free-trader become the finance minister of a protectionist country? How is it possible for him honestly to carry out the policy of protection? He not only does not believe in protection; he does not even believe in industrialisation. He told us last year that industrialisation was a new cry in India. Is it really a new cry? Is it not a gross travesty of truth to say that industrialisation was a new cry in India? Does he not know and know it too well that industrialisation has been the cry of India for the last three quarters of a century? Does he not know that India has been clamouring for revival of her industries which had been deliberately, if not diabolically, killed by his predecessors for the benefit of his countrymen? Has he got to be told at this late hour of the day that in consequence of prolonged agitation the Government of India has accepted the policy of industrialisation? Was he not aware of the fiscal policy of 1923 before he came out to India to preach the gospel of free trade? He told us last year without any blush "I accept the fiscal policy of 1923". Did he say so with his tongue in his cheek? Had he any mental reservation when he said this? Is it an honest statement from him? How can he reconcile this statement of his that he accepts the policy of 1923 with the series of statements he made last year during the general discussion of the Finance Bill? He said "Industrialisation by high protection is no solution of the Indian problem". He said "Industrialisation is no cure for unemployment." He also told us that protective taxation is unremunerative taxation. He also told us that the process of becoming self-contained in manufactured goods would lead not to an increase of employment but to a considerable net decrease. Has he not also told us last year that India must remain essentially and overwhelmingly an agricultural country? Has he not also told us that we have to start with the individual cultivator in the village? He fights shy of industry and looks for India's salvation to agriculture alone. After all this nostrum and nonsense of free trade and all this hostility to industrialisation, is it honest for him to say that he accepts the fiscal policy of 1923? Is it not merely lip homage to the policy of 1923? Does he pay this homage, I ask, out of a sincere conviction or has he sold his free-trader's conscience for Rs. 80,000 a year? Is he a mercenary soldier out and out in this country? Was it not his honest duty, I ask, to resign before giving expression to all such opinions in defiance of the accepted policy of the Government of India? May I not say that he is really an economic rebel and a fiscal outlaw? His pathetic remark about the recapture of the Indian market by Lancashire is only in keeping with the old policy of his predecessors by which the Indian market had been captured for them. His naked solicitude for the capture of the Indian market by Lancashire takes me sixty years back when in 1877, Sir John Strachey, the then Finance Member, made a similar statement in his budget speech of that year. There he said:

"I am not ashamed to say that while I hope that I feel as strongly as any man the duties which I owe to India, there is no higher duty in my estimation than that which I owe to my own countrymen. I believe that our countrymen at home have a real and a serious grievance and that it is no imaginary injury against which they complain."

The injury on that occasion against which they complained was the duty on the cotton piece-goods from the United Kingdom. History repeats itself. Sixty years have rolled by; but the budget of this country is still

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based on the same vicious principle as it was sixty years before. The Honourable the Finance Member believes in agriculture. May I ask what is his agricultural policy? Has he laid down and formulated any agricultural scheme up to now, except the policy of *laissez faire*? What is his solution for the food problem for the increasing population of India?

I propose now to examine some of his theories. He says that industrialisation is no cure for unemployment. Let me take the case of a classical industry—I mean the cotton textiles. The following figures are instructive. The number of spindless increased from 66 millions in 1913 to 68 millions in 1920, to 85 millions in 1925, to 91 millions in 1930, to 97 millions in 1935 and to 99 millions in 1936. Looms have increased from 94,136 in 1913 to 119,012 in 1920, to 154,292 in 1925, to 179,250 in 1930, to 198,867 in 1935 and to 200,062 in 1936. The consumption of cotton by the Indian mills was practically the same in 1913 and 1920, namely, 2 million bales. In 1925 it was 2·2 million bales; in 1930 it was 2·6 million bales and in 1936 it was 3·1 million bales. These figures clearly show that while the industry was practically in the same position between 1913 and 1920, it was only after 1925, when protection was given definitely, that the industry has shot up and began to expand rapidly. It now provides employment to 417,803 men and supports 20,89,015 souls in all, calculating on the basis of five dependants for every worker. The cloth imported into this country is almost wholly manufactured out of foreign cotton and not of Indian cotton, whereas the Indian mills use mainly the Indian grown cotton. It can therefore safely be asserted that nearly 29 crores worth of Indian cotton which is consumed by the Indian mills would not have been consumed but for the growth of this industry, and the Indian agriculturist would have been poorer to that extent. The wages bill of the industry amounting to about 21 crores of rupees is no mean addition to the national income of this country. Not only the mill industry but also the hand looms industry has benefited by the policy of protection. The production of hand loom has risen by as much as 40 per cent. after the protection was awarded in 1925.

A study of the development of the sugar industry, after protection was given to it, reads amazingly like a romance. Within the course of the last five years, the number of mills have grown nearly five times and the total production has increased nearly three times. 11,56,000 more acres have been pressed into sugar cultivation giving food to nearly 6 million agricultural population. The amount received by the sugar cane growers has increased from Rs. 19 crores in 1926-27 to Rs. 34 crores in 1935-36. Out of Rs. 12½ crores which was the value of sugar manufactured in 1934-35, the grower gets 6 crores, Railways 1·2 crores and salaries account for 2½ crores. This industry now provides employment to nearly 2,000 science graduates, 10,000 clerical and managerial staff, and 100,000 skilled workmen and labourers. These are the results of one single industry towards the relief of unemployed in this country. And yet there is Sir James to "debunk" the theory that industrialisation is a cure for unemployment.

I shall take one more major industry which has provided employment to thousands in this country. The Iron and Steel Industry of India within

about 12 years of protection is able to supply nearly 75 per cent. of the steel requirements of this country. The number of men employed by Tatas directly or indirectly alone is about 100,000 and their total disbursement is about Rs. 9 crores per annum. But then in answer to this, the Honourable the Finance Member told us last year that 'Oh, it was a switch over' of some people from agriculture to industry. This argument is based on the assumption that there is absolutely no surplus population in India, and that there is no unemployment at all. Sir James Grigg would then say: "Yes, but all these have been at the expense of the poor consumer." These tears are indeed very touching. But let us see what the figures state. The price of bars, structurals, plates, black sheets, galvanised sheets, etc. now produced in this country are almost the same as the average for three pre-war years (adjusted to 10 per cent. duty). When compared to 1924, however, the present prices are 22 to 48 per cent. less. Does that show that the consumer has been bled white? Sugar is another point in instance. When proper allowances are made for the pre-war sugar duty 5 per cent. and the present excise duty of Rs. 1-5-0, which works out at 15 per cent. of current prices, it can be safely stated that the net cost to the consumer is lower today than what it was 25 years ago. In fact sugar is being sold at the present moment cheaper than the rate worked out by the Tariff Board as to what should be at the end of the period of protection of 15 years in 1946. And yet, Sir James applies handkerchief to his eyes whenever he speaks about the poor consumer. Let it not be forgotten that apart from the direct beneficial results, the indirect beneficial results of industrialisation are many and varied. For every single labourer, clerk or artisan who gets a job as a result of industrialisation, five mouths in all are fed. For it is well known that a family is always taken as a unit of 5 persons.

Again, Sir, when we talk of industrialisation, it does not mean only of large scale industries. The Indian politician, economist and businessmen have always held up as an ideal for India the possession of some large scale industries and many small scale and cottage industries. Sir James is of the opinion that agriculture is the only major industry, and do whatever you want, you can never make any appreciable difference in the numbers supported by it. Does he know that prior to 1881 the number of people supported by agriculture was only about 50 per cent. and the present increase of agricultural population to nearly 70 per cent. is due to the deliberate murder of Indian industries by manipulation of tariffs? Does he also know that besides the 50 per cent. supported by agriculture, the rest were dependent mainly on a number of industries? There is no country in the world today which does not encourage its own industry by giving them all sorts of help. Why should India alone, under the dispensation of Sir James Grigg, pursue a policy of economic suicide? The Finance Member said that as regards the protective taxation, the whole of it is paid by the consumer. When he says this, I say he preaches very wrong economics. There can be no generalisation like this in a matter like this. It depends upon factors which are different in different cases.

Now, Sir, having submitted my views with regard to the present protection policy, how it is worked and what are the dangers inherent in such a policy, I shall point out what our goal, what our policy should be. Our goal should be maximum of industrial production with a national outlook.

[Mr. Akhil Chandra Datta.]

To achieve this, our protection policy should be revised and thoroughly overhauled. It should be bold in theory and thorough going in operation, comprehensive in its outlook, should be calculated and designed to develop all industries, large and small, nascent and old, existing and potential. It should seek to produce both for home market and foreign market. All the restrictions and conditions imposed by Fiscal Commission must be brushed aside. The procedure should not be dilatory, it should be as prompt as the English system. It should be supported by lower freight rates in Railways and shipping. I say that such a policy of protection with suitable customs tariff as its chief instrument supplemented by bounties in proper cases will protect and promote our industries and will also yield revenue for the Treasury. In India, Sir, in law Courts, all the troubles begin after the decree. In economics also, Sir, all the troubles begin in the execution of the policy after it has been laid down by the Government and the Legislature.

Now, Sir, I shall conclude with one short observation,—“industrialise or perish”.

Mr. President (The Honourable Sir Abdur Rahim): Before the discussion proceeds further, the Chair would like to point out to the House that there seems to be general agreement that the discussion of the motion for consideration of the Finance Bill should be concluded today, and it is understood that there is a desire to move closure between 4 and 4-30 p.m. subject to the reply of the Honourable Sir James Grigg. At the same time, the Chair has been given a list of seven or eight more Members who wish to take part in this debate today, and if they all desire to make speeches, it is necessary that every Honourable Member should try to occupy as little time as possible.

Lieut.-Colonel Sir Henry Gidney (Nominated Non-Official): Sir, I rise to take part in this discussion to place before the House, especially in the Posts and Telegraphs Departments, certain matters in connection with my community, and also to discuss other general matters concerning the Finance Bill and the budget. I am sorry, the Honourable the Commerce Member is not here, because, on a previous occasion, when focussing his myopic and diplopic vision on my legs, he had occasion to say that I was “old and infirm”, and that I was standing on my fore legs propped up. I may tell him that as I hear him singing his swan songs, it seems to me he is today standing on his last legs, and, as far as my legs are concerned, let me assure him that I am beginning to feel very firm standing on my new legs, be it even nationalistic legs—fore or aft—as a matter of fact, I was only pulling his legs when I said Government were standing on their hind legs.

I have first to place before this House a very serious economic problem that faces the Anglo-Indian and Domiciled European community which can rightly be called the gipsy community of India, and it is this. All Provincial Governments demand provincial domicile qualifications to establish the right of being employed in their Provincial Services. This provincial domicile qualification is a great hardship to these communities.

Let me give you an illustration of this hardship. Take an employee on the E. I. Railway—an Engine driver. He has to serve on that railway wherever he is sent and this railway traverses Bengal, Bihar, Central Provinces and Delhi. Say he is stationed at Allahabad where his wife has a child. He is then transferred to Dinapore in the province of Bihar, and his wife has another child there. Then, he goes to Calcutta and his wife has another child there. Within his service he has three children and he retires, say, to Bangalore or Dehra Dun. Those three children cannot receive employment in any of the provinces unless they have the specified provincial domicile qualification. The result is that our children are faced with a handicap in life and they cannot get employment in any of the provinces. This matter was brought by me to the notice of the Governor of the United Provinces, he consulted the Government of India who took a provincial referendum. The various provinces, except Assam and the Punjab, demanded certain domicile qualifications, the qualifications ranging from birth to residence of three to ten years exclusive of educational residence. Most of the children of these two communities are faced with this initial difficulty when seeking employment in the provinces. I think we already have to face enough hardships in our economic problems, but to add to it and demand a provincial domicile qualification worsens the position, and I would, therefore, suggest—I am sorry the Honourable the Home Member is not in his seat—I suggest that he will be so kind as to consider this matter in a sympathetic light. Speaking, as I do on behalf of, and with the support of, the European Group, I would request him to be so good as to take immediate steps to remedy this position. I suggest that he should address all Provincial Governments requesting them to exempt the Anglo-Indian and European community from any qualification of provincial domicile

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): Why European?

Lieut.-Colonel Sir Henry Gidney: Not you. I request that he should take steps, if possible, to recognise our accepted Indian domicile as sufficient qualification for employment in all provincial services in the country. This is not a very difficult matter, and, I am sure, no one in this House will deny that this is a hardship and no one will deny to this small exemption to these communities. In other words, grant us an all-India domicile.

The next point I desire to discuss, and I do so with some hesitation and without any desire to blame the Government of India, is the protection of the dignity of Members of this Honourable House. Sir, I know law is no respecter of persons. There cannot be one law for the poor and another law for the rich, for, before the Tribunal of British Justice we are all taught to believe that there is no discrimination. But, Sir, there are certain aspects in the administration of law and justice which call for criticism, and, in doing so, I refer to the recent unfortunate arrest of one of our most esteemed and Honourable Member, I refer to Rai Bahadur Seth Bhagh Chand Soni. Sir, I am sure, every Member from all sides of this Honourable House will join me in heartily congratulating our esteemed colleague on his acquittal of the serious charges which were, without any enquiry or regard to his position in life, hurled against him and for which he sat charged before this House and before the whole of India and

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England as a criminal connected with a crime of the very worst type. I am not here to criticise, nor do I intend to argue the pros and cons of his arrest. This is outside the purview of this House, but, Sir, I cannot refrain from stating that, in my experience of now 40 years standing, I have never heard of a case involving as it does, a most respectable Member of this House, one of the most loyal servants of Government and the Empire whom it has honoured with a title, the leading public citizen of Ajmer—one who is held in the highest esteem by the officials and others in the whole of Rajputana and whose financial ramifications permeate the whole of Rajputana in that he is Treasurer and Financier to many States, to Government and to the B., B. & C. I. Rly., in which an arrest had been executed on such unjustifiable and filamentary grounds. I know how the arrest was executed, and there is no need for me to refer to it, in detail. Suffice it to say that the arrest was made without due enquiry or regard, not only as far as the guilt of the person was concerned, but as regards his standing as a Member of this House. That, of course, Sir, is a matter which, I am sure, the Government of India will assuredly take up and sift to the bottom. Let me only refer to the ignominious and undignified manner in which the police arrested our worthy and esteemed colleague. A police inspector (not a Deputy Superintendent of Police as is usual in such exceptional cases), was sent to his house in the early hours of the morning, he was asked to take off his jewels and to enter the police lorry accompanied by a police escort in which he was driven away to the police thana. Seth Bhag Chand Soni respectfully protested at such an undignified manner of arrest and such an unnecessary insult to his position, especially as a Member of this House. He asked quite reasonably to be allowed to go to the police thana in his own car in which the police guard could accompany him. This was rudely refused him, and so, like an ordinary criminal, he, an esteemed Member of this House, on the firmest of evidence, and which, when examined, was proved to be no evidence whatever, was carted like an ordinary criminal to the police thana, and, although he had been in residence in Delhi weeks before his arrest, attending his work at the Legislative Assembly and loyally supporting Government on every occasion.

Mr. S. Satyamurti: Ah!

Lieut.-Colonel Sir Henry Gidney: There is no use ah-ing it. Why not eh-eh-ing it?

Mr. S. Satyamurti: That is my comment on it.

Lieut.-Colonel Sir Henry Gidney: Don't interrupt me, please keep quiet.

He was denied the elements of courtesy and decency by the police. Sir, it is this act which I desire to emphasise and bring to the notice of the Government of India, and it is this act which I call upon the Government of India carefully to enquire into and to take action, not only against those

who were at fault, but to see that such action is not repeated. What our colleague has suffered as a result of this unmerited and quite unnecessary arrest, only he could tell the House, but I can tell you, Sir, that as a result of his arrest he would have been financially ruined, had it not been that he had adequate wealth to withstand the position and the rush that was made on his Bank by depositors. Let me explain. The Imperial Bank of India, on hearing of his arrest, issued telegraphic orders to all its branches in India to refuse the acceptance of *hundis* from Seth Bhag Chand Soni. Any ordinary firm of bankers would have been ruined within a few days. I shall not refer to any further indignities, but I do hope the Government will take an early opportunity to associate themselves with this House in expressing their deep sense of displeasure and sorrow at the indignities to which one of its honoured and respected Members has been exposed and that it will do the *amende honourable* with Seth Bhag Chand Soni and assure him in, no unmeasured and uncertain, a manner its sense of regret that he should have endured such suffering, such indignity and such humiliation on a charge for which he was arrested and for which there was hardly any evidence to prove, *i.e.*, for attempting to bribe the staff of the Finance Member to secure certain budget secrets before it was read out in this House. I feel sure that there is not a single Member in the Cabinet who does not echo the sentiments I have just expressed in regard to this matter. I think, Sir, that our Honourable colleague, Seth Bhag Chand Soni, should be given some tangible assurance that this House not only sympathises with him, but congratulates him on his honourable acquittal and assures him that he has not lost one iota of our respect and confidence and which I hope the Government will join with me *enm-com*.

The next point I wish to refer to is one of great importance, and that is the ruthless reduction in staff, reduction in privileges, etc., of subordinates of Government in its desire to maintain an expensive new system of reforms for which I do not believe Government are today financially prepared. We see before us on all sides a ruthless reduction in the subordinate staffs, a ruthless deprivation of their time honoured privileges and vested interests. We see before us many such deprivations, while very little is done in regard to officials. Surely, the Government realise that satisfaction, harmony and happiness among their staff is their greatest bulwark. Surely, the Government realise that no reforms can be introduced or carried out without a happy and contented staff. It must also realise that it is the biggest employer of labour and as such it should see that its staff, above all else, are happy and contented and they are not sacrificed on their altar of economy. This is not the position among the staff today. They have applied the axe of economy and retrenchment ruthlessly among all subordinates. Its desire, firstly, is to maintain the reforms which they want to bring into operation; secondly, to maintain a costly army; thirdly, to be able to pay high salaries to officials in India, and last, but not least, to be able to pay a crore of rupees annually from the revenues of this country towards the Lee concessions. These are matters which require the serious consideration of Government. It is time that they reversed their policy. In my opinion, nothing short of a complete stoppage of the Lee concessions as also a 15 to 20 per cent. reduction in the higher salaries will meet the situation. It is no use telling

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us that there is no racial discrimination, while you give starvation wages to the subordinate staff. You make a marked distinction between officials who have a non-Asiatic domicile and those with an Asiatic domicile. You give to the former extra pay and leave, full medical treatment, shorter period of probation, Lee concessions, etc., which you deny to your Asiatic officials. Why this differential treatment on the question of domicile when both do the same work? The subordinates today live on a starvation wage. Their pay has dropped so low that they find it difficult to exist; much less live with the higher officials. Although their salaries have been reduced, they can still enjoy their social amenities and club life. Is it fair that they should be given salaries which enable them to enjoy life and these conditions be denied to subordinates?

Sir, I now come to the last and most important part of my observations. I refer to the Posts and Telegraphs Department with special reference to the position of the Anglo-Indian community in this Department. When I spoke on the Finance Bill on the 18th March, 1935, I casually referred to the Posts and Telegraphs Department. It is my object, however, today to deal, at a greater length, and so I shall have to again refer to what I said last year; but before offering my criticisms, I desire to make a few brief preliminary observations regarding the working of this Department with special reference to that part of the Honourable the Finance Member's speech in which he states "The saving under working expenses is due partly to economies in expenditure". Sir, in reviewing the Annual Report of the Posts and Telegraphs Department for 1935-36, I am sure, other Honourable Members of this House will join with me in offering my very sincere congratulations to Mr. Bewoor, the able Director-General, on having balanced his budget in the second complete year of his administration of this huge and important Department. The turn over which was Rs. 47,000 for all branches would, as in the previous year, have aggregated to a profit of many lakhs of rupees had it not been for the heavy expenditure that had to be met during the year under review under the heads of:

- (a) Pensionary charges.
- (b) Provision in full for depreciation.
- (c) Expenditure on retrenched personnel, and
- (d) Interest on Capital outlay and accumulated losses.

I observe that the expenditure under Pensionary charges and Depreciation alone amounts to nearly 30 lakhs of rupees in excess of the sums expended during the previous year under these two heads and this explains, in a large measure, why no appreciable profit could be returned during the year under review. Sir, it is pleasing to know that this Department is now bearing in full its own pensionary charges which, in the past years, were assessed on actuarial basis. The increased expenditure under this head has been largely involved by premature retirement of deserving workers contingent on the policy of ruthless retrenchment during the past five years, and for all of which, my Honourable friend, Mr. Bewoor, is person-

ally not responsible. Mr. Bewoor, it is evident, has striven strenuously during the first two years of his administration to make the working of the Department under his charge a success, and right well has he done so—I take my hat off to him. Sir, we are indebted to him for being the first Director General in having, by campaigns of publicity at the principal exhibitions in this country and by means of handbills, coloured posters, pocket guides and advertisements in the dailies, etc., notified the facilities offered by the Post and Telegraph Department in all its branches to the uninformed public. The result of these campaigns, we may assume has helped, in no small measure, to bringing the revenue up to almost 11½ crores of rupees which, I believe, I am correct in stating, is the highest on record since 1925-26. Unfortunately, the expenditure which has been heavy for the reasons already stated at the commencement of my observations was due to causes outside the control of the administration, have prevented against better financial results. The volume of paid telegrams handed in during the year under review has, I understand, been appreciably larger than the average of the last five years and indicates a gradual return to normal trade conditions. I believe that this has resulted in a little surplus revenue from the Telegraph Department, though I believe the Post and Telephone Departments are the two that have paid the most revenue. In any case, this shows that the Telegraph Department is in no serious way of being reduced as a means of communication by the public as was anticipated. In giving the public and services interest first place, as the Director General has certainly done, it is necessary for us to remember that the welfare of a very large body of faithful Government servants in this Department, thousands of whom are holding comparatively humble positions in life, is in public keeping and should be treated with sympathy in all schemes and policy of economy.

I desire now to deal in detail with the position of the Anglo-Indian community employed in the Posts and Telegraphs Department. Sir, it would serve no useful purpose if I were to delve into a detail analysis of the various figures of communal employment in this Department from the year 1932-33 when annual figures began to be compiled for the calendar year and not for the financial year nor would much benefit be gained if an analysis of communal figures, dating from 13th June, 1935, when the revised communal orders came into force in this Department in accordance with Home Department Resolution of July, 1934. I know that the Directorate of this Department will not be able to agree on exact numbers, averages and percentages of the total employed in this Department and the total of my community, but I feel I must refer briefly to this matter which is germane to the rest of my observations. Sir, during the quinquennium, 1932—36, the strength of the combined Departments (Posts & Telegraphs) has been reduced by more than 10,000 whole-time employees, i.e., by about 10 per cent. in the entire establishment. High as this percentage has been and intense as must have been the sorrow and suffering caused by loss of employment to the unfortunate victims of enforced economy and their families, it is still more so when its appalling effects on the Anglo-Indian community are considered. From the statements showing the composition of the staff during the four years ending 1st January, 1936, it will be seen that, whereas on the 31st March, 1936, out of a total of over 107,393 whole-time employees

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of all communities and ratings, only 2,566 were Anglo-Indians and Domiciled Europeans. I know this figure of 2,566 did not obtain on the 3rd December, 1932, but, at the end of the financial year, 31st March, 1936, it included 2,405 Anglo-Indians and 161 Domiciled Europeans. It is possible that these figures are open to challenge by the Department but a few points here and there will make very little difference to my contentions. What concerns me most of all, Sir, is that: If my figure of total employees in the Department on the 31st March, 1932, is 1,07,393 and the total on the 31st December, 1935, is 95,666 and which figure, let me add, includes all the inferior servants who are paid from contingencies, then the reduction in the total establishment during these five years amounts to nearly 11 per cent. Whereas, with the Anglo-Indian figure taken at 31st March 1932, and including as it should, 161 Domiciled Europeans, gives a total of 2,566, which total fell to 2,169 on the 31st December, 1935, i.e., a drop of 397, this works out to a reduction of 15.4 per cent. in our employment. In this connection I am prepared to admit that if one excludes those inferior servants who are not paid from contingencies from the total employed in the Department the figure comes to about 84,107 which gives a higher percentage of reduction in the total number of employees of the Department. But I submit this is not a correct way of arriving at a proper reduction or percentage, I may be wrong, I speak subject to correction.

Now, Sir, I propose briefly to refer to the recruitment of Anglo-Indians during the four years 1932—35.

Calendar.	Total number recruited.	Total number of Anglo-Indians and Domiciled Europeans recruited.
1932	1,957	22
1933	2,581	31
1934	2,184	45
1935	2,803	63
Total	9,525	161 = 1.7% not 5% on the whole as is required.

This total of 161 Anglo-Indians who were recruited during these four years are as detailed in the following table.

Period (year ending).	Wireless Operators.	Clerks, upper and lower Divisions.	Non-Gazetted non-clerical miscellaneous staff.	Inferior servants.	Total of all ratings.
(a)	(b)	(c)	(d)	(e)	(f)
31st December 1932 .	2	12	5	3	22
31st December 1933 .	1	18	10	1	31
31st December 1934 .	0	27	18	..	45
31st December 1935 .	1	28	33	1	63
	4	85	66	5	161

} including one
Gazetted
officer.

In stressing this fact, Sir, I am aware that there has been no recruitment of telegraphists in the Operating Branch since the year 1930, a branch in which the Anglo-Indian community has been allotted 20 per cent. Now, Sir, of these 161 new appointments, one is a gazetted officer and four are Wireless Operators, the rest are of low division clerks, non-clerical and non-gazetted lower divisional personnel and inferior servants. There has been no recruitment of telegraphists and the intention, therefore, appears to be to recruit Anglo-Indians to the lowest grades of clerkship and other lower ratings all of which start below an initial salary of Rs. 45 and creep up, in 17 years' service, to the maximum of Rs. 85. I notice from this table that there has been no direct recruitment of Anglo-Indians into the upper division clerkship, which is made by promotion of senior lower division clerks generally after they have reached their maximum in the lower ratings. Sir, the non-gazetted, non-clerical ratings in this Department are I understand, treated superior servants (so is a postman) and they probably include caretakers of buildings, telephone operators, time-keepers in telegraph offices, inspectors and delivery peons in large offices and others who do not belong to regular cadres in this category. Sir, I submit, with all respect to my Honourable friend, the Director General, that the recruitment of such people is casual and should not be brought if it is brought, into the reckoning of Anglo-Indian percentages in the Department. It will be noticed also that some "inferior servants", five in number, have also been recruited and no doubt these include telegraph messengers, mail runners, etc. It will be noticed that this drop of 15.4 per cent within four years has occurred despite the recruitment of 63 Anglo-Indians in the year 1935-36 to the junior clerical and lower non-gazetted staff. Sir, in stressing this point I do not desire to deny my gratitude to Mr. Bewoor for offering employment of some kind to these employees who must have been starving due to unemployment and he can rightly say that these Anglo-Indians voluntarily offered themselves for these non-clerical non-gazetted jobs even as inferior servants and he is no doubt right, because with the present acute state of unemployment facing the community, there

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are sections mainly of the worst type of the community who are prepared to take any wage rather than roam the streets in quest of employment and starve. But what strikes me as a disquieting feature is that there has been no recruitment during the past six years to the Signalling Department. I know this is not the fault of the Department but it certainly reduces the earning capacity of my community, who in the past, were very largely employed in this Department.

Sir, I now give a statement showing the number of Anglo-Indian and Domiciled European employees in the Posts and Telegraphs Department from 31st March 1932 to 31st December 1935:

Date.	Gazetted.			Non-Gazetted Staff.			Total of columns (a) to (f).
	Officers of Posts and Telegraphs.	Telegraph, Telephone and Electric Supervisors.	Wireless Supervisors and Wireless Telegraphists.	Telegraph Masters and Telegraphists.	Clerks, Posts and Telegraphs.	Other non-Gazetted non-clerical and inferior staff.	
	(a)	(b)	(c)	(d)	(e)	(f)	
31st March 1932	221	234	89	1703	319	Not shown	2566
31st December 1932	189	160	91	1508	353	91	2392
31st December 1933	174	160	78	1314	377	64	2167
31st December 1934	165	152	95	1253	384	90	2148
31st December 1935	167	142	94	1213	384	169	2169
Increase + or decrease — on 31st March 1932.	—54	—92	+5	—490	+65	+169	—397
	—24.4%	—39.3%	+5.6%	—28.7%	+20.3%	% — Not struck as figures for 31st March 1932 not available.	—15.4% in less than four years.

A careful examination of this entitles me to summarise the position as follows:

The community has dropped in numbers within a little over four years by 24 per cent. in the Gazetted ranks, nearly 40 per cent. in the Engineering Supervisors (General, Technical and Telephones) ratings and 28 per cent. in the Signalling establishment in which, in the past, they have been chiefly employed. The loss of employment in these branches is deeply

felt and deplored, in view of the impoverishing and depressing effects of unemployment on a community which has never failed to acquit itself meritoriously over a period of 75 years in storm and stress, on frontier and field of battle, in malaria and beast-ridden jungles and swamps, on the frozen mountains and scorching deserts, in short, wherever duty required them in this farflung sub-continent. One has only to take his mind back to the immediate past when the General Service in the Telegraph Department and the Engineering Supervisors Departments were manned almost entirely by Anglo-Indians and Domiciled Europeans. It was these two Departments that brought the Posts and Telegraphs Department to their present state of efficiency. The General Telegraph Service is no more, it has been replaced by a local Telegraph Service on 50 per cent. lower salaries and as for the Engineering Supervisors Department the recruitment has been practically closed to the community for the past six years.

Staggering as the above reductions must appear when considered in relation to the entire service, it is even more so when statistics bearing on the staff and salaries on the Telegraph side alone are considered. The prospects of the Traffic staff have been seriously affected by excessive retrenchment of the personnel in the entire branch and revisions in the cadre, gradations and salaries of Deputy Superintendents, Telegraph Traffic, by transference to a long term time-scale, have lowered the average salaries of the personnel in these ratings. These retrenchments and revisions are not in keeping with the assurances afforded by the Government of India in the Department of Commerce and Industries. Sir, on the occasions of the amalgamation of the Posts and Telegraphs Departments by Resolution No. 3062-3036-101 of April 1914 and again in a letter No. P./1-Camp, dated the 11th November 1925, the Honourable Member-in-charge of the Department of Industries and Labour confirmed the assurance that the pay and prospects of existing members of the Service would not be adversely affected by any scheme or re-organization recommended by Departmental Committees. These changes have affected all communities alike and to illustrate my point I would quote the following statement which will show this:

Grade.	Number sanctioned in 1925.	Reduced in 1935 to	Percentage drop.
Superior Traffic Class I, Pay Rs. 1,000—50—1,500.	14	3	78%
Superior Traffic Class II, Pay Rs. 350—20—550—700.	35	24	31%
Deputy Superintendents, Traffic, Grade A, Pay Rs. 500—20—600.	20	15	25%
Deputy Superintendents, Traffic, Grade B, Pay Rs. 350—20—450.	34	25	32%
Telegraph Masters, Pay Rs. 275—15—325.	353	159	55%
Total	456	226	50%

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Sir, I stand aghast at this whole-sale reduction effected on the findings of the many retrenchment committees that have sat within the last five years determined to effect considerable economies in the Post and Telegraph Departments. This reduction of 230 out of 456, or more than 50 per cent. of the entire controlling and supervisory appointments is definitely drastic and appalling and, when it is considered with a heavy fall in the operative establishment and the raising of the standards of efficiency both in operation and supervision, it will be seen that a heavy strain has been placed on the entire traffic establishment; a strain which is bound to tell in time on the men. Sir, it is well known that telegraph traffic employees start early in life and serve the Government, as a rule, for more than 36 years. The incidence of promotion is such that they do not normally attain the position in the "Traffic Service Class II" before the thirty-first year of service and the fiftieth year of their lives. They have absolutely no hope whatever of earning more than four increments in a time-scale which starts at Rs. 350 per mensem and runs through fifteen stages before the maximum can be reached. The existence in 1925 of two grades of Deputy Superintendents (Traffic) made it possible for 20 of the most senior (out of a cadre of 54) to hold the upper grade of Rs. 500—20—600 for a few years before retirement and after many years of loyal service. Subsequent reduction in the number of these appointments and their merger in 1935 in a single time-scale cadre "Class II Traffic" has not only lowered the average income of these employees during the last three years of service, but affected their pensions very adversely. The promises of Government given in the Resolutions already referred to are thus completely stultified.

Even if it is conceded that substantial retrenchment was necessary as a measure of economy, there is no justification, either for dropping Class I Traffic Appointments down by 78 per cent. and seriously stifling promotion of deserving employees, or for placing subordinates, promoted to junior gazetted rank "Traffic Class II", at the advanced age of 50 on a time-scale which runs to fifteen stages before the maximum could be reached. In view of this, the reconstitution of "Telegraph Traffic Class II" appointments into two grades, as was strongly recommended by the Telegraph Establishment Enquiry Committee of 1932-33, and the restoration of at least 3 or the 11 Superior Traffic appointments, Class I, which were withdrawn as a measure of economy, call for immediate attention.

Confidence, in respect to pledges and prospects as well as in the stability of employment, constitutes the main spring of attraction for service and the more the public realise this, the better the recruits who will be attracted to Government employment. I submit, with all the emphasis at my command, that frequent retrenchments and variations in conditions of service and salaries will ultimately destroy confidence and it behoves Government to obviate this by the stabilisation of employment and rehabilitation of the disgruntled employees. Sir, this, as far as I have been able to gather from the limited statistics at my disposal, is the actual position today of the community in the Posts and Telegraphs Department and it only serves to remind one of the past history and treatment that has been accorded to the community in other Government

services which they were mainly instrumental in developing. I know, Sir, that Mr. Bewoor, when rises to reply to my figures, will quote official statistics showing that I am wrong in certain details, percentages and totals. I apologise to him if I am wrong but I would add that I have not in my possession an army of office clerks and figures to help me in arriving at my totals and percentages, but with all these disadvantages, I submit, Sir, that my totals and percentages are, on the whole, fairly accurate.

Now, Sir, I come to a more important aspect of the employment of the Anglo-Indian community in the Posts and Telegraphs, and to develop my point I find it necessary to dip into past history and compare it with our present condition. Sir, at the outset I admit that Mr. Bewoor is entitled in his reply to say that he has, more or less, given effect to the instructions he has received from time to time regarding the recruitment and the position of the community in the Department which is under his able control. There is, however, only one provision which will entitle him to this view and that is, provided the community has accepted the correctness of the distribution of the percentages and remuneration he has made. But the fundamental point is that we have not accepted his distribution as correct and in accordance with the Government of India, Home Department Resolution of July 4th, 1934, or with section 242, sub-sections (2) and (3) of the Government of India Act, 1935. Now, Sir, it might be said that it is useless to base our present day claims on the past association of the community in this Department, but it is on this very association that section 242 of the Government of India Act has been formulated and based. I shall not again stress the pledge given by the Government of India in the Department of Labour and Industries Resolution 3062—3086—101 of April 1914, or of the Honourable Member-in-charge of Labour and Industries' letter No. P./1-Camp, dated the 11th November 1925 and which distinctly pledges the word of Government that the pay and prospects of existing members of the service (all communities) would not be adversely affected by any scheme or reorganisation by *Departmental Committees*. Sir, it will be apposite for me here to quote from the reply given by the Government of India in September 1928 to the representation made by the Anglo-Indian deputation in London, in 1925, before the Secretary of State for India.

This is what that reply says:

"See no reason to anticipate that the number of Anglo-Indian recruits would decrease to any marked extent in the near future."

I ask the Honourable Member to run his eye down the tables I have given him and to see whether this pledge has been fulfilled or thrown to the winds especially in regard to the Engineering Supervisor's Branch? Sir, a reference to the relative part of this despatch will indicate that the Government referred *only to the Telegraph Department*, they did not mention anything about the Postal service which, in itself, supports our claim, today, that we have never been ordinarily recruited into the Postal Branch of this Department. At the time this statement was made by the Government of India (for instance in the years 1928 and 1929), the percentage of Anglo-Indians recruited to the Telegraphists' grade was 57 per cent. and 75 per cent. respectively. Mr. Bewoor, I am sure, will admit that there has been no recruitment of Telegraphists since the year

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1930. I, therefore, ask him and the Government of India in the Department of Labour and Industries a pointed question and I want a definite reply: On what basis did it fix the proportion of Anglo-Indian recruitment to the Telegraphists grade at 20 per cent. and which is a reduction of over 40 per cent. of our original strength in the Telegraphists Section of the Department? I know the Director-General will reply that if he gave us our original percentage and, according to the Government of India Resolution of July, 1934, he gave the Muslims 25 per cent., it would leave a very small percentage for the other communities. Sir, I have never made such a ridiculous demand, for I appreciate the fact that the strength of my community in the telegraph side can never be what it was even 7 years ago, but I submit, with all respect to the Director-General, that in reducing us in this Section of his Department from 57 per cent. and 75 per cent. to 20 per cent., he has neither carried out the injunctions placed on him by the Government of India, Home Department Resolution of July, 1934, nor has he paid "due regard" to the past associations of the community in the Telegraph Department as he has been called upon to do *vide* section 242, Government of India Act, 1935. The Director-General must appreciate, remembering the fact that it is in the Operative ranks the majority of the community in the service are employed, that this suspension of recruitment would inevitably bring down the number of Anglo-Indians employed in this Branch rapidly within the next few years. The Telegraph Establishment Enquiry Committee's recommendations tended to deplete the strength of this particular Branch and the forced retirement of the senior members of this Service, consequent to those recommendations, mainly affected the Anglo-Indians who occupied most of the senior appointments, and yet I ask what regard was given to this obvious fact? None. Today we find their places have remained unfilled, and what is worse still, recruitment has been suspended for the past seven years; and, over and above all this, the Government of India have thought fit to reserve only 20 per cent. of future recruitment into these ranks. The only consolation the community is offered is that a larger number of appointments are ensured for them by reserving for it 5 per cent. of non-gazetted non-clerical grades, besides the said 20 per cent. (which reservation now exists only on paper).

Sir, I should like to inform the Honourable Member that I have received reports from various circles that the Post Masters General in the Provinces are unable to secure qualified Anglo-Indians for the posts reserved for them in these clerical grades. I have repeatedly pointed out that the community forms the backbone of the Indian Auxiliary Force and being essentially an urban community, and owing to the difference in mode of life and standard of living, would find it difficult to accept service outside the Presidency towns. It was for this reason, which has special reference to defence purposes, that I appealed to the British Parliament, even after the distribution of the percentage had been made by the Government of India, early in 1935. This diffusion of the community from the Telegraph to the Postal side will only result in discouraging the genuine members of the community from seeking service and, if the somewhat better class do seek service under these impossible conditions of pay and prospects, it is because their parents in the Department who are on the generous old scales of pay are able to maintain them to live;

a condition which will be completely altered in 20 years time, when most of the Telegraph employees will be on the new starvation scales of pay. What is likely to happen is that non-Anglo-Indians will seek these appointments, masquerading as Anglo-Indians, for it is very rarely that an Anglo-Indian will take up an appointment as a clerk, and if he does it will be only in a Presidency town office. Sir, the principles underlying the distribution of the percentage reserved for the community in the Post and Telegraph Department, under the Government of India Resolution of 4th July 1934, were laid down in para. 9(2) of the said Resolution. It states:

"In the Posts and Telegraphs Department, the same principles will be followed as in the case of Railways for safeguarding the interests of the Anglo-Indian and Domiciled European community which at present holds about 2.2 per cent. of all subordinate posts, etc."

Now, Sir, in addition to this specific injunction which I submit, the Department has not followed, I now come to the Government of India Act, 1935, section 242 (2) and (3) which also lays down, in emphatic terms, the manner in which the appointments should be distributed in the Telegraph Department to its Anglo-Indian employees. This section distinctly states that it should be distributed in association with and having "due regard" to the "specific class", "category" and "numerical percentages and remuneration of the posts hitherto held by the community". I say, Sir, the reservation for the Anglo-Indian community of 20 per cent. in the Telegraphs and five per cent. in the Postal branches is not only an utter disregard but a complete reversal of our usual and ordinary appointments in these two departments. On the other hand it seems to me, Sir, that the Government of India appear only too willing and ready to accept any reform or recommendation made by any Departmental Enquiry Committee which seeks to reduce the strength of the community in the particular branches in which they were chiefly and "ordinarily" employed in the past in large numbers. Conditions of recruitment have been altered in such a manner that in those Departments to which the community was recruited to the extent of 50 per cent. up till 1929, it now rarely gets a single appointment in the year. I refer to the Telegraph Engineering Supervisors grade. Sir, this Department as I said before was, at one time, entirely manned by Anglo-Indians, it was they who till a few years ago did much of the pioneer construction work of the Telegraph Department but for reasons unknown to us, the then Honourable Member-in-charge of this Department completely altered the terms of recruitment into this Department and which was entirely reserved for worthy and capable subordinates of all communities. Sir, this Department was converted into an All-India Service and today entrance into it is by an open competitive examination, 50 per cent. from outside direct recruitment and 50 per cent. from subordinates. This division is a mere farce for, very few subordinates are capable of competing with graduates which were suddenly found necessary for this Department and which had, since its inception, been efficiently administered by skilled practical subordinates. Sir, this is a glaring instance in which the community—its worthy and tried subordinates have been suddenly, not gradually, deprived of employment (except in severe competition with Indian graduates) in a Department in which it was but a few years ago largely and ordinarily employed. I ask, why was this done and I repeat it is a glaring case of prejudicing the

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interests of the community and depriving us of our vested interests—indeed a claim to which we were entitled as are also Indian subordinates. Sir, it seems that economies introduced in the revisions of scales of pay have also been directed towards reducing the prospects of those senior Anglo-Indians who are already in service. In my speech last year, I pointed out that whereas, in pre-war days, the Anglo-Indian telegraphists' pay was Rs. 50 to Rs. 200 per month, in the post-war period, i.e., after 1920, this was increased to Rs. 80 to 250 per mensem. Today it is Rs. 45 per mensem rising to Rs. 120 in over 20 years service. Here also, in the desire of Government to increase the salaries of the lower paid staffs of the Department, such as linemen, postmen, etc., which have been increased from 100 to 200 per cent. in many cases, Government seems to have picked the Telegraphists, a department in which Anglo-Indians predominated, as their sacrifice to economy. The reductions in the initial and maxima salaries of the Telegraphists grade have been reduced 47 per cent. and 52 per cent., respectively. Even the prospects in the Telegraph Department have been considerably reduced by the reduction of the number of higher appointments, such as First Division and 2nd Division appointments from 14 to 3 and 35 to 24, respectively—appointments which were previously opened to promoted Telegraphists. Correspondingly I presume there has been an increase in the prospects of the Postal subordinates. Honourable Members-in-charge of this Department have rightly devoted their attention to improving the standard of living of their inferior servants; for postmen and others have got their salaries increased to almost double of pre-war time, a salary on which they can live although even they, today, are complaining. Sir, this increase of pay naturally caused increased expenditure on about 10,000 lower staff and as a result of this the Department finds itself, today, faced with top-heavy administrative charges regarding salaries. Sir, it is a significant but undeniable fact, that all attempts at economy in these two departments appear to have been directed mainly towards reducing the salaries and prospects of promotion of such sections of the Department in which Anglo-Indians have been predominatingly employed in the past, as I said before the reduction in most cases has been as much as from 50 to 60 per cent. in salaries. This reduction, I repeat, has been contrary to all the pledges and promises given by the Government and contrary to the orders of the Government Resolution of 1934 and section 242 of the Government of India Act, 1935. I ask, Sir, does Government seriously consider a change that entails a 50 to 60 per cent. reduction in salary to be a *gradual change* in the economic life of the community? Does the Honourable Member sincerely think that this is having "due regard" to the past association of the community in the Telegraph Department? If he does, then I stand staggered. If he does not, the remedy is obvious. But, Sir, it is to be remembered that by closing down a Telegraph Office, the number of Anglo-Indians who will be affected will be much smaller than the number of inferior staff and linemen (belonging mainly to other Indian communities). The fact which should be borne in mind is this: by forcing the resignations of Telegraph Masters on the ground of retrenchment, and by allowing the casualties occurring in the operative ranks to go unfilled, the earning capacity of the community is reduced to a considerable extent. This would undoubtedly result in a dislocation of the economic structure of the community. In this connection I would draw the attention of the Honourable Member to para. 2 of the Government of India Resolution of 4th July 1934, which

lays down the object underlying the protection envisaged in that Resolution, namely:

"In considering this general position the Government of India have also to take into account the claims of Anglo-Indians and Domiciled Europeans and of the Depressed Classes. Anglo-Indians have always held a large percentage of appointments in certain branches of the public service and it has been recognised that, in view of the degree to which the community has been dependent on this employment, steps must be taken to prevent in the new conditions anything in the nature of a rapid displacement of Anglo-Indians from their existing position, which might occasion a violent dislocation of the economic structure of the community."

Further, the resolution says:

"The instructions which follow in regard to the employment of Anglo-Indians and Domiciled Europeans in certain Departments are designed to give effect to this policy."

Sir, with these facts facing the Department, I ask them, in all seriousness, to consider whether they have carried out these instructions. The figures I have placed before this House show a reduction of 490 appointments in the operative ranks, of 92 appointments out of 234 in the Telegraph Engineering Supervisors grade and of 54 appointments out of 221 in the gazetted ranks, all of which have been brought about within a period of five years by the Government's acceptance of schemes of retrenchment and introduction of new conditions of recruitment and service. Sir, none will say that such huge reductions can hardly be in consonance with and in obedience of the Policy declared in the above quoted para. of the Government of India Resolution of July, 1934; nor can anyone in this House say that it is in consonance or that it shows any, but utter disregard to the policy enunciated in the Government of India's reply dated the 12th September 1928 to Anglo-Indian deputation that waited in London on the Secretary of State for India. Sir, when I delivered my speech on the general discussion of the Railway Budget I entered into details as regards the violation by that Department of certain parts of section 242 to the Government of India Act. It is unnecessary for me to repeat those views on this matter. I will only add that every word I uttered in that speech applies with equal force to the violation of that section by the Department controlling the Posts and Telegraphs Department.

Sir, when I raised the question of the interpretation of section 242(2) in this House on the 18th of February last and while I admitted that the Government of India had given partial effect to the sub-sections, particularly in regard to the distribution of the over-all percentage reserved for the Anglo-Indian community in the subordinate Railway services, I contended that the Government had not acted on the mandate contained in the sub-section regarding the remuneration of the posts. I, today, ask the Honourable Member of Labour and Industries that, if the words of the section relating to the remuneration of the posts were not intended to be effective, what was the purpose of the Houses of Parliament unanimously passing the relative sections? In Maxwell's "Interpretation of Statutes" that great authority says:

"The words of a statute, when there is a doubt about their meaning, are to be understood in the sense in which they best harmonize with the subject of the enactment and the object which the Legislature has in view."

In support let me quote what Sir Austen Chamberlain, M.P., said in the House of Commons on the statutory value of this section, which formed an amendment to the India Bill. He spoke after Lord Eustace Percy had replied on behalf of the Cabinet, when he stated that the

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injunctious implied in this section were not a facade, but a valued statement "of the standard by which the Railway Authorities must act". Sir Austen Chamberlain said:

"The Honourable Gentleman who has spoken will be grateful to the Noble Lord (Lord Eustace Percy) for the explanation he has just given. For my part I accept it as a satisfactory explanation. I think that the words introduced in another place are an effective guarantee for the fair treatment of the class of community whose case is under discussion. It is not the words themselves, but I think the Secretary of State in another place (House of Lords) used some rather *loose language* in describing what they were and what they were not. What I have hitherto understood by a *declaratory law* was that, when doubts had arisen as to what the law was, it was positively declared to be so and so; that, in fact, the Legislature professes to restate clearly the *existing law* and not to introduce an *entirely new law*. That is a very different thing from saying, in connection with such an amendment as this, that it is purely declaratory and that it does not bind anybody to do anything. I think those words were unfortunate and gave rise to misgivings which have found expression today. After hearing my Noble friend I am satisfied that the *words themselves are right and will do what we want done.*"

It is, therefore, necessary in this instance, I mean, in the operation of section 242, as far as the Post and Telegraph Department is concerned, to consider what were the circumstances under which the particular section was adopted by the British Parliament. Sir, on the 2nd April, 1935 the late Sir Reginald Craddock moved in the House of Commons an innocuous amendment to the effect that "in recruitment to such posts and in recruitment generally for railway purposes (the Railway Authority) shall have due regard to the past association of the Anglo-Indian community with Railway Services in India". Parliament, by a very large majority, rejected this amendment, but in replying to the debate, the Parliamentary Under Secretary of State for India enunciated certain principles for the distribution of the reserved percentages. Subsequent to this, representations were submitted to members of Parliament praying for statutory protection, both in regard to the correct distribution of the reserved appointments and the salaries of those posts, in view of the revised scales of pay published after the issue of the Government of India Resolution of 4th July 1934. It was as a result of these representations that Lord Lloyd moved the amendments in question and the speech he delivered on that occasion clearly indicated the object the Legislature, which adopted those amendments, had in view. The speech, as far as it related to these two matters, reads as follows:

"My Lords, I have some reason to hope, after a consultation with my Noble Friend (referring to the Secretary of State for India) that he will feel able to accept the amended terms of my amendment as it appears on the paper. You will remember that there was a shorter amendment originally put down. That has now been amplified to meet more especially the anxieties of the Anglo-Indian community. One was with regard to the percentage of posts to be kept for them and the other was not only that they were to have the percentage of posts but were to be kept employed in the same classes and character of employment as they had hitherto enjoyed. They had very good reason for anxiety over this.

There has also been added the word 'remuneration' which is very important to them, because, the scales of pay have deteriorated so terribly in recent times, and I might tell your Lordships that a European or Anglo-Indian boy fireman only gets ten rupees a month for the first few years. You will realise how impossible it is for anybody to live on that pay. These are matters which I believe are being enquired into. They are all very grave and, therefore, I am grateful to my Noble Friend for allowing the word 'remuneration' to come into the amendment, as well as his sympathy and assistance about it."

The mandate to the Posts and Telegraph Authority (also Railways) to have regard to the remuneration of the posts hitherto held by the community, was, therefore, inserted by Parliament, the Secretary of State for India agreeing, for the one and only reason that the scales of pay had, —to quote Lord Lloyd's words—"deteriorated so terribly in recent times". The Honourable the Railway Member in replying to my demand, while complaining against me for drawing a distinction between him as the Railway Member and the Government of India, gave his "own" individual opinion as to what section 242 meant and how it should have been worded if anything else had been intended. If the Government of India had the matter under consideration and if he were not in a position to inform the Legislative Assembly of the stage at which the matter stood, he could have said so. As regards his own opinion, as an individual, and which I may add is at distinct variance with the Houses of Parliament and the alternative interpretation he preferred, I shall not cross swords with such a legal luminary as the Honourable Sir Muhammad Zafrullah Khan. I have already stated facts and I bring this to the notice of the Honourable Member in charge of the Posts and Telegraphs that the words in this section should, in my humble opinion, be understood in the sense in which they best harmonize with the subject of the enactment and the object which the Legislature has in view. This object, none can deny, was the protection of the Anglo-Indian community—its jobs and their remuneration. If, in the opinion of Parliament, a correct distribution of the reserved posts in itself could afford the community the protection which it was Parliament's responsibility to ensure, the words:

"and particularly to the specific class, character and numerical percentages of the posts hitherto held by members of the community"

should have been quite sufficient. Moreover Mr. Butler, Parliamentary Under Secretary of State for India, in replying to the debate in the House of Commons on the 4th April, 1935, on the amendment moved by the late Sir Reginald Craddock, did not mention anything regarding the remuneration of the posts as a distinguishing feature, or as a guide in the distribution of the reserved appointments. The words "remuneration attaching to such posts" were inserted at the instance of Lord Lloyd and the object of this additional provision he sought to make and which was unanimously accepted by both Houses of Parliament, is clear from the text of his speech quoted above. I, therefore, respectfully submit, no one has any right, today, to adduce a different reason for the inclusion of these words in the Statute. Any interpretation which is sought to be placed on those words should be in the light of the objection which Lord Lloyd, as mover of the amendment, had in view and expressed. The Honourable Sir Muhammad Zafrullah Khan suggests that they mean "the remuneration which is attached to those posts". The actual words in the section are "remuneration of such posts", that is to say, "the remuneration of the posts hitherto held by the community". It certainly could not have referred to the remuneration which those posts at present carry, *vide* the new scales of pay. If it were so, the reference in the section to the question of remuneration becomes absolutely meaningless and a camouflage. I submit, Sir, that the British Parliament, with its wide experience in legislation, could not be guilty of this charge, especially when dealing with the protection of the interests of a community, the responsibility for which protection had been specially placed on its shoulders by the Government of India themselves, *vide* the Government of India Despatch on Constitutional Reform (September, 1930). Furthermore,

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confirmation of this view can be found in the remarks of the Marquess of Zetland, Secretary of State for India, in the House of Lords, on the 24th July, 1935, and the speeches of Lord Wolmer, Lord Eustace Percy and Sir Austen Chamberlain in the House of Commons on the 30th July, 1935. "Remuneration of such posts", therefore, necessarily refers to the remuneration which the posts hitherto held by the community carried in the past and not to the revised scales of pay introduced in the latter part of 1934. And the Railway Authority and the Government of India, in other mentioned departments, are bound to observe that "standard" in carrying out the mandate of the British Parliament in this regard. Sir, to my mind it is not a question of the British Parliament asking the Government of India, or the Honourable Members in charge of Departments to "fix the remuneration of the members of the Anglo-Indian community, when holding certain posts, which should have reference to some standard of living which I (Sir Henry Gidney) has in mind", as the Honourable Member for Railways would have it. It is merely a question of having "due regard" to the remuneration which the "posts hitherto held by the community" carried, prior to the introduction of the revised scales of pay. These posts, in the Posts and Telegraphs Department, also carried certain salaries, whatever might have been the considerations which influenced the Government to fix those rates in the past, and the relative section of the Act charges the Department to have "due regard" to those salaries, in the same manner as the Government in the Railway Department has given effect already to the provisions regarding the distribution of the posts with "due regard" to the particular category, character and numerical percentage of the posts hitherto held by the community.

Sir, the inference the Honourable the Railway Member tried to draw from my remarks, regarding the "common grievance" and "common action", is, in my opinion, entirely unjustified. To my mind those remarks of mine had nothing whatever to do with the acceptance or rejection by the Government of my interpretation of section 242. When I used the words "common grievance" and "common action" I referred chiefly to the curtailment of past and existing privileges of subordinates and the imposition of new conditions of service; for instance, the restriction of leave rules, reduction of over-time, deprivation of privileges, e.g. pass rules, increase in house rent, heavy reduction in the scales of pay on the ground of "no discrimination" and "standardization" and other allowances, etc., etc., I did say and I meant it that should the Honourable Member decline to give any information what the Government propose to do the community would know exactly where they stood and would be able to take whatever action they thought necessary for their future relation with the Railway Service. Surely, Sir, it could not be interpreted as a threat. In any case I am not afraid to say, as far as the community is concerned, we do not share the view that reliability and even loyalty connotes obsequious acceptance of whatever the employer may be pleased to do with regard to the conditions of service of the employee. I go so far as to say that, any revision of salaries and deprivation of other well known privileges, should be done after taking into some account the opinions of the employees concerned, indeed—these opinions should, as far as possible, be an expression of the will and the desire of the employees and, in paying no attention to this, I submit, the Government has acted, not only in an arbitrary and unjust manner,

but has deprived the employees of any voice when they made such drastic changes in the past conditions and prospects of its hundreds of thousands of employees.

Sir, I have entered into these details to show how seriously in my opinion the Anglo-Indian community has been prejudiced in a Department that it has largely helped to bring to its present state of efficiency. The records of the past history of this Department bear ample testimony to my statement, but I use no idle words when I state that I am seriously perturbed as to the fate of the community in this Department and, if I am to judge the future by the present, not the past, then the future of the community is indeed not an enviable one in this Department. The Honourable Member, no doubt, in his reply will prove to this House that he has maintained the percentages given to us as per Government of India resolution of 1934, but he, I am sure, will not be able to state on the floor of this House that he has carried out section 242 of the Government of India Act, 1935, as has the Railway Department in two of its three sections for, had he done so, he certainly would not have divided our employment with a 20 per cent. reservation in the Telegraph branch in which we were mainly employed and increased our percentage from a decimal to five per cent. in the Postal Department in which we were not generally employed. Sir, I know, he will say he has done this for the benefit of the community and I thank him for his genuine solicitude, but I am not prepared to accept that. We, rightly or wrongly, think that we have been ruthlessly deprived of a reasonable percentage in the Telegraphs in which we were mainly employed and unreasonably and against our wishes employed in the postal department which in our opinion, rightly or wrongly, offers less prospects than those in the telegraph side. We also submit that had he carried out section 242 of the Government of India Act and paid "due regard" to our past associations in the Telegraph Department we would not have been deprived of the percentage we enjoyed in the Engineering Supervisors' Department, nor would he have consented to reduce our salaries, as has been done, from 50 to 60 per cent. of our initial pays.

Sir, I apologise to this House for the length of my speech, but as it is most likely to be my swan-song, I feel it incumbent on me to enter into full details, as far as my limited figures allow me to do and which, I again admit, may be wrong in details and so place before Government, I hope, for the last time, the prejudicial effect on the community by the improper operation of the Government of India Resolution of 1934 and section 242 of the Government of India Act. Before I conclude I desire, notwithstanding the criticisms I have made, to assure the Honourable Member-in-charge of this Department, that no one appreciates more than I do the solicitude, the equity and the kindness of heart that he and Mr. Bewoor have shown towards the employment and retention of Anglo-Indians in his Department. I am sure he will be the first to admit that, as a community, we have played no small part in developing this Department. But, Sir, my duty as a representative of my community in this Honourable House and my fruitless efforts in the past to obtain some redress, have forced me to state here and now that the community has, for years, not received a square deal in the Telegraph Department. It is no use telling me that the Government of India Resolution of 1934 has been strictly adhered to when you have so reduced the salaries of the community employed in this Department as to render them almost a starvation wage. Furthermore, it cannot be denied that the Department has

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denied to us the benefits which are inherent and mandatory in section 242 of the Government of India Act. Sir, I do not wish to enter into an acrimonious controversy with the Director General of the Posts and Telegraphs. I have too great a respect and regard for him for I know that, if he could, he would help the community, for he will not deny that our standard of living is higher than that of Indians employed in certain sections of this Department. I, also, am prepared to give way if he proves that my totals, percentages and figures are, in minor points, wrong, but I feel sure he will agree that roughly speaking I have not strayed from the truth. In any case, Sir, I have placed my cards on the table and now expect the Honourable Member to make a full reply to the various points I have raised. I would conclude my remarks by asking the Director General of Posts and Telegraphs to be good enough to consider the advisability of restoring, at a very early date, to these unfortunate men of all communities at least some of the privileges, prospects and emoluments which have been withdrawn from them. I would ask him to consider:

1. restoring at least three out of 11 of the Class I Superior Traffic appointments which were ruthlessly retrenched;
2. introducing two grades of Superior Telegraph Traffic Officers, of which at least 25 per cent. should be in the upper grade;
3. increase in the percentage reserved for the community in the Operative ranks from 20 as at present to 40 per cent.;
4. to arrest a further drop in the proportion of Anglo-Indians and Domiciled Europeans hitherto employed as Supervisors in the Telegraph, Telephone, Technical and Wireless Engineering branches and in the Signalling Engineering branch;
5. that he be pleased to sanction a special reservation for the community in the Telegraph Engineering Supervisors Grade (with due regard to the community's past association with the Branch of the service) and at the same time confining the recruitment to the Posts reserved for the community in the Postal service to the Presidency towns only;
6. reopening training schools for recruitment of Telegraphists, both Indians and Anglo-Indians, in view of already heavy attenuation of trained operators and the prospect of an early rise in Telegraph Traffic; and
7. reconsidering in terms of section 242, Government of India Act, 1935, the specific classes, category and numerical percentage of the posts held by the community in the various classes of the Telegraph Department, and specially having due regard to the remuneration of such posts.

Sir, let me, in conclusion again express my grateful thanks to Mr. Bewoor and let me ask him, in all sincerity, to realise that I do not use the superlative when I say that the present salaries offered to the Anglo-Indian community in the Telegraph and Postal Departments are absolutely inadequate for the community as it exists today. If he has any doubt of the validity of my claim regarding the operation in entirety of section 242, sub-sections (2) and (3) of the Government of India Act, it is his duty not to pay "no regard" to these injunctions, but, if he has

any doubt to refer this to proper authority for a correct interpretation of this section and I hope he will not delay in doing so. If I have in any way hurt Mr. Bewoor's feelings, let me assure him that such was wholly unintentional and, moreover, most of my wails refer to a period before he assumed the reins of his office. The Department, Sir, is fortunate today to have such an able and sympathetic Director-General, for he is a pride to India and can always be held up as an example of what an Indian can do when given a chance to show his intrinsic worth.

Sir, I apologise for the length of the speech and I thank you for your indulgence.

Maulana Shaukat Ali (Cities of the United Provinces: Muhammadan Urban): Sir, I do not think I will take very long to ventilate my little grievance. I will mention only the recent elections and my own personal experience of them—what I found there, what had been promised by the Government and what has been actually done; and what we get when we come and ask for redress. I hope I shall confine myself within proper limits in what I have to say. Before I got up, I gave notice to the Government whip that I would very much like the Honourable the Home Member, Sir Henry Craik, to be present to hear what I had to say, so that it may not be said that I took advantage of his absence to say things which were not correct. (*An Honourable Member*: "He is here.") I am glad and grateful that he is here, though I would have said my say whether he was here or not; but I want to be fair, and to fight fair. I have been a fighter and I am not ashamed of fighting; but I prefer peace and I want to be friendly; though if a fight is forced on me, I am too heavy to run away: that is an advantage! If you remember, Sir, Dr. Khan Sahib proposed a Resolution in this House in the last Simla Session asking that the Government should issue instructions that the Government officials should take no part in the elections in the interests of one candidate or the other, and I will quote a few words in order to refresh the memory of Members in the House. The Honourable the Leader of the House, Sir Nripendranath Sircar, said:

"On behalf of the Government I am authorised to accept, and I do accept this resolution. ("Hear, hear", from the Congress benches.) I am authorised to accept the resolution as also the amendment, and I say either or both of them. I maintain that non-interference in elections by Government servants has been the policy of Government—I am not talking of public servants in the sense used in the Resolution, because there are public servants who are not Government servants—like the servants of the Calcutta Corporation, who have decided to take part in elections, I am not concerned with them—I am confining myself only to Government servants."

Sir, I am also confining my remarks to Government servants and none else. Further on, he said:

"I maintain that non-interference by Government servants in elections ought to be and has been the policy of the Government. I state that deliberately and I assure the House that that policy will be continued. I may further state that I desire to make it perfectly clear that while accepting this Resolution and the principle enunciated in it, I am not admitting the charges which have been made by my friend, Dr. Khan Sahib If there has been a failure, if there has been a breach of the instructions which have been issued or of the orders given by Government, it is not because Government directed or desired them or encouraged them to act in the manner they did, or because Government acquiesced in their actions, but they have happened in spite of the Government having taken all steps. I ask the House also to consider whether it is not inevitable that where the organization is so very large, defections are bound to take place in spite of all reasonable steps taken by high authorities."

[Maulana Shaukat Ali.]

Sir, I followed the Honourable the Leader of the House and I began in this way:

"I rise to support the Resolution and I am very glad indeed that the Honourable the Law Member has accepted it and has promised to do his utmost to see that no official, either directly or indirectly, takes part in the coming elections"

I will leave out the portions following, because Sir Muhammad Yakub and I are friends now. Then I referred to the woman's seat for which Begum Muhammad Ali contested—I leave all that out as it is personal; and further on I said:

"I warn you, Sir, that in the next few months, you may hear that there was a case against Maulana Shaukat Ali for murder, or for dacoity or for elopement (Laughter); you may hear that there is a case against me for bad livelihood and what not. I am perfectly willing to face all this and you should see that the official orders are carried out I heard that the same officer, Major Nethersole in charge of Moradabad said to a visitor that 'if any one tells you that I want to favour this man or that man, hand that man over to me', but I want to tell you all the same, 'look at the idiocy of this Government, they are issuing orders that we should be 'impartial, but orders or no orders, I will play my usual game'."

I may say he did play the usual game

Mr. President (The Honourable Sir Abdur Rahim): What is the Honourable Member reading from?

Maulana Shaukat Ali: Legislative Assembly Debates of Thursday, the 1st October, 1936

Mr. President (The Honourable Sir Abdur Rahim): It is there for any Honourable Member to read. The Chair does not think the Honourable Member can be allowed to read it at length like this.

Maulana Shaukat Ali: I only wanted to refresh everybody's memory.

Mr. President (The Honourable Sir Abdur Rahim): No. The Chair cannot allow that.

Maulana Shaukat Ali: I want to show that every promise made by this Government was broken. I do not want to read this book—it is a nuisance to me to have to read it: I merely wanted to remind the officials of the promises they made. I am sorry you stopped me, because I wanted to refer to the Home Member and to the promises he made. He said no case has been brought up in this House beyond some newspaper reports. I have the report of the Home Member's speech here with me to the effect that the Government shall not interfere in the elections, and if there be any grievance or complaint about interference, direct or indirect by Government officials, it would be looked into. He said—"If you have any grievance, if you have any specific complaint, you can come to us, and we shall go into the matter very thoroughly". Sir, I did bring to his notice the gross breach of this promise in Moradabad. Sir, I could not move my motion for adjournment, because you said the matter was not decided yet, and so it could not be allowed. I always respect your decisions and rulings. I think the whole House will bear with me when I say that I have never questioned your rulings or your authority, nor have I ever disobeyed your instructions. Then I brought

an amendment to the Resolution. That too was disallowed in my absence and because I was late by only five minutes. The meeting started at 11, and finished at 11-15 and I came to the House at 11-20. Then, Sir, I made an appointment with the Home Member at the advice of certain friends,—I won't tell you their names. I have hardly asked any questions in this House. I have always preferred to go to the Heads of Departments instead of publishing my grievances. I have been to almost every Member of the Executive Council, except perhaps to the Finance Member, because I know nothing about finance. Even if he hands me a copy of his budget speech 10 days before he actually presents it to the House, and even if he puts an extra duty on any article, I will not be able to make even five pice extra out of it. (Laughter.) I have been to the Honourable Sir Frank Noyce, and I always found him to be very kind and courteous. I have been to my friend, Sir Muhammad Zafrullah Khan, and very often, and I found him also to be very courteous. I have been to Sir Jagdish Prasad over the Haj question, and other matters, and he was also extremely kind and courteous. I have been to the Honourable Sir Henry Craik to discuss the question of the Lahore Shahidgunj mosque. I went over to him after these two amendments and censure motions, and I asked him for the good name of his Government, in the good name of his officials, he should see that his orders are properly carried out by his officers, I wanted him to see that his orders were not disobeyed by his officers in Moradabad. I wanted a public inquiry about their misbehaviour because in that case I would have led evidence before it. At the same time I was very anxious that there should be no partiality shown for any of the candidates, that there should be a fair, and square deal, because otherwise they would have no chance for free elections. I made an appointment with the Honourable the Home Member at his house. I am very glad he is here, and let him say whether what I am saying today is true or not. I explained to him how I was umpired out, I explained to him how Begam Muhammad Ali was umpired out, how the application of another was turned down. Maulana Bashir Ahmed. I also explained to him how Rai Bahadur Sardar Singh, one of the biggest zemindars of Moradabad, a man whose family received property and jagir after the mutiny for good services, a man who was a Member of the U. P. Council for 11 years, who was Chairman of the District Board, was dealt with, because he had the temerity to stand up against the Collector. Of course, I have no quarrel with the Collector, I have no fear of him or anybody else, I can always take care of myself. If the Collector or any one abuses me, I will not hesitate to retort and give back with interest. If anybody fights me, I will not hesitate to fight with greater force,—I would rather die than accept a disgraceful surrender. But I want to be a friend of everybody. I don't want to quarrel with any one. If you quarrel with me, I shall not hesitate to quarrel with you. Therefore, I made an appointment and went to the Honourable the Home Member's house, but I do not know why he did not show me the same courtesy as before. He was probably angry that I had gone to him with this complaint. Sir, I spoke to him without any excitement, I spoke to him with absolute restraint. But when I raised this question of interference in elections by officials in Moradabad, Major Nethersole and Syed Bashir Hyder, he turned round said: "Do you slander our officials"? I say, Sir, he will be an impossible man who can slander Major Nethersole—the Collector and his Tahsildar! If the Honourable the Home Member had inquired from his own friends like Sir Muhammad Yakub, Sir

[Maulana Shaukat Ali.]

Muhammad Yamin Khan, or from any of the officials who represent U. P. Government in this House and in whom he has confidence they would have told him what sort of a notorious man Major Nethersole was and he would have been satisfied. If he had enquired from his Local Government about this officer, the Home Member would have got a correct picture of this man. I went to him with a genuine grievance, complaints about which I had abundant proofs which I was going to produce—before the enquiry committee—but then I was told by the Honourable the Home Member—“You slander our officials”. Sir, there was not the least justification for a remark like that. Still I kept quiet and said—“You promised us in your speech that should there be any interference by our officers in elections we should bring such complaints to your notice. Here is the speech you made to the effect that if there was a definite charge or complaint, we should come to you”. Sir, you will not allow me to read that portion of the speech of the Home Member

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has stated the facts. That is quite enough. It is not necessary to read the whole speech.

Maulana Shaukat Ali: Thank you, Sir. Before I had put my case in hand in five minutes he interrupted me,—whether he did so through ill-health or not, I cannot say, or whether it was the fact that he had had no lunch, that too I cannot say. But, Sir, I had 150 miles by car through the night, I had to sit up all night in the car and, I reached at Delhi 4 o'clock in the morning. I reached the House only 5 minutes late unfortunately, and so I was not able to ventilate my grievance, but you had decided against me and gave me a little reprimand. You certainly meant well and I did not mind it. Now, to revert to my grievance I went over to the Home Member with my grievance. He said—“Go to the U. P. Government”. Then I said—“Why should I go to the U. P. Government? I represent the U. P. in this Assembly; you made a promise to us that in case any specific complaints about interference in elections were brought to you, you would look into them, and, therefore, I have a right to come to you”. Then he said—“Get out of my house”. Sir, I then also used language which was unparliamentary and which I don't want to repeat here and I left his house. Let him repeat word for word what I said to him and what he replied. Sir,—“I have a right to come to you, and to the Members of this House. I would not have bothered you but for the specific charges against Major Nethersole and I can adduce abundant proof. Every man in Moradabad knows Major Nethersole and Syed Bashir Hyder. If an impartial inquiry were held, I assure you that you will find a most immoral, corrupt administrator in the district”. Sir, this officer is not an I. C. S. man. He was a military officer, he was in charge of some aeroplane. He had an accident and hurt his head. He was shunted on from the military to the civil side. He should have been put in command of the British forces at Aldershot or at some other place but he should not have been thrust on the poor people of Moradabad. He wants to break every law, he laughs at every authority. If he takes a fancy to some one, he will advance his interests right or wrong; if he has a hatred for some one, he would use every means to ruin him completely. He is very well known to the U. P.

Government, and it is this man who interfered with free elections. In spite of his interference through his officers, Sir, we defeated him and we have won. I am prepared to cite 30 or 40 true and genuine cases of people with whose free votes he and his officers interfered. It is not the Collector who fought with us. If I desired to fight with any one, I would have fought him also, I have fought with the biggest in the land, but I wanted to win the elections, for my part and not to fight any. Sir, I have been a rebel and an outlaw, as you all know. I had the honour of seeing Governors and Viceroy and they had always shown me the greatest courtesy. I have had my fights with them. But today I want co-operation, I want friendliness to prevail, and when I am trying to work in that friendly spirit, I get abuse, because perhaps they think that this kind of co-operation of mine is not sufficient, they must have abject slavery. ("Hear, hear" from Congress Party Benches.) Where am I to go? What are these promises worth? The Honourable the Home Member may or may not apologise to me, but I have given him as much as he gave me. Then, Sir, what a contrast! I was boiling over with indignation owing to that incident and yet I had to go immediately to my Honourable friend, the Law Member, with a friend who was a Peshawari and who arrived here from Calcutta about a case of repression, and I asked him to see me for two minutes, though I had made no previous appointment with him. He said: "Whenever you come, why take two minutes, you can talk to me for two hours if you like". I told the Law Member all I wanted to tell him. He took down notes and gave me a patient hearing. Whether he has done anything for me or not I do not know; at least he gave me every consideration and courtesy. If the Honourable Member had made an enquiry, even from Members who come from Moradabad in this House, from Sir Jagdish Prasad—he could have learnt something about the gentleman. What is the use of treating us like this? There will be shortly a by-election in which I may have to fight an old friend, a Khilafat worker, though I still hope that we may come to some arrangement by which this may be avoided. But I may tell you this that I do not want any help from any collector or magistrate or police officer—I will deal with my friends there, and they will deal with me, and whoever wins, we will shake hands. I know the Congress candidate, I know him better than anybody else. What we want is complete impartiality, and we should have courtesy from everybody. I have got friends, Englishmen and Indians, many friends on the other side of the House. I had been 17 years in Government service and I had nothing but courtesy and kindness then, and even during my internment they kept up their friendship. I hope the Honourable Member will be good enough to order an enquiry and allow us to lead evidence, and then he can decide what he likes on the merits of the case. If the evidence is considered concocted or wrong and I cannot prove my case, I give them full authority to hang me. I hope that the Honourable Members on the front benches will show us courtesy and give us justice which they promise freely. (Applause.)

Mr. Ganga Singh (Burma: Non-European): Mr. President, I thank 1 P.M. you very heartily for kindly giving me an opportunity to speak, especially as it is the last occasion when a Member from Burma will rise in this House to speak. It is my duty to express the views of the people of Burma as to what we think about the Government of India.

[Mr. Ganga Singh.]

Sir, wherever there is British administration, we have many grievances to present, many lamentations to bring, because the attitude of the British Government (wherever it is) towards Indians, is that of a step-mother. Very many speakers before me have protested against the Finance Bill on the ground that it is not in the national economic interests of India. Sir, all the money got goes to maintain that top-heavy administration which forges chains to increase the slavery of India. This money is utilised for the maintenance of that army which not only keeps the people of India as slaves but it goes further and makes other nations also slaves. I would not omit at this time to mention one thing. Some of my Honourable friends have heard about the martial race. I may tell them that I belong to that race, but it is a shame on our part to stand before another nation and say that we belong to that martial race which takes away the liberty of other people. It has lost its own home and it goes to other peoples' homes and makes them slaves. Those Indians who have been to foreign lands or have met foreigners—I assure you when an occasion comes to talk about India they try to hide their feelings, they try to hide the fact that they belong to that race which is making other peoples slaves. The lamentations are too many as I have mentioned, but I would proceed to mention the other indignities that this administration heaps on Indians overseas. The Indians overseas are nothing but slaves and I do not think that they have got any right of assertion to be men because they are slaves at home and they must be slaves abroad. A slave has got no right to be master anywhere if he is a slave at his own home. This administration in India has reduced him to such a level of slavery that he is not only bodily a slave but also mentally, from which we do not think there is any escape in the near future. The British administration in India is like a wooden cake. It has got into the mouths of Indians, but it is too sticky to be pulled out. Neither we can afford to swallow it because that means slavery for ever, nor can we pull it out because of this administration and this army, which is keeping the cake in. These are a few salient factors which I think every man and woman of India laments. By this expression, "Indians", I should not be understood that I separate the Burmans. Burma is a province which by nature was within India, but it has so happened that it is going to be separated from India from the 1st April next. I will not go into the merits of separation or no separation, but I would say that this separation is intended to keep those people beyond the Bay slaves for a longer time than Indians. Honourable Members must have read or heard that the first step of British Imperialism to keep the people of Burma away from the politics of India is to increase the postal rates between Burma and India. We went to Burma centuries before the British ever knew about Burma. The British Government should have realised that the relation between the two countries is not a relation of a few years, but one of centuries. It is the British administration which has started this game. This is the first game of the British Government, to divide and rule whenever they can, sub-divide, bisect and dissect and then rule.

Then, I come to the duties imposed on sugar and silver and the postal rates. The sugar industry in a very few years has grown up to such an extent that it has reached its manhood and able to face the competition of the world but the Britisher does not like that a poor Indian should eat

sugar because he thinks that the Indian mouth is not fit for sugar. It might bring stomach troubles, diabetes and other troubles. I was quite surprised to hear the other day on the floor of the House a Government Member saying that a large number of the people of India are eating *gur*. I would ask him how many Government servants eat *gur*.

Mr. A. H. Chanda (Bengal: Nominated Official): I eat *gur*.

Mr. Ganga Singh: I am pleased that he takes it, more as a pleasure, not as a necessity.

Then, Sir, by a trick of high finance, I can assure this House, every woman of Burma had lost every ounce of her gold. We do not know what is meant by high finance, but I know that by some jugglery every woman of Burma has been made to part with her gold ornaments, and if a census is taken, it will be found that even five per cent. of the women of Burma have not got gold. Then, as regards silver, it is luxury of the poor. The poor could hoard little silver, but the attention of this benign Government has been turned to it as well. I assure the Finance Member that if one more jugglery of high finance is performed the silver also will be gone. This is high finance and I take it that high finance is to deprive other people by hook or crook of things with which they would not part otherwise. With regard to the general condition of the people of India, and when I say, India it includes Burma also, there are very few actual necessities of the people. First, he needs clothing. Secondly, he needs food and thirdly, he needs lodging. With regard to clothing, he needs it to cover his body. Food he wants to sustain himself and he wants house a place to live in to give him protection from external influences. I shall now examine what percentage of the people can clothe themselves properly to meet the climatic conditions. I can assure the Honourable the Finance Member that the people of Burma, who used to wear silk costing Rs. 10 to Rs. 12 have now substituted it with Japanese cotton clothes which cost not more than Rs. 1-2-0.

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

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

Mr. Ganga Singh: Sir, I will continue from the place where I left. I was mentioning that the needs of a person were clothing, food and houses to live in. You have to examine this question, namely, how many people in this country are properly clothed, properly nourished and properly housed. Sir, I need not go into the details of this question. Government and the Honourable Members of this House know that a very large percentage of Indians have not got sufficient clothes to cover them, sufficient food to nourish them, and proper sanitary houses to live in. This is apparent from the unemployment we have in this unfortunate land, where a very large percentage of the people are unemployed. Sir, this

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evil is due to the policy of the Government, because the Government want to exploit our people for their own people in England, and for that exploitation they help other nations also to exploit us. (Hear, hear.) This unemployment question is the question which will decide the fate of this Administration in India. Sir, if there would have been so much unemployment in England and if England did not have so many colonies and so many dominions and so many other possessions to send its educated men to, I can assure this House that then the unemployed educated men of England would have exploded and finished England by now. Sir, it is the good luck of England that it has got so many places on earth to supply employment to its people. Sir, this curse is only appreciated by those who have this evil at their doors. Unemployment is increasing, and the Government pay no regard to that. Sir, our unemployment can be removed by starting industries in this country and making the country self-supporting with regard to those articles that are required in this land; otherwise I can assure this Government that this is the thing which will finish them. There need not be other causes. There may be any kind of steel frame to govern us, they may have any martial races to back them, but this unemployment is the explosive which will burst them.

Now, Sir, I would like to say a few words with regard to the Constitution that has been given to my province and to other provinces. Sir, the reforms were the result of the thankfulness of the British nation in 1917, because the Indian Army, and the Indian people, by their supply of all raw products, saved the homes of the British, and there were Englishmen who did realise that it was India which saved England, and it was because of this appreciation that the reforms were granted to us, and it was that fresh thankfulness that made the British give us the reforms and thus resulted the system of dyarchy. Sir, we had dyarchy for about ten years and then came the time for its review, and we all know how many years were spent in considering and examining that question. Now, the present Constitution that has been given to my province and to the other provinces in India is another display of divide and rule; there is nothing substantial in this constitution. This constitution has taken back from us whatever was given even in the dyarchical system. Governors of provinces are enshrined under the Act as the perfect bureaucratic rulers. Whatever popular opinion desires to have done, they can do that, but the Governor can veto the whole. That is the chief aspect of the constitution. Sir, I can assure the Benches opposite to us that the Constitution conferred on Burma is most unsuitable, because the framers of that Constitution all the time had cast their eyes upon the idea of Hindu-Muslim disunity, of divide and rule. This is not the case in Burma. There is one class, one community. Sir, that Constitution is bound to go.

Now, Sir, I have a grievance against the Postal Department; that is, we have got a very large number of postal employees working under the Central Government. Now, when the postal rates are raised to the empire rate, it is natural that the traffic in the postal articles will go down and the result will be to remove those persons who are at present serving in that service. That service demanded from the Department that when the Central Government was leaving them, they must have an assurance of the security of their services. Those who have a desire to get their transfers to India should be allowed to have the transfers and those who are in

India, but have their homes in Burma, should be allowed to have their transfers back to Burma. Sir, I am the President of the Rangoon Postal Union in Burma and my Union did its best to represent this matter, but nothing so far has been done. Secondly, Sir, I have a message from the Muhammadan community in Burma that the grave of our *ex-Emperor* Bahadur Shah lies in an undignified way, which Government should not have allowed to remain in that condition. He lies under one shed of corrugated iron sheets and the members of the Muhammadan community are doing their best to make a dignified grave for that exalted person. The other day, in reply to my question, I was given a certain amount of assurance of what the Government of India are willing to do. If they really translate their word into action, it will be very much appreciated.

Sir, I again renew my grievance about the increase of postal rates and I would like to place on record a number of telegrams that I have received from the different Chambers of Commerce and other bodies in Burma, Calcutta and Madras. Here is a telegram from the Chettiar Association, Rangoon. They say:

"Communiqué published today. Empire postal rates apply from Burma to India. Telegram rates also raised. This is opposed trade agreement; should maintain *status quo*. Affects trade adversely resulting fall in revenue. Ask authorities for necessary action."

I have received a telegram from the Chettiers Association, Madras; I have also received another telegram from the Indian Chamber of Commerce, Calcutta. I have also received a telegram from Mandalay saying that a public meeting was held and they protest against this increase. Sir, I have got a large number of messages in this connection and I do not desire to take up more time of the House. I would, however, like to mention this that I had an interview with the Member in charge and he assured me that they will give their consideration to this matter at a later date. In this connection, Government of India might say, that in this case, it is the Government of Burma which has first started this increase. Sir, both countries have got great trade relations and the postal rates should be settled by mutual consent. It is right and proper on this for India to safeguard the communications of its nationals. There is a very large number of Indians in Burma, four or five lakhs of labourers and about eight lakhs others. The Indians view this increase of rates with suspicion, and they fear that Burma may not become another South Africa in the near future at the hand of Britishers. Sir, I give this warning to this Government that it will be another black mark on the administration of the British in this country if the condition of the people in Burma is allowed to drift as has been the case in South Africa and other places.

Sir, most of our speeches in the Assembly are not taken seriously by the official benches as they think that it is customary for Honourable Members to talk. I remember one of their great politician saying that the caravan will pass, let the dogs bark. Sir, the dogs do not bark unless they have some suspicion that the caravan consists of robbers and thieves. The dogs suspect, and then they bark. This is the condition of those people who cry out their grievances before the Government. I can assure the House that in India as well as in every part of the world where there is the British rule, people are tired of it, and there will be no more passing of the caravans and the barking of dogs. There will be a terrible re-action whenever an opportunity presents itself.

[Mr. Ganga Singh.]

Sir, a word more and I have done. The Government of India should watch the interests of Indians in Burma with keener interest in order to avoid the repetition of what has occurred in other countries. I oppose the motion of the Finance Member, because this Finance Bill is not in the national and economic interest of India. It is to maintain the undesirable, unwanted and distrusted British trust in this country.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, first of all, I desire to draw the attention of the House to a defect in the rules and Standing Orders. We have got starred questions and unstarred questions. Similarly, we ought to have starred speeches and unstarred speeches. I daresay I was not very much charmed by the essay which was read out by Sir Henry Gidney this morning. Probably it would have been more effective to the House if he had got printed the whole of it—no doubt, at the expense of the tax-payer—and had delivered only the last portion of his speech which was really effective.

Lieut.-Colonel Sir Henry Gidney: Why don't you do the same? Why don't you confine yourself to mathematics?

Dr. Ziauddin Ahmad: In the first place, I would like to take up the policy of protection. This policy is now 16 years old and I think the time has come when we ought to revise it. It is based on three fundamental points. It should have a natural advantage, the development is urgently needed, and eventually it will be able to stand on its own legs. The Fiscal Commission point out a danger which unfortunately has proved to be true. The danger is that once a protection is given, it is exceedingly difficult to withdraw it. This they say on page 55 of their report. In the actual working of the protection, we find that there are three defects. Firstly, no machinery has been provided to watch the progress of the industry. Secondly, no machinery exists to control the prices. They calculate the profits at certain rates which they call the fair selling price, but there is no machinery to see that the same price will be observed later on and that it will not be allowed to increase. Actually, we find that the prices do increase and the benefit of that goes to the shareholders. The third defect is that no machinery is provided to regulate the dividends. At present we are noticing that certain industries, which have been given protection, are giving very heavy dividends at the expense of the consumer. Now, it is desirable that these high profits ought to be kept in a reserve, so that they may be used in times of necessity. We should also remember that this protection is really a double tax, it is a tax on the consumers, it is naturally a tax on the revenue of the Government. It always leads to the diminution of the revenue, otherwise it will not be a protection. So, this protection really acts in two ways. In the first place, you tax the consumer to pay higher prices, and, on account of the loss of the revenue, you put your duty on some other commodity in order to make up the loss. Therefore, this thing requires very careful consideration and we should avoid as far as possible this double taxation. As regards taxes for protection, I can understand that you levy a tax for revenue purposes of the Government so that the Government may exist. I can also understand a tax for the benefit of the poor, and you tax the rich in that way. But I think it is very malicious to tax the poor for the benefit of the rich. This often happens in protection. As regards the policy of protection, I

am not opposed to it provided it is done for the benefit of the people of India and not for the benefit of the millowners of the country. My Honourable friend, Sir H. P. Mody, the other day said that he was in favour of cottage industries. May I ask him whether he would allow the levy of an excise duty on mills for the protection of cottage industries. Certainly not. He will be the first man to come forward and oppose the excise duty on mill production. What is then really necessary in this case? We should have an excise duty on mills and a corresponding duty on imported articles and then allow the cottage industries to go free. If we really want to have protection to the mills as well as protection to cottage industry this is the right way of doing it.

The next point I wish to touch upon is the question of road-rail competition, but I do not wish to discuss it in detail. I never had an opportunity to express my opinion on this subject. One point which we forget is that the road is paying a tax to the Government. The income from petrol at present is about six crores, and there is an annual increase of income under this head to the extent of half a crore. This is really an addition to the revenues of the country. Consider that the railways do not pay any revenue to the Government as they previously promised to pay, that is about one per cent. of the capital at charge. The other thing is that the accessories of motor cars are paying to us about $1\frac{1}{2}$ crores which we cannot neglect. Therefore, in making our calculations and coming to a final decision, this particular point should also be taken into consideration, that the roads are paying to the revenues of the Government while the railways are not. By whatever way you decide the question of road-rail competition, you must remember three fundamental principles, these are (1) that private enterprise should not be stifled; (2) the motors should pay proportionately the cost of maintenance of roads, and (3) the legislature should not cripple the free development of road traffic and a settlement should be obtained by mutual compromise. These are the three fundamental principles on which a settlement ought to be based.

There are one or two minor points which I shall just mention. My Honourable friend, Sir Muhammad Yakub, the other day drew the attention of the House to the disabilities of the people of Delhi. The services at Delhi are at present amalgamated with the Punjab. I do not object to it, at the same time the interest of the people of Delhi ought to be safeguarded, and this could be done only in either of the two ways. You can fix a quota to Delhi in all service for which amalgamation with the Punjab exists; or in all selection committees, the Chief Commissioner or one of his representatives should be present in order to safeguard the interests of the people of Delhi.

Mr. B. Das (Orissa Division: Non-Muhammadan): In that case, you will have to give representation to Orissa also.

Dr. Ziauddin Ahmad: The province of Orissa does not come into the picture at all. This question concerns Delhi alone and the services therein.

I have got to say a few words about the sugar industry. I have got with me figures relating to one particular factory. I notice that in 1932-33, the average profit was 25 per cent.; in 1933-34, it was 18 per cent.; and in 1934-35, it was $10\frac{1}{2}$ per cent.; in 1935-36, it was $10\frac{1}{2}$ per cent.; and, even after the imposition of the excise duty, the profit still continues to be $10\frac{1}{2}$ per cent. Thus, during the last five years, 75 per cent. of the

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capital which they originally invested has already been paid back in the shape of dividends. These calculations do not include the latest or invisible profits which are existing. So the imposition of excise duty on sugar did not work out to be so bad as some persons made it out in 1934. But I will discuss this question when we take up the clauses of the Finance Bill.

The next point to which I wish to refer is the competitive examination. This is the only opportunity when I can discuss this point now, because I cannot get any opportunity for its discussion on any other occasion. At present researches are being made in every country which show that the system of our examinations is not what it ought to be. Our examinations are very defective and the marks given by the examiners are very deceptive. I will just give an example by quoting an American author:

"In an examination in History in the year 1920, the papers were evaluated by six professors of History working as a panel. One of the professors, who was exceedingly conscientious, began by writing out what he considered model answers to the questions, but inadvertently his model answers got mixed up with the papers of those whom he had ploughed and was sent round to the other five professors for their appraisal. His paper was read by them as a *bona fide* answer paper of an examinee, and some of his colleagues ploughed him, the marks ranging all the way from 40 to 80."

I will now quote Sir Phillip Hartog who is a great authority on examination. He says:

"Of the 39 candidates who were awarded a Failure mark by one or more examiners, 25 were awarded a Credit, 8 special credit, and 3 distinction by one or more examiners."

This question was also examined by one or two educationists in India and there was a very good article in the Education Supplement of the *Hindu* of 1931:

"On an examination of the marks given to A, the best boy in the class, it will be seen that not only do the marks vary from 39 to 71 but are so distributed that one would not probably get a different set of marks if each examiner was allowed to draw his marks from an urn containing all the possible marks."

Later on, the same author says:

"No serious injustice would be done to candidates if the marks allotted to them are simply drawn out of a ballot box."

Well, Sir, these are the opinions about marking. There exists very great uncertainty about the marks given by the examiners and the errors are abnormal. People are investigating the question.

When we come to competitive examinations, the difficulties become still greater. There you have parallel subjects which the students take up; and one person has taken up history, another has taken up economics, a third, Persian or Sanskrit. We then total all the marks. There are two serious difficulties, the one is that the question papers in the alternative subjects may not be the papers of equivalent difficulty. There may be a very stiff paper in one subject and a very easy paper in an alternative subject which some other student may have taken. The standard of marking may be different in different subjects. The answer books in one subject may be examined by a person with lenient personal equation, the answer book of another student may be seen by a person with strict personal

equation. In this case the students are very much handicapped. In all these, what you call fair competitive examinations, there is an enormous amount of uncertainty which is not possible to overcome and which is exceedingly difficult to remove.

An Honourable Member: That will apply in the case of ordinary examinations also.

Dr. Ziauddin Ahmad: Yes, but in competitive examinations two additional difficulties apply and those are that the question papers in the alternative subjects may not be of equivalent difficulty and the students may be adversely affected by examination errors. Therefore, the conclusion that I have drawn is this that by adding the numerical marks it is impossible to say whether one person is abler than another. These competitive examinations, as they are conducted, do not decide or select the best candidate, but they certainly decide what I may call the most fortunate candidate who is favourably affected by the unavoidable examination errors and who really takes up a particular subject or subjects in which papers happen to be easy in that particular year. I am asked, what is the alternative? I will require some time to deal with the matter, but I will just suggest one or two points in which changes may be made. In the first place, every answer book ought to be examined by more than one examiner and serious differences of marks ought to be adjudicated by a third person. Secondly, marks of different examiners ought to be reduced to what is called a common scale. These are the two suggestions I make today.

Pandit Lakshmi Kanta Maitra (Presidency Division: Non-Muhammadan Rural): The third is the choice of examiners by the candidate.

3 P.M.

Dr. Ziauddin Ahmad: Fourth no examination. By competitive examinations we really cannot select the best candidates, and this system ought to be replaced as early as possible by a system which may be more effective, and we may select persons who may be able to carry on the work more efficiently.

I will now deal with the Defence Department. We ought to divide our army into two categories; one, required for the general defence of the Empire, and, secondly, for the maintenance of peace and tranquillity in the country; and there ought to be a distinct budget for these. The army of each category at the time of need should assist each other. Separated Burma may keep her own army for internal tranquillity and she ought to pay to India the proportionate cost of that army which is required for the safety of the whole Empire, because, really speaking, we maintain a very big army in India and that is really an army to safeguard the interests of Burma as well, and it is just and proper that she should pay her proportionate cost.

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, when I was hearing the speech of the Honourable Sir Frank Noyce the other day, I was reminded of a story. I had a servant and very often, once in two or three days, he was breaking a china cup. Cups and saucers suffered very much with him, and then when we scolded him, he said: "Look at this man; he scolds

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me when it is broken, but how often have I not broken. For my not breaking the china on these days, I must be appreciated." That is the spirit in which I think the Honourable Sir Frank Noyce wants an appreciation from us. He says, "You must give us credit for what we have not done and some credit for what we have done." I am sorry, Sir, that the budget which has been placed before the House today has not dealt with the facts and the serious problems before this country. It looks as if a joint stock company has placed its balance-sheets just to make the expenditure and income the same. The serious problems before the country,—the poverty of this country, the unemployment in this country, the problem of agricultural prices in this country,—there has been no attempt to tackle these problems. It is only a few days ago that I read in the newspapers about a great tragedy,—which has become rather a common occurrence in this country,—in Coimbatore where a mother with three children fell into a well and committed suicide on account of the fact that she was not able to eke out a living and feed her children and herself. And this is not an isolated instance. Very often we read in the news papers about people, father and mother and parents and children committing suicide, because they are not able to make both ends meet. And this is not confined only to the educated classes of this country, but extends to all classes of people. I should like to ask if any attempt has been made to meet the problem of poverty in this country or of unemployment? In this connection, I should like to point out what other countries are doing, and I will refer to the country from which my Honourable friend, the Finance Member, himself comes. He lays stress on his canons of financial procedure, but let me point out how other countries are trying to solve this problem of unemployment. I refer to the Sugar-Beet scandal as it is termed here. I read from the *Economist*, dated the 8th February, 1936, and it says:

"The Government's capitulation to the sugar beet interests is now complete. There has been no sorrier story in post-war British politics than that of the sugar beet subsidy. Since 1924 the State has spent £50 millions in supporting an industry whose total output is worth less than the subsidy received. During this period the profits, financed by the subsidy, have enabled the beet sugar companies to repay nearly 18½ per cent. of their capital, to accumulate assets equal to nearly 27 per cent. of their remaining capital, to write-off about 42 per cent. of their expenditure on fixed assets, and to pay gross dividends amounting to more than 83 per cent. of the share capital outstanding."

I do not want to go through the whole thing here, but it is enough to show that the British Government followed a policy of encouraging the beet sugar industry which was condemned by this paper and many others. May I know whether that Government, in view of this criticism which to my Honourable friend may seem very correct, abandoned that scheme and stopped giving protection? Certainly not. They said there are millions of men unemployed in the country and in order to provide employment for these people they went on supporting this industry even though there might be losses to the exchequer. And they did so in spite of the most vehement opposition from the great experts of that country. May I know whether the Finance Member is prepared to apply the same kind of policy to this country also? If that is done, millions of people will be able to live. Very often we have asked that the vital industries like the manufacture of motor cars and of locomotives should be started in this country, not for the sake of profits alone,—it may become profitable

a decade or two hence—but only to afford employment to millions of people in this country. And out of these key industries, many smaller industries will rise here which will give employment to thousands and millions of people. What replies have we got to all this? They say it will not work at a profit. What matters it if there be no profit? Have they in their own country started industries only for the sake of profit? Certainly not. This itself is a standing example of the fact that they lay down certain principles for their own country but when it comes to this country, their ideas of protection and their principles and canons undergo a complete change.

Then, about unemployment, I have heard of a bird which is considered to be very foolish which, when danger comes on, closes its eyes and thinks the danger has gone. In the same way, the Government of India dare not face facts in this country. When they advertised for a post here in the Watch and Ward Department, they know how many thousands of applications were received,—for one single job; they got about two or three thousand applications. In the light of these facts, questions have been often asked by many Members so that the Government may collect statistics about unemployment in this country. But they dare not face the facts for the reason that if they once collect the data, they will know what colossal and vast unemployment prevails here, and they will have to do something, which they are not prepared to do. For this reason they shut their eyes and say that unemployment is the business of the provinces and not their own. A question was asked if it could not be ascertained from the universities as to how many of their products were still unemployed: that could have been done very easily. Even that was refused. It is not that they lack the machinery for collecting the figures—they have got village officers, town officers, district officers—there is no fresh machinery necessary to be created to get these statistics. From the books published by the League of Nations, we get figures of unemployment for almost all countries in the world except our own: we can find out, how unemployment has been fought in Germany, in England, in the United States and in various other countries: and even in a country like Japan, figures are given. What do they do here? They say there are no figures—figures are not available. Is it not to the shame of the Government to say that they are not able to collect figures even—let alone doing something about relief of unemployment? We, on this side of the House, strongly resent the way in which budgets are placed before this House—as if just to meet the needs of the people who have to be paid, the needs of those who do the policing in this country, as if nothing has to be done to meet the needs of the country and solve its problems except policyming.

The next problem is that of agricultural prices. If we can find out a way and do something to raise the prices of agricultural products, poverty can be solved to some extent. But what have the Government done? Questions are being put as to what has been done. The other day, my Honourable friend read some figures to show that the prices of primary products are rising. I have here before me, not the prices of primary products, but the monthly bulletin of statistics, issued by the League of Nations, where the index of wholesale prices is published. Prices of primary products like rice might have risen in Rangoon a little: but is it a permanent rise? Can I not say that this temporary rise is

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due rather to the rearmament preparations that are going on in foreign countries? Why, even one of the Honourable Members in his reply the other day admitted as much. Even granting prices have risen, how much have they risen? As compared with prices in other countries, the rise in India is very poor indeed. Taking the basic figure to be 100 in 1929, in the United States it was 83 in 1935, in Germany it was 74, in Japan it was 84 and in the United Kingdom it was 77. What is it in India? It is 64. Can it be said that the rise in India has been commensurate with the rise in other countries? Can the Government say that this is a matter in which they cannot or need not interfere? It is not so. It is merely because they are not interested in the teeming millions of this country. They are satisfied with making both ends meet in their own case; and we on this side suggest that only three things can solve these problems of unemployment, poverty and depression. I do not want to speak at length about all these matters—I will confine my attention to one. About the question of raising the prices of agricultural products, I shall say a few words. We here believe that the rupee has been over-valued. We believe that a change back from 1/6 to 1/4 will bring about a rise in agricultural prices. In regard to this, apart from argument, and apart from the newspaper reports which may or may not be true but which have not been contradicted by the Honourable the Finance Member, it appears that the resignation of Sir Osborne Smith has something to do with the present ratio. It has been reported in the papers many times and in leading financial journals that in the opinion of Sir Osborne Smith, the proper ratio was 1s. 4d., but that the Finance Member of the Government of India disagreed with him, and that was the main cause of his resignation. This question of the resignation has been surrounded with mystery, and the fact, that no reply has been forthcoming to our questions, has made it more mysterious still. They say there has not been any difference on a major question. We are at a loss to know what a major question is: for aught we know, this may not be a major question to the Government of India: and many other questions which we think are major questions may be minor to the Government. To all these we have got no reply except to say that they will not say anything. My Honourable friend, Mr. Santhanam, put a question in this connection the other day whether Sir Osborne Smith had been given any compensation. We are entitled to know about this matter, but we do not get any reply. We get merely a grim face and angry looks and nothing more. Is this the proper way to treat this House? We ought to get a franker reply.

As regards capital works to relieve unemployment my Honourable friend, Sir Frank Noyce, said last year that they have started building in New Delhi to relieve unemployment. I have not yet got the figures which I wanted. But this much I can say. Most of the money invested in New Delhi was invested in times when there was no depression. After the depression has set in, the money invested in New Delhi is very small indeed, and it could not have relieved unemployment to any large extent. Most of this money was spent when money was not cheap, and there was no depression.

I want to say a few words now about the cut in salaries. Every one has spoken about this subject. I will not go into the figures about the disparity of salaries in this country as compared with other countries.

I will only point out that there is no ground for keeping up these high salaries here. Let me quote a few words from the Report of the Lee Commission, dated the 27th March, 1924

Mr. N. V. Gadgil (Bombay Central Division: Non-Muhammadan Rural): That is their Bible!

Mr. T. S. Avinashilingam Chettiar: What does their Bible say? What are the reasons they give for enhancing their salaries? They say, at page 24:

"The existing scales of pay for the All-India Services were fixed in 1919-20 on the basis of the recommendations of the Islington Commission. A great rise in prices had taken place since their report was signed. This was not ignored in recasting the scales, but no attempt was made to increase the rupee rates of pay to a figure which could justly be considered as taking full account of this rise in prices"

"The effect on the financial resources of officers remitting large sums to England for the maintenance and education of their families, and consuming considerable quantities of imported articles the rupee price of which has greatly risen, was immediate and serious; and a flood of memorials followed protesting against the inadequacy of the new scales."

The main reason for the increase of salaries was that prices had risen. Now, what has happened? The prices have come down by more than 50 per cent. Has there been any decrease in their salaries? Not only no decrease; but the cuts have been restored. There was a committee appointed to suggest methods of retrenchment. I read from the Report of the General Purposes Sub-Committee of the Retrenchment Advisory Committee of September, 1931. The recommendations of this committee, which were adopted in part, are in these words:

"We have no hesitation in recording our opinion that they (the salaries) are pitched high enough to bear substantial percentage cut without causing any serious inconvenience to the staff. (We may mention that we have made full allowance for the recently increased taxes on income and import tariffs on certain articles of luxury such as wine, tobacco, etc.)"

What more do they want when provision has been made even for wine, tobacco, etc.:

"In the case of men on the lower grades of pay, the unprecedented fall in the prices of food-stuffs should, to some extent, palliate the hardship of a percentage cut. Further, with the exception of Mr. Nixon, we have no hesitation in recommending that in a financial crisis of this magnitude, the costly 'concessions' known as the Lee Concessions (excepting those in the form of increased salaries which, pending consideration of the general question relating to pay and allowances, would be subjected, as proposed by us, to percentage cuts) should be withdrawn."

And, Sir, in this matter it is indeed very funny to find that the recommendations of the Retrenchment Committee have been accepted so far as the lower paid staff is concerned, but as far as the favourite wife of the Government of India and the British Government is concerned, I mean the I. C. S. and the I. P. S., nothing has been done. Questions have been asked over this matter. When you reduced the salaries of other people, you promised that you would consider and reduce in effect the salaries of your superior officers also but what have you done so far? Nothing. Sir, in 1934,—this question goes a long time back,—a question was asked—"Will Government be pleased to state whether the question of revising the pay of the Indian Civil Service and the Indian Police, as far as it affects the new entrants, has yet been decided or not?" The

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Honourable Sir Harry Haig, the then Home Member, replied as follows: "No, Sir. There has been some unexpected delay in formulating the conclusions of the Government of India, and the Secretary of State has not yet been addressed." On the 24th of January, 1934, the Secretary of State was not addressed, but what happened a year hence? On the 23rd February, 1935, again a question was asked—"With reference to starred question No. 10, dated the 24th January, 1934, will Government be pleased to state if any recommendations have been made to the Secretary of State regarding the revision of pay for future recruits to the Indian Civil Service and the Indian Police Service? If so, in what directions and when are the new scales of pay expected to be introduced in their case? (b) Are Government aware of the great discontent among the subordinate ranks of the services and among the members of the other all-India services, such as the Indian Audit and Accounts Service, owing to the discriminatory treatment meted out to them in the matter of reduction of their salaries?" And what was the reply given to this question? The reply was this,—"The answer to the first part of the question is in the affirmative. As regards the second part, I am unable, in accordance with the existing practice, to disclose the nature of the recommendations made. The Secretary of State has decided to postpone further consideration of this question until after the passing of the Constitution Act."

Now, Sir, the Constitution Act has been passed. It is now more than a year since it has been passed and brought into force. Has anything been done yet? Has any consideration been given to the fact that these higher paid officers are still receiving their bloated salaries in spite of a sharp decline in the prices? Have any proposals been formulated in order to reduce their salaries? No, nothing has been done. Government refuse to consider the question. Why,—may I ask? Is it honesty, is it fairly dealing with this country when you don't make any the slightest attempt to reduce the bloated salaries of people who virtually today get double the amount considering the fall in prices? Sir, from the point of view of prices obtaining today, I say that these superior officers are receiving double the pay of what they were getting in 1924, and these bloated salaries are still being kept up, no proposals have been made to the Secretary of State to reduce those salaries, nothing has been done. Why?

Then, Sir, one word more, and I have done. Christ said about those people whose fall he prophesied—"They have eyes but will not see, they have ears but will not hear". And may I ask you, Sir, will this Government see and will this Government hear?

Mr. J. Ramsay Scott (United Provinces: European): Mr. Deputy President, the Tariff Board in their report on the sugar industry in 1931 emphasised that protection to the industry was recommended primarily in the interest of the cultivator who, owing to the acute agricultural depression and the fall in the prices of all staple agricultural products, required an alternative crop, which would not be affected by world prices. Imports of foreign sugar into India were then about one million tons, and if India's requirements could be supplied from her own cultivation of sugarcane, the cultivator would be assured of the wherewithal to pay his rent and irrigation dues and provide those necessities of life for which cash payment is required. The production of one million tons of sugar required the erection of many additional factories, and the only means

of ensuring this was a protective duty against the entry of foreign sugar, which they recommended should be Rs. 7-4-0 per cwt. for the first or development period of seven years, and Rs. 6-4-0 per cwt. for the second or consolidation period of eight years, and the Tariff Board's opinion was that the United Provinces and Bihar, where more than half of the sugarcane in India was grown, afforded (and I want you to bear this prominently in mind) the best prospects for the development of the sugar industry. The Legislature, however, instead of adopting the Tariff Board's proposals, fixed the protective duty at Rs. 7-4-0 per cwt. for the development period, and decided that the rate of protection from 1938 to 1946 would be the subject of an inquiry. What, Sir, has been the result? Firstly, on the agricultural side, the area under sugarcane has, since 1931, increased by 50 per cent., i.e., from about three million acres to about $4\frac{1}{2}$ million acres. That the ryot has benefited, no one can question, and he has been enabled to do so by the Sugar Cane Act of 1934, under which two Provincial Governments—U. P. and Bihar,—fixed by law the minimum price at which cane could be purchased by sugar factories, on the basis of the ruling market prices for white sugar produced in these provinces.

Secondly, on the manufacturing side, the number of sugar factories has, since 1931, increased from 30 to 150, and the production of cane sugar from about 80,000 tons to over one million tons, rendering India self-supporting within about four years.

Thirdly, the cost of sugar to the consumer has been reduced from about Rs. 10 per maund to just under Rs. 6 per maund.

The ryot, the consumer and the sugar manufacturer have, therefore, benefited. Over 12 crores of rupees, according to the Tariff Board's estimate, have annually been retained in this country, to say nothing of the increase in employment which the expansion of the industry, both on the agricultural and the manufacturing side, has created.

According to the Honourable the Finance Member, the degree of development has been overdone, but if it is so, it is because the protective duty was automatically increased from Rs. 7-4-0 per cwt. to Rs. 9-1-0 per cwt. when, due to the financial stringency, Government increased all customs and excise duties by 25 per cent. equal to Rs. 1-13-0 per cwt. additional protection. I do not think there has been over production of sugar. Over a period of years, the consumption, based on imports and production of indigenous sugar, has been $1\frac{1}{4}$ million tons, and it would only be reasonable to assume that, as a result of low prices, increase of population, and a higher standard of living, consumption of sugar is going up. The Government estimate this year of cane sugar production is 1,038,000 tons, and allowing for sugar from *gur* and *khandasari* sugar, the total production is less than the estimate consumption. There is no need, therefore, for this panic to sell. The prospects of good profits led to the rushing up of factories, and many such factories were bought on the deferred purchase system and the owners hoped to pay for such factories out of profits. The question of the amount of finance required seems to have been hardly considered. A factory costing 15 lakhs of rupees to crush 30 lakhs of maunds of cane requires over the season about 17 lakhs of finance, about four lakhs of which should be working capital. Cane costing Rs. 0-4-3 per maund or say five annas per maund delivered at factory will account for ten lakhs which has to be paid on the nail. Wages, salaries and manufacturing charges amount to another $3\frac{1}{4}$ lakhs

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spread over the year and Excise 3½ lakhs which has to be paid within a month of the sugar going out of the factory compound. The present position is to a great extent due to weak sellers who have to sell sugar as soon as possible and are living from hand to mouth. There is also the cost of storage accommodation to be considered and the likelihood of deterioration during the monsoon. In the past sugar was sold as produced and the balance of India's requirements came from Java. Now, Indian sugar has to be sold throughout the year and as it is only produced from roughly December to April more than half the production has to be stored to supply the remainder of the year. The price of sugar has dropped this year to Rs. 6-0-0 per maund and below and this includes an excise of As. 0-15-6 per maund so that the return to the manufacturer is about Rs. 5-0-0 per maund. The cost of cane, say 11 maund at As. 0-5-0 delivered at Factory would be Rs. 3-7-0 which leaves Rs. 1-9-0 for manufacturing costs and profit if any. I would, in passing, mention that the Tariff Board envisaged that the manufacturing costs would be Rs. 2-7-6 but as they have been reduced well below that figure there can be no charge of inefficiency against the manufacturer. The more I read the Tariff Board's report the more I am impressed with the progressive increase in factory efficiency. If the surcharge of 11 annas per cwt. or about 8 annas per maund falls on the industry (and fall it will) every maund of sugar will be produced at a loss.

Are there any prospects of further economies? Any fall in the price of sugar will have the effect of reducing the cost of cane to the factory but that will reduce the price which the cultivator receives for his cane. The cost of cane is at present under investigation by Government so that neither I nor Government can at the moment say what such a cost is but I do know that it varies from Province to Province. In the past few years in my Province cane is the only agricultural crop which has not dropped by 50 per cent. in value and has been the saving of the ryot. The excise is a fixed charge of Rs. 1-7-6 per maund and is 30 per cent. of what the manufacturer receives after paying excise. I do not think that there is any room for reducing the costs of manufacture.

I would like to ask that if at the beginning of the period of Protection the Revenue from Sugar Customs duty was 10½ crores what permanent steps have been taken to fill its place. All I can find is that within 5 years the industry has had to pay per annum to the extent of 2½ crores and now 3½ crores in the shape of excise duty. In the first place a regular diminution in arithmetical progression of about ½ crore per annum seems to have been anticipated and that in 5th year this would have amounted to 3½ crores. What Government have given with one hand they have taken away with the other. In other words the industry is paying for its own protection. When protection was granted no excise was suggested by either Government or the Tariff Board. "The strain of the loss of about seven crores" is I admit a severe loss but my Honourable friend, the Finance Member, and his predecessor must surely have foreseen this or is it part of the "*Laissez Faire*" Policy of Government.

The Honourable the Finance Member said: "The present level of internal prices is such that the consumer when he has fully shouldered the burden

of an additional 11 annas per cwt. will be paying no more for his sugar than he was until a very recent date". This statement of the Finance Member seems to me inconsistent, for if the lowering of price is due to the pressure to sell it follows that the pressure to sell will continue and that the whole of the burden will be borne by the manufacturer.

He further said that: "As regards the manufacturer the enhanced excise will eliminate weak and inefficient producers and have a salutary effect by arresting further deterioration". I agree with the Finance Member that this increased excise will eliminate the weak and inefficient, if any, but it will also eliminate the efficient producer unless he has accumulated sufficient reserves to tide him over the next two or three years. It seems an effort to ruin the industry in order to save it.

What are the so called benefits to the cultivator. The cultivator's price for cane depends on the price of sugar and if the price includes the excise duty the price of sugar is artificially maintained in order to keep up the price of cane.

The ryot has already planted his cane which is to be cut next season as it is a 12 to 15 months crop so that if there is any fall in the price of sugar he will have to suffer the rest of this season and probably the whole of next. I would like my Honourable friend, Mr. Mudie, to note that the price of refining *gur* in 1936 was on an average about Rs. 2-12-0 per maund and as it takes 10 maunds of cane to make 1 maund of *gur* the ryot was obtaining about $4\frac{1}{2}$ annas for cane less manufacturing and marketing costs. At present in the Gorakhpur District the price of refining *gur* is Rs. 1-8-0 per maund so that the ryot is now receiving only about 2 annas for cane turned into *gur*. The cane supplied to factories is still about 0-4-3 per maund so that the factory is his best market and any decrease in the factory off-take will throw more *gur* on the *gur* market which is already depressed.

The cost of producing cane may be about $3\frac{1}{2}$ annas in the U. P. and Bihar, but this is only a guess and as I said before no one can yet substantiate this figure or indeed any figure.

If the ryot decides not to grow cane as it is no longer profitable can you tell me what other crop he can grow to take its place and to involve him in a smaller loss. $4\frac{1}{2}$ millions of acres if planted with other crops would no doubt bring about a deterioration of other crops prices so that the ryot now seems to me to be between the Devil and the Deep Sea.

Now, let us see what proposals or suggestions we can make.

In the last year, the cane acreage has increased by 10 per cent. while the yield has increased by 14 per cent. Efforts must be made and no effort or expense spared to obtain an increased yield per acre so that the ryot can obtain as much income per acre as he formerly has, as a lowering of cane prices must now be envisaged and also cheaper *gur*.

Secondly, uniformity of colour and size of crystals must be obtained by the industry. At present there are seven recognised colours and in each colour five sizes that is 35 standards. Thirdly we come to the "Put your house in order" question namely that the industry should start a selling and marketing organisation to restrict production and regulate the sale of sugar produced.

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The industry has 150 factories spread all over India and none of them seem to have the time or the mutual trust in each other to get such a scheme going. Now I would ask does Government consider whether sufficient attention is paid by the official Research Agency to the cane cultivation side particularly for the prevention of cane pests and diseases which are costing India several crores annually. Is there not room for better co-operation between Industry and Research Agencies? The plight of the industry is so bad that my Honoured Leader stated that the excise proposals were drastic and, Sir, drastic proposals require drastic remedies and I can only appeal for help and I trust such an appeal will not fall on deaf ears.

I myself am not satisfied that the particulars and statistics collected are being made use of in a proper manner and I am also sure that they are not being produced as quickly as possible. In the Indian Trade Journal of February 25th I notice figures for the fortnight ending December 15th. In a later number, improvement has been made, but it should be possible to publish such figures in about a fortnight after receipt. In Italy, figures are produced within a week. Although Protection enables Government to call for figures the industry has no penalty imposed on it if it does not produce the figures and out of 150 factories the first return was for 95, the second for 93 and the third for 90. Statistics are of no use unless accurate and up to date. Fourthly there is the question of the zoning of cane and the licensing of factories. This proposal was first suggested at a Conference in 1933 and in the Select Committee in 1931. The U. P. and Bihar Governments were in favour but Madras and Bombay were not. It is almost too late now but the Central Government should then have taken the matter in hand.

The Government seem to be as much to blame for the present position as the Industry and I feel that the very closest co-operation between Government and the Industry is required.

We are now on the eve of a Tariff Board Enquiry and I hope that the Tariff Board will consider all these points and that we shall see some constructive and helpful proposals in the 1938 Budget.

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): Sir, a review of the financial position of the Government of India during the last 16 years reveals the fact that only seven of these years have been years of surplus and no fewer than nine have been years of deficit. Again, for the year 1937-38 a deficit budget has been presented, so that we have in all ten years of deficit, and only seven years of surplus out of a total period of 17 years. That is so far as the financial position of the Government of India is concerned. What about the provinces? In most of the provinces, during this period, there have been deficit budgets, and only in a few provinces there have been surpluses. And how have these deficits been met? In two instances, the Government of India met their deficits out of the reserve funds which had been created, but during all the other years the Government had recourse to borrowing and additional taxation. Borrowing and additional taxation were also resorted to in the provinces. In fact, the financial position of some of the provinces was even worse than the financial position of the Central Government. It is true that a considerable part of the trouble in the provinces was due to the iniquitous Meston Award which happily is now going to be ended; but there

were also other causes. It was the uncertain position of Central finance and the fact of several new provinces having been created which prevented Sir Otto Niemeyer from doing full justice to the provinces. My own province expected to receive substantial help, but we have been disappointed. We want the whole of the proceeds of the export duty on jute and also a substantial portion of the income-tax proceeds to be transferred to our province. These are not unreasonable demands, but unfortunately they have not been acceded to as yet.

As for this chronic deficiency of income, it is clear that it discloses a very unsatisfactory state of things. Nor can it be regarded as sound policy. Of course, I do not blame the present Finance Member or even the present Members of the Government of India for this financial mismanagement during the whole of this period, but they have their share in it, and, to that extent, they must be held responsible. Now, what is the cause of this financial difficulty? To me it appears that the cause is two-fold. The first cause is the lack of foresight. Our administrators live from day to day. They carry on a hand-to-mouth administration and they do not look ahead. The result is that, in times of plenty, they indulge in reckless and extravagant expenditure, and in times of difficulty they do not care or dare to reduce their expenditure. The second cause is that they consider additional taxation an easier mode of tiding over a difficulty, because to curtail expenditure sometimes means touching of vested interests. The Government of India do not desire to touch vested interests; also they are powerless, because they are a Government subordinate to the British Government. It is true that, twice during this period, Retrenchment Committees were appointed, but these bodies went about their business in the wrong way and their recommendations were inadequate and imperfect. The axe fell very heavily on the poorer employees, while the richer persons among the employees of Government suffered very little. But imperfect and inadequate as these measures were, they were removed before the financial position of the Government had sufficiently improved.

Proposals for fresh taxation have now been placed before this House, and objections have been raised from all quarters. The Government benches have become impatient with this opposition, but such opposition is perfectly natural. I may point out to the Government benches that, even in those days when there were no non-official Members in the Legislature, opposition was sometimes made to the proposals for fresh taxation. When, in 1859, after the great crisis of the Sepoy Mutiny, the severest crisis that has ever occurred in India, proposals for fresh taxation were placed before the Legislative Council of the Governor General, the opposition was led by no less a person than Sir Barnes Peacock, then Chief Justice of the Supreme Court in Bengal, and Vice-President of the Council. Sir Barnes Peacock led the opposition from the Chair and his observations on that occasion are worth noting. He said:

"Are we to accept, without demur, proposals of the Executive Government? Are we to become mere registrars of the decrees of the Executive Government? For what purpose are we assembled here? Are we not here to discharge our duties conscientiously? Are we to become mere machines in the hands of the Government?"

Sir, another high officer of the Government, Sir Charles Trevelyan, who was then Governor of Madras, opposed the taxation proposals of the Government of India and published the memorandum which he had sent to them. In that memorandum he urged that when financial difficulty

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occurred, retrenchment was the proper course to adopt, and that it was not right that additional taxation should be resorted to by the Executive Government. He went so far in his opposition to the proposals for levying additional taxes in Madras that his conduct was censured by the Secretary of State, and Sir Charles Trevelyan was removed from the high office of Governor of the Madras Presidency. But these were great men, and no comparison can be instituted between them and the present officers of the Government. (Laughter.)

Sir, coming to the taxation proposals themselves, what do we find? The most surprising part of the Honourable Sir James Grigg's speech is that in which he says that he seeks to confer a boon upon the sugar industry. Sir, orators are credited with the gift of being able to make black appear white. Sir James Grigg is not an orator (*An Honourable Member*: "He is a wrangler"), but he has not been able to resist the temptation of resorting to an oratorical device in order to defend a bad case. Sir, many persons fully conversant with the sugar industry have spoken and the speech of my Honourable friend, Mr. Ramsay Scott, will, I hope, appeal to most Members of this House. I will not go into the details of this subject, but I will say this that I am not a capitalist and that I am not enamoured of the capitalistic system of production, but it would be wrong on my part to ignore the fact that capital is an important factor in industry. It is clear, if capital becomes shy, the industrial development of the country will be hampered. In India, capital is gradually overcoming its shyness, but if many sugar concerns fail, that shyness will once again re-appear. Therefore, Sir, I suggest that this excise duty on sugar should not be levied. My Honourable friend, Mr. Chanda, an official Member from Bengal, spoke eloquently yesterday—and I congratulate him on his eloquence—about the profits of the sugar industry. Sir, if the sugar industry pays such high dividends as those referred to by my friend, then the proper thing to do would be to levy on them higher rates of income-tax and super-tax. That would be the correct way of taxing the profits of an industry, and not by means of an excise duty, for an excise duty, as is well known, falls on the poor and the rich alike, and, in fact, it affects the poor to a much greater extent than the rich.

Mr. B. Das: The rich exploit the poor.

Dr. P. N. Banerjee: Sir, I am one of those who do not agree with the view that taxation is a necessary evil. On the other hand, I believe that, in certain circumstances, taxation does descend in a fertilizing shower. But the proper conditions must exist for this state of things. And, what are the conditions? The conditions are as follows. Firstly, taxation should be adjusted to the taxable capacity of the people. Now, in India, what do we find? We find that the taxable capacity of the people is low, and it is low, because the people are poor. And what have the Government been doing to raise the taxable capacity of the people? Very little. Sir, the wealth of a people is derived from industry, and, in order that there may be a substantial augmentation of our wealth, it is necessary on the part of Government to encourage industry, both industry on a large scale and industry on a small scale. Sir, the other day, a casual remark from my Honourable friend, Mr. Satyamurti, about the development of small-scale industries gladdened the heart of our Finance Member. Well, I am

one of those who believe that a great encouragement should be given to the small industries; but the larger industries should not be neglected. In fact, industrialisation should be adopted as the firm and deliberate policy of the Government, and full and active encouragement should be given to all industries, large as well as small. Sir, in this connection, I may refer to what I said last year when I pointed out to the Honourable the Finance Member that Mr. J. M. Keynes, although a member of the orthodox school of economics had partially changed his views and favoured the helping of industries out of State funds. Our Finance Member refused to be convinced by that argument. But I may place before him certain facts which I hope will convince him now. I hold in my hand a copy of the Report of the Director of the International Labour Office. He says:

"Even a few years ago public works were greatly derided as being economically unsound and practically inefficacious. The theoretical objection is now being vigorously combated by a number of latter-day economists of whom Mr. J. M. Keynes is not the least eminent. But it is from the field of fact that the most cogent arguments have been derived. The practical demonstrations given in the last two years have put a new complexion on the whole matter. The actual experience acquired in Sweden, the United States and other countries has shown that within limits well-planned schemes of public development not only make a real contribution to diminishing unemployment but may also provide facilities, services or commodities of great permanent value to the community."

Sir, the League of Nations and the International Labour Organization have done very useful work in regard to the publication of information relating to different countries, and I will invite the attention of our Finance Member to the publications of these bodies. If he looks at any of these publications, he will find that a great deal has been done in almost every civilized country for industrial development and for curbing unemployment. "The World Economic Survey" and "the Monetary Review" are publications to which I will invite his special attention. A great deal has been done in Japan, and a book published by the Economic Research Bureau gives an insight into the whole history of industrial development in that country. The book is entitled "Japanese Trade and Industry". Sir, very little has been done in this country either for industrial development or for meeting the problem of unemployment, and the Director of the Labour Organisation, while observing that unemployment has declined very substantially in most countries, remarks that there are certain exceptions, and among the exceptions are mentioned "vast areas such as India and China which are not included in the reckoning where unemployment or unremunerative employment exists on a huge scale". This much, Sir, with regard to improving the economic condition of the people in order that their taxable capacity may be raised.

The second condition which I would lay down for the imposition of fresh taxation is that the tax burden should be equitably distributed as between the different classes of society. At the present moment, the tax burden falls far more heavily on the poor than on the rich. It is unfortunate that when we urge that there should be a re-adjustment of this tax burden, our Finance Member, although he shows his solicitude for the poor in words, refuses to take any practical steps.

Thirdly, I would urge that no taxes should be levied without the consent of the representatives of the people. What is done in India at the present moment? Have we any real power with regard to taxation? None. This Finance Bill, which we are considering now, will perhaps not be accepted by this House, but, then, what will the Honourable the Finance

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Member do? He will approach His Excellency the Governor General and ask him to certify the measure and he will then bring forward a Recommended Bill. If the Recommended Bill is not accepted by the House, then he will ask the Governor General to pass this measure into an Act over the signature of the Governor General himself. This is certainly not taxation with the consent of the people.

Fourthly, expenditure incurred out of the taxes levied should be such as will benefit the people. Now, Sir, a very small proportion of the revenue derived is spent for the benefit of the people of the country. Certain important subjects, such as sanitation, education, agricultural improvement, industrial development, are neglected, and there are certain services which exist in all civilized countries, but for which no money is spent in India at all. Take, for instance, unemployment insurance and other forms of social insurance.

Lastly, Sir, I would urge that the taxes raised within the country should be spent within the country itself. Unfortunately, what happens now is that a good part of the taxes raised in this country goes out of the country without any direct return. This is a state of things which should be ended as soon as possible.

This House cannot be a consenting party to the additional taxation which has been proposed by the Honourable the Finance Member. As a matter of fact, this House will stultify itself if it accepts these proposals. But the Finance Member will ask, what are your alternatives? I have several alternatives and I will place them before this House. In the first place, resort to economy and retrenchment in civil administration will be quite sufficient to meet the deficiency for the current year. I would, therefore, urge that the salaries of all officers drawing more than Rs. 100 or Rs. 150 should be cut on a graduated scale rising from 2½ per cent. to 50 per cent. Secondly, there should be economy in the Military Department. This economy can be secured, as has been pointed out by many speakers, by Indianisation, particularly Indianisation of the officers' ranks of the army. Thirdly, economy in the Military Department can be secured by making over some of the charges now defrayed out of the Indian Exchequer to the British Exchequer. Mr. Ramsay Macdonald, who was Prime Minister of England for many years and who is now a Member of the Cabinet, observed, not long ago, that a large part of the army, at least one-half of the army, was an Imperial Army and the cost of this army should be defrayed out of the British Exchequer and not the Indian Exchequer. A fourth alternative would be to reduce the size of the present army after the separation of Burma. It is pointed out in the budget that there has been a saving of expenditure only to the extent of a little more than one crore on this account. But that is not sufficient. There should be a saving of at least five crores in military expenditure on account of the separation of Burma. Fifthly, as I have already stated, we are not absolutely hostile to the imposition of fresh taxation. But the character of the tax proposals should be such as may be acceptable to the people. I would suggest that we reimpose the surcharges on the income-tax—especially income-tax in the higher grades—and super-tax. Our Finance Member professes his solicitude for the poor, I hope he will agree to this proposal of mine. Lastly, I would suggest an export duty on gold at the rate of ten per cent. *ad valorem*. Our Finance Member always holds the view that gold is a commodity. I accept his view. If gold is a commodity, what

would be the harm in putting an export duty on it. We have in the past levied export duties on many commodities, and even at the present day we are levying export duties on two commodities, namely, jute and rice. What objection could there be to the levy of an export duty on gold? I do not agree with Sir James Grigg fully when he says that gold is a commodity like other commodities. It is a commodity, but there is some amount of difference between gold and other commodities? Gold is the basis of the currencies of most countries and gold is also the basis on which the credit of many countries is founded. Further, gold is the medium for making up the balance in international dealings. Whatever that may be, as gold is a commodity and as we have in the past levied export duties on commodities, I would urge upon the Honourable the Finance Member the levy of an export duty on it on the present occasion. This will yield at least 1½ crores.

Sir, anyone of the measures suggested by me will give us an income which would be quite enough to meet the present deficit. A combination of all the measures will yield a surplus which will be large enough, not only to meet the deficit for this year, but will enable the Finance Member to put a large sum in the revenue reserve fund for utilisation in years of future difficulty. More than that, this will enable him to reduce the salt duty to a substantial extent and also to reduce the price of the postcard to the two-pice rate.

Sir, one word more, and I will finish. The Honourable the Finance Member told us at the end of his speech that he wants to close the loopholes in the administration of the taxes. I fully agree with him and I will fully support him in all the measures that he will take in that regard. But I should like to urge that nothing will be done which will lead to hardship on the poorer classes of the people or create any harassment for them. Further, I do hope and trust that nothing will be done in the name of "tightening up of the administration of existing taxes" which will result in putting additional tax burdens on the poor.

Babu Kallash Behari Lal (Bhagalpur, Purnea and Sonthal Parganas: Non-Muhammadian): Sir, it is always to my lot to speak at the fag end of a debate. But since I have been called upon to speak now and since this has been so dearly got, I appreciate it all the more. Sir, I would not have spoken at all had not one of the measures proposed in the Finance Bill attempted to hit hard my province of Bihar. I think the result of all these speeches that have been delivered on this subject will be to give some hope to those who believe in making speeches here so that the people outside may take it that something has been done and in this way they will take it that I have also contributed my mite in this attempt. It is in this spirit that I am going to make my submission.

In Bihar, the development of sugar industry has reached to such a state that it was hoped that it would go a great deal to solve the unemployment problem, not only the unemployment of the labouring classes, but also the unemployment of the middle classes, and it would go a great deal also to help the capitalists to get profit out of their capital which had become so shy during periods of depression. With all these things before our eyes, the prospect was so bright that we were expecting that in course of time at least practically Bihar would be able to solve its unemployment problem, when all of a sudden this bolt from the blue comes and it is proposed by the Honourable the Finance Member that

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sugar industry will now be taxed. Sir, it is said that it will not affect the industry so far as those who are well off are concerned. The other day, an Honourable Member from the Government Benches made a speech with facts and figures and tried to convince the House that it will not affect at all those who are concerned in the business. I think, Sir, he gave a story also to prove that those on this side are so hard of belief that they would not accept the theory because we are always in the habit of not believing the good intentions of the Government. He narrated the story of a bullock. If his intention was to convince this House or to convince this side of the House that the Government had good intentions, I would only tell him that he was attempting to convince just as in the story the robbers attempted to convince the Brahman. The story is that there was a Brahman who was taking a cow and somewhere on the way four robbers planned to take away the cow from him and they planted themselves at a distance of a few furlongs from each other so that, when the Brahman was passing, one robber told him that it was not a cow that he was escorting, but that it was a dog; but the Brahman only laughed at him, and went on his way. Then, after a furlong, another robber asked him why he was taking a dog, he being a Brahman. Then, the Brahman began to suspect within himself, but however he proceeded further. Then, the third robber repeated the same remark that he was taking a dog and not a cow. By this time the Brahman began to entertain grave doubts as to whether the animal he was taking was a cow or a dog and finally when the fourth robber also corroborated what the other fellows said, the Brahman came to the conclusion that perhaps he himself was wrong in thinking that it was a cow and he was thus convinced that it was a dog. If my Honourable friend on the other side wanted to convince us in that way with these figures about a fact which is as clear as daylight, then of course my Honourable friend may feel convinced that he has satisfied us. But for his satisfaction I may tell him that he may convince himself from the very budget speech of the Honourable the Finance Member where he says:

"The main single cause of the present weakness in our revenue position is the virtual disappearance of the revenue from imported sugar."

This one sentence gives the clue to the mentality of the persons who are instrumental in imposing this tax. There can be no two interpretations that the intention is that as the import of sugar is necessary for making money for this Government of India this tax is going to be levied. And that becomes clear in a later sentence:

"In so far as the enhanced excise will check this tendency by eliminating the weak and inefficient producer it will have a salutary effect."

There can be no doubt as regards the position when these two sentences are read together. One says that the Finance Member is in need of money and so he must import sugar from outside; and the other says that if he at all imports sugar from outside, it matters little if the weak or inefficient industry in the land is killed on that account. Although he calls that a weak and inefficient industry, God knows what in actual practice it will come to, whether the weak and inefficient will be killed or the efficient and the strong will be killed. But nevertheless he has not taken into consideration the death of the industry before the fact that he wants money and so he must import foreign sugar.

Having said this much about sugar I do not think any further argument is necessary because much has been said from all sides of the House in this regard. Many facts and figures have been produced, and if those facts and figures have not convinced the Honourable the Finance Member, I do not think my arguments will have that effect. So much has been said from all sides of the House that I do not see any reason why I should prolong my speech, and I therefore propose to take only a few minutes more. I will only say about some of the wrongs that have been inflicted upon the people due to a certain policy pursued by Government,—a policy of irresponsibility, petty-mindedness, arrogance, corruption, jobbery, nepotism, and last but not the least, extravagance. I will deal with each one of these one by one. Dealing first with irresponsibility, we know that three-fourths of the total revenue of the Government of India are allotted for non-voted expenditure in which the representatives of the people of India cannot have any voice, and the remaining one-fourth upon which the vote of this House is taken, if rejected by the House, can be restored by the Viceroy. Then, where is the necessity for devoting so much of time for the sanction of this House to a comparatively small amount covered by this Finance Bill? Why hesitate over a gnat when you can swallow an elephant? It cannot be imagined that the Government of India is even partially a responsible Government and it is out of the sense of responsibility that this Finance Bill is brought before the Legislature for its sanction. Their responsibility can more be imagined than described from day to day happenings in this very House. Do we not know how questions are answered by Government? It would not be out of place to mention here that the other day in reply to a question of Mr. Umar Aly Shah, the Honourable the Railway Member referred him to the answer given to a similar question put by Qazi Muhammad Ahmad Kazmi. And when the answer given to Mr. Kazmi was looked into it was found that the Honourable the Railway Member had referred Mr. Kazmi in that answer to the answers given in reply to 400 questions spread over two years. This is how Government discharge their sense of responsibility. So, situated as we are, it can neither be for a vote of confidence nor for the sense of responsibility on the part of Government. It is only for affording us an opportunity to sing our own song of woes and to give our rulers an opportunity to take stock of the feelings of the people over the sins of omission and commission on the part of Government. It is in this spirit that I beg to narrate a few of the grievances.

The other day, while discussing the cut motion over the question of repressive policy of Government, very ugly scenes of repression carried on by Government were described and the right of Government to resort to such repressive action was challenged. I was thinking all along and I came to the conclusion that if the foreign Government means to rule here they have no option but to resort to all sorts of repression. What I could not understand was the petty-mindedness behind all these repressions. Let me illustrate what I have said.

One Mohit Chandra Adhikari was convicted to transportation for life for the offence of committing dacoity or attempt to commit dacoity in Bhagalpur. He was sent to the Andamans. Perhaps in the Andaman Islands he contracted tuberculosis. He was brought back to Bhagalpur where it was more or less certain that he was passing his last days. He

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was the only son of his father whose very sight would bring down tears from the strongest heart. The father naturally wanted his son during his last days. He would have only got the skeleton of his son only to await his passing away, but that also he was denied. In the end, the son died, and my information is that the father was informed of it much later. We used to hear that the treatment accorded to Mohit Chandra Adhikari was not human. Apart from the fact whether it was right or wrong, I concede the right of a foreign Government to do whatever and howsoever they like with the man whom they consider their enemy. But will Government please say what can be the good of showing petty-mindedness to the father or other relatives or, as a matter of fact, to the whole nation whose human feelings are still alive? Do Government gain anything by this? I ask Government to ponder over it. I understand Government are very careful to keep out Russian thoughts from entering the minds of Indian people. As a matter of fact I have not read any book on communism nor do I know what it is. But the late Mr. D. N. Singh, whom I have succeeded in this House, on his return from Russia delivered a public lecture, and, amongst other things that he described about Russia, he painted a very beautiful picture about the treatment of prisoners in Russian jails. He said that the prisoners were allowed to go on parole even for harvesting, what to speak about the methods and treatment to correct and reform them. Such comparisons of things at once create thoughts in one's mind and lead to liking for things which I doubt if Government can be successful in keeping out. I know about my own brother who, as long ago as 1917, was suspected of taking part in revolutionary activities and was interned till 1920. But even after his internment, just as some Honourable Members observed that once an internee always an internee, his movements are watched like an ordinary criminal. Can Government give any justification for such petty-mindedness?

Next to petty-mindedness comes the arrogance of those who are entrusted with the task of administration of this country. I am conscious that the tallest among the Indians must be made to look small before any person who represents Imperialism in this land. A tiny bureaucrat would not even care to reply to a letter addressed by a Gandhi-cap-walla. Is it not in pursuance of this policy that an atmosphere of superiority is maintained by the Government servant in this land? It is in pursuance of this policy that we hear daily about discrimination between Europeans and Indians in railway trains, in public parks, in hotels and in Government service. It is in pursuance of this policy that discrimination is maintained even before law courts and sometimes Europeans guilty of even hunting down Indians escape scot-free, not to speak of insulting and outraging. In short, the display of arrogance is a thing which of all things will be remembered by Indians of future generations in regulating their relations with those who happen to predominate in this country at present.

As regards corruption and jobbery and nepotism, the less said the better. It would take a long time to make any brief reference to the ways of Government in these respects. However, one instance which is fresh in my mind I will take this opportunity of bringing to the notice of Government. I took an opportunity to speak in the Simla Session with regard to this incident. This is a case of the Railway Department where a man

has been victimised and his victimisation by a subordinate officer in the department has been upheld even up to the Railway Member. I brought this case to the notice of the Railway Member and he promised to look into it. During the Railway Budget debate I spoke about this and he said that he has looked into the papers and was convinced that justice had been done. I put it to him whether he gave any opportunity to the man aggrieved to prove his innocence. Everything that was cooked up by the guilty man who wanted to victimise him was put before his superior officer, and that superior officer might have forwarded it to the still higher superior officer until it came to the Agent and the Agent forwarded it to the Railway Board and the Railway Board sent it to the Railway Member and the Railway Member was convinced that it is all right. It is against this sort of practice that I lodge a protest. My request was a simple one that the Railway Member should give him an opportunity to prove his innocence. It can be called no inquiry at all if whatever is cooked up by the guilty man is put up before the Railway Member and he is satisfied that justice is done.

I have got a good deal more to say about other questions, but as I am being pressed from all sides and as I generally have the misfortune of getting an opportunity to speak at the fag end of the day, I cannot press all the points, except one which I might bring to the notice of the House—the differential treatment of the Government in the matter of distributing their favours. I am referring to broadcasting. I do not say it is necessary for the people, but since the Government say so and taking the Government on its own case, may I know why certain provinces have been given two broadcasting stations while some provinces have not got even one?

One other point I would mention is about the military policy of the Government. (Laughter.) This has been debated from so many points of view that I need not touch upon it at all; but I have something new to say. Apart from the martial or non-martial point of view which the Government have taken into account, I may point out this: the Government have neglected some provinces which were not neglected before: Bihar once contributed a major portion of the military before the Sepoy Mutiny about which we read in history. It was the Bihar sepoys who mutinied at that time: and whether they are martial or non-martial, they were soldiers then and even conquered the Punjab. I am ashamed of that conquest, but they have been penalised for that sin. But I do not think they need atone for the sin of the Mutiny.

An Honourable Member: First War of Indian Independence.

Babu Kallash Behari Lal: Yes, which I would call by some other name. I am proud of that. I will only say that whether they are martial or non-martial, they have been taken in the constabulary forces in four provinces of Bengal, Bihar, Assam and Orissa, and in which they predominate. I think if they can do well in the constabulary, there is no reason why they should be totally wiped off from the military cadre. I place this matter before the Government for their consideration.

Sir Cowasji Jehangir (Bombay City, Non-Muhammadian Urban): Sir, I move that the question be now put,

Mr. President (The Honourable Sir Abdur Rahim): The Chair accepts the closure, subject to the reply of the Honourable the Finance Member.

The question is:

"That the question be now put."

The motion was adopted.

The Honourable Sir James Grigg (Finance Member): Sir, we have been, in theory, discussing the budget for a considerable time. We have had the inevitable references to exploitation, barbarism, repression, dishonesty, martial races, bloated bureaucracy, and so on. In fact, we have heard so much of these terms that I caught myself wondering at times whether the Party opposite had not had some of their election speeches electrically recorded and forgotten to turn the loud speaker off. Then, we had a repetition of Pandit Malaviya's lecture on emasculation accompanied this year by a not very savoury story from America to point his moral and adorn his tale though I was not quite clear what the moral was: we had the usual fairy stories—of more than one kind—from Rohtak: we had the usual dissertations on Indianisation of the army: we have had several impassioned harangues on the woes of the Bengali terrorists, and so on. But we have had very little about the budget; and indeed very little about any financial topic at all; and, therefore, I am somewhat at a loss to know how to reply to this debate. However, perhaps the best thing I can do is to take the principal points on which Honourable Members have impinged on the subject of finance and to expose some of the more glaring fallacies and inaccuracies to which they have given vent; and if I can establish error and misstatement in the economic sphere, I shall make so bold as to assume that the political diatribes to which we have just listened are just about equally accurate.

First of all, may I take one of the earlier speeches of the Deputy Leader of the Opposition? He said—and I copied out his words from the typescript of the official reporters:

"The income of England from investments abroad has increased by 300 millions in the last 17 years, with the result that it is getting today from shipping and other investments more than the total income of our country."

What are the facts? The highest figure of the United Kingdom income from foreign investments was 250 millions: in 1935, it had dropped to 185 millions. This is the gross figure, not the increase. The highest figure for the United Kingdom shipping income was 140 millions: in 1935, it had fallen to 75 millions. In 1935, we see that the income from the two together—shipping and other investments abroad—was 260 millions; and, Sir, the estimated Indian national income in that year was 1,200 millions sterling. So that, you see that every single item of the Pandit's statements is incorrect, one of them to the extent of 400 or 500 per cent.

Then, Sir, Pandit Malaviya was making a speech the other day, and, in the course of that speech, he denied that France was exporting gold, and, when challenged, he said: "Well, perhaps she is, but that is only in order to purchase American support in the event of German aggression"

Pandit Krishna Kant Malaviya (Benares and Gorakhpur Divisions: Non-Muhammadian Rural): I never denied that France did export gold.

The Honourable Sir James Grigg: You did, to start with.

Pandit Krishna Kant Malaviya: Never.

The Honourable Sir James Grigg: You said that no nation was exporting gold except India. I am within the recollection of the House at any rate

Dr. P. N. Banerjee: That was not meant.

The Honourable Sir James Grigg: I am not responsible for what he meant. I can only deal with what he said. Was there ever such a feeble and fantastic way of getting out of a flat misstatement? That kind of thing is getting rather frequent in the Party opposite. Mr. Chettiar, this afternoon, said: "Oh, yes, I no longer deny that prices are rising, but anyhow it is due to re-armament in the western world". But you cannot first deny that there has been a rise in prices, and when it is proved that there is a rise in prices, say "oh, well, it is due to something which we ought to be able to leave out of account". Anyhow, to come back to Pandit Malaviya, he said that no country in the world, except India, was exporting gold. Has he forgotten Holland; has he forgotten

Pandit Krishna Kant Malaviya: What about England? Why don't you say anything about England?

The Honourable Sir James Grigg: Japan which, according to recent newspaper reports, is preparing to export gold on a very large scale?

Now, Sir, we will take a third Pandit, Pandit Lakshmi Kanta Maitra. He asserted that revenue had fallen off by four crores, and used this as an argument to show how I have ruined the finances of India. Now, let us look at facts. I am comparing the figures for 1934-35 and the estimates for 1937-38, and, in order to get at a proper basis of comparison, you must make certain adjustments to start with. The first is that you must deduct in each case the railway interest receipts, and you must add to the figures of 1937-38 the amount of the 50 per cent. of the jute export duty assigned to Bengal. The reason for that is in the earlier year, the jute export duty was treated as expenditure, while, in the later year, it is treated as deduction from revenue. If you make those adjustments, you will get a falling off of revenue from 1934-35 to the estimates of 1937-38 of three crores 25 lakhs. In the case of the jute export duty, I assume that the Pandit from Bengal does not regard a gift of 50 per cent. of the export duty made to his province by my predecessor as a clear indication of the ruin which I have brought upon the finances of India. Then, Sir, we have to make further adjustments to bring into account the alterations in taxation which have been made during the last three years. In 1935 there were reductions of taxation of the value of one crore 44 lakhs a year; in the following year, there were reductions of taxations of the value of one crore 98 lakhs a year, whereas this year there are additions of taxation which are expected to yield one crore 65 lakhs a year. The net effect of all these is a reduction of taxation of one crore 77 lakhs a year, and, subtracting that from the three crores 25 lakhs, you get a falling off between the two years of one crore 48 lakhs. But we have not yet finished. Certain adjustments must be made this year to take into account the separation of Burma and

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the further grants to the provinces under the Niemeyer award. Those altogether account for a loss of revenue of three crores 76 lakhs. So, making all the adjustments and comparing like with like, you get as the true basis of the comparison—the difference in the revenue of the two years is two crores 28 lakhs in favour of the later year, and in that I have taken no account of the net loss of the sugar import duty of over three crores. Sir, on the whole, I think I can fairly say that three wise men have not particularly distinguished themselves.

Now, Sir, I come to the innumerable references made to the cost of the bloated bureaucracy, and I take, in particular Mr. Mudaliar's reference, —I copied it down at the time—to salaries to officials mostly foreign. Let me give him the figures relating to his own province for the year 1936-37. The total pay and salary bill for Madras is seven crores 27 lakhs; the non-voted amount in this is 82 lakhs; the pay of other officers is 96 lakhs; and the pay of establishments is five crores 49 lakhs. I think we can assume with sufficient accuracy that the whole of the last two items go to Indians, and I think we can assume,—and I will make a generous assumption in regard to the non-voted amount,—that two-thirds of it go to Europeans. In that case, we are left with 60 lakhs or just over three per cent. of the Madras revenue as the pay of these hordes of foreign officials. And, personally, I believe, Sir, that even this figure is 50 per cent. above the real figure, but I have made generous assumptions in order not to be cavilled at on minor points

Dr. P. N. Banerjee: Our objection is to the pay of Indians also.

The Honourable Sir James Grigg: I am not referring to your objection, I am referring to a statement of fact.

I have quoted these figures for two purposes. The first is to expose a very frequent and a very gross misstatement, and the second is to show to the Honourable Member from Madras how inaccurate are the stories about the enormous field of salaries of foreign officials which are specially safeguarded by the Government of India Act. I thought this might interest Seth Govind Das and Mr. Satyamurti, both of whom I understood to give notice of a cut in Government servants' salaries.

I now come to Sir Muhammad Yamin Khan. I must say that the picture of a Zamindar's heart bleeding for his starving tenants was a most touching one. (Laughter.) In so far as his heart bled on account of the sugar excise, I will come to that later on, but I would like here and now to point a gentle finger of scorn at his picture of hundreds,—that was the word he used,—of his starving villagers being shareholders in the Reserve Bank, and from the figures of income-tax payable on their dividends, I worked out that each of these starving villagers must hold at least five shares which at present quotations is worth about Rs. 650. Really, if the Zamindar wants to make our hearts bleed too, he will have to do better than that. (Laughter.)

Now, I come to my friend, Mr. B. Das, who spoke, as he told us, on behalf of the commercial community. I thought he was a member of the Congress Party and represented the masses. He said that prices were not rising. A few days ago, I referred to the Calcutta wholesale price index number, and said this showed clearly that prices were rising. The figure

for February is now available. It is 99. It was 98 in January, 94 in December, 93 in November, while for an earlier month, it was 90 or 89. Evidently, the spokesman of the commercial community does not read commercial publications. (Laughter.)

Perhaps at this stage I might mention Mr. Husenbhai Laljee's picture of his interview with Mussolini. I was a little disappointed with his account, I am bound to say. Instead of Il Duce's views on the future of Europe or on the restoration of the holy Roman Empire or the civilizing mission of Italy in Africa, what did we get? We got an account of Il Duce's earnest enquiries about the marketing of Italian potatoes in India. The Honourable Member from Bombay complained that we were not taking a similar interest, but let him console himself that, in spite of Il Duce's interest in cabbages as well as kings, the trade balance of Italy has continued to be unfavourable, while in this country where we still have a touching—if absurd—faith in the ability of business men to manage their own affairs, our exports and our balance of trade are steadily improving.

Before I come to the few points of major importance which have been raised during the debate, I might mention some of Mr. Satyamurti's smaller points; if I have missed any, I apologise to him in advance. There was in his speech such a flood of rhetoric that I may be forgiven if I found it a little difficult to pick out the solid matter in it, particularly as he addressed nine-tenths of his speech to the benches behind him and turned his back towards the benches on this side. (Laughter.) He started with some pleasant remarks about the fraud of my moving for consideration of the Finance Bill at all. He then did *puja* on behalf of Congress to the captains of industry, in reward, I think, for their pretending to an interest in the agricultural masses,—of course for the purpose of belabouring the Government of India and the budget proposals. He raised a point about Burma which I have already answered fully twice while he was away last week. Then, he asked about provincial borrowing. I can assure him that we have already thought about the need of the co-ordination of provincial borrowing under the new regime. We have already thought about it, and when he gets to the Madras Secretariat, he will find a circular letter on the subject. (Laughter.) Perhaps I can read out the relevant paragraphs; it is rather in the formal style of Government of India communiques, and, therefore, slightly pontifical, but still the sense is clear:

"Incidentally I am to say that the Government of India contemplate that the loan requirements and borrowing operations, both of the centre and of the Provinces, would be discussed at conferences held in about January of each year at which, besides the Government of India, all the Provinces and the Reserve Bank would be represented. *Inter alia* such a conference would be able to arrange provisional priorities for the various loan requirements and possibly even a rough time-table. It would also serve the purpose of enabling the Government of India to satisfy themselves that their consent under section 163 (3) may properly be given without some of the delays necessarily involved in ordinary correspondence."

I hope that this reassures the Honourable Member. We next had from Mr. Satyamurti a disquisition on the principles of taxation and on the budgetary prospects of the Government of India. I got a little confused here which was not surprising, for I thought that the Honourable Member also was a little confused, and that was not unnatural seeing that he was trying to stand both on his head and on his heels at the same time. (Laughter.) So far as I can make out, he quoted Sir Walter Layton and Sir Otto Niemeyer to prove that the rich in India were not taxed heavily

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enough and that the poor were taxed too heavily. Then he switched completely round and gave a pretty whole-hearted assurance to his rich friends by saying: "Oh, yes. You ought to pay more, but we will not tax you until the British have gone." He has given them a pretty long immunity. (Laughter.) Then, the industrialist. He first gives him a jab by saying: "No, I am not in favour of indiscriminate protection, and I shall expect you to do something to preserve your cottage competitor". Then, he goes on to say: "Nevertheless, you need not think I believe in what that fellow Grigg is always preaching, namely, that protection is another form of taxation of the poor,—but taxation not for the benefit of the Treasury, but for the benefit of the industrialist; you need not think that we were going to believe that or seriously disturb your free hand in squeezing the consumer". In so far as I can put these two statements together, and make a pattern out of them: "Certainly the rich ought to be taxed more and more, but the Congress is not going to do it; certainly the poor ought not to be taxed so much, but we are going,—we meaning Mr. Satyamurti—we are going to do it more and more though we shall not call it taxation, we shall call it industrialisation". (Laughter.) As regards Mr. Satyamurti's general disquisition, there is no doubt, he is quite right, that the Indian system of taxation is regressive, and I shall not be surprised if, since Sir Walter Layton wrote it, had become more regressive. There has been a great growth of protection since then and the effects of protection which yields no revenue never appear in the *per capita* figures of taxation. There is equally no doubt that it would be a good thing for India if there was a transference of burdens from the poor to the rich. But, apart from the fact, that Mr. Satyamurti says he isn't going to do it, in my view an essential preliminary to any revision of the scheme of taxation is a strengthening of the administrative machine. And for my part I am very grateful to have Mr. Satyamurti's pledge of his support in this matter, though at the moment I am doubtful whether he is speaking for all his Madras friends, particularly those who have some connection with the neighbourhood of Pondicherry and Karaikal.

Mr. S. Satyamurti: No Member has any connection with Pondicherry or Karaikal.

The Honourable Sir James Grigg: I said neighbourhood.

Then, Mr. Satyamurti could not understand how I could assume with a gross deficit of $3\frac{1}{2}$ crores or rather under $3\frac{1}{4}$ crores in the current year and the reserve fund exhausted in order to reduce it to a net figure of about 158 lakhs—how we are going to balance the next year's budget. My answer is this. New taxation proposed this year will, shall I say, would —(Mr. S. Satyamurti: "Say 'will'") would give something like 1,65 lakhs next year too, and I assume that the normal expansion of revenue will yield another two crores. Of course the calculations will be wrong, if there is no normal growth of revenue and the absence of a normal expansion of revenue may arise from two causes, first, internal strife, and second, if we really have reached the stage of diminishing returns in our indirect taxation. On the first possibility, I say nothing; on the second, I do not think it is necessary for me to add anything to what I said in the debate on Mr. James's cut motion last week. I dealt with the subject very fully then. On the whole, Sir, as I said in my budget speech, I do not see why

the Niemeyer programme should not be carried out over a period of years, and if at the same time we can increase the effectiveness of the income-tax machine, then the provinces can look forward to growing sums from the Centre. I hope Mr. Satyamurti is not going to take refuge in the game of what I may colloquially call buck-passing of which we had already a good many examples in this debate.

Mr. S. Satyamurti: What is it?

The Honourable Sir James Grigg: Passing the buck. "It is not worth while to take office, because you, the tyrants, have already taken all there is in the cupboard".

I come to industrialisation. I am sorry that Sir Homi Mody is not here to listen to the reply which I have to give to him. Of course, Sir Homi appears before us as a standing monument of what industrialisation can do. (Laughter.) He will forgive me if I say that I did not find in his speech anything new, not even his pact with Mr. Satyamurti, and if I also say that as usual he ignored two-thirds of the considerations which enter into the question. Very properly—from his point of view—he emphasised the benefit which protection gives to the industrialist who enjoys it. Very wisely—from his point of view—he said nothing about what it does for the consumer or for the exchequer. As regards the consumer, I can understand Sir Homi being unconcerned about him, but I cannot understand Mr. Satyamurti being indifferent about him, still less can I understand why he should be indignant every time the Government of India remember him.

Now, in view of the fact that the mention of the consumer is always like a red rag to a bull with the Congress Party, I will pass from him to the effects of industrialisation and protection on our revenue. Certainly, and I think this is a fact which nobody can contradict, we are certainly suffering in India from too great a neglect of the effects of protection on revenue. Sir Homi Mody does not seem to care about the effects of protection upon the revenue but personally I think that is very short sighted of him. The Congress Party too, if I may say so, seems not to care either and I think it is short sighted of them too. I think it is short sighted on any other assumption than that they are out to wreck not only the constitution but the country as a whole and I personally do not believe that. But I cannot afford to neglect the revenue considerations attaching to high protection and I have got to take a long view of the revenue; if Honourable Members sometimes think that I am unsympathetic in the matter of industrialisation they ought to remember that I am trying to think of preserving the financial and budgetary stability of the country without which the industrialist cannot exist for more than a very short time. Yesterday, Sir Homi Mody quoted my colleague on my left and was taken aback when I said I agreed with every word of what he said. I should have agreed with it still more if Sir Homi Mody had read the preliminary part of that passage to which the part read was a qualification and perhaps I may be allowed to read the whole passage. Sir Frank Noyce was talking about unemployment on the 12th November, 1936, at the Travancore Economic Conference. He said:

"Rapid industrialisation is offered by many as a panacea for it; but those who believe that it will provide an effective solution are, I am convinced, relying on a broken reed. I would ask them to look at the state of things in the highly industrialised

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countries of the West where the problem is as acute as it is in India. That industrialisation will provide *some* employment cannot be denied; but I could, if time had permitted, have adduced evidence which would, I am sure, have convinced you that, even if this predominantly agricultural country of India produced all the manufactured goods she imports, there would still be insufficient employment for the class which stands most in need of it today. The Indian Fiscal Commission did not attach 'any overwhelming importance' to the effect of industries in drawing away surplus population from the land. Here is what they said 'Even if the development of industries in the near future is very rapid, the population withdrawn from the land will be but a small proportion'. Let me not be misunderstood. It would ill become the Industries Member of the Government of India who has done what in him lay to promote the industrial development of this country to deny the advantages of industrialisation. But in my view they lie in the main in other directions. As I see them, the real arguments for industrialisation in India are that the consequent diversification will render the economic life of the country less precarious than if it depends on agriculture alone, that the capital of the country will be made more mobile by opportunities of industrial investment, that a higher standard of life in industrial centres will exert some influence in gradually raising the standard of life in the country and breaking down the innate conservatism of Indian labour and lastly that industrial enterprise will have the effect of quickening initiative and practical intelligence and thereby of contributing certain new elements to the national character."

Well, Sir, I will leave it at that. Perhaps here by way of digression, I may refer to a speech of Mr. Aney's. In one of his speeches last week, I think, he complained bitterly that the Government were not sufficiently responsive to the wishes of the Assembly. In the same speech he said that Government had ruined the finances of India. I do not admit, of course, that the finances of India are in ruin. Indeed I have made it clear over and over again that in my view we can with prudent management meet all the obligations which are thrown upon us by the new Constitution, but I am prepared to go this far with Mr. Aney, that we have made the task very much more difficult for ourselves than it need have been, and, having made that admission, I maintain in all seriousness that it has been done not by being insufficiently responsive to the wishes of the Assembly, but by responding where we ought to have resisted. Can anybody doubt that our difficulties are in the main due to high protection and unremunerative capital expenditure. The first has destroyed revenue and the second has increased our expenditure on interest charges. I am clear that the first of these causes, high protection, was due to constant pressure from the Legislature and that some of the decisions were taken with a heavy heart and against the better judgment of our predecessors on these benches. Then, again, the heavy capital outlay from 1926 to 1930. I understand that that was partly due to the urge from particular political interests. You may argue if you like that we ought to have been more responsive. You may argue as Sir Cowasji Jehangir did. I will just quote two sentences. I do not propose to answer them at length here, because, judging from the threats which have been issued from the benches opposite, I shall have another opportunity of arguing that point with him. Here are the quotations:

"The intention of the framers of the Act was that where it was possible to carry out the wishes of the opposition it should be done, provided Government felt that the credit and safety of the country was not at stake."

"This illogical constitution expects you to follow the opinion and desires of this House whenever it is physically possible for you to do."

You may argue if you like that that ought to be the Government attitude, but do not complain against the Government that when the Government do respond, the results are unpleasant and even dangerous. If, as I said at the beginning, this particular reference to Mr. Aney's speech was a digression, its relevance to my immediately preceding remarks on industrialisation are, of course, obvious.

Finally, I come to the question of sugar. We had the usual mutually destructive arguments about the damage to the industry, the blow to the consumer and the disaster to the cultivator. Of course they cannot all be ruined at the same time. As a matter of fact, it looks as if, to start with at any rate, the consumer is going to get off scot-free. So, we need not worry very much about him and we can confine our attention to the factory and the cultivator. Now, Sir, nothing that I have heard in the last three weeks has altered my view that there is a two fold over-production in this industry. Firstly, you have over-production of refined sugar as against the estimated consumption in the country, and, secondly, you have over-production of cane as against the needs of the sugar factories and makers of *gur*, and, if you don't believe my evidence on that, let me quote the Congress President:

"In recent years, the fall in the agricultural prices of most food grains and other articles suddenly led millions of the peasantry, especially in the U. P. and Bihar, to cultivate sugarcane. A tariff on sugar had resulted in sugar factories cropping up like mushrooms, and sugarcane was in great demand. But the supply was soon far in excess of the demand and the factory owners cruelly exploited the peasantry and the price fell."

I ask Mr. Satyamurti to notice that the Congress President does not perform much in the way of *puja* to the captains of industry. Well, Sir, there being, as I say, this two-fold over-production, I maintain that there was bound to be trouble in the industry and I think that in the end it will be found that the action of the Government of India this year has minimised the trouble by discouraging further intrusion into the industry and by making what I may call the shake-out shorter. I know a number of factories are trying to bring pressure upon the Government by passing resolutions that they will close down their factories on the 31st of March and telling the cane-grower that it is all the fault of Government. Of course, this is a good comment on their concern for the cultivator, but I do not take them too seriously and, as justification, I shall quote from two issues of the *Daily Press*. It is the weekly summary of the state of the sugar markets. The first is for the 8th of March,—and this is a report on the sugar industry, not by me, nor by any other Government servant. This is from the report for the 8th of March:

"As usual the budget announcement has been followed by a spate of outcry, comments and criticisms."

Here the phrase "as usual" is rather bitter (Laughter) to me.

"This criticism, in our opinion, cannot be taken too seriously as whereas some complain that the increase in Excise will hit the consumer, others are equally emphatic that it will hit the agriculturist. These two arguments appear one to cancel the other."

Mr. S. Satyamurti: Is Sir James Grigg the editor of this paper? Who is he?

The Honourable Sir James Grigg: It is the weekly memorandum written by a big firm in the sugar industry.

Mr. S. Satyamurti: Who are they?

The Honourable Sir James Grigg: Bird & Co.:

"Events during the past week indicate that prices are likely to fall to pre-budget announcement levels and this naturally means that the consumer will not be affected as regards the price at which he buys his sugar. An outcry on behalf of the agriculturist is equally difficult to support, unless people in ignorance imagine that he is entirely dependent on factories for the sale of his crop. Statistics prove that only about 16 per cent. of India's total cane crop is consumed by sugar factories. Assuming, therefore, that every factory in India closed its doors, the agriculturist would only have to reduce cane plantings by a small percentage. Even before the increase in excise moreover, preliminary reports indicated that a decrease in cane is likely to take place."

Now, I will take the report of the same firm a week later:

"It is difficult to see that the low price at which sugar is being sold is in any way connected with the increase in the excise duty, and we think that very few people can honestly be deluded in this connection.

Various attempts have been made from time to time to bring about some co-operation to prevent the continued fall in prices and definite proposals have been advanced for the formation of some sort of Central Marketing Board. Unfortunately due to lack of co-operation, any resolutions made at meetings have only been kept for a short time, with the result that the position has rapidly gone from bad to worse.

We now read that a meeting held at Gorakhpur has unanimously decided to close certain factories by the end of March as a protest against the Excise duty. Can we honestly believe that this resolution will be kept, especially when manufacturers must fully realize that a close down at a period when recovery is high can only materially increase the all-in-cost of production?"

Mr. S. Satyamurti: Who are these people?

An Honourable Member: The managing agents for a number of sugar factories.

Mr. T. Chapman-Mortimer (Bengal: European): No, Sir, they are the sales agents for local manufacturers.

Mr. S. Satyamurti: What does Mr. Ramsay Scott say to this?

The Honourable Sir James Grigg: Now, Sir, I turn aside at this point to deal with the argument which has always cropped up in this connection; my Honourable friend, Pandit Govind Ballabh Pant, used it, Mr. Huseinbhai Laljee used it, and Seth Haji Abdoola Haroon used it: it is the old economic error of the mercantilist school which has now persisted for over three hundred years. It is the argument that if as a result of sugar protection we spend in India fifteen crores—and I may say here that the fifteen crores is illustrative merely, it has no relation to any particular volume of imports—it is the argument that if as a result of sugar protection, we spend in India fifteen crores per annum which would otherwise be spent in Java, India must be better off to the extent of fifteen crores a year. Of course, to start with, the problem is misstated from the outset. If, instead of buying fifteen crores of sugar in India, we spent fifteen crores buying it in Java, we should be paying to Java five crores only and the other ten crores would be paid to the Indian exchequer. Now, if the sugar is bought in India, none of these

ten crores would go into the exchequer and it would accordingly have to be raised by increasing taxation in other directions to the same extent. In other words, if we ignore the taxation element in both cases, the proposition we have to examine is whether India is benefiting by buying for fifteen crores in India, what could be bought in Java for five crores. (Interruptions.) Stated in this way, the problem looks very different. Clearly, the consumers of sugar have ten crores less to spend on other commodities and the effects on the Indian economy of this reduced demand have clearly got to be taken into account before you strike a balance. To strike this balance precisely, of course, would require a rather complicated piece of analysis when you follow up the secondary effects. But you can get a good first approximation to the result easily enough by employing two arguments of a general character. The two arguments are not additive, they are merely different ways of arriving at the same conclusion. In the first place, it is clear that the volume of sugar consumed in India is not changed by the change in the venue of the sugar industry from Java to India, while the consumption of other commodities must clearly have been reduced and India must therefore on balance be worse off. Secondly, we can propose the question to ourselves in the form whether the contribution to national wealth expressed in terms of commodities or services would not be greater if the extra amount spent on home-made sugar were spent on some other form of consumption-goods. On the basis of comparative costs, the answer to this question must be in the affirmative. If the money was spent on some article or articles (Mr. S. Satyamurti: "Like?")—let me finish my argument—which India can produce at least as economically as Java can produce sugar or even if we spent it on articles which India can produce, more economically than she can produce sugar, the net gain would be greater and the advantage to the consumer more widespread. The capital and labour employed on the production of sugar would be employed to a better purpose in producing these other articles. Even if the amount was spent on imported articles, the result would be the same, as ultimately and in the long run, a country pays for its imports by its exports: and these imports are paid for by the export of Indian goods, for which India is *ex hypothesi* better adapted by nature than for the production of sugar. I apologise for taking so much time over this point. As a matter of fact, it ought not to have been necessary at all, because economists of any nation in the world, except possibly India, will take it as axiomatic that diversion of production by means of protection must result in economic loss.

Mr. S. Satyamurti: Tell that story in London! Does England follow this principle?

The Honourable Sir James Grigg: I am afraid in India. Jestling Pilate will have to wait for a long time for answer to his question "what is truth"?

I promised to deal with Sir Muhammad Yamin Khan's arguments about the sugar excise. He said it would not have been so bad if I had raised the import duty by 11 annas instead of the amount which we have proposed to do. He then complained that I had by this means reduced the protection by 8 annas. He then went on to say that the additional 11 annas of import duty would not affect the price. Could there ever be such a completely self-contradictory argument? As a matter of

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fact, Indian sugar was, I think, before the excise duty and may even now be selling at Rs. 2 or Rs. 3 a cwt. below Java import parity.

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): I think the Honourable Member is not correctly representing my arguments.

The Honourable Sir James Grigg: I wrote it down at the time he was making his speech. As I said, Indian sugar is at the present moment, I think, selling at Rs. 2 or Rs. 3 a cwt. below Java import parity and there is not the slightest chance of an uncompensated addition of 8 annas to the excise bringing in Java sugar. Incidentally, there are some figures given in the *Pioneer* newspaper dated the 14th March. It says that India ought to be able to compete with Java on the basis of protection of Rs. 2-7-11 per maund. Even after the increase in the excise duty of 11 annas, India is now getting protection of Rs. 5-5-4 a maund or Rs. 2-13-5 a maund more than she needs. So, as I understand it, there is for the average producer an ample margin of profit even after allowing for a good deal of price cutting.

Mr. Ramsay Scott did his famous turn of the cultivator's friend. I would ask him as a cultivator's friend if he has recently worked out the comparative yields to the cultivator of growing sugarcane and growing alternative crops. He made a great point of the fact that when this switch-over to sugar took place, the alternative crops were making very small yields and that it was profitable to the cultivator to switch over to sugarcane. I would ask him to do the same set of calculations over again and see what the result is now. He has also used—quite unintentionally, I hope—a very misleading argument. He referred to what would happen if all the factories went out of production and the whole 4½ million acres had to be switched over to wheat or cotton or other crops. But there, again, he left out of account that five-sixths of the acreage or 3,750,000 acres do not grow cane for factories at all, so that the marginal production which would have to switch over even in the case of the complete devastation which he postulated would be only 750,000 acres.

Sir, I have done. I apologise for keeping the House so long. Can any fair-minded person doubt that the budget has emerged unscathed from its argumentative ordeal?

Mr. S. Satyamurti: It always does every year, as long as the Viceroy remains.

The Honourable Sir James Grigg: We must now wait and see whether it will emerge equally unscathed from the other processes which lie before it. (Loud Applause.)

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

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, be taken into consideration."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 17th March, 1937.