

22nd March 1939

# THE LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

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Volume III, 1939

*(14th March to 28th March, 1939)*

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## NINTH SESSION OF THE FIFTH LEGISLATIVE ASSEMBLY, 1939



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# LEGISLATIVE ASSEMBLY.

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# LEGISLATIVE ASSEMBLY.

Wednesday, 22nd March, 1938.

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.

## STARRED QUESTIONS AND ANSWERS.

### (a) ORAL ANSWERS.

#### CUT IN THE SALARIES OF GOVERNMENT SERVANTS.

1221. \*Mr. Abdul Qaiyum: Will the Honourable the Finance Member please state:

- (a) whether he has read the following statement of His Highness the Aga Khan, published on page 6 of the *Statesman*, dated the 22nd February, 1939:

"It was inexcusable that a poor country like India should continue to pay salaries three times as large as salaries ruling in rich countries like France, Germany and Japan. He considered that the argument that with a reduction of salaries there would be a falling off in efficiency was untenable as the country was not devoid of public-spirited and self-sacrificing men and women";

- (b) whether in view of the above and the persistent demand, Government have considered the question of a substantial cut in higher salaries; and, if so, with what effect; and

- (c) whether Government are prepared and willing to abide by the verdict of this House in this matter; if not, why not?

**The Honourable Sir James Grigg:** (a) Yes.

(b) and (c). Revised rates of pay for new entrants to Government service have now been in force for some years and are having their effect. So far as existing members of the Services are concerned, Government have no intention of imposing a cut in pay.

**Seth Govind Das:** Is there any country in the world where Government servants are paid so much as in India?

**The Honourable Sir James Grigg:** The Honourable Member had better put down a specific question about that.

**Mr. Abdul Qaiyum:** May I ask if these revised scales of pay do include the pay of new entrants in the Indian Civil Service and the Indian Police?

**The Honourable Sir James Grigg:** I think not.

**Mr. Abdul Qaiyum:** May I know what particular services these revised scales of pay will cover?

**The Honourable Sir James Grigg:** I think most of the other services.

**Mr. S. Satyamurti:** May I know whether Government have come to the final conclusion that in the absence of a grave national emergency, whatever that phrase may mean, they would not consider any cuts in salaries of their servants?

**The Honourable Sir James Grigg:** That, I think, is the implication of what I have just said.

**Mr. Abdul Qaiyum:** May I ask whether the question of the cuts in salaries was considered by the Government of India? If so, when was it last considered?

**The Honourable Sir James Grigg:** The Honourable Member can have the information I have given him. I do not think I am called upon to give him specific information about the domestic machinery of Government.

**Mr. S. Satyamurti:** Whenever Government propose to increase taxation, should they not examine the possibility of a cut in salaries first before increasing the burden of taxation on the people of this country?

**The Honourable Sir James Grigg:** The only way in which I can answer that question is that in connection with every budget all relevant considerations and all possible forms of meeting any deficit and all possible forms of giving relief, when any is available, are taken into account.

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

#### CUT IN THE SALARIES OF GOVERNMENT SERVANTS.

**1222. \*Mr. Abdul Qaiyum:** Will the Honourable the Finance Member please state:

- (a) whether Government have corresponding figures for salaries paid in France, Germany and Japan, and, if so, whether the above are much less than the scales allowed in India; and
- (b) whether Government are prepared to appoint a Committee of this House to report on the question of a cut in higher salaries?

**The Honourable Sir James Grigg:** (a) Government have no information on the subject.

(b) No.

**Mr. Abdul Qaiyum:** May I know if Government will collect the necessary information as to the highest salaries paid in the three countries mentioned in my question.

**The Honourable Sir James Grigg:** I think Mr. Som gave some information, but I do not know whether it is accurate or not.

**Mr. Abdul Qaiyum:** What is the highest salary paid in the three countries mentioned in part (a) of the question?

**The Honourable Sir James Grigg:** I have answered that.

**Mr. Badri Dutt Pande:** In view of the fact that the provinces have reduced the salaries, is it the intention of the Government of India to revise the scale of the salaries of higher officials?

**The Honourable Sir James Grigg:** I have answered that question in the negative.

**Mr. Lalchand Navalrai:** May I know if there is any book in the Library from which we can get the information as to how much pay is given in other countries?

**The Honourable Sir James Grigg:** I am sorry but I have not studied the catalogue of the Library.

**Mr. S. Satyamurti:** May I know why Government refuse to appoint a Committee of this House to report on the question of a cut in higher salaries, especially in view of the fact that all Provincial Governments are now engaged in the task of reducing the salaries, and it will be only the Government of India who have refused to reduce the salaries?

**The Honourable Sir James Grigg:** If the Government of India have already decided not to cut the salaries of Government servants, it seems rather a work of supererogation to set up a Committee like that.

**Mr. S. Satyamurti:** May I ask why Government do not propose to have the opinion of this House whether their decision is right, or whether it requires a revision?

**The Honourable Sir James Grigg:** The decision of Government is based on the general consideration that short of a grave national emergency, there is no reason for breaking the contract, whether it be explicit or implicit, with its own servants.

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

#### APPOINTMENTS IN THE INDIAN CIVIL SERVICE AND INDIAN POLICE IN THE PROVINCES.

**1223. \*Mr. Kuladhar Chaliha:** Will the Honourable the Home Member please state:

- (a) the number of appointments in (1) the Indian Civil Service and (2) the Indian Police Service in the different Provinces of India (please show separately Province by Province); and
- (b) the number of such appointments held by (i) the people of the Province; (ii) the number held by Indians from outside the Province; (iii) the number held by Europeans; and (iv) the number of such appointments held by Indians and Europeans from the Provincial Service by promotion?

**The Honourable Sir Reginald Maxwell:** (a) and (b). The strength of the Indian Civil Service and the Indian Police to be determined under section 244 (3) of the Government of India Act, 1935, has not yet been

fixed. I lay on the table a statement showing the actual strength of these two services on the 1st January, 1938, the latest date for which detailed figures are available. I regret I have no information regarding the provinces of origin of Indian officers serving in the different provinces.

*Statement showing the actual strength of the Indian Civil Service and the Indian Police on the 1st January 1938.*

*Indian Civil Service.*

Province.	Europeans.	Indians.	Listed posts held by officers promoted from the Provincial Civil Service.
Madras . . . . .	84	79	20*
Bombay and Sind . . . . .	63	59	14
Bengal . . . . .	101	75	22
United Provinces . . . . .	115	82	22
Punjab . . . . .	96	54	18
Bihar and Orissa . . . . .	63	44	13
Central Provinces . . . . .	42	38	7
Assam . . . . .	26	11	4
	590	442	120
		561	

*Indian Police.*

Province.	Europeans.	Indians.	Listed posts held by officers promoted from the provincial police service.
Madras . . . . .	44	16	7
Bombay . . . . .	57	8	9
Bengal . . . . .	69	24	12
United Provinces . . . . .	72	21	11
Punjab . . . . .	81	16	9
Bihar and Orissa . . . . .	39	17	5
Central Provinces . . . . .	37	10	5
Assam . . . . .	17	4	3
	416	116	61
		177	

\* Includes one European Officer who is of Indian domicile.

**DISPUTE ABOUT A MOSQUE IN THE COMPOUND OF THE HEADQUARTERS,  
PESHAWAR DISTRICT AND BRIGADE.**

**1224. \*Mr. Abdul Qaiyum:** Will the Defence Secretary please state:

- (a) whether there is a dispute about a mosque in the compound of the Headquarters, Peshawar District and Brigade, between the authorities and the Muslim Association, Peshawar Cantonment;
- (b) if so, the points at issue between the two; and
- (c) whether Government propose to effect a settlement in accordance with the facts as they exist, and if not, the reasons therefor?

**Mr. C. M. G. Ogilvie:** (a) and (c). Yes.

(b) The area alleged to be occupied by the mosque.

**Mr. Abdul Qaiyum:** With reference to part (b) of the question, may I know if Government have any objection to recognising the area now actually under the mosque as the area belonging to the mosque?

**Mr. C. M. G. Ogilvie:** The matter has been gone into very carefully and the whole of the area which is considered either to form part of the mosque itself or which is being used for any other purpose connected with the mosque has been demarcated.

**Mr. Abdul Qaiyum:** May I know if there is any area existing at present about which there is a dispute between the managers of the mosque and the military authorities?

**Mr. C. M. G. Ogilvie:** I do not know whether the managers of the mosque and the military authorities have agreed on the last demarcation, but I imagine that they either have or will.

**Mr. Abdul Qaiyum:** May I take it, therefore, that the matter has now been finally settled amicably?

**Mr. C. M. G. Ogilvie:** That I am not sure about.

**EFFECT ON THE POSTAL AUDIT OFFICES IN INDIA OF THE SEPARATION OF  
BURMA.**

†1225. **\*Mr. M. Ananthasayanam Ayyangar:** (a) Will the Honourable the Finance Member be pleased to state the effect on the different Postal Audit Offices in India of the separation of Burma from India, with effect from the 1st April, 1937, in regard to the following:

- (i) the number of posts abolished on the 1st April, 1937;
- (ii) the number of vacancies that occurred during the official year 1936-37;
- (iii) the number of persons transferred to Rangoon;
- (iv) the number of persons granted compensation pension; and
- (v) the number of persons who were absorbed in vacancies either before or after 1st April, 1937?

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†Answer to this question laid on the table, the questioner being absent.



(b) Were any posts newly created subsequently on account of the separation of Burma causing some change in the system of auditing and accounting money order transactions between India and Burma, and if so, what was the number so created in each office and the dates from which they were created and the mode of their being filled up?

(c) What was the amount of pensionary liability the Government of India had to pay to the Government of Burma on account of the previous service rendered by the officials transferred to Burma from the Postal Audit Offices and how was it paid—whether in a lump sum or by a number of equated periodical payments or by the transfer of some capital assets with particulars for the same?

(d) If no liability was accepted, what steps did the Government of India take to safeguard the interests of the officials concerned?

**The Honourable Sir James Grigg:** Information is being collected and a reply will be laid on the table of the House in due course.

#### PROTECTION TO THE INDIGENOUS SALT INDUSTRY.

1226. **\*Mr. S. Satyamurti:** Will the Honourable the Finance Member please state:

- (a) whether any Indian salt works were closed down after the withdrawal of the protective duty on imported salt last year; if so, how many;
- (b) what is the price at which foreign salt is being sold in Bengal; and
- (c) whether Government have any intention of giving some protection or aid to the indigenous salt industry in the mainland of India; if not, why not?

**The Honourable Sir James Grigg:** (a) The Honourable Member's attention is invited to the answer given to part (c) of Mr. Lalchand Navalrai's starred question No. 146 on the 6th February, 1939.

(b) A statement is laid on the table.

(c) I would refer the Honourable Member to my answer to his supplementary question to question No. 496 by Mr. Manu Subedar answered on 18th February, 1939.

*Statement showing quotations of foreign Salt in Calcutta for the week ending the 1st March, 1939.*

Description of salt.	Ex-ship price per 100 maunds (excluding duty) subject to private rebate.
Hamburg Fine	Rs. 47
Hamburg Rock	55
Liverpool	53
Ras Hafun Fine	27
Ras Hafun Kurkutch	35
Little Aden Fine	27
Little Aden Kurkutch	35

**Mr. S. Satyamurti:** May I know with reference to the answer to part (b) of the question, what is the lowest price at which foreign salt is being sold in Bengal?

**The Honourable Sir James Grigg:** The prices range from Rs. 55 to Rs. 27, and one of the 27 figures is Aden. I do not know whether the Honourable Member will call that foreign.

**Mr. S. Satyamurti:** Having regard to the serious competition of foreign salt with Indian salt, may I know the reasons why Government do not propose to give a decent chance to the indigenous salt industry, especially as the people and the Government of Bengal seem to be very anxious to develop salt works in their own province?

**The Honourable Sir James Grigg:** They have been anxious for the whole period during which the previous scheme was in operation, but they were completely unsuccessful with the proceeds of the previous duty which were given to them to develop the industry.

**Mr. S. Satyamurti:** Have the Government of Bengal since addressed the Government of India for the necessary protection for them to develop the salt industry in Bengal?

**The Honourable Sir James Grigg:** The answer to which I have referred contains the answer to that.

**Mr. S. Satyamurti:** May I know whether the Government of India have finally decided that no protection is to be given to the salt industry in Bengal or in this country, to the extent to which it is required to replace absolutely foreign salt?

**The Honourable Sir James Grigg:** The Honourable Member is, if he studies the question properly, in an incurable dilemma. The imports of salt from non-Indian sources have decreased. There has been a certain substitution of Aden salt by foreign salt, but the actual total of imports has decreased. If he can make out a case for protection on that basis, I will be very glad to see it.

**Mr. Lalchand Navalrai:** If it can be proved that the imports from Aden have not decreased, will the Honourable Member be prepared to give protection?

**The Honourable Sir James Grigg:** It is a hypothetical question, but to the best of my knowledge the imports from Aden have decreased.

#### RESTRICTIONS ON ADVOCATES OF HIGH COURT IN INDIA PRACTISING IN DELHI COURTS.

**1227. \*Mr. S. Satyamurti:** Will the Honourable the Home Member please state:

- (a) whether there are any restrictions on advocates of High Courts in India practising in the courts of Delhi;
- (b) if so, what they are; and

- (c) under what law or regulations such restrictions are placed on advocates of High Courts in India practising in the courts of Delhi?

**The Honourable Sir Reginald Maxwell:** I would refer the Honourable Member to the answer given to Mr. Mohan Lal Saksena's starred question No. 1071 on the 15th March, 1939.

**Mr. S. Satyamurti:** I remember the particular answer that the Honourable Member gave. There were some restrictions in so far as practising in the courts of Delhi are concerned which are under certain rules laid down by the High Court. May I know whether the Government of India will take up the matter with the Courts of Delhi and see that such restrictions on the Advocates of other High Courts in India from practising in Delhi courts are removed?

**The Honourable Sir Reginald Maxwell:** The case to which I referred in answer to Mr. Mohan Lal Saksena's previous question rests on a ruling of the Lahore High Court which I am afraid I am unable to discuss or criticise in this House.

**Mr. S. Satyamurti:** Apart from passing any strictures or criticisms on the rulings of the High Court, which I do not want to be done, may I know whether Government will take steps to ask the High Court to exercise their rule-making powers in some manner so that the Advocates of other High Courts will be allowed to practise in Delhi Courts?

**The Honourable Sir Reginald Maxwell:** It is not a matter of rule-making power, but it is under the Bar Councils Act and the Legal Practitioners Act.

**Mr. T. S. Avinashilingam Chettiar:** May I know whether the Advocates of the Lahore High Court can practise in the Delhi Courts?

**The Honourable Sir Reginald Maxwell:** I understand so.

**Mr. T. S. Avinashilingam Chettiar:** If the Advocates of Lahore High Court can practise in Delhi Courts, will the Honourable Member kindly see the injustice of not allowing Advocates practising in other High Courts in India to practise in Delhi Courts?

**The Honourable Sir Reginald Maxwell:** The Delhi Courts are under the Lahore High Court and therefore those practising in Delhi Courts are already enrolled on the Lahore register.

#### PENSIONS TO INFERIOR SERVANTS OF THE GOVERNMENT OF INDIA.

1228. **\*Mr. B. Das:** Will the Honourable the Finance Member please state:

- (a) whether inferior servants employed under the Government of India such as daftries, record sorters, peons, etc., are entitled to pension at the rate of half of their pay; and

- (b) whether jamadars and dafadars receive pension at a lower rate, and if so, why they are being treated differently from other inferior servants?

**The Honourable Sir James Grigg:** (a) and (b). I would draw the Honourable Member's attention to the Central Subordinate (Inferior) Services (Gratuity, Pension and Retirement) Rules published under Notification No. F-6 (48)-R. II/35, dated the 19th of March, 1936, in the Government of India Gazette dated the 21st of March, 1936, a copy of which is in the Library of the House. Government consider that the rates of pension admissible to jamadars and dafadars are fully adequate.

**Mr. N. M. Joshi:** May I ask whether the Government of India propose to revise the rates so as to bring them in line with the rates paid to the subordinate services?

**The Honourable Sir James Grigg:** I think that is answered by implication in the last three lines of the answer which I just read out.

**Mr. N. M. Joshi:** May I ask whether the Honourable Member is aware that during the discussion on the Resolution moved in 1937, the Honourable Member in his own speech stated that there was a good case for revising the pension rules in the matter of reducing the qualifying period from 40 to 30 years?

**The Honourable Sir James Grigg:** I said there was something to be said for it and that in course of time it might be considered. The Honourable Member will also remember that I said that the time will be ripe for consideration sometime after my departure.

**Mr. B. Das:** With reference to part (b) of the question may I know why the Notification which the Honourable Member referred to imposes such hardship on jamadars and dafadars while it is dealing fairly with daffries and others?

**The Honourable Sir James Grigg:** I do not admit there is any discrimination. If there is it is due to varying circumstances.

#### EFFECT OF THE INCREASED DUTY ON THE IMPORT OF RAW COTTON.

**1229. \*Mr. S. Satyamurti:** Will the Honourable the Finance Member please state with regard to the increased duty on the import of raw cotton whether any enquiries were made by the Government of India as to the effect of this increased duty on the competition of goods of Indian textile mills with imported goods especially from Lancashire?

**The Honourable Sir James Grigg:** All aspects of the matter were considered by Government.

**Mr. S. Satyamurti:** I want a specific answer to my specific question. My question was:

"Will the Honourable the Finance Member please state with regard to the increased duty on import of raw cotton whether any enquiries were made by the Government of India as to the effect of this increased duty on the competition of goods of Indian textile mills with imported goods especially from Lancashire?"

I want to know whether any enquiries were made, and, if so, from whom, and what are the results of that enquiry?

**The Honourable Sir James Grigg:** If the Honourable Member means public enquiry, then my answer is, no. Government studied all the information at their own disposal.

**Mr. S. Satyamurti:** What is the information in possession of Government as regards this specific matter of the doubling of the duty on raw cotton with the resultant increased facilities given to foreign goods in competition with Indian textile goods?

**The Honourable Sir James Grigg:** All the information in regard to the industry which is available in the Government of India.

**Mr. S. Satyamurti:** May I know whether on a perusal of the information the Government came to the conclusion that this duty will not end in an indirect subsidy or help the Lancashire and Japanese textiles, cloth and yarn, or whether they came to the conclusion that there would be some help and that the help was worth giving? If so, why?

**The Honourable Sir James Grigg:** The Honourable Member must be quite clear now that I have made three speeches at considerable length on this subject as to what conclusion we came to.

#### ADVICE OF THE FEDERAL COURT ON THE SALES TAX OF THE CENTRAL PROVINCES.

**1230. \*Mr. S. Satyamurti:** Will the Honourable the Finance Member please state with reference to his budget speech about the advice of the Federal Court on the sales tax of Central Provinces:

- (a) whether Government have taken or propose to take any steps for bringing about mutual forbearance as recommended by the Chief Justice between the Government of India and the Provincial Governments;
- (b) if so, what those steps are; and
- (c) if no steps have been taken, the reasons why no such steps have been taken so far?

**The Honourable Sir James Grigg:** (a) to (c). I would refer the Honourable Member to my speech in this House on the 10th March, 1989, in reply to Mr. Buss's cut motion on the demand under the head "Executive Council".

**Mr. S. Satyamurti:** The Honourable Member simply said that Government were not considering it now, and that they have not made up their mind one way or the other. I want to know what steps Government contemplate taking with regard to promoting this mutual forbearance between the Government of India on the one hand and the Provincial Governments on the other.

**The Honourable Sir James Grigg:** If he will refer to the speech, the Honourable Member will find that it was not so barren and negative as he supposes.

**Mr. S. Satyamurti:** I want to ask the specific question whether Government propose to summon at a very early date a conference between themselves and the Finance Members of Provincial Governments, with a view to explore this question and other similar questions.

**The Honourable Sir James Grigg:** The Honourable Member will find that question answered in that speech.

#### TRANSFERS BY PARTITIONS OF GRANT SITES IN CANTONMENTS.

**1231. \*Mr. Sham Lal:** (a) Will the Defence Secretary be pleased to state whether Government are aware that in Cantonments in India transfer by holders of old grant sites bearing one number, of a part of a site is prohibited by the military authorities, and the Military Estate Officers call upon the transferees of sub-divided portions to execute new leases under Schedule VIII of the Cantonment Land Administration Rules, 1937, in favour of Government?

(b) If the answer to part (a) be in the affirmative, will Government please (i) quote any law justifying such a procedure, or (ii) state whether they propose to issue instructions to the Military Estate Officers to stop this practice in the matter of transfers by partition of old grant sites?

**Mr. C. M. G. Ogilvie:** (a) and (b). I refer the Honourable Member to the reply I gave to his starred question No. 1041, on the 15th instant, and the supplementary questions arising therefrom.

**Mr. Lalchand Navalrai:** May I know what harm is being done to the Military Department if these persons, who have been given grants, transfer them for a time when their grants exist?

**Mr. C. M. G. Ogilvie:** Probably there is no particular harm done to the Military Department. But the rules of the Military Department require that such transfers should be registered. That is all. They have no intention of penalising people who do these things.

**Seth Govind Das:** Whenever an application is made, is it generally registered or are objections raised in this behalf?

**Mr. C. M. G. Ogilvie:** All that is wanted is that they should register the transfers; unless they are registered, the Military Department does not recognise retransfer. That is all.

#### DRAINAGE SCHEME OF CAWNPORE CANTONMENT.

**1232. \*Mr. Sham Lal:** (a) Will the Defence Secretary be pleased to state whether the attention of Government has been drawn to the complaints made by the tax-payers of the Cawnpore Cantonment against the administration of the Cawnpore Cantonment Board, especially with regard to the drainage scheme in operation there, costing over a lakh of rupees and absorbing the entire reserve fund of the Board?

(b) Is it a fact that no tenders were invited for this work and the contract was given to the firm which had drawn out the scheme on rates and conditions laid down by the firm?

(c) Are Government prepared to have this work re-valued by a competent Engineer?

(d) Was this scheme ever scrutinised and certified to be correct by any technical expert?

(e) Is it a fact that the bore of the pipe laid under this scheme is too small to cope with the sullage and the attendant rainfall?

(f) Is it a fact that the payments to the contractor are being made without having regard to the actual work done by the contractor?

(g) Are Government prepared to make a thorough enquiry into the matter and do justice to the tax-payers of the Cawnpore Cantonment?

**Mr. C. M. G. Ogilvie:** (a) No such complaint has been received.

(b) The attention of the Honourable Member is invited to the replies given on the 9th December, 1938, to starred question No. 2017 and to the supplementary questions arising therefrom.

(c) Government see no necessity for doing so.

(d) The scheme was adopted by the Board after careful consideration, with the assistance of their technical adviser on such matters, who is the Executive Engineer and a member of the Board.

(e) Government understand that the present bore of the sewer is considered sufficient for the purpose which it is intended to serve.

(f) Payments to the firm of contractors are regulated under the terms of the contract existing between them and the Board.

(g) No such enquiry is necessary.

#### ASKING OF THE RETURN OF TOTAL WEALTH OF ASSESSEES BY THE INCOME-TAX DEPARTMENT, ALLAHABAD.

**1233. \*Mr. R. N. Basu:** (a) Is the Honourable the Finance Member aware that the Income-tax Department of Allahabad is asking for a return showing the total wealth of the assessee? If so, will the Honourable Member state under what law the Income-tax Department are entitled to call for such a statement?

(b) Has the attention of the Honourable Member been drawn to a letter published in the *Leader*, dated the 18th December, 1938, by Mr. N. N. Aggarwala, regarding this action?

(c) Does the Honourable Member propose to issue instructions for discontinuing this practice?

**The Honourable Sir James Grigg:** (a) and (c). I would refer the Honourable Member to the reply given to parts (a) and (b) of starred question No. 395 on the 14th February, 1939, and to starred question No. 1147 on the 18th March, 1939.

(b) Yes.

#### RECRUITMENT OF DIPLOMAED AUDITORS AND REGISTERED ACCOUNTANTS TO THE AUDIT AND ACCOUNTS SERVICES.

**1234. \*Mr. R. N. Basu:** (a) Will the Honourable the Finance Member be pleased to state the special reasons why the qualifications of Government Diplomaed Auditors and Registered Accountants are not recognised

in the rules for the competitive examination for the All-India Audit and Accounts Service, when such a provision existed in the rules for 1935? What is the reason for its deletion? Are Government prepared to consider the desirability of inclusion of these qualifications in the Rules?

(b) How many B.Coms., Government Diplomaed Auditors and Registered Accountants are employed in the Finance Department and Audit and Accounts Offices and in what positions? What are their other qualifications?

(c) Do Government give any preference to Government Diplomaed Auditors and Registered Accountants in the matter of recruitment and promotions in Accounts and Audit Offices? If so, what is the concession? If not, why not?

(d) Are Government prepared to consider the desirability of granting some concession to Government Diplomaed Auditors and Registered Accountants and to issue instructions like those issued in the Income-tax Department on the recommendations of the Income-tax Enquiry Committee for recruitment in the Subordinate and Superior Accounts Services?

(e) Is exemption allowed to Government Diplomaed Auditors and Registered Accountants from the accountancy papers in the Subordinate Accounts Service examination? If not, why not? Are Government prepared to consider the question of granting such an exemption?

**The Honourable Sir James Grigg:** (a) The reasons are broadly, (1) that to admit men so qualified to the examination would result in their diversion from the occupations for which their special vocational training was intended; (2) that the suitability of candidates for this examination should be judged on a sound general education in the principal cultural subjects rather than on vocational training. Since these reasons still hold good, Government are not prepared to include these qualifications in the Rules for the examination.

(b) Roughly 121. Information as regards other qualifications is not readily available, and Government do not consider that any useful purpose would be served by collecting it.

(c) and (d). No such preference is given. Accounts and Audit Offices give their own training in Government accounts and audit, which is sufficient for their needs, and promotion naturally depends on the passing of the prescribed departmental examinations.

(e) No. Neither the Audit Department nor the Accountancy Board recognise qualifications based on each other's standards. The examination for the Subordinate Accounts Service is a self-contained professional examination with a syllabus and standards adapted to its own special purpose, and no external qualifications can be recognised.

#### RECRUITMENT OF MEN WITH COMMERCIAL QUALIFICATIONS IN THE FINANCE AND COMMERCE DEPARTMENTS.

**1235. \*Mr. R. N. Basu:** In view of the Government Resolution No. F. 28(6)-Ex. II/38, dated the 2nd February, 1939, will the Honourable the Finance Member please state whether Government consider that expert knowledge of public finance, trade and commerce, is also necessary in the



ministerial services of the Finance and Commerce Departments? If so, do they propose to recruit men with commercial qualifications, e.g., B. Coms., etc.? If not, why not?

**The Honourable Sir James Grigg:** For clerical staff of the higher grade a knowledge of general finance, financial rules, budgeting and accounts is necessary in the Finance Department and steps have been taken to ensure that a sufficient number of trained men are recruited. Suitable training is given to untrained men after recruitment. So far as the Commerce Department is concerned, the question should be put to the Honourable the Commerce Member.

**GOODS IMPORTED INTO DELHI AND LAHORE FROM FOREIGN COUNTRIES BY POST PARCELS.**

**1236. \*Mr. H. A. Sathar H. Essak Sait:** Will the Honourable the Finance Member be pleased to state :

- (a) (i) the value of the goods imported into Delhi and Lahore from foreign countries, including England, by post parcels in the year 1937-38 and (ii) the amount of customs duty collected on these parcels in the same year;
- (b) whether he is aware that owing to the valuation of these parcels being done in Bombay customs, a large number of such importers in Delhi and Lahore are put to great loss and inconvenience; and
- (c) whether the Honourable Member proposes to consider the need for attaching an appraiser each to the post offices of Lahore and Delhi for the valuation of such goods for the purposes of levying customs duty?

**The Honourable Sir James Grigg:** (a) Statistics are not recorded separately according to destination. The information is therefore not available.

(b) Government have received no representation in the matter.

(c) I am afraid that my Honourable friend's suggestion is not practicable.

**SENDING OF INDIAN TROOPS ABROAD.**

**1237. \*Mr. Abdul Qaiyum:** Will the Defence Secretary please state :

- (a) whether he has read an extract of Colonel Muirhead's speech published under the heading "India and Burma Services", published in the *Hindustan Times* of the 10th March, 1939 on page 3;
- (b) whether he has read the following remarks of Colonel Muirhead:

"The particular point on which they chiefly concentrated was the possibility of the army in India being used outside India for general and imperial purposes. It was with that end in view that certain grants were recommended with a view to modernising the army in India in order that they may be able to take their place outside India in fighting side by side with units equipped in modern fashion"?

- (c) whether Government have accepted the grant from Britain after agreeing to lend their troops for Imperial wars outside India;
- (d) if so, the reasons therefor, and the reason why this was done without consulting this House; and
- (e) whether Government will send Indian troops abroad after obtaining the approval of this House; if not, why not?

**Mr. C. M. G. Ogilvie:** (a) Yes.

(b), (c) and (d). The passage quoted was a compressed reference, made on the report stage of the Estimate discussion, to a fuller statement made by Colonel Muirhead when introducing the Estimate on the previous day. This fuller statement, which is reported in the Indian Press of 8th March, made it clear that the word "They" in the first line of the passage, quoted by the Honourable Member, meant the Garran Tribunal of 1932-33. It will be remembered that one of the grounds on which the Garran Tribunal recommended a contribution by His Majesty's Government towards the cost of the Army in India was that that Army (I am quoting from the Tribunal's Report) "is a Force ready in an emergency to take the field at once, which does not exist elsewhere in the Empire, which is specially available for immediate use in the East, and which has on occasion been so used". It was in relation to that availability that His Majesty's Government made the offer of the increased grants referred to and it was on this basis that the offer was accepted by the Government of India, pending the further examination of the question by an Expert Committee on Indian Defence which the Government of India suggested should come to this country to study the problem on the spot.

(e) I repeat the assurance which has been given, on several previous occasions, that in so far as considerations of time and secrecy permit, Government will consult the Legislature before Indian troops are sent overseas for purposes not connected with the defence of India.

**Mr. Abdul Qayum:** With reference to part (e) of the question may I know if, besides consulting the Legislature, the Government of India will abide by its decision?

**Mr. C. M. G. Ogilvie:** I cannot add in any way to what I have stated. We agreed to consult the Legislature in those circumstances.

**Mr. Abdul Qayum:** Irrespective of what Colonel Muirhead did or did not say, may I know if before any grant was given for the modernisation of the Indian army it was stated either explicitly or implicitly that the grant was conditional on the use of this army for Imperial wars abroad?

**Mr. C. M. G. Ogilvie:** I think I have explained that perfectly clearly. It is a natural corollary to the decision of the Garran Tribunal that this contribution should be made. As the cost of mechanisation was very great it was thought fair that the contribution should in some way or other be increased.

**Mr. Abdul Qayum:** I want a straight answer as to whether it is a fact or not that this grant was conditional on the use of the Indian army abroad in times of Imperial wars.

**Mr. C. M. G. Ogilvie:** I surely have answered the Honourable Member perfectly plainly, straightly and at considerable length in answer to this question, when I quoted the reasons for which the Garrao Tribunal agreed to make this subvention to the cost of the army.

#### INCOME AND EXPENDITURE OF AHMEDABAD CANTONMENT BOARD.

**1238. \*Pandit Lakshmi Kanta Maitra** (on behalf of Dr. P. N. Banerjee): Will the Defence Secretary please state:

- (a) what have been the income and expenditure under different heads of the Ahmedabad Cantonment Board during the last three years;
- (b) what amounts are spent for providing municipal amenities to the civilian population residing in the Sadar Bazar of that Cantonment under the heads water supply, roads, lighting, school, public library, watering of roads in the Sadar Bazar during hot weather;
- (c) whether it is a fact that no civilian Executive Officer has yet been appointed to that Cantonment; if not, why not; and
- (d) whether it is also a fact that a part-time military officer has been employed to carry on the duties of Executive Officer on a handsome allowance?

**Mr. C. M. G. Ogilvie:** The income and expenditure under the different heads of the Ahmedabad Cantonment Board is being collected and a statement will be laid on the table in due course.

#### STAFF IN AHMEDABAD CANTONMENT BOARD.

**1239. \*Pandit Lakshmi Kanta Maitra** (on behalf of Dr. P. N. Banerjee): Will the Defence Secretary please lay on the table a list of office and outdoor staff, employed by the Ahmedabad Cantonment Board, together with their monthly rates of salary?

**Mr. C. M. G. Ogilvie:** I lay on the table a list of office and outdoor staff employed by the Ahmedabad Cantonment Board, together with their monthly rates of salary.

*List showing the office and outdoor staff employed by the Ahmedabad Cantonment Board, and their monthly rates of salary.*

Office staff.	Rate of salary. Rs.
One Head-clerk and Cashier at . . . . .	155 p.m.
One Tax Collector and Sub-Overseer at . . . . .	90 p. m.
Two Peons at . . . . .	20 p. m. each.
Outdoor Staff.	
One Sanitary Inspector at . . . . .	40 p. m.
One Assistant Sanitary Inspector at . . . . .	25 p. m.
Two Malis at . . . . .	14 p. m. each.
Two Coolies at . . . . .	10 p. m. each.
One Mukadam at . . . . .	16 p. m.
One Cattle Attendant at . . . . .	14 p. m.
Three Sweeper Drivers. (Rubbish Carts) at . . . . .	15 p. m. each.
Seven (Sweepers Incinerators) at . . . . .	15 p. m. each.
Eighteen Sweepers. (Sweeping and Latrines) at . . . . .	14 p. m. each.
Eleven Female Sweepers. (Sweeping and Latrines) at . . . . .	10 p. m. each.
One Pound Keeper (Part-time) . . . . .	3-8-0 p. m. (allowance).

## ALLEGATIONS AGAINST AHMEDABAD CANTONMENT BOARD.

**1240. \*Pandit Lakshmi Kanta Maitra** (on behalf of Dr. P. N. Banerjee): Will the Defence Secretary please state:

- (a) if the civilian public of Ahmedabad Cantonment Board is represented on the Board by a single elected member;
- (b) whether it is also a fact that the teaching staff employed in the schools maintained by the Ahmedabad Cantonment Board, are related to the Head Clerk of the Cantonment Office; and
- (c) whether it is a fact that water taps provided on the Sadar Bazar roads are quite insufficient in number and are opened only for an hour in the morning?

**Mr. C. M. G. Ogilvie:** (a) Yes.

(b) Two members of the school staff are related to the Head Clerk.

(c) There are ten public water stand posts in the Sadar Bazar, and they are quite sufficient. They are kept open for ten hours daily, i.e., from 6 A.M. to 12 NOON and from 4 P.M. to 8 P.M.

## SCHOOL STAFF AND OPENING OF HOSPITALS IN AHMEDABAD CANTONMENT.

**1241. \*Pandit Lakshmi Kanta Maitra** (on behalf of Dr. P. N. Banerjee): (a) Will the Defence Secretary please place on the table a list of staff employed by the Ahmedabad Cantonment Board in the primary or other schools and also in the Cantonment hospital maintained by the Board with rates of salary and allowances paid per month to the staff of those institutions?

(b) Is it a fact that the Cantonment hospital or dispensary is opened only for half an hour both in the morning and evening for medical treatment and for giving medicines for males and females residing in the Sadar Bazar of that Cantonment?

**Mr. C. M. G. Ogilvie:** (a) The Ahmedabad Cantonment Board maintains only one primary school and one dispensary. I place on the table a list showing the staff employed in those institutions and their rates of pay and allowances.

(b) No. The cantonment dispensary is kept open for six hours daily from 8 A.M. to 12 NOON and from 4 P.M. to 6 P.M. for medical treatment and for giving medicines to the civil population of the cantonment.

*List showing the staff employed by the Ahmedabad Cantonment Board in the Cantonment Primary School and in the Cantonment Dispensary, and their rates of salary and allowances.*

*Cantonment Primary School.*

Headmaster	Rs. 33 per mensem (Scale of pay Rs. 30—1/2—35—1—50).
1st Assistant	Rs. 25 per mensem.
2nd Assistant	Rs. 25 per mensem.

*Cantonment Dispensary.*

Sub-Assistant Surgeon (part-time)	Rs. 20 per mensem (charge allowance).
Compounder	Rs. 30 per mensem.
Dispensary servant	Rs. 20 per mensem.
Sweeper (part-time)	Rs. 5 per mensem (allowance).

**Pandit Lakshmi Kanta Maatra:** Is anything charged for these medicines?

**Mr. O. M. G. Ogilvie:** Certainly not from those who cannot afford to pay. I should very much doubt whether in practice anybody is ever charged anything.

**GOVERNMENT'S SUPERVISION AND CONTROL ON THE IMPERIAL BANK OF INDIA.**

**1242. \*Mr. Manu Subedar:** (a) Will the Honourable the Finance Member please state what powers the Government of India possess under the Imperial Bank of India Act with regard to the supervision, control or direction of the Bank generally, or particularly with regard to the question of Indianisation?

(b) Is it a fact that the appointment of the Managing Director of the Imperial Bank is subject to the approval of the Government of India?

(c) Have the Government of India any Directors who owe their place on the Imperial Bank to the Government of India?

(d) Has there been any correspondence between the Government of India and the Imperial Bank during the last five years? If so, on what subjects?

(e) Has the question of the Indianisation of the Bank's staff and the increase of opportunities to Indians to qualify for higher places in the Bank formed the subject matter of correspondence between the Government of India and the Imperial Bank at any time during the last five years? What was the proposal made by the Government of India to them?

(f) What was the proposal of the Bank itself which was sent to the Government of India for information?

**The Honourable Sir James Grigg:** (a) Attention is invited to the Imperial Bank of India Act.

(b) No.

(c) Yes, one.

(d) Yes, on matters involving Government's responsibility under the Imperial Bank of India Act.

(e) and (f). I would refer the Honourable Member to my reply to question No. 110 on the 10th August, 1958.

**Mr. Manu Sebedar:** In view of the fact that the Imperial Bank of India is in a privileged position having a special Act, will Government consider the proposal to call for a report from the Bank on the subject of Indianisation?

**The Honourable Sir James Grigg:** No, Sir; Government have no right to do that under the statute regarding the Imperial Bank.

**Mr. Manu Subedar:** What is the outlook of Government? In view of the fact that previous Finance Members did take an interest in the question of Indianisation of the staff of the Imperial Bank, may I know if the Honourable the Finance Member has now changed from that policy or whether Government's policy in this matter remains the same?

**The Honourable Sir James Grigg:** The Honourable Member must know perfectly well that the whole constitution or the whole relationship between the Imperial Bank and Government was altered completely at the time of the inception of the Reserve Bank Act and that the Legislature regulated anew the relations between the Imperial Bank and Government at that time.

**Mr. Manu Subedar:** In view of the fact that complaints have been received by the Chambers of Commerce who have been in correspondence with the Imperial Bank of India on this subject and also of complaints received from the Indian staff of discrimination and ill-treatment, and in view of the great discontent amongst the Indian staff of the Imperial Bank of India, will the Honourable Member promise to look into this subject or instruct the Government Director on the Board of the Imperial Bank to look into it and as Director call for a report on the subject?

**The Honourable Sir James Grigg:** That is a matter for the shareholders and not a matter for the Government. The functions of Government in relation to the Bank are very limited and are laid down by statute and I do not propose to extend them.

**Mr. Manu Subedar:** Surely the Government Director has all the rights of a Director?

**Mr. President** (The Honourable Sir Abdur Rahim): Next question. The Honourable Member cannot have a discussion on the whole question.

#### SCHEME FOR THE TRAINING OF INDIANS IN BANKING.

**1243. \*Mr. Manu Subedar:** (a) Will the Honourable the Finance Member please state whether it is a fact that the Managing Governor of the Reserve Bank of India, speaking at the last annual meeting in Madras in February 1939 said that trained banking officials were required for advancing the development of banking in India?

(b) Have the Reserve Bank of India under consideration any scheme for the training of young Indians in banking? If so, what are the particulars?

(c) Have Government made any recommendation to the Reserve Bank of India to stimulate their efforts in this direction through their Director on the Reserve Bank Board?

(d) Have Government any information with regard to the difficulties experienced by young Indians in having training in English banks?

(e) Have Government considered the proposal of requisitioning from the High Commissioner full information on the subject for the use both of the Reserve Bank and of themselves?

**The Honourable Sir James Grigg:** (a) Yes

(b) to (e) No.

**Mr. Manu Subedar:** May I know whether the Government of India have themselves envisaged any programme with regard to extended facilities for training of Indians in banking?

**The Honourable Sir James Grigg:** Independently of the Reserve Bank?

**Mr. Manu Subedar:** Yes.

**The Honourable Sir James Grigg:** No.

**Mr. Manu Subedar:** May I know whether they have requested the Reserve Bank, through their Director, to consider an elaborate programme?

**The Honourable Sir James Grigg:** I have answered that. I have said, no.

**Mr. Manu Subedar:** May I know why information is not being called for from the High Commissioner as to the facilities or otherwise and as to the difficulties of Indians in the United Kingdom who want to get practical training in banking?

**The Honourable Sir James Grigg:** If the Honourable Member wants to know that, he had better put down a question.

**Mr. Manu Subedar:** I respectfully draw your attention, Sir, to this: the Honourable Member says he will not call for such a report, and when I ask him the reasons why, he wants fresh notice.

**The Honourable Sir James Grigg:** I would say that that is an addition to the question. If he puts a question down, I will answer it.

#### ALLEGATIONS AGAINST A EUROPEAN SOLDIER AT JARTALON RAILWAY STATION.

†1244. **\*Babu Baijnath Bajoria:** (a) Has the attention of the Defence Secretary been drawn to the news appearing in the Hindi newspaper, *Daily Arjun* of the 19th February, 1939 in which it is stated that an European officer kicked out of the train a body sitting in the servants' compartment at Jartalon station?

(b) Is it a fact that, due to the above incident, there was every possibility of assault and disturbances and the train was delayed four hours?

(c) Have Government taken any action against the said officer? If so, what? If not, why not?

(d) Do Government propose to take necessary steps to avoid recurrence of such incidents?

**Mr. C. M. G. Ogilvie:** (a) Yes.

(b) The facts of the case appear to be as follows:

On the night of the 3rd/4th February, a large crowd of pilgrims at Jakhlaun station wished to board a train on which certain military personnel, amongst other, were travelling. Not being able to find room elsewhere a number of persons attempted to enter a first class compartment in which a military officer was travelling and others actually did enter the servants' compartment attached to it. They were, subsequently, removed from this compartment by two sergeants acting under the orders of the officer. This caused a certain amount of excitement amongst the other passengers but the main cause of the train's delay was due to the lack of accommodation, which was eventually provided by using two spare coaches from another train.

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†Answer to this question laid on the table, the questioner being absent.

(c) No. The matter was investigated by the local civil and military authorities, but no action was taken against him.

(d) In the circumstances Government do not consider it necessary to take any action.

#### SUBJECTION OF INTERESTS ON STERLING LOANS TO INCOME-TAX.

**1245. \*Mr. C. N. Muthuranga Mudaliar:** Will the Honourable the Finance Member please state:

- (a) whether sterling loans of the Government of India earn interest in this country;
- (b) whether they are not charged income-tax in India; and
- (c) whether the Government of India propose to recommend to His Majesty's Government to so amend the Government of India Act as to enable the Government of India to subject the interests on sterling loans to Indian income-tax?

**The Honourable Sir James Grigg:** (a) No.

(b) Interest is taxable if brought into British India or in the hands of a person resident and ordinarily resident whether brought into British India or not—subject of course to the exemption of Rs. 4,500 provided in the new Income-tax Act.

(c) The Government of India Act does not confer an exemption. It only prohibits deduction of tax at source.

#### CIRCULATION OF COUNTERFEIT COINS.

**1245A. \*Mr. Brojendra Narayan Chaudhury:** Will the Honourable the Finance Member please state:

- (a) whether his attention has been particularly drawn to the following passage in the *Hindustan Times* of 10th March, 1939, page 8, column 4:  
“almost every third rupee in circulation in Delhi is doubtful;”
- (b) whether the fact is really so;
- (c) the number of prosecutions in Delhi during the current year for making and passing bad coins and with what results;
- (d) the especial steps, if any, undertaken in Delhi against the culprits;
- (e) whether the counterfeiting of Indian coins in tribal areas is on the increase; and
- (f) if so, the special steps taken to cope with it?

**The Honourable Sir James Grigg:** (a) Yes.

(b), (e) and (f). Government have no reason to believe that the newspaper report correctly represents facts or that counterfeiting is on the increase in tribal areas.

(c) The number of true coining cases in Delhi was four during the calendar year 1938, and *nil* since the beginning of the current year.

(d) For several years past counterfeiting activities have been the subject of police attention.



**Mr. Brojendra Narayan Chaudhury:** May I know whether the Honourable Member will consult the Members of this House over this matter?

**The Honourable Sir James Grigg:** From the number of counterfeit silver coins received in treasuries and railway stations, it seems that the figures for Punjab including Delhi have been going down each year from 1935-36.

**Mr. Brojendra Narayan Chaudhury:** Those are figures for detected cases: may I know whether Government have any idea about counterfeit coins which are not detected?

**The Honourable Sir James Grigg:** I suspect that a good deal of the trouble arises from the fact that some distrust has grown up about Queen Victoria rupees; but as Honourable Members have been told, those are in process of withdrawal.

**Prof. N. G. Ranga:** Has the Honourable Member investigated carefully and satisfied himself that Delhi does not suffer more from this epidemic of bad coins than other towns in the United Provinces or even in the Punjab?

**The Honourable Sir James Grigg:** It has just been suggested to me that that might be so when the Assembly is in session.

#### POSTPONED QUESTIONS AND ANSWERS.

##### OFFICERS AND RANKS IN THE INDIAN TERRITORIAL FORCE.

†850. **\*Mr. T. S. Avinashilingam Chettiar:** Will the Defence Secretary state:

- (a) the total number of officers and ranks in the Indian Territorial Force;
- (b) how this number compares with the number of officers and ranks in the Auxiliary Force; and
- (c) whether the number of the Indian Territorial Force is on a par with the regulars to whom they are a second line of defence?

**Mr. C. M. G. Ogilvie:** (a), (b) and (c). The required information is contained in the Actual Strength Return for the Army and Air Forces in India, a copy of which is in the Library.

**Mr. T. S. Avinashilingam Chettiar:** What is the answer to clause (c)?

**Mr. C. M. G. Ogilvie:** The Honourable Member can ascertain what the proportion is by looking at the Actual Strength Return.

**Mr. T. S. Avinashilingam Chettiar:** May I know whether there is a difference in the proportion of officers trained between the Indian Territorial Force and the Auxiliary Force?

**Mr. C. M. G. Ogilvie:** I submit that that does not arise from the question.

**Mr. T. S. Avinashilingam Chettiar:** There is a definite question, Sir: how does the number compare with the number of officers?

**Mr. President** (The Honourable Sir Abdur Rahim): But there is no question of training.

**Mr. T. S. Avinashilingam Chettiar:** How can there be officers without being trained?

**Mr. President** (The Honourable Sir Abdur Rahim): That is another matter.

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+877. **Mr. T. S. Avinashilingam Chettiar:** Sir, I do not put this question.

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### MOTION FOR ADJOURNMENT.

GOVERNMENT'S REFUSAL TO GIVE AN OPPORTUNITY TO THE ASSEMBLY TO EXPRESS ITS OPINION ON THE PROPOSED BILL TO AMEND THE GOVERNMENT OF INDIA ACT, 1935.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair has received notice of a motion for adjourning the House to discuss a matter of urgent public importance, namely, the refusal of the Government to give an opportunity to the Assembly to express its opinion on the proposed Bill to amend the Government of India Act, 1935, as announced in the House of Lords. The Chair takes it that it is the Governor General in Council and not the Governor General who allots the time. The Chair cannot, therefore, disallow the motion on that ground . . . .

**The Honourable Sir Nripendra Sircar** (Leader of the House): But I have not taken that objection at all. I have some other objection. My objection is this. The Government have not deprived the Members of any opportunities. They have got the non-official Resolution days and if they like they can put this up and discuss it. How can the Government prevent it? But as you know, Sir, we are pressed for time and we cannot even finish the agenda which we have got now in time.

**Mr. President** (The Honourable Sir Abdur Rahim): That is an altogether different matter. As regards the Resolutions, has this been drawn in the ballot?

**The Honourable Sir Nripendra Sircar:** Not held yet.

**Mr. President** (The Honourable Sir Abdur Rahim): It may or may not be drawn in the ballot. As objection has been taken, will Honourable Members who are in favour of leave being granted rise in their seats?

(More than 25 Members rose.)

As not less than 25 Members have risen, leave is given. The motion will be taken up at 4 o'clock.

## ELECTION OF MEMBERS TO THE STANDING COMMITTEE ON PILGRIMAGE TO THE HEDJAZ.

**Sir Girja Shankar Bajpai** (Secretary, Department of Education, Health and Lands): Sir I beg to move:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, a Muslim Member to sit on the Standing Committee on Pilgrimage to the Hedjaz, vice Qazi Muhammad Ahmad Kazmi, M.L.A., whose term of membership has expired."

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

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, a Muslim Member to sit on the Standing Committee on Pilgrimage to the Hedjaz, vice Qazi Muhammad Ahmad Kazmi, M.L.A., whose term of membership has expired."

The motion was adopted.

**Mr. President** (The Honourable Sir Abdur Rahim): I may inform Honourable Members that for the purpose of election of a Muslim Member to the Standing Committee on Pilgrimage to the Hedjaz the Notice Office will be open to receive nominations upto 12 noon on Friday, the 24th March, 1939, and that the election, if necessary, will be held on Monday, the 27th March, 1939. The election which will be conducted in accordance with the principle of proportionate representation by means of the single transferable vote will, as usual, be held in the Assistant Secretary's room in the Council House, New Delhi, between the hours of 10-30 A.M. and 1 P.M.

## THE INDIAN FINANCE BILL—*contd.*

**Mr. President** (The Honourable Sir Abdur Rahim): The House will now consider the Finance Bill clause by clause.

The question is:

"That clause 2 stand part of the Bill."

**Mr. M. Ananthasayanam Ayyangar** (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, I beg to move:

"That in clause 2 of the Bill, the words 'and four annas' be omitted."

Sir, year after year we are trying to reduce the excise duty on salt, and we have carried amendments to that effect year after year for a number of years, but this year we do not propose to reduce the duty. Amendment No. 6 in the name of my friend, Mr. Satyamurti, sought to reduce the duty, but he has given up his attempt. The attempt which we seek to make by this amendment is that the duty, as prescribed by the Finance Bill, be reduced to Re. 1.

My amendment does not seek to reduce the total duty on salt below Rs. 1-4-0 per maund. If Honourable Members will go back to the year 1931, they will see that for the first time surcharge on excise duty and various other surcharges on income-tax and other things were imposed. It was then a surcharge of 25 per cent. was levied by the Act of 1931 on the excise duty of salt. Thus, actually, every year, on a maund of salt, we pay a duty of Rs. 1-4-0 for which sanction is sought for in this

Finance Bill, *plus* 25 per cent. of Rs. 1-4-0 or annas five by the surcharge duty by the Supplementary Finance Act of 1931. In all, we are paying Rs. 1-9-0 on every maund of salt. We naturally must expect that as the Finance Bill is placed before this House year after year, an opportunity would be given to the House to find out where we stand, and what exactly the needs of the Government are and taking all those things into consideration we may vote for additional taxation or say that additional taxation is not necessary either wholly or in part. Such an opportunity, unfortunately, is not given to us so far as the Surcharges Duties Act is concerned. My complaint is that whereas for levying the primary duty on every maund of pound of salt the Finance Bill is brought before this House, year after year, there is already a permanent Act of 1931, which says that whenever duty is imposed by a Finance Bill on a maund of salt for that year, it shall be read as if in addition to the duty that is passed by the Finance Bill of that year, the surcharge of 25 per cent. under the Supplementary Duties Act is also there. I only request Honourable Members to kindly address themselves to this question. What is the object of bringing the Finance Bill before this House year after year. The object is clearly, as I have already stated, to give an opportunity to the House to find out whether it is necessary to continue to impose a particular duty or increase or decrease it. But the reason would apply more to a case where surcharges are imposed. When the Surcharges Act was passed in 1931, it ought to have been confined to that year, but they made it a recurring charge and; thus, there is no opportunity for this House to find out whether the duty proposed is necessary, and if there is any real need for the surcharge of 25 per cent. that is sought to be imposed. That opportunity has been taken away from us. It is as good as saying that 25 per cent. of the customs or excise duty has been voted by us once for all, and this House has absolutely no chance to vote it down again. Sir, I submit it is very improper to have passed such a measure, and the sooner we get rid of that legislation the better. Therefore, if my amendment is accepted, I am not trying to touch one pie from the duty that is sought to be imposed by the Finance Bill, but I shall be indirectly repealing that Supplementary Duties Act of 1931, so far as the surcharge on salt excise duty is concerned. The Surcharge Act is not an annual Act. It has not been brought here for amendment so that we could deal with it direct. The Surcharge Act is beyond the scope of any discussion here. The only thing we can touch is the Finance Bill. Therefore, I am merely appealing to Honourable Members to consider this aspect of the question when voting on this amendment. I have no time or desire to quarrel over the question whether the duty of Rs. 1-4-0 on salt is good or bad; we have been quarrelling over it year after year, but I give it up. That is why my friend, Mr. Satyamurti, also did not press his previous amendment. Therefore, we shall accept Rs. 1-4-0 is necessary. But has the Finance Member established a case for the continuance of the surcharge? If that matter had been brought here, we would all of us rise in our seats and say that the surcharge is not necessary. Only yesterday it was stated that the balance of trade has been progressively increasing in our favour. When this Act was passed as an emergency piece of legislation, in 1931, Sir George Schuster definitely said that this was an emergency measure. The conditions were critical, there was depression then, and there was no knowing when the depression would disappear, and, therefore, purely as an emergency measure this surcharge was imposed. Are we justified in continuing it today? I only

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take the Honourable Member's own reading of the situation and our position in the world's market and our favourable balance of trade as an argument against the continuance of this surcharge . . . .

**Dr. Sir Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): What will be the financial effect of this motion?

**Mr. M. Ananthasayanam Ayyangar:** The financial effect of this per maund is this. The duty here is Rs. 1-4-0; if it is reduced to Rs. 1, we will have to pay Re. 1 *plus* 25 per cent. surcharge. Thus by this amendment we will not be touching Rs. 1-4-0 per maund of salt but will touch annas five, the surcharge. As regards the maunds of salt consumed and the amount of revenue yield to the Government each year, I would refer Honourable Members to page 7 of the Explanatory Memorandum, Statement 4, which gives details of salt revenue and the total amount of salt consumed. The actuals for 1937-38 are five crores maunds consumed during that year, and it is expected that the same quantity would be consumed, that is to say 5 crores 27 lakhs maunds. As regards the total receipts of salt revenue during the year 1937-38, they were 863 lakhs, that is, 8 crores 63 lakhs, and it is expected that this year eight crores 58 lakhs would be the revenue. If our balance of trade had not been favourable or if we had been reduced to a very unhappy state of financial affairs, there would have been every reason to continue the surcharge. I believe the Honourable Member has included the surcharge, i.e., one-fifth of this amount and 858 lakhs of estimated revenue this year includes surcharge also. May I ask from the Honourable Member whether the excise duty that is shown under salt to the tune of 858 lakhs of rupees for the year 1939-40 includes the surcharge of 25 per cent. The Honourable Member is engaged otherwise, I am sorry I am not able to get that information. I believe it includes the surcharge. Therefore, one-fifth of that, that is, 170 lakhs, will be the deficit. This might appear to be an appalling figure, but the Finance Member yesterday said that if there was a cut in salaries he would have 120 lakhs, but his argument was that the whole of the amount would go to the provinces. I am not sure that for a period of five years it would go, the whole of that, to the provinces. Then he admitted that by way of retrenchment and other measures some more money would be had, and there might be additional revenue on account of the increase in the imports of sugar. Thus, there won't really be a deficit, and even if there be a deficit, that could be more than amply covered by the cut in salaries and the increase in sugar imports. There is another aspect of the matter. After the Surcharge Act was passed in 1931, one after another surcharge has been removed, the surcharge on income-tax has been removed.

The Finance Member has shown very great concern for the poor agriculturist in this country. Salt is not a luxury, it is a necessary of life in this country. Most people eat rice, and the temperature is hot, and we do want salt, instead of sugar, which is consumed in England and other colder climates. We do consume large quantities of salt. If the labourer in England cries for a pinch of sugar for his tea or coffee, similarly, the poor, teeming millions of this country have to cry for a pinch of salt for their *kanji* or gruel. That is the unfortunate position. If my Honourable friend's compassion for the poor people here is real and not merely an argument to twit us with again and again, let him support this amend-

ment. The surcharge can on no ground be justified. In 1931 there was an emergency, but on his own showing there is no emergency now. Let us assume that the future may not give the same good account of a favourable trade balance, and we may get a depression. In that case why did he remove the cut on salaries, the surcharge on income-tax? The salary drawers are not such poor people, or those income-tax payers. What about those poor agriculturists for whom my Honourable friend's heart bleeds, burns and melts? I want to put him to the test. I am not asking that the duty should be reduced by one pie, I mean, the normal duty, all I am asking is to repeal the surcharge which was imposed in 1931, for which, on his own showing, there is absolutely no justification whatever at the present moment. He removed the surcharge on income-tax. Is he a capitalist or a socialist? I am not afraid of the word socialist. All of us are socialists, we have no money. None of us is rich. The moment socialism is introduced in this country, possibly most of the Members on these Benches would grow richer. I have no soft corner for the rich man. (Interruption.) Possibly to your left they are all rich men, you may or you may not be so. I do not know much about it. What I am submitting is this. Let my Honourable friend show his sympathy in action. Why did he remove the surcharge on income-tax? Not only that, but under the Act of 1931 the minimum exemption limit was reduced from 2,000 to 1,000. Why did my Honourable friend raise it from 1,000 to 2,000? He has served this country for a period of five years, but that has had no effect at all upon his knowledge or his capacity to serve this country. Let me tell him that in India a man who gets Rs. 100 a month is one of the richest men in this land. A man cannot get even four annas a day or Rs. 7 a month in a village. I know many cases where even for a quarter of an anna they are prepared to do any amount of service.

Three of the districts, which I represent, were seriously affected by famine a year before last, and even this year in a portion of that area there is famine. Under the famine codes, they would not recognise famine unless an able bodied man who is tall and stalwart, and is six feet high, is prepared to work for nine pies a day,—not pice, but pies, that is, three-fourths of an anna. I have seen pictures coming from England. If the Finance Member were the target of attack as in the "Tale of Two Cities", he would have been hacked to pieces. We come from long distances as representatives of our people, and when we go back, and our men ask us what we have done we say we have moved cuts, we have moved Resolutions we have carried them, but it is all useless. Then they say, why should we send you there? We reply, if you do not want us to go there, leave us alone, and we will go and earn our livelihood in our own place. Sir, that is the position, I have no objection to the normal duty, but the surcharge must be removed.

As regards the quantity of salt consumed, five crores of maunds of salt is the quantity consumed in this country year after year, and with a population of 85 or 87 crores, it does not come to more than one-fifth, or one-seventh, or one-eighth of a maund per head, that is, ten pounds. In this hot climate we consume only ten pounds, whereas in England they consume 40 lbs. on an average. Salt is used not only for human consumption but it is also necessary for animals, cattle, for agriculture, for curing processes in industries and so on. We are grossly underfed in salt. There is water, water everywhere, salt can be manufactured easily all

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round the huge coast we have got, but there is not a drop to drink. That is the position to which the agriculturist is reduced, supported as he is professed to be by the Finance Member. I would ask the House to consider this amendment of mine as a repeal of the surcharge and not as an inroad into the provision of the Finance Bill. Because the Surcharge Act has not been placed before us, I am compelled to adopt this method indirectly to repeal the surcharge which ought not to have been imposed or allowed to continue today. Sir, I move.

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

"That in clause 2 of the Bill, the words 'and four annas' be omitted."

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadian Rural): Sir, I support this amendment. My Honourable friend, 12 NOON. Mr. Ayyangar, has given very substantial and strong reasons for this amendment. We wonder why the Finance Member is so inimical to the salt question. (Interruption.) I will just tell you whether he is saltish or sweetish. The question of salt affects every one in India. There is a proverb that says that everyone ought to be true to his salt. The Honourable the Finance Member has remained here for five years and he has done nothing for Indian salt. I do not think he is so fanciful as to eat Liverpool salt all the time. He may have a little of that on his table but he cannot do without Indian salt. I, therefore, submit that he should be true to that salt but he has shown no signs. The Honourable the Finance Member is unnecessarily adamant on the point of the import of foreign salt and that shows his mentality with regard to the salt tax. It has been urged before him that figures show that it is very necessary that there should be protection of the Indian salt.

**The Honourable Sir James Grigg** (Finance Member): That will raise the price of salt.

**Mr. Lalchand Navalrai**: It will not raise the price. I shall give the Honourable Member the prices in Calcutta, where they have gone down, and I cannot understand how it will be raised. The Honourable Member has received representations. He has studied them and knows full well that there will be no increase. I also take exception to the statement that since this protection has been removed salt from Aden has decreased.

**The Honourable Sir James Grigg**: It has.

**Mr. Lalchand Navalrai**: I submit it has not. So far as this salt is concerned, the Honourable Member has not been very favourable or sympathetic. On that point, the Honourable Member has even refused to receive a deputation from a gentleman who clearly wanted to put the whole thing before him. I am referring to Mr. Jamshed Mehta who was here in Delhi lately. He offered to explain everything but the Honourable Member would not allow him an interview. Is that correct? Is that the attitude he should have adopted. I submit that it is only his good relations with us that will bring him credit in England. Otherwise,

there will be no support from this side but only condemnation. On the question of salt imported from abroad, the Honourable Member should keep himself even now open to conviction and receive a deputation. I submit even now it is not too late to give relief, up to the time the Honourable Member leaves the shores of India.

**The Honourable Sir James Grigg:** On a point of order. The amendment before the House proposes to reduce the general duty on salt. The Honourable Member's speech is entirely devoted to an amendment, for which sanction has not been obtained, to increase the protection.

**Mr. Lalchand Navalrai:** I am justifying the amendment and showing that this foreign protection has not been given. I say that this salt tax should be reduced and I am, therefore, supporting this amendment.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member ought to address himself to the question of reduction of this duty.

**Mr. Lalchand Navalrai:** I am doing it from that point of view. I only asked him whether he would receive a deputation . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member had better confine himself to the amendment.

**Mr. Lalchand Navalrai:** What I am submitting is that so far as this amendment is concerned, they should also give relief to the poor persons who are in the coastal parts of India. The Mover of this amendment asked: why is it that this surcharge is being retained on the salt duty? He has removed the surcharge on many other taxes. Why is it that the Honourable Member is so hostile to this salt tax? He cannot deny that these surcharges are only placed when there is an emergency. The Honourable the Mover has made it plain that he is not reducing the duty. He wants only the surcharge to be removed, especially as we were given to understand that it was an emergency measure and the Honourable Member has admitted that there is no emergency. Then the second point is this. We know that Mahatma Gandhi launched *satyagraha* on the question of salt and then an agreement was arrived at and Government agreed that in coastal parts people require salt for eating and for curing fish and they allowed these poor people to make their own salt for their consumption. It is well-known that even saltish lands give us salt but that also has been stopped. The concession given to people in coastal parts is being withdrawn or restrictions have been put upon it. On that ground also it will be good ground to reduce the tax as suggested in the amendment, so that some relief may be given to these poor people. I submit that there is no justification for removing that exemption. It may be that some defaults are made here and there but the exemptions ought not to be withdrawn on that account. The Indian Penal Code is being offended against every day and there are defaults. On that account you are not removing the Indian Penal Code. Also I say that you should show magnanimity towards the poor people of India who require salt and who cannot do without salt. Therefore, this amendment should be accepted.



**Mr. M. A. Jinnah** (Bombay City: Muhammadan Urban): Sir, I have taken the course of intervening in this debate early, because I want to clarify the position of the Muslim League Party, and I hope that you will give me permission if I depart, strictly speaking, from the amendment before the House. This is not the only amendment that the House will have to deal with. According to the Bill, we have before us, embodied in the Finance Bill, five items: the salt duty, the excise duty on sugar, the import duty on raw cotton, the inland postage rates, and income-tax and super-tax. Sir, I cannot possibly approve of the Budget as it has been presented to us, because we have no lot or share in it. If I had any lot or share in the budgetary proposals, then I might have, or we might have, constructed the Budget on a different footing. But here we have the entire Budget presented to this House, and now, at present, we are only considering whether you can make amendments to the taxation proposed or for the reduction of taxation. Now, Sir, the position of the All-India Muslim League Party in this House is a very peculiar one. Fortunately or unfortunately, we hold the balance in this House. If we are supporting the Government, then I think the Finance Member can safely pilot this Bill to his satisfaction and he can carry this Bill without a comma of it being altered; and he naturally would plead before this House and plead before this Party that we should support it.

Sir, in the past we have been following the principle that if the Government brought in a measure which was really for the good of the people, then we would support it. If it was not in the interest of the people, we would oppose it. But, Sir, I see now that that policy must be altered. It really means this that we are reduced to this position. When the Congress is right, "support the Congress". When the Government is right, "support the Government". But when we are right, nobody supports us. Sir, we feel, therefore, and I want to tell the Government—"What has been your policy? What has been your attitude? And what have been your actions so far as my Party is concerned?" I am glad that the Finance Member in his long speech said, "remember Cawnpore, remember Benares, remember Budaon", but I can tell this House that there are many other places in this country where even the elementary rights of Muslims have been trampled upon.—and what have the Government done? I remember reading, Sir, not long ago a speech made by Mr. Vallabhbhai Patel in which he said:

"There cannot be any basis for all these allegations, for all these complaints of ill-treatment, injustice, tyranny and persecution. The simple reason is that if there was any such thing, surely the Governor would have intervened."

And I think Mr. Bhulabhai Desai very recently made a speech and he relied upon the same argument, viz., that "if there was an iota of truth in these baseless allegations that we were making, surely the Governors would not have been sitting tight and would have immediately intervened". Therefore, because as the Governors have not intervened, my Honourable friend is satisfied . . . .

**Mr. Lalchand Navarai:** On a point of order, Sir, I would like to know if this speech is germane to the amendment that is before the House.

**Mr. President** (The Honourable Sir Abdur Rahim): If the Chair understood the Honourable Member correctly, he was going to justify the action of his Party in dealing with this matter on the general political ground.

**Mr. M. A. Jinnah:** That is right.

Instead of making several speeches, I want to lay down in one speech the policy and the attitude of our Party with regard to this Finance Bill. I am rather surprised that the Honourable Member should have really interrupted me, because I think it might be admitted that I am one of those Members who take the least amount of the time of this House. And I am not in the habit of speaking on every question whether I understand it or I do not understand it.

**Mr. Lalchand Navalrai:** I wanted to understand the legal aspect on the point.

**Mr. M. A. Jinnah:** You have understood it now. I am glad the Honourable Member has learnt today something.

Sir, I was saying that that is the position,—and now, what about Palestine? What about Waziristan? What about Jaipur? Where is the Paramount Power?

**Bhai Parma Nand** (West Punjab: Non-Muhammadan): Hyderabad also.

**Mr. M. A. Jinnah:** You define the attitude of your Party when your turn comes; I am defining the attitude of my Party. What about Jaipur? Seventeen Muslims were shot down like dogs, and we have information, and we believe that information until it is proved to the contrary, that the fire was opened without any warning and without any justification. Where is the Paramount Power? What is the Paramount Power doing? I am not asking that you should intervene for the purpose of putting pressure upon the Indian States or to force them into undertaking "constitutional reforms",—but this is a fundamental and basic principle of maintaining civilized administration. Is this fair play and justice done to the elementary rights of citizens. Sir, I can give instances after instances, but I do not want to waste the time of the House, and, besides, this is not the occasion for it. Why do you expect us, I ask the Government to draw the chestnuts out of the fire on your behalf? Why do you expect us to continue to be subservient on the specious pleas which you put forward before us? We have, therefore, so far as the Government are concerned, made up our mind that we will render no assistance to you so far as this Finance Bill is concerned. You may go on your own way. On the other hand, as regards the Congress Party, I do not want on this occasion to go into details, but I do maintain that the Congress Party is not only hostile to the Muslim League but they are inimical. Therefore, I say to them that co-operation between you and us is not possible. But they will say: "All right, we are the largest number here". Yes, you may be the largest number; you may be more advanced; you may be stronger economically; and you may think that the counting of heads is the final judgment. But let me tell you—and I tell both of you—that you alone or this organisation alone or both combined will never succeed in destroying our souls. You will never be able to destroy that culture which we have inherited, the Islamic culture, and that spirit will live, is going to live and has lived. You may overpower us; you may

[Mr. M. A. Jinnah.]

oppress us; and you can do your worse. But we have come to the conclusion and we have now made a grim resolve that we shall go down, if we have to go down, fighting. Therefore, the position is this. I make this protest as a first step,—a solemn protest, a declaration on the floor of the House as to what our attitude is with regard to this Finance Bill. Our hearts are singed and burnt; our blood is boiling; we shall suffer and we shall go through fire. The attitude that we are going to take is this. We are not going to move any amendment. Do what you like with your Bill. We are not going to support any amendment moved by the Congress Party or any other Party. Possibly, the result of it would be that the Government will be defeated and the Congress will win, because, I know, they have got a sufficient majority if we remain neutral as we are going to remain neutral. But I tell my Congress friends that your victory will not go beyond the little room called the lobby. If you have any sense of satisfaction in having won, you may have it. Your true victory and your real victory will be when you will stretch your hand across and remove the barrier between this Party and that Party. Therefore, we have definitely decided not to vote for any of the amendments by whomsoever moved. We are not going to support the Government, because the British Government has failed even to secure us our elementary rights of citizenship, and those special powers which were assumed under the guise of the Governors and the Governor General being the protectors and the trustees of minorities have proved to be a fraud, worse than a fraud. I myself, therefore, do not wish to take any further part in this debate. But it is open to the members of my Party that they can freely express their opinion as to the merits of the amendments for the purpose of enlightening the Finance Member or the Government of India. As far as the Finance Bill is concerned, it is his and of the Congress Party. You take the responsibility and do what you like with it.

**Mr. Bhulabhai J. Desai** (Bombay Northern Division: Non-Muhammadan Rural): Mr. President, I ask the same indulgence as my Honourable friend if I speak on a subject which he has mentioned and which I quite accept is not directly relevant to the amendment before the House. I am not speaking now in a spirit of adverse criticism on this subject. My Honourable friend referred to what I said—and I admit I said it—that assuming that any charge was made against the Government, even of a Provincial Government, for which some share of responsibility rests on me and my colleagues, I did argue and I say it again that if the thing was anything as serious as to induce my Honourable friend to give expression to the feelings that he has done this morning,—I said it as an indication, but not as a proof—that it would have been the duty of the respective Governors to intervene. But I do not merely rely on it as the only proof of that assertion. In so far as I or the people whom I represent have any share in the administration of this country or can influence it in any way, it is not only our desire, but it has been our purpose, throughout the last 18 or 20 months, to see that no injustice of any kind or sort happens to any individual, either on the score of religion or otherwise. That has been our consistent effort, and if, to the extent to which my Honourable friend feels that we have failed, he must take it from me that we have examined the report of the Committee which was brought before us some six weeks ago. Every Local Government has been asked to examine every incident that is alleged to have happened, and we have done our best and I am still

willing to do my best to meet my friend and to satisfy him as to the truth or otherwise of any of those allegations on which the present bitter feeling of my Honourable friend rests.

As regards his bitterness towards the British Government on the treatment of the Mussalmans in general outside the bounds of India, he knows that we have always sympathised with him, not in any patronising sense, not even as an elder or economically stronger brother, but as an equal brother. We have felt that the independence of the Arabs and the Arab States must remain intact, and my Honourable friend knows that we have passed a Resolution to this effect at the last session of the Indian National Congress.

I sincerely regret that my Honourable friend believes in the way he has expressed himself, because I like to believe that he is sincere in his impression. I entirely accept that. But I regret very much that he should feel that there is such a barrier as he believes or his friends believe. I have not the smallest doubt also as to the value of co-operation that he suggests and we have never believed that at the risk of dividing the country we should proceed onwards in order that we may succeed single-handed. That has never been our ambition and that has never been our desire. At the same time, it is true that if you cannot get co-operation, you must do your best as my Honourable friend has himself said. It is in that spirit of hope, and I am not over-optimistic in this sense, and of almost a confident belief that I say that the bridge is more psychological than real, and we trust that we shall march together towards liberty which is ours. I also agree that it is not mere question of getting majority, because my Honourable friend or his colleagues have decided to refrain from voting on the Indian Finance Bill. Last year, I pointed out, as he must remember, that the constitution of the Government of India Act is such, whether it be with regard to the Resolutions or the Finance Bill, that our votes do not count. I have recognised the futility of that position. So, I may tell my Honourable friend that except in the matter of educating the public opinion, there is no other purpose in the vote that we take in this House.

**Mr. M. A. Jinnah:** That is exactly what we have done today.

**Mr. Bhulabhai J. Desai:** Therefore, my Honourable friend may take it from me that I do not value any victory or supposed victory or what is called a victory by reason of his absence. I really wish that he would remain with us even on a matter on which he disagrees with me. I would rather be glad to be defeated and to be told what is the correct position in any particular matter. I, therefore, regret his absence, but, at the same time, I wish to tell him openly and publicly here that whatever arguments I have advanced is a matter of sincere belief with me. Also there is no complaint of any kind for which we can be held responsible directly or indirectly which we have not fully investigated and which we have not made the best endeavour to meet. I, therefore, wish to tell my friend that though he may feel that we are enemies or hostile, after all, it takes two to become friends as it takes two to become enemies, and on my side there is no enmity whatsoever.

**Sardar Sant Singh** (West Punjab: Sikh): Sir, it was a solemn declaration that has come from the Leader not only of the Muslim League Party in the House. . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member must remember what the Honourable Member, Mr. Jinnah, said was just to define his attitude towards this Finance Bill, and he gave expression to his views and feelings with regard to the attitude of the Government and of the Congress Party, and not of any other Parties, if the Chair understood him aright. No other Party is involved. The Chair, therefore, suggests that the Honourable Member should confine himself to the amendment before the House, namely, reduction of salt duty.

**Sardar Sant Singh:** The position is this. When general statements are made by the Leaders of two major Parties in the House as regards their attitude towards the Finance Bill, then it becomes a difficult task for a Party like ours which, though small in numbers, yet has certain principles on which it works in this House, and I, therefore, crave the indulgence of the House to express the position of our Party as regards the attitude of other Parties.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair does not think the Honourable Member is called upon to accept that position so far as the Chair followed the two speeches just now.

**Sardar Sant Singh:** In that case, my submission is that our Party will have to take up a definite position with regard to each amendment that comes before the House.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member can deal with each amendment on its merits.

**Some Honourable Members:** Go on, speak on the amendment.

**Sardar Sant Singh:** I really wonder why my Honourable friends of the Muslim League should be so impatient when I get up to speak. They think that I am necessarily hostile to them. It is wrong. On this occasion, when the attitude of the Parties is to be defined with regard to the Finance Bill, we are as much entitled to the same indulgence as any Member of any other Party.

**Mr. President** (The Honourable Sir Abdur Rahim): If the Honourable Member wishes to take up the same attitude towards the Finance Bill, certainly he can state it now. He must speak on the amendment which is before the House.

**Sardar Sant Singh:** It is unfortunate, Sir, that we should fail to realise the importance of our vote in this House in any important matter. There is no doubt that whatever amendment is moved in connection with the Finance Bill, it does matter to the country at large, not only does it affect Members of this House alone, but it also affects the country's well-being. Therefore, when we find an important portion of this House stating that they will take up a particular attitude with regard to the Finance Bill or with regard to a particular amendment before the House, it becomes the duty of all Honourable Members to take note of that attitude and try to do whatever lies in their power—whatever be the limitations to those powers—and to ask the members of the other Parties to take up an attitude which should be consistent with the attitude for the welfare of the country.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member is really concerned with the attitude of his own Party so far as this Bill is concerned. The Honourable Member had better leave the other Parties alone, and he should speak now on the amendment.

**Sardar Sant Singh:** Well, Sir, if this be your wish that we should not be allowed to express the attitude of our Party on this question of general importance, I will stop here and give expression to my feelings in some other way at some other time. The position is very simple. We have to judge each particular question on its merits.

The amendment before the House relates to a reduction of duty on salt from Rs. 1-4-0 to Re. 1. This salt duty is not of much importance in this respect that it relates to a burden of taxation on the poor consumers of salt, but its importance is on account of the political significance which this particular question has attained for the last twenty years or more. Public opinion, so far, has always favoured the abolition of this salt tax. It is an obnoxious tax upon the poor. Therefore, it has been brought annually to the notice of the Government that if any reduction is to be given in taxation, the first preference should be given to salt tax. We find that Government Benches are entirely, if not hostile, at any rate persistent and adamant in their view that this salt tax must be retained. So far as the attitude of my Party is concerned, we have also got amendments from our Members not only for the reduction of the price, but also for the protection of manufacture of salt in this country. Our Party supports this amendment. At the same time I would like the Muslim League Party to take into consideration the importance which this salt tax has acquired in the politics of this country and I appeal to them that they should not let go the whole amendment by remaining neutral on the subject. It is for them to decide what attitude they ought to adopt in regard to a particular matter. But in matters which are the common concern of all the Parties it is better that we should join hands in order to educate public opinion abroad as well as to bring pressure upon Government to realise the importance of this matter. Sir, I support the motion.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadian Urban): Sir, during the last two years of our discussion of the budget, I mean the last year and the present year, exceptional circumstances have arisen which in the last year prevented most amendments being discussed, and this year...

**Mr. Bhulabhai J. Desai:** Last year no amendments were discussed.

**Sir Cowasji Jehangir:** ...and it appears that this year circumstances have arisen, whereby the consideration of these amendments on their merits will be prejudiced, by the very important statement which has been made by my Honourable friend, the Leader of the Muslim League Party. Coming to this very amendment,—I will leave aside the question whether salt should or should not be taxed, and if so to what extent—we have heard year in and year out arguments why salt should not be taxed and we have heard arguments from the other side as to the simplicity of the tax, the very wide range of the tax and the fairness of it. But, Sir, we are placed this year in an exceptional position. We have been discussing for the first four days the extent to which the Opposition believe the Honourable the Finance Member to have under-estimated the revenue. We have been also considering in what directions we should persuade him,—deliberately use the word “persuade”,—to make concessions. And if we

[Sir Cowasji Jehangir.]

could have only got an indication of what the Finance Member himself believed he could really afford to give away, however small the amount may be, the whole Opposition may have considered the position and decided which demands might be cut out. That I thought was the position which would be most reasonable to take up. We know very well from his own speeches that he is of opinion that he cannot afford 1 crore and  $\frac{1}{2}$  lakhs. And, therefore, if this amendment is carried it practically means that we shall have an academic discussion on all the other amendments because certification will be dead certain. We may pass these amendments but the result will be what it has been during the past five years, and, therefore, we should not have any practical gain to go back with, when we return to our homes. But, Sir, the debate has taken a very important turn, and I quite realise, as I have always realised, that we cannot do anything in this House under the present constitution unless and until the two big communities of India, Muhammadans and Hindus, have a coalition. I have advocated that times out of number that there is no hope for India in this House or outside it. . . .

**The Honourable Sir Nripendra Sircar** (Leader of the House): Sir, on a point of order, how is all this relevant?

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair does not think the Honourable Member is quite in order.

**Sir Cowasji Jehangir**: I am showing why this motion will not be acceptable, and I am pointing out what will be the fate of all amendments that will be moved hereafter, and I contend that I am quite in order in pointing out what will be the fate of those amendments.

**Mr. President** (The Honourable Sir Abdur Rahim): That the Honourable Member can do including this amendment which is before the House, but the Chair does not think he will be in order to go into a general discussion of the relations between the different communities.

**Sir Cowasji Jehangir**: I am pointing out that the fate of all amendments in this House being considered on their merits depends upon the relation between the two major Parties in this House, and I have suggested in season and out of season not only in this House, that the fate of many questions will depend upon an honest and *bona-fide* coalition. The result of the amendments that we will move will be nil, and it appears to me that in the present conditions it is hopeless, whatever the constitution may have been, to try and do something to the advantage of the country in which we are all proud to have been born.

**Dr. Sir Ziauddin Ahmad**: Sir, I will not discuss this amendment on political considerations, but examine the points raised by the Honourable the Mover. He rightly said that the second Amendment Bill of 1931 which raised the duty all round by 25 per cent. was obnoxious, unscientific and uneconomical: and I entirely agree with him. I have been always saying that that was an indiscreet action. But I say further that if you modify it in one commodity and leave the other commodities alone, then it is equally unscientific, uneconomical and obnoxious. We ought to revise the whole tariff from A to Z and not take up one particular item.

The second thing is this. The acceptance of this motion will mean a loss of 167 lakhs, and we should point out methods of meeting this deficiency. My Honourable friend suggested one method, namely, the lowering of the income-tax level from Rs. 2,000 to Rs. 1,000. I am sure, he will be in a hopeless minority to suggest that the income thus obtained should meet the reduction in excise duty on salt. I am sure, this will be opposed by a vast majority in this House.

I will next say that if you want to reduce this by 25 per cent. because of abnormal increase in 1931, you should first take off the duty on petrol by 25 per cent. It was raised by 25 per cent., and it is an inconvenient duty. So my view is that we should touch the reduction of 25 per cent. and rectify the mistake of 1931. We ought not to take up an item here or there and press this reduction. As to salt, we know it is an inelastic commodity. Out of all the commodities we can think of, it is the most inelastic; and whether it is the present Government or the Federal Government with a Congress majority, I am positive that they will not touch this item, because the duty is certain and inelastic, and if we reduce the duty here, we will have to find out some other commodity to levy duty, and perhaps that might be more unreasonable and might be bitterly opposed. It is easy for us to reduce the duty: we are not responsible. If the problem had been only this, whether to reduce the duty or not, it would have been simple, and I would have voted for it: but the problem is, if we reduce this duty, we will have to put it somewhere else—otherwise it will not be possible to balance our budget.....

**An Honourable Member:** Whose budget?

**Dr. Sir Ziauddin Ahmad:** I wish Honourable Members would consider the effect of all these cut motions. If we are to reduce the income under salt, the income under income-tax, the income under sugar, the income under cotton and the income on postcards, then what would be the total effect on the income of the Government of India? The only argument advanced by the Opposition, as we are unfortunately placed, is that it is our duty to cut down the income, and it is the duty of the Government to balance its budget. That is not a responsible position to take up, and only persons like us, who are placed in an irresponsible position, can talk in that spirit.

**The Honourable Sir James Grigg:** Sir, perhaps the House will expect that I should declare the attitude of my Party, particularly after the invitation from Sir Cowasji Jehangir that I should tell the House how much I really have up my sleeve. I can tell him that quite frankly. The answer is nothing, and, therefore, the attitude of the Government must be in the main to oppose all the amendments except the one which we ourselves have put on the paper.

Now, I come to the amendment before the House, and I would like, if I may be allowed, to expose the little game of Mr. Ananthasayanam Ayyangar. This amendment No. 7 proposes to reduce the salt duty by four annas, plus 25 per cent. of four annas, or five annas in all. His amendment No. 11 proposes to increase the duty on imported salt by 2½ annas. So this is a nefarious game for spending a crore and three-quarters which is going to be split between the consumer and the manufacturer. The salt tax is first to be reduced by five annas at a cost to the exchequer



[Sir James Grigg.]

of Rs. 1½ crores and then of that 1½ crores half or the best part of a crore is to go back to the manufacturer. I certainly am not prepared to stand for that. Even if there were no question of loss of revenue—and how can the Honourable Member who comes from Karachi.....

**Mr. K. Santhanam** (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): On a point of order, Sir: the Honourable Member himself pointed out that that amendment could not be moved, but he is basing his argument on that amendment. That amendment has not been moved and is not before the House.

**An Honourable Member:** Sanction has not been obtained for it.

**The Honourable Sir James Grigg:** But it is still on the paper and I do not know .....

**Mr. Bhulabhai J. Desai:** Sanction has been refused and it cannot be moved.

**The Honourable Sir James Grigg:** I am not talking on that amendment anyway; I am talking of the Honourable Member's expressed intentions.

**Mr. Bhulabhai J. Desai:** My Honourable friend himself said that sanction had been refused and I am sure he will oppose it if moved. But he must take it that we will not move it.

**Mr. President:** The point is, the Chair may have to consider whether sanction was necessary or not.

**Mr. Bhulabhai J. Desai:** Anyway, we do not propose to move it.

**The Honourable Sir James Grigg:** I was merely trying to base myself on the Honourable Member's desire, shall we say, which is to reduce the salt duty by five annas and get 2½ annas of it back for the manufacturer and I will leave it at that. The cost of the amendment which he has moved—his smoke-screen—is Rs. 1½ crores; and whether or not I have anything up my sleeve—and I say to the best of my belief that I have nothing—there is no question that there is nothing like Rs. 1½ crores up my sleeve; and I must oppose this amendment, though I know the inevitable result of that opposition.

**Prof. N. G. Ranga** (Guntur *cum* Nellore: Non-Muhammadan Rural): Sir, I am rather surprised at the specious criticism made by my Honourable friend, Sir James Grigg, in regard to the fate of this particular concession if it is passed by this House. He seems to think that if we were to reduce this duty by five annas, then 2½ annas of it will go back to the manufacturers.

**The Honourable Sir James Grigg:** The Honourable Member must not misunderstand me. I said if you take this amendment with the amendment, to which sanction has been refused, later on the paper in the name of the same Honourable Member to express their real desires, then their object is to liberate money in order to get some of it back for the manufacturer.

[ take it that if this amendment is passed the consumers themselves will stand to benefit to this extent of five annas. I do not know why the Honourable Member has not advanced any arguments why the consumer should not be benefited to that extent. It may be because he wants the money. Then a suggestion has been thrown out today by some Honourable Member that there are several other ways by which the Honourable the Finance Member could have tried to raise the necessary funds. But what we are now concerned with is whether or not it is advisable that this reduction should be made. The Honourable Member has already made out his case to his own satisfaction, although not to ours, that he wants money. If he wants money, we maintain that he should try to take it in some other way but not in this fashion. He said that there is no emergency whatsoever to justify any cut in salaries. If that is so, why is it that he is so very particular in maintaining this emergency surcharge on salt tax? He cannot very well have it both ways. If there is an emergency then let there be a salary cut. If there is no emergency let this particular surcharge be abolished.

My Honourable friend, Sir Ziauddin Ahmad, was mentioning that if

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by any chance income-tax was to be levied on people with an annual income of between Rs. 1,000 and Rs. 2,000, there will be so much discontent. I do not know why he should be so much afraid of that discontent because if it is placed against this particular concession, certainly it can be shown to the satisfaction of everybody in this country that as against the discontent of 2,00,000 people here is the promised content or satisfaction of millions and millions of people in this country, provided this salt tax is reduced to this extent. Unlike any other excise duty levied by the Government of India, the salt tax affects or touches every one in this country; whereas in the case of every other excise duty, if any reduction is made only a few people can be benefited. Here this particular reduction will benefit almost every one in the country and, particularly, the poorest sections of our masses, irrespective of their religious denominations. This is why we are so very keen about it. Then, Sir Ziauddin mentioned how could anybody come forward and make this particular proposal if he had any sense of responsibility? it is an impossible proposition and, therefore, it is a hardy annual which need not be considered seriously by this House and so on. The same criticism has been levelled against the Congress proposals for prohibition also in the various provinces all these years. Yet the moment that the Congress had accepted power in these provinces, Congress has seen to it that definite steps were taken to implement its promises of prohibition. And I can assure the House that the moment that a responsible Government comes into power, and if by any chance that responsible Government happens to belong to the Congress, then, Sir, the Congress would certainly take it as its privilege to implement its pledges to the masses in removing the salt duty. Why are we so very keen that the salt tax should go? It is because we are convinced that the masses in this country deserve, at least, this much relief from tax burdens. We don't mean to say that once we remove the salt tax the masses will be completely free from tax burdens, no, it is not so, because there are several other tax burdens too, but this tax hits them the most, and, therefore, this tax should be removed first. Unlike several other taxes this salt tax hits the *kisans* and *mazdoors* of this country the most, and we have particularly made a test case of

[Prof. N. G. Ranga.]

this. Of all the other taxes we feel that this salt tax should be removed as soon as possible. It is all right for the Honourable the Finance Member to be blind to what is happening in our villages. He may grow eloquent about his own affection for the masses in this country, but, after all, mere professions are not enough, and five years is a long enough period for even a blind man to see through the game of the Finance Member as well as of the Government of India. He has professed and professed almost *ad nauseam* his affection for the masses, but what has he done for them? He says he has brought forward the Income-tax Bill and, thereby, he is going to raise more money from the rich people and so on. He is getting all the kicks from the rich people and, therefore, he cannot be expected to do anything more. Even there I do not think he is really anxious to do anything special to relieve the burdens of the masses.

From the salt tax, for instance, he has been deriving more and more money every year, and even according to his own admission, during the last two years, there has been the economic depression. The old depression has gone, the second depression is on now, and yet he does not propose to do anything whatsoever to relieve the intensity of this depression, and, on the top of it all, he insists upon his pound of flesh. I can only say that this does not show any real affection on his part for the masses. If we look into the prices of cereals or pulses, we find that they are very much lower than what they were before. In 1914 if the price was say Rs. 100, the index number of the price of cereals is Rs. 78, and for pulses it is only 93, and yet he wants to collect from the masses the same amount of money he was collecting when conditions were different.

Then, Sir, there are producers of salt. Many of them are very poor people. They have been suffering owing to foreign imports of salt, and the imported salt is subject to no import duty at all. They asked for protection. The Honourable Member simply said that if he imposed a protective duty the price would simply shoot up and the consumer would suffer more. Then why does he not abolish this duty or accept our amendment and reduce the duty and thus make it cheaper for the producers so that they may be able to have a fair deal in this. My friend wants to have it both ways. He wants to hit the producers on the one side, at the same time he wants to rob the consumers on the other. He can't have it this way, and it is all because he wants England to be benefited and not India, although, as my friend, Mr. Lalchand Navalrai, clearly said, my friend, the Finance Member eats the salt of India and will continue to do so until the day of his departure.

Then, Sir, there is the question of the standard of living of our masses. He says that this salt duty is not going to affect them much, but it does, according to me. It has been estimated that the *per capita* income per day of an agriculturist in this country is only seven pies, and if to that we are able to add one more pie, it will be an appreciable amount. It is true it is not a big amount when compared to the standard of living of the people in England or other countries, but when we remember that our people are so very poor and that most of the poor people are obliged to work in large parts of our country on famine works on three pies per

day of eight hours, it will be realised how advantageous it will be to them if this salt duty were to be reduced as is proposed by us. We are particularly conscious of the poverty of our masses. We deal in terms not of millions and millions of pounds or rupees, but in terms of a few rupees when we speak of our masses. Naturally, therefore, four annas reduction is a very big thing, and we want it to be agreed to by the House, because we are responsible to our masses. It is all very well for my friend over there to say that he is for the masses, but, at the same time, we should not deal with this question in an irresponsible manner, because if our proposal is accepted it would show a reduction of one crore and 67 lakhs in the budget. He can talk like that now. But if he does so after going over to that side after the advent of responsible Government, it will be possible for us to kick him out of office, because in a responsible Government an Honourable Member talking in that fashion in respect of the masses will not be allowed to remain in office for more than a minute. Therefore, Sir, I am whole-heartedly in favour of this amendment, and I say so not only on my behalf, not only on behalf of my Party, but also on behalf of the starving millions of this country about whom my friend, Sir James Grigg, has no claim to talk, because he has been exploiting them through his successive budgets while all the time shedding crocodile tears.

**Some Honourable Members:** Sir, the question may now be put.

**Mr. President** (The Honourable Sir Abdur Rahim): The question is: "That the question be now put."

The motion was adopted.

**Mr. President** (The Honourable Sir Abdur Rahim): The question is: "That in clause 2 of the Bill, the words 'and four annas' be omitted."

The Assembly divided:

AYES—55.

Abdul Qaiyum, Mr.  
Abdur Rasheed Chaudhury, Maulvi.  
Aney, Mr. M. S.  
Ayyangar, Mr. M. Ananthasaynam.  
Banerjee, Dr. P. N.  
Basu, Mr. R. N.  
Chaliha, Mr. Kuladhar.  
Chaudhury, Mr. Brojendra Narayan.  
Chettiar, Mr. T. S. Avinashilingam.  
Chetty, Mr. Sami Vencatachelam.  
Das, Mr. B.  
Das, Pandit Nilakantha.  
Datta, Mr. Akhil Chandra.  
Desai, Mr. Bhulabhai J.  
Deshmukh, Dr. G. V.  
Deshmukh, Mr. Govind V.  
Gadgil, Mr. N. V.  
Govind Das, Seth.  
Gupta, Mr. K. S.  
Hans Raj, Raizada.  
Hegde, Sri K. B. Jinaraja.  
Hosmani, Mr. S. K.  
Jedhe, Mr. K. M.  
Jogendra Singh, Sirdar.  
Joshi, Mr. N. M.  
Kailash Behari Lal, Babu.  
Lahiri Chaudhury, Mr. D. K.  
Lalchand Navalrai, Mr.

Maitra, Pandit Lakshmi Kanta.  
Malaviya, Pandit Krishna Kant.  
Mangal Singh, Sardar.  
Manu Subedar, Mr.  
Misra, Pandit Shambhu Dayal.  
Mudaliar, Mr. C. N. Muthuranga.  
Muhammad Ahmad Kazmi, Qazi.  
Paliwal, Pandit Sri Krishna Dutta.  
Pande, Mr. Radri Dutt.  
Parma Nand, Bhai.  
Raghubir Narayan Singh, Choudhri.  
Ramayan Prasad, Mr.  
Ranga, Prof. N. G.  
Rao, Mr. M. Thirumala.  
Saksena, Mr. Mohan Lal.  
Sant Singh, Sardar.  
Santhanam, Mr. K.  
Satyamurti, Mr. S.  
Sham Lal, Mr.  
Sheodass Daga, Seth.  
Singh, Mr. Gauri Shankar.  
Singh, Mr. Ram Narayan.  
Sinha, Mr. Satya Narayan.  
Som, Mr. Suryya Kumar.  
Sri Prakasa, Mr.  
Subbarayan, Shrimati K. Radha Bai.  
Varma, Mr. B. B.

## NOES—38.

Ahmad Nawaz Khan, Major Nawab  
Sir.

Aiyar, Mr. T. S. Sankara.

Ayyar, Mr. N. M.

Bajpai, Sir Girja Shankar.

Bewoor, Mr. G. V.

Buss, Mr. L. C.

Chambers, Mr. S. P.

Chanda, Mr. A. K.

Chapman-Mortimer, Mr. T.

Christie, Mr. W. H. J.

Dalpat Singh, Sardar Bahadur  
Captain.

Greer, Mr. B. R. T.

Grigg, The Honourable Sir James.

Hardman, Mr. J. S.

Kamaluddin Ahmed, Shams-ul-Ulama.

Kushalpal Singh, Raja Bahadur.

Lillie, Mr. C. J. W.

Mackeown, Mr. J. A.

Maxwell, The Honourable Sir  
Reginald.

Menon, Mr. P. A.

Menon, Mr. P. M.

Metcalf, Sir Aubrey.

Miller, Mr. C. C.

Mukerji, Mr. Basanta Kumar.

Nur Muhammad, Khan Bahadur  
Shaikh.

Ogilvie, Mr. C. M. G.

Rahman, Lieut.-Col. M. A.

Row, Mr. K. Sanjiva.

Scott, Mr. J. Ramsay.

Sher Muhammad Khan, Captain  
Sardar Sir.

Sircar, The Honourable Sir Nripendra.

Sivaram, Rao Sahib N.

Slade, Mr. M.

Spence, Mr. G. H.

Stewart, The Honourable Sir Thomas.

Sukthankar, Mr. Y. N.

Sundaram, Mr. V. S.

Zafullah Khan, The Honourable Sir  
Muhammad.

The motion was adopted.

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. Deputy President** (Mr. Akhil Chandra Datta): The question is:

"That clause 2, as amended, stand part of the Bill."

The motion was adopted.

Clause 2, as amended, was added to the Bill.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The question is:

"That clause 3 stand part of the Bill."

**Mr. Surya Kumar Som** (Dacca Division: Non-Muhammadian Rural):  
Sir, I move:

"That clause 3 of the Bill be omitted."

Sir, on this point about the *khandasari* sugar, many of us have spoken. The definition of a factory as one in which 20 or more labourers are employed is to be withdrawn by this clause. That means that even if two or three or five labourers work, that will come under the purview of the excise duty which has now been fixed at eight annas. It has been lowered no doubt. Yesterday the Honourable the Finance Member tried to show that it is not a poor cottage industry as it is represented to be. He quoted some examples supplied by his office and he said that a man splits up his labourers. Two or three are working on one side of the road and crush the juice which is taken to the other side of the road where other processes are being carried on, a centrifugal is used and sugar is produced. So far as I could gather information, this kind of factory is very rare. You cannot find even five per cent. of such factories in the whole country where they have this double arrangement.

The Finance Member said that a hundred maunds are being made in a day. That is an exceptional case but the exception does not prove the rule. I say with full confidence and I think I will be supported by every Member from the United Provinces that there are many factories which do not engage so many men and produce so much sugar. Moreover, this process of manufacturing sugar has been in existence for about 300 years. Previously what these men did was this. They crushed and got juice and made it into *rab* and they condensed it by a country process by means of aquatic plants and they allowed it to remain from three weeks to a month and by that process the refined sugar was obtained. There was another process, the centrifugal, moved by hand. These two were used previously. Now electricity has been introduced into small towns. In many villages in the United Provinces they take electric current for agricultural purposes at a very low rate and use small centrifugal with four or five horse power. It is only in exceptional cases that eight or ten or fifteen horse power is used. So by that process the cultivators do everything. The cultivators crush the cane, the cultivators get the juice and make it into *rab* and put it into the centrifugal, or sometimes they get that *rab* turned into sugar at a certain rate per maund and get back the sugar, go home, and sell that in the market. That was going on for a long time. Simply because they have now taken to that mechanical process and use it at the last stage, i.e., a small centrifugal for the purpose of the last process, now you want to say that its character is changed from a cottage industry into a mill industry. I submit this is very wrong. The nature of the work has remained, the processes previous to the use of the centrifugal have remained the same; and these things are generally done in the interior of the villages in most cases. Except in a few towns—as I stated yesterday, for example, in the town of Bareilly where they have set up some centrifugal—this *rab* is generally brought in from the interior. According to the estimate of the Finance Member, eleven lakhs of maunds of *khandsari* is produced in the country; that is, a very large percentage of the sugar is produced in the country. Now, this is distributed throughout the country, particularly in Northern India, and generally this *khandsari* process is adopted in the most interior places from which there is no transport facility to carry the sugar-cane to the mills or to the stations. That would mean a large cost for which the poor cultivators cannot sell their cane to the mills, because, they have to undergo more expenditure in carrying it to the mill or to the station. And this is being done in the villages, mostly, even now, in some cases the old processes are going on in the interior, and there are some small centrifugals in the interior belonging to the cultivator himself, set up in his own hearth, and everything is finished there. So, I submit, that this is one of the biggest cottage industries which has survived the onslaught of British imperialism. Cotton fabric has disappeared, ship-building has disappeared, all other things have disappeared by the sympathy of British imperialists, but only this has anyhow eked out its existence up to this time. Why of all things in the country, I do not understand for whom, with what motive, this *khandsari* has been selected by the Finance Member? If this eight annas is imposed upon the small *khandsari* factories, I am told they will have either to cease to exist or they will have to give up the process of using any centrifugal machinery. Now, the result, if they revert to the old system, will be that it will not be as profitable as it now is and Government will get nothing. At the same time the imposition of this tax will strangle a very good industry which was flourishing from day to day.

[Mr. Suryya Kumar Som.]

having the advantage of the centrifugal machinery. I submit the use of the centrifugal, at the last stage, does not convert this cottage industry into a mill industry at all. Moreover, what will be the effect of the death of this industry? I am told that in the Bareilly district alone fifty thousand men in different capacities are employed, that is, from the growing of the sugar-cane, cutting it, collecting it, carrying it to the centrifugal, etc., and for these processes about fifty thousand men are employed in one district, viz., that of Bareilly. Now, if this system is driven out of existence, a very very large number of poor cultivators and labourers will be thrown out of work. This is not the way to solve unemployment in this country! Now, I find that imperialist as the Finance Member is, and imperialist as the British Government is, they have a natural sympathy for our Indian capitalists, like my friend, Haji Sir Abdoola Haroon.

**An Honourable Member:** What about Sir Homi Mody?

**Mr. Suryya Kumar Som:** Well, my friend, so far as I know, does not deal in sugar, but in other things like cotton.

The sugar mills will then try to strangle this *khandsari* system so that this sugar mill may have full control over the production and sale of sugar in the country; that is, if this poor *khandsari* is driven out of existence, the mill-owners will have their sweet will to fix the price of sugar at any rate they like and this will affect injuriously the consumers, because since there is a competition between *khandsari* and mill sugar, which is a very healthy competition, the mills are not master of the situation, that is another reason why this *khandsari* should not now be driven out of the field. And I find, Sir, that since this capitalist Government is having a natural sympathy for the Indian capitalist, by killing of this industry they want to help the millwallahs of India and nobody else. So as it does not help England directly, in which case no amount of argument on my part would change the mind of the Finance Member, why do you go so far as to help our Indian capitalist at the sacrifice of this poor cultivator—for whom my Honourable friend evinces so much sympathy? You raise the cry of the consumer's difficulties whenever we ask for a protective duty, and you shed crocodile tears for the consumers saying that the prices will then be raised but here, if you drive this *khandsari* out of the market, you will find how the consumers will be dealt with by the sugar mill-wallahs. Moreover, the spirit throughout the world and I say, particularly throughout India, is how to improve the position of the cultivator and the mass of the people. At this time to try to strangle this *khandsari* system, I submit, is a sin. And, after all, what do you get? About Rs. 5½ lakhs according to your own estimate. Well, that is a drop in the ocean. So my amendment is that do not reduce this rate; I think it was Re. 1-4-0, let it remain there—but do not spread your net so as to include all the *khandsaries* within the section.

I showed only the other day that according to the previous definition of a factory only two per cent. of the *khandsariwallahs* came within the provisions of that Act. It did not touch the remaining 98 per cent. If you include them also, then the rate being lowered does not help the industry. So, I submit that the rate may not be reduced but the definition should remain as it is. Now, it is a question of mentality and it is a

question of intention. Here you have caught hold of the *Khandsari* sugar because it uses centrifugal machinery. If he gets out of this machinery, then you have an idea of catching him. You will say whoever uses any contrivance will have to pay so much. Whether he uses hand or electric power or steam power, it all comes under the definition of machinery. So, if he changes the contrivance, he has no escape. There is no meaning in these technicalities. The real thing is the mentality and the motive. So, I appeal to the Government to spare these poor fellows. With these observations I move my amendment.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): Amendment moved:

"That clause 3 of the Bill be omitted."

**Prof. N. G. Ranga:** Sir, I rise to support this amendment and my reasons are these. Only last year this duty was sought to be doubled by the Honourable the Finance Member and when we opposed it, he said that it was to be levied only on the *khandsari* sugar produced from factories in which more than 20 workers were employed. Therefore, at that time, he had admitted our claim that the cottage industry should not be affected at all by this particular duty. Somehow, he managed to get the consent of the House for doubling the duty.

**The Honourable Sir James Grigg:** Not on *khandsari*.

**Prof. N. G. Ranga:** He said that *khandsari* sugar was not going to be affected. But his predecessor, Sir George Schuster, had exempted this from the sugar excise duty on the specific ground that it is a cottage industry and as such deserves to be encouraged by the State. Now, Sir, I want to know what is the policy of the Government? Is it the policy of the Government to do everything possible to discourage genuine cottage industries? If it is not, then why is it that my Honourable friend is anxious to extend it to all *khandsari* concerns irrespective of their size. It may be because he thinks that wherever there is mechanical power employed, there is the possibility for these people to make huge profits and such a concern need not be considered a cottage concern but a factory. In that case, it raises a very big issue. In this country both economists and social reformers have been unanimous in advocating the extension of the cottage industrial system on the plea that it will become more and more paying for workers employed therein if and when electricity or other motive power comes to be utilised or harnessed to cottage industry. Is it the policy, then, of my Honourable friend, the Finance Member, to discourage this alliance between the hand and the machine and the motive power? In Japan and in Switzerland and in some parts of Italy also large number of workers are employed in a remunerative manner in cottage industries which are run by motive power, by cheap electricity. Even in this country definite efforts are being made by State Governments, especially the Mysore State Government, to encourage villagers, workers and others to utilise cheap electric power in order to run their cottage industries. Now, I want to know whether my Honourable friend, Sir James Grigg, does not want that the same thing should be done in every part of India for the betterment of cottage industries in this country? If he does not want that, then we know where we stand. We know this that he wants the development only of large scale industries in this country.



[Prof. N. G. Ranga.]

The Indian National Congress has set its face against that kind of one-sided industrial development in this country. The Indian National Congress is committed to the policy of encouraging, simultaneously, the development of large scale industries and also the development and encouragement of cottage industries. That is why the All-India Village Industries Association was organised on the advice of Mahatma Gandhi by the Indian National Congress and it is the object of this organisation to do everything possible in its power to encourage every possible cottage industry.

It may be said by my Honourable friend that several efforts are being made in different places to evade the tax. There are so many other processes on which people are employed. It may be said that a large number of people may be employed by a small factory, but nominally only a small number of people may be employed on this last process and in that way evasion may be practised. But the State has not become bankrupt in its capacity to put down evasion and to discover any such efforts and put them down. As long as the State has got the necessary machinery to collect this excise duty and also its factory inspection staff to see that all those places, wherein more than 20 people are employed, should be brought strictly within the scope of their inspection, it must be possible for my Honourable friend to bring within the sphere of taxation all those factories which can genuinely be taxed according to this. But instead of that, he simply wants to spread his net far and wide. Why should he do so?

After all, it is admitted that this *khandsari* sugar has more vitamins in it than the factory sugar and people do prefer it to the factory sugar. As my Honourable friend, Mr. Som, has mentioned, for ages and ages this industry has been going on. It may be mentioned that *gur* contains more vitamins than *khandsari* sugar but the *khandsari* sugar is said to contain more vitamins than the factory sugar. As long as there is a demand for it, it is up to the Government to see that this kind of cottage industry is encouraged. If the State is not prepared to encourage it, at least it should not come in its way.

It is one of the functions of public finance to see that any indirect  
 3 P.M. effects of any taxation proposals do not militate against any kind of industry which benefits the people. This I claim to be a beneficial industry. It provides employment for village workers. *Khandsari* is the last process in that industry. All other subsidiary processes have got to be attended to by villagers themselves. It is only in its last stage that the stuff is taken over to the nearest town or village. It is not necessary that this centrifugal machine should be installed in towns alone. In the United Provinces and in the Punjab where there is available plenty of cheap electric power, it is possible for a large number of these factories to be established in villages and to be run there and to the extent they provide work, they provide employment for the villagers. All these various preparatory processes employ large numbers of villagers. By his provision in the Bill he will throw many people out of employment. He certainly has not added to his credit by providing employment for any more people in the country during the last five years. He has provided employment only for foreign experts. To the extent that his rural development grants have been utilised properly, he provided some work in some places. Beyond that there is nothing more. Before he leaves this country let him at least do

something to give employment to some people. On his own showing there are 11 lakhs of maunds of this stuff that is produced.

**The Honourable Sir James Grigg:** In one cottage!

**Prof. N. G. Ranga:** What is the total production?

**The Honourable Sir James Grigg:** Two lakhs of tons.

**Prof. N. G. Ranga:** To produce two lakhs of tons how many are employed? How many hours of work should be put in and by how many men?

**Mr. Suryya Kumar Som:** If as the Honourable the Finance Member says he expects two lakhs tons production, then his estimate is 5½ lakhs revenue at eight annas.

**The Honourable Sir James Grigg:** You will not get 100 per cent.

**Prof. N. G. Ranga:** There is the case of the United Provinces. In answer to the sugar syndicate the United Provinces Government have stated in their recent communique that there was some sort of attempt at pushing up the prices of sugar. The presence of *khandsari* sugar will have a healthy influence indeed on the production of sugar in order to prevent undue rise in the prices of factory produced sugar.

**Mr. J. Ramsay Scott** (United Provinces: European): What has been the cause of the rise in the price of sugar? Is it not due to the greater cost of cane?

**Prof. N. G. Ranga:** The price of sugar has gone up. Then the United Provinces Government has rightly come down and said, the consumer is made to pay very much more. As long as the consumer is successfully made to pay this higher price, then certainly the producers are entitled to a share in this higher price. That is why they have fixed a higher price for sugarcane. My Honourable friend, Mr. Ramsay Scott, cannot have it both ways.

**Mr. J. Ramsay Scott:** I am not getting either way, that is the pity.

**Prof. N. G. Ranga:** The sugar factories want to exploit the producer and the consumer and the United Provinces Government will not have it and it has stepped in rightly. Well, Sir, all cane cannot be sold to sugar factories. It has got to be converted into one of two things, *gur* or *khandsari* sugar; as much of it as it is possible to convert into *gur* is utilised that way and the rest into *khandsari* sugar. As long as there are these two alternative processes for sugar, the sugarcane grower gets a decent price for his cane from the manufacturer. It is not enough for the sugarcane grower to depend entirely on this minimum price fixed by Local Governments. The minimum price fixed by them is absolutely essential, in addition to that this is an additional safeguard. That is why we do not want this *khandsari* manufacture should, in any way, be discouraged. What is it that we ask in this amendment? That clause 3 (a) should be

[Prof. N. G. Ranga.]

deleted. Once this goes, the effect of it will be that the Honourable the Finance Member will be able to collect his duty of eight annas from all that *khandsari* sugar which is produced in factories in which more than 20 people are employed.

**Mr. S. Satyamurti** (Madras City: Non-Muhammadan Urban): The amendment is that clause 3 of the Bill be omitted. Then how can the Honourable the Finance Member get any duty?

**Prof. N. G. Ranga** Then we go back to *status quo*.

**Mr. S. Satyamurti**: Then he will collect at one rupee and five annas and not at eight annas.

**Prof. N. G. Ranga**: We only want reduction of duty from one rupee five annas to eight annas. I think the duty is rightly reduced.

**Mr. S. Satyamurti**: But the amendment is not that.

**Prof. N. G. Ranga**: If the whole thing goes, so much the better. First of all we want that this should not be applied to *khandsari* sugar concerns. I, therefore, support the amendment so far as it goes. I hope my Honourable friend will see his way to admit the mistake that he is making.

**Mr. S. Satyamurti**: He will only quote you in his favour. He won't accept anything from you!

**Prof. N. G. Ranga**: He is trying to drive out of existence a cottage industry. I hope he will see that it continues to exist. If he does not do that, he cannot very well plead that he is helping the poor as against the rich.

**The Honourable Sir James Grigg**: Sir, I had better bring back the debate to a certain sense of reality. Both Honourable Members who have spoken did so as if the proposal in the Finance Bill was going to ruin the *khandsari* sugar industry altogether and tax it out of existence and they spoke as if that was, in fact, my objective. Let us have the facts before we embark upon suggestions of that sort. If the total production of *khandsari* sugar is 200,000 tons, which is as good an estimate as you can get in the circumstances of the case and if the whole of that production was subject to a duty of eight annas per cwt., which is ten rupees a ton, the total amount of duty to be obtained would be 20 lakhs. We expect to get 5½ lakhs. So that three-fourths of the *khandsari* sugar will still be untaxed. That is the first fact in the consideration of the question. Therefore, I say that even under this proposal three-fourths of the *khandsari* sugar will escape taxation.

**Mr. M. S. Aney** (Berar: Non-Muhammadan): But how will your officers do that?

**The Honourable Sir James Grigg**: Because the real cottage industry will escape. It is only what is in fact a factory industry that will be taxed.

Now, let us come to the quarter of the industry which is in effect a factory industry. That will be taxed at eight annas per cwt. whereas the ordinary factory sugar will be taxed at Rs. 2 per cwt. So that even the factory part of the *khandsari* industry gets a 75 per cent. preference, or rather gets relief of 75 per cent. of the duty. That is the second fact I will ask Honourable Members to bear in mind. The first is, that three-quarters of the production will not be taxed at all and secondly, the remaining quarter of the production only pays a quarter of the duty that the factories pay. And now I maintain from these figures that what is really the cottage industry is completely exempt from duty and that what is the minor factory industry is treated extremely leniently.

Now, let me explain to Honourable Members again what I conceive the factory part of this industry to be. As I understand it, they either buy cane from the peasants at very much less than the price that the peasants would get if they took it to the factories, or they buy it in the form of *rab* which means that the cultivator crushes his own cane by some hand process or other and makes it into *rab* and takes that to the factory to be refined. But in both cases the main part of the conversion into sugar is conducted in what is a factory and is not carried on in the village at all; it is carried on in towns. In Bareilly city alone there are 200 of these factories. A great many of them employ two machines and by dint of this device and splitting up the process into two or more sets of premises the provision about not employing more than 20 men is evaded. I maintain that what we are doing is not more than to get a quarter of the normal duty on a quarter of the production, and that quarter of the production comes from what is in no sense a cottage industry but is essentially a factory industry.

I oppose the amendment. I think now that I have examined the figures more carefully I am astounded at my moderation.

**Mr. Badri Dutt Pande** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, the Honourable Member is engaged more in packing his luggage and enjoying farewell parties than applying his mind to the budget debate. This Finance Bill has really been framed with Finance Member's eyes towards London, Liverpool and Lancashire; he has not even cast a glance at the agriculturists and labourers who are the real people of this country. Sir, I come from that unfortunate division of Rohilkund and Kumaon over which a bomb has been thrown by the Finance Member, or I should say he has used a gun for killing a mosquito. There are small *khandsari* industries dotted all over the country since time immemorial, and with the advent of electricity the United Provinces Government formulated the eastern grid and the western grid schemes. From Bahadurabad a cheap electric power was driven and their only fault was that they used this electric power in small centrifugal machines. And there are about 190 distributed in Bareilly District alone while they were 900 before the sugar mills started. Has any inquiry been held as to how they are getting on and whether they are running at a loss, how much money they owe to the *sahukars*? On the evidence of one small inspector and on one solitary instance which he quoted yesterday he condemned all these innocent persons. Has any inquiry been held?

**The Honourable Sir James Grigg:** Certainly.

**Mr. Badri Dutt Pande:** Has the United Provinces Government been consulted in the matter? The Honourable Member gives misleading figures

[Mr. Badri Dutt Pande.]

and now he will run away and another man will be in his place and use these figures. On the Income-tax Bill he duped all the parties in this House; and now he says five lakhs will come and ten lakhs will come. But he does not say how many people will go to ruin? That is not taken into account. There are 50,000 people in Bareilly alone engaged in this trade of *khandsari* which you are going to harm. It is a matter of shame that they are going to revise the definition of "factory" by the back door. This Finance Bill will be certified by the Finance Member's political uncle the Viceroy and it will be a case of "*Chacha chor, bhatija Kasi*".

The Factory Act which was passed by the House after a good deal of consideration will be wiped off by the Viceroy after certification and a new definition of "factory" will be introduced by the Finance Bill which will be certified. Has the Finance Member ever seen the working of *khandsari*? He has never seen it and he wants to destroy this small cottage industry. If there are one or two bad cases they can be prosecuted if they employ more than 20 men. Has any single prosecution been launched? No. When the Sugar Excise Bill was on the anvil Sir Abdur Rahim, the Leader of the Independent Party, opposed this in words which I will now quote:

"Now we have got to deal with the case of what are called *khandsaris*. These, I understand, are small concerns,—I do not know whether they employ steam power or not, but if they do employ steam or electric power, they employ it on a small scale. The limit that has been laid down in the Bill applies to concerns which employ 20 men or more, that is, the factories; those concerns which employ less than 20 men do not come under the purview of this measure. The Finance Member said that it would be for the Select Committee to consider whether the *khandsaris*, who produce white sugar on a small scale, should not also be asked to pay the excise duty. I could not gather from the speech of my friend opposite or from the speeches of the Honourable Members who have spoken so fully on the subject on this side of the House whether these concerns, called *khandsaris*, supply any particular class of people with sugar of an inferior quality at a lesser price, that is to say, whether they cater for the poorer people while the factories cater only for the more well-to-do classes . . .

An Honourable Member: That is correct.

Sir Abdur Rahim: Well, if that is correct, as I am told it is, in that case I am not so sure that it would be in the public interest to impose the same sort of excise duty on these people, because after all sugar is a necessity of life, as much as salt is . . ."

These are the words of the man who now occupies the dignified position of President of this House and they will not agree with his views because they are here to take away money by force, by borrowing or by robbing.

When there were protests from Sir Muhammad Yakub, who comes from Rohilkund, and by Mr. Ranga Iyer and Mr. Reddi that these small cottage industries should be protected, this was what the then Finance Member said:

"We have had perhaps more discussion about the position of the *khandsari* sugar makers than about anything else.

We do not, and I say this quite definitely, we do not want to do anything which is going to stamp out a genuine agricultural industry (Hear, hear). So far as it is a small cottage industry, we recognise that it is serving a very useful purpose in areas where cane growers have got no other markets and we do not want to stamp out a genuine cottage industry. We thought that the soundest thing to do was to adopt the definition of a 'factory' from the Factory Law and to work on that and it remains to be seen what that will produce, but one thing I can say and that is that we do not intend that the Act shall be administered in such a way as to drive out of existence the small cottage concerns. (Hear, hear)."

This was the assurance given by Sir George Schuster who seems to be more of a gentleman. Now, the whole thing is going to be wiped out by the present Finance Member who is leaving us as if with a parting kick and yet we go on giving treats to him and saying 'He is a jolly good fellow'. What these people now want is only this—this is their last prayer to the Governor General. Formerly the whole thing was managed by one Deputy Collector. Now, there are the excise inspector, the excise superintendent, the assistant commissioner, the deputy commissioner, the Commissioner, and they are the lawmakers and they are themselves the judges. What the *khandsari* people want is that either the former status should remain or at least the premises in which 5 h. p. or 5 killowatts energy is used should not be termed as a factory. If the Honourable the Finance Member agrees to this, then we can save this industry to some extent, but he is shaking his head, as he will shake off his body away from this country soon. Sir, I support this cut motion.

**Honourable Members:** The question may now be put.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The question is:

"That clause 3 of the Bill be omitted."

The Assembly divided:

#### AYES—9.

Aney, Mr. M. S.  
Bajoria, Babu Baijnath.  
Banerjee, Dr. P. N.  
Lalchand Navalrai, Mr.  
Maitra, Pandit Lakshmi Kanta.

Malaviya, Pandit Krishna Kant.  
Parma Nand, Bhai.  
Sant Singh, Sardar.  
Som, Mr. Surya Kumar.

#### NOES—43.

Abdul Hamid, Khan Bahadur Sir.  
Ahmad Nawaz Khan, Major Nawab Sir.

Aikman, Mr. A.  
Aiyar, Mr. T. S. Sankara.  
Ayyar, Mr. N. M.  
Bajpai, Sir Girja Shankar.  
Bewoor, Mr. G. V.  
Boyle, Mr. J. D.  
Buss, Mr. L. C.  
Chambers, Mr. S. P.  
Chanda, Mr. A. K.  
Chapman-Mortimer, Mr. T.  
Christie, Mr. W. H. J.  
Dalal, Dr. R. D.  
Dalpat Singh, Sardar Bahadur Captain.  
Greer, Mr. B. R. T.  
Grigg, The Honourable Sir James  
Hardman, Mr. J. S.  
James, Mr. F. E.  
Jawahar Singh, Sardar Bahadur Sardar Sir.  
Kamaluddin Ahmed, Shams-ul-Ilerra.  
Lillie, Mr. C. J. W.

Mackeown, Mr. J. A.  
Maxwell, The Honourable Sir Reginald.  
Menon, Mr. P. A.  
Menon, Mr. P. M.  
Metcalf, Sir Aubrey.  
Miller, Mr. C. C.  
Mukerji, Mr. Basanta Kumar.  
Nur Muhammad, Khan Bahadur Shaikh.  
Ogilvie, Mr. C. M. G.  
Rahman, Lieut.-Col. M. A.  
Row, Mr. K. Sanjiva.  
Scott, Mr. J. Ramsay.  
Sher Muhammad Khan, Captain Sardar Sir.  
Sircar, The Honourable Sir Nripendra.  
Slade, Mr. M.  
Spence, Mr. G. H.  
Stewart, The Honourable Sir Thomas.  
Sukthankar, Mr. Y. N.  
Sundaram, Mr. V. S.  
Zafrullah Khan, The Honourable Sir Muhammad.

The motion was negatived.

**Maulvi Abdur Rasheed Chaudhury** (Assam: Muhammadan): Sir, I beg to move:

"That part (a) of clause 3 of the Bill be omitted, and the subsequent part be re-lettered accordingly."

The object of my amendment is not only that *khandsari* sugar should not be taxed, but that the existing tax should be reduced to eight annas. This is the double object of this amendment. So far as *khandsari* sugar is concerned, the matter was fully debated in the previous Assembly, and my friend, Mr. Pandey, has quoted Sir Abdur Rahim, because he also opposed then the taxation on *khandsari* sugar. As such, we have got a good precedent before us, and we should stick to it and see that *khandsari* sugar is not taxed.

Sir, when I think of the taxation on *khandsari* sugar, it reminds me of the famous verse of Sadi. The word *Tam'a* is greediness, the word is composed of three letters, but none of these letters has got any dot. So it means, the greedy people cannot prosper. The Finance Member, in his greed for more money, does not like to spare anybody. In this Finance Bill he has prepared the guillotine for the rich, for the companies, for the assesses who pay income-tax, and he is preparing a trap to catch the poor also. He knows that the poor people earn now hardly one anna nine pies per day, as has been pointed out by previous speakers, but on this he has taxed them for salt, and he takes away further a pice more from their poor earnings. Now, he wants them to pay another pice more by way of taxation on *khandsari* sugar. Sir, I object to this tax for more than one reason. My principal reason is, this is a cottage industry, and a good many of our poor people are getting employment in *khandsari* works. If *khandsari* sugar is taxed, the result will be, it will add to unemployment among the poor, most of these poor people will be thrown out of employment, it will be very difficult to find work for them. The Honourable the Finance Member wants to make his taxation universal. Well, Sir, we do not mind paying taxes if we had income. The rich have got sufficient money, let them pay the taxes; the middle classes have got some money, let them pay the taxes. Even in regard to payment of income-tax, the first earning up to Rs. 1,500 is exempted from the payment of income-tax. But, now, what do we find in this case? The poor people are going to be taxed on their income which barely suffices for their maintenance, and this should not be done. The Finance Member has given his reason for taxing *khandsari* sugar, and he has quoted an exceptional case. He has not told us in favour of how many factories this exception can be made. There are black sheep everywhere, and exceptional cases should be left out of consideration. If the Finance Member had told us the cases of the kind which he mentioned are very frequent in *khandsari* sugar production, there would have been some justification for this taxation. He has produced only one case, and for that one case he wants to penalise the entire *khandsari* products of the United Provinces and the Punjab. This is an argument which will not convince the intellectual people of this country. My friend has failed to make out a case for imposing a tax on *khandsari* sugar, and I think the House will give its verdict by rejecting this item of taxation.

Sir, we in this House cannot create a precedent and surrender to the trap of the Finance Member, for, next year, the Finance Member, whoever he may be, will come forward with a proposal to tax cottage industries like *khaddar* and other things. We cannot afford to create a

precedent like that. If this increased taxation had been required for the benefit of this country, we would have undoubtedly given him our support, but the fact is that as soon as there is extra money, some experts will be brought in from England, more extra allowances and remuneration will be given to the British personnel in the Military Department, and so on. Our experience has been that whatever money the Finance Member gets, he uses it for the benefit of his country, and that is why we are reluctant to give him any support in his taxation policy. We have been crying hoarse for some sort of power over expenditure, but the Government have not listened to us. With the money that we give, they are bombing the people of the North-West Frontier, for the last two years they have spent crores, and they are spending crores, and they will not cry a halt to this nefarious policy of theirs.

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

I appeal to the House to think a hundred times before they give sanction to a high level of taxation, and to see for what purpose this increased tax will be used. If it is used for our benefit, we will give our support ungrudgingly; but if it is used against us, we will try to kill the Finance Bill. That should be the attitude of the House, and I ask the House to remember this before they give any support to the Finance Member in his taxation proposals. Sir, I move.

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

"That part (a) of clause 3 of the Bill be omitted, and the subsequent part be re-lettered accordingly."

**Mr. Sri Prakasa** (Allahabad and Jhansi Divisions: Non-Muhammadian Rural): Sir, I should like to say a few words in sympathy with the amendment that has just been moved. I regret I was not able to hear all that my Honourable friend said, both because of the distance at which I sit from him, and also because his voice was rather low. I am not one of those who think that the Finance Member is deliberately hostile to the Indian peasant. What he lacks is personal knowledge, not sympathy; and it was my desire that my Honourable friend, before he left our shores, spent one twenty-hours continuously in a village and lived in actual village conditions. If he had done so, he would have had much more active sympathy with the villager than he seems to have. It was not possible for him to arrange such a trip, useful both for himself and the village, and I fear the occasion for that will now never come. His only contact with the villager has been through the medium of the files, and that medium is not very helpful to an understanding of the actual condition of things.

My sympathy with this amendment is due to the fact that, while it reduces the duty on *khandaari* sugar as a whole, it exempts from all tax those small factories where 20 men or less are employed. As the Bill now stands, all the factories will be roped in, whether small or big. My Honourable friend gave the example of a factory where, on his showing, it was clear that fraud was being practised. If there are factories like that which split themselves into two, in order to show that the place where power is actually used is only run by a few persons while really the rest



[Mr. Sri Prakasa.]

of the work is done in a neighbouring house with a larger population—if such factories there be, let them certainly be roped in and punished for criminal offence as well, besides being taxed to the full. But there must be hundreds of factories, of a *bona fide* character where 20 persons or less are actually employed. These should be exempted from the imposition of any tax.

I am quite willing to make a few suggestions if my Honourable friend will accept them, so that fraud should be avoided and the right thing should also be done. If such factories are situated, let us say, five miles away from a town of 10,000 population or more, let them be exempted. Then there would be an encouragement for the employment of village labour and there would be relief to the villager. At the present moment, owing to over-population or the lack of means of livelihood, many persons migrate from villages to distant towns like Bombay or Karachi from my province for example. If small factories like these are encouraged in the heart of the villages, then these people could live there, could live their village life and could add to the amenities of their existence. Their going away to distant places like Bombay or Karachi does good to no one; they themselves are unhappy there, and their people are unhappy at home. In their own villages with their wide-spreading fields they at least get fresh air. In Bombay they are coupled up in small tenements which I have myself seen, and they die in large numbers because the village man is not used to such impossible city conditions. Therefore, every encouragement should be given to the village people to improve their own industry. Power is being supplied in villages these days. There are, as my Honourable friend, Mr. Pande, pointed out, various schemes for the supply of electrical power in remote places. With the help of that power, little factories for *khandsari* sugar could be established in villages if only proper encouragement was given by the State and the level of taxation on these kept low.

My Honourable friend was quite right when he said that, as a matter of fact, the major portion of the production of *khandsari* sugar escaped taxation and will escape taxation even as it is. But has my Honourable friend any idea of the way in which, bereft of power, *khandsari* is actually produced as a village industry? It is a very dirty process. I have myself seen that: instead of the centrifugal which is used in a factory which has power, the power used in the village is that of old shoes. The *rab* to which my Honourable friend referred is beaten swiftly with the help of old shoes, dirty old shoes, and that is how *rab* is turned into *khandsari* sugar. That cannot be a very healthy commodity for human consumption. While the clean method of the centrifugal gives you nice sugar, this method of beating *rab* with dirty shoes gives you something which is harmful. We must not be deluded simply by the name of the cottage industry. We must see that the products of the cottage industry are clean and healthy and that can only be done by the supply in a legitimate and economical manner of power. Whenever there is a possibility of the supply of such power, wherever there is a possibility of the employment of our people in industries, wherever there is a possibility of bringing relief to the village people, up comes Government with fresh taxation, making all improvement impossible. I, therefore, appeal to my Honourable friend to give further consideration to the matter, especially when the loss is of a comparatively small sum of five and a half lakhs and let the definition of a

factory remain as it is, let us exempt the genuine small factory from all taxation and reduce the taxation on the rest. There is another amendment on the Order Paper too, that follows, namely, No. 19. If my Honourable friend is very suspicious of number 20, let him accept number ten, in terms of that amendment, for the number of men working in an exempted factory. Let him give some relief so that the villages may have a chance to prosper, and the villager may have a feeling that the Government is really sympathetic to their wants and is not oblivious of their needs and requirements.

**The Honourable Sir James Grigg:** Sir, the Honourable Member who has just spoken has completely turned the whole debate upside down. It is rather a pleasing habit of his but I do not think it is going to take us much further in dealing with this amendment. The logical conclusion of what he said is 'never mind the cottage industry that is dirty and filthy. We want to exempt sugar produced under factory conditions'. This is a complete reversal of the whole argument on which the original amendment was based.

**Mr. Sri Prakasa:** Small factories, not all factories.

**The Honourable Sir James Grigg:** The Department have thought a good deal over this and they have not been able to find any satisfactory way of getting at what is really a factory industry and leaving out the village industry except by the definition in the Bill, but I am willing to give him this promise, though I myself shall not be here to see it carried out but it will be carried out—that the working of this clause in its present form during the current year shall be carefully watched and if we find that any genuine village industry is being injured, then the Department will see if it can produce some more suitable definition next year but at the moment we have been quite unable to think of any broad division between the village industry and the really urban factory.

**Pandit Nilakantha Das** (Orissa Division: Non-Muhammadan): How much revenue will be lost to the State? How many factories will escape taxation if this amendment is carried?

**The Honourable Sir James Grigg:** If this amendment is carried, 98 per cent. of the factories will escape taxation.

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

"That part (a) of clause 3 of the Bill be omitted, and the subsequent part be re-lettered accordingly."

The motion was negatived.

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

"That clause 3 stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

## MOTION FOR ADJOURNMENT.

GOVERNMENT'S REFUSAL TO GIVE AN OPPORTUNITY TO THE ASSEMBLY TO EXPRESS ITS OPINION ON THE PROPOSED BILL TO AMEND THE GOVERNMENT OF INDIA ACT, 1985.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair would like to inform the House that His Excellency the Viceroy and Governor General has disallowed the motion for the adjournment of the business of the House for which leave was granted this morning on the ground that the motion cannot be moved without detriment to public interest.

### THE INDIAN FINANCE BILL—*contd.*

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

"That clause 4 stand part of the Bill."

**Sir H. P. Mody** (Bombay Millowners' Association: Indian Commerce): Sir, I beg to move:

"That clause 4 of the Bill be omitted, and the subsequent clauses be re-numbered accordingly."

I think as a rule no normally constituted person likes taxation, but taxes are of two kinds and it depends upon whether we have to pay them or somebody else has to pay them. I was forcibly reminded of that yesterday by the speech of my Honourable friend, the Leader of the European Group. He felt very cold towards this additional duty which is going to inflict such a hardship on a very large industry which claims to be national in every sense of the word. He has no arguments in support of the attitude to which he has committed himself and his Group. All he had to say was: "Well, the budget must be balanced." I do not know whether my Honourable friend has for the time being assumed to himself the role of an additional, honorary, temporary, deputy Finance Member. I would like to tell him, however, that the thing goes a little further than he imagines. No tax is imposed, not even by my friend, Sir James Grigg, for the mere fun of the thing. Taxes are imposed—at least we presume so—to balance the budget. Now, every time a tax is imposed in order to balance the budget, I want to know whether my friend, the Leader of the European Group, and those who are supporting him are going to lend their powerful weight to it. I have known them very often squealing, even when the Finance Member's object is not to make any particular section or individual squeal but merely to balance the budget. And now, my friend comes forward and says without any further argument that the budget must be balanced and, therefore, he would lend his support to this additional tax on cotton. I am afraid he will presently start discovering posthumous reasons for lending his support to the duty, but I want to pin him down to this, that when he spoke, he merely wanted the budget to be balanced. So much for the Leader of the European Group and his Party.

I now come to my Honourable friend, the Finance Member. I do not find fault with the Finance Member for wanting to levy all sorts of taxes. To every Finance Member, a thing of duty is a joy for ever. However,

even making all possible allowances for this natural inclination to tax everybody and anybody, I submit with great respect that he has got to go further than merely advancing the plea that he has to balance the budget and that he has to justify every single piece of new taxation which he places for the approval of this House. He cannot merely shelter himself behind a financial plea. We on our part have got to see whether the particular proposals which he has placed before the House meet with our approval, or whether they are calculated instead to inflict a severe hardship upon any section of the public.

Now, Sir, before I come to the arguments employed by my Honourable friend—and I will have something to say about his method of controversy—I will put all my contentions before the House. My first and fundamental objection to this additional duty is that it is a tax on raw materials—which is fundamentally unsound. This duty was imposed at a time when I happened to be a Member of this House, and I took part in the discussion; it was imposed at a time when there was a severe financial stringency, and it was sought to be justified largely on that ground. Of course, the same argument with which a section of the House was sought to be tickled by my Honourable friend here was also sought to be tickled on that occasion, *viz.*, the alleged interests of the agriculturist implicit in this duty on cotton. I shall expose the hollowness of that presently. But I want to remind my Honourable friend that in his speech yesterday afternoon, which we all enjoyed so much, he quoted with great glee the Fiscal Commission's recommendation. He said that in order that an industry may be entitled to protection, it was necessary that the raw materials must be found in the country. Well, the raw materials are there. The Fiscal Commission never stated that even a portion of the raw materials could not be imported into the country. Cotton is the raw material of our industry, and it is to be found in abundance in this country, and if it happens for very special reasons that a portion of the supply has to be obtained from abroad, that is no argument for suggesting that the Fiscal Commission's first condition for protection has not been satisfied. Since my Honourable friend pays so much respect to the Fiscal Commission—this is the first time I have known him publicly to do it—since he professes so much respect for the Fiscal Commission's recommendations, why does he not quote the same Fiscal Commission's conclusion later on that the raw materials of an industry ought not to be taxed at all? Perhaps, even the ingenuity of my Honourable friend will not be equal to explaining why he has quoted one portion and has not quoted another.

**An Honourable Member:** He must have it both ways.

**Sir H. P. Mody:** Now it is no use quoting economists and professors in support of it; it is no use saying that foreign cotton is imported unnecessarily into this country, and that if the millowners were not so cursed and stupid, they would not be doing so. What is the use of our trying to prove the unprovable? There is no comparable cotton in this country of the type imported from abroad. You have only to look up the official publications on this question, *viz.*, the Central Cotton Committee's reports, and you will find that even their estimate of the cotton which can be used for fine types of cloth is an extremely modest amount of something like fifty thousand bales;—and let me tell him that cotton is not to be judged merely by its staple, but by

[Sir H. P. Mody.]

its strength also, and those who are in the daily habit of using it may be expected to know whether a particular type is suitable or not. If they thought it was suitable, I would regard them as positive lunatics if they still imported cotton from abroad, paying a high premium and a heavy duty. We were made to switch over from the coarse counts, of which there was a glut in the country, to the finer types of goods by a Tariff Board which was set up by the Government of India and of which Sir Frank Noyce was the President. That Tariff Board pointed out and with great justification that there was a need for switching over to the use of African and Egyptian cotton, with the result that there has been a most substantial development in the production of the finer types of goods. It is not we who have created the demand for the finer types; it was there; all that we tried to do was to capture that part of the import trade which was supplying that demand, and I may say, Sir, that we have achieved a considerable measure of success in that. Then,—and I am going over it as rapidly as I can—another argument against this additional duty is that it almost completely nullifies the protection given to the yarn industry, and it also neutralizes to a considerable extent the protection given to cloth. On the higher counts of yarn, the protection given to the industry is just five per cent. on British and six and a quarter per cent. on non-British goods. You have already got a half anna duty on cotton, which takes away as much as six per cent., and you are now seeking to impose an additional duty, with the result that, without an inquiry by a Tariff Board, without any sort of justification, but merely as a financial measure, you are neutralizing the protection given. I say the implications of such a policy are positively dangerous, and what might happen is that, when protection has been granted after due and proper inquiry by a proper tribunal, and after consideration by both Government and this House, it is open, by such means, to Government to neutralize that protection. I need not say very much more because I do not need to carry conviction to this side of the House, and so far as the Honourable the Finance Member himself is concerned, well, I did my best to teach him the business a couple of days ago when I led a deputation to him, but I am afraid he has proved a most disappointing pupil.

**An Honourable Member:** He is now in your pocket.

**Sir H. P. Mody:** Why is it that this duty has been imposed? The Finance Member seems to think that we are rolling in wealth. I do not know why it is that people should talk of our rolling in millions or why their cupidity should always be excited and directed against the unfortunate mill industry? Sir, if I believed in the transmigration of the soul or in another life I would say that in a former existence the mill-owners must have been a set of wicked folks to have earned their present lot. My Honourable friend said that the industry is prosperous. It is true that in 1938 we made some money—after, I do not know, how many years of bad and lean times. We made some money after years of depression, and at once, everybody's cupidity was excited, and the Finance Member comes along finally to put the last straw on the unfortunate camel's back! First of all, the wage increases came along. Taking one section of the industry alone, though it is the most important section, namely, the Bombay section, in wages alone we had to bear something like Rs. 67 lakhs

increase in one year. Then there are various taxes which have been imposed by the Government of Bombay, and altogether, even assuming that the prosperity of 1938 had continued into 1939, I say we could not possibly have afforded to bear this burden, because, we shall be paying a crore more now in the way of taxation and wage increase. On the top of all that my Honourable friend wants to increase the duty on cotton! A point was made by my Honourable friend, Sir Cowasji Jehangir, that the Finance Member had little to say, because, he had only five and a half lines in support of this proposal. I do not myself remember how many but I will give him ten. And the burden of what he said was that he wanted to balance the Budget. Incidentally, in order to catch support from various indeterminate sections of the House, he said that the cotton agriculturist might be benefited. That did not work, so he had to come out in the open when criticisms were made—unfortunately I was not here to listen to him and to trip him up on the spot—and he is reported to have made five points. I shall now try and reply to them in the same terms in which my Honourable friend replies to questions in this House at question time. Firstly, that the duty would mean a three per cent. increase on the cost of production—"inaccurate and under-stated":

"(b) Mills had profited greatly by the fact that the prices of cotton cloth had retired little from the peak of 1937, while the cost of raw cotton had dropped by 30 per cent."

He does not know what he is talking about:

"(c) The Punjab-American cotton was fetching lower prices than ordinary cotton in India, because the millowners were so busy importing cotton that they had no time to buy Indian varieties."

Rubbish:

"(d) For counts up to 20s, there was no need of buying foreign cotton and India was capable of growing cotton for counts from 21s to 40s, and Indian Mills could perfectly well use Indian cotton upto 40s if they wanted."

More rubbish:

"(e) The Industry in spite of the 5 per cent. reduction made some years ago in the duty on Lancashire goods and increase in wages given as a result of the recent enquiry in Bombay was making very substantial, if not high, profits."

He has got a lot to learn.

Well, Sir, the real trouble is that my Honourable friend does not understand what counts mean. He was told that there is some technical thing called "counts". It is no reflection upon his ability that he does not know what that means. As a matter of fact, a very big man for whom my Honourable friend has professed to me great admiration, Mr. Winston Churchill, was many years ago talking in the House of Commons about crores and crores of rupees. Some Member asked him: "What is a crore?" That completely floored Mr. Churchill. And, if I did not have such a personal regard for my Honourable friend here, I should have tripped him up in an equally summary and effective manner. Sir James Grigg's deductions seem to be becoming more and more ingenious. From one thing he deduces another and finally when he fails to present a clear picture before the House, he trots out the bogey of "big business". Let me advise my Honourable friend not to become too clever at deductions. He reminds me—I hope to be excused for becoming irrelevant and irreverent for a minute—of a school girl who determined the sex of 5 flies by observing that 2 were on the whisky bottle and 3 on the mirror! It was really clever the way in which the Finance

[Sir H. P. Mody.]

Member put the case. He said that he was only concerned with balancing the budget. Then he let fall a casual observation: "But it is possible that the agriculturist may be helped substantially by this protection which I am giving him". Why did he not positively affirm that it was so, instead of trotting it out as a side argument? It reminds me of Mark Anthony who, condemning Brutus all the while, ended always by saying: "But Brutus is an honourable man". He keeps on saying that he is only concerned with the budgetary aspect of the matter, and at the same time misses no opportunity of also pointing out that the agriculturist would be benefited. I say that the agriculturist will not be benefited at all. Only as recently as July 1938 there was a debate in the Indian Central Cotton Committee with regard to the types of cotton which were being imported into this country, and naturally criticism fastened upon American cotton about which there may be a justifiable misconception. It has been urged that that type of cotton can easily be found in this country; the figures which were read out by the Chairman of the meeting of the Indian Central Cotton Committee showed that out of a total of 139,000 bales, there were only 1,700 bales of a count of one inch and under.

**The Honourable Sir James Grigg:** One inch and over.

**Sir H. P. Mody:** No, Sir, he said one inch and under. I can produce the report. Unfortunately, I have not got it here. Let me put it in another way. Only 1,700 bales there were which could by any stretch of imagination be regarded as being . . . .

**The Honourable Sir James Grigg:** I will see the report.

**Sir H. P. Mody:** All right; then I need not pursue the matter.

Now, Sir, I do not know where I stand with the Finance Member. He has got an economic Bible of his own. I do not remember all the ten Commandments of the Holy Bible, and I am conscious of a great many infirmities, but one of the ten Commandments is: "Thou shalt not covet thy neighbour's wife." But the Finance Member's Commandment seems to be: "Thou shalt not covet thy neighbour's trade." He is only interested in the import trade. The moment the import trade is threatened either by our indigenous industry, or in any other way, he says he cannot allow it. Now, I am not one of those who believe in the doctrine of complete economic self-sufficiency. There must be an outward flow as well as an inward flow. But when the country has got all the materials and the labour and other advantages for the establishment of a particular industry, it is no argument against that industry to say that if it produced more, it was likely to affect the import trade. That has to be so. You cannot develop except at the expense of somebody who was supplying the market before.

I shall now conclude. The whole position has been fully dealt with in the speeches on the Finance Bill, and therefore I need not quote figures and statistics. All that I want to say is something which I know is going to irritate the Honourable the Finance Member. He does not like anybody to suggest that he may have under-estimated the income or over-estimated the expenditure. Well, I shall drop that. I am not a financier and I cannot manage the Finance Member's job for him. All that I shall do is to make a sporting offer. I am prepared to under-write his sugar duties for 4½ crores. Will he accept that?

**The Honourable Sir James Grigg:** Which bank will give it?

**Sir H. P. Mody:** I will give the names of half a dozen banks which will give you 4½ crores. In any event, whether we are right or whether we are wrong, here is a matter of just 55 lakhs of rupees, and as there are so many factors which are incalculable and indefinite, can the Finance Member definitely say that he is going to suffer a loss of 55 lakhs of rupees unless there is an additional duty? I say that he would be justified in taking the viewpoint of those who know something about what they are talking. Even if he is fully convinced that he was right and we were wrong, I would like him to consider that by the imposition of this additional duty of half an anna on cotton he is going to inflict a grave injury on a national industry. Sir, I move.

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

"That clause 4 of the Bill be omitted, and the subsequent clauses be re-numbered accordingly."

**Mr. F. E. James** (Madras: European): Sir, there is an old question. What makes more noise than a pig squeeing under a gate? The answer is: "Two pigs", and I am one of them. Therefore, I rise to support this motion. My Honourable friend, Sir Homi Mody, I think, did perhaps less than justice to the remarks of my Honourable friend, Mr. Aikman, the Leader of our Group. He suggested that the only reason that my Leader put forward in respect of the increase in the cotton duty was the necessity for balancing the budget. But I think he has forgotten that in his speech Mr. Aikman made it clear that the *pros* and *cons* of the subject had been thoroughly thrashed out and that he, therefore, did not wish the ground to be covered again. He went on to say that after considering the *pros* and *cons*, having regard to the necessity for balancing the budget, the Group was prepared to accept this duty. Having said that, I feel myself obliged to make it clear that in such an attitude I am not able to support my own Group and I shall state my reasons very briefly because they have already been largely stated by Sir H. P. Mody with much greater force than I can possibly use and, certainly, in much greater detail than is again necessary.

My first point is, that I have always been against taxing raw materials which are essential either to agriculture or industry and which are not available in this country. I am told that there is a range of imported cotton where substitution is possible. That may be true, but I am also advised that to a very large extent the cotton which is imported and which is used for the manufacture of finer types of cloth is not grown in this country and is not likely to be grown in this country for some time. I am aware that the Agricultural Departments have been trying to grow large staple cotton of 40's and over and I myself have had experience of the use of some of this cotton in small industries in which my wife and I have been interested for some years. Small crops of the longer staple are possible but it has been found that even where this material is available, it does not possess the physical properties of the foreign cotton which is imported for the same purpose. I quite agree that if raw materials are available in this country, the objections to the tax on the import of them are largely removed, but I cannot agree that there is any justification for the taxation of a raw material if



[Mr. F. E. James.]

that raw material is not available in this country unless there is a definite and serious emergency. Secondly, the tax, as it happens, affects a small section of an important industry which has been encouraged by two factors,—first of all definitely by the recommendation of the Tariff Board of 1927. My Honourable friend, the Finance Member, may consider that the arguments used by that Board were not of sufficient validity as to justify their conclusions. But, after all, the Board was appointed and its recommendations to a large extent were accepted by the Government of the day. Then again, the surplus production of the coarser cloth which is present in this country has quite rightly tempted the mills to go on to use the higher counts and to produce much finer material. Surely that process should be encouraged, for as public demand increases in standard, taste and quality, the mills should be encouraged to supply the finer types of manufacture. I am advised that the increase in manufacturing costs as a result of this duty is estimated to be between three and four per cent. 3 per cent. is the figure which was used by my Honourable friend, the Finance Member, to indicate that the actual increase in the cost of production is very small. But this increase is not negligible when compared with the comparatively small returns on the capital invested in new machinery in recent years. Then, Sir, my third reason is that I do not think it sound in principle that the measure of protection which has been granted to an industry after due enquiry by a Tariff Board should be reduced by the imposition of a duty for revenue purposes alone, unless circumstances are sufficiently serious to justify it. I can quite understand that a reduction in the amount of protection is justifiable in the matter of a general trade agreement where such reduction is off-set by a substantial *quid pro quo*; but I do not think it is sound in principle to effect that reduction merely for the purpose of balancing the budget.

Now, Sir, I wish to suggest that many of the arguments which have been used here are really irrelevant to the consideration of this particular matter. The attempt to set the cotton growers against the manufacturers, the Grigg *versus* Federation controversy, these are entertaining no doubt, but they are really irrelevant to the consideration of this particular point. Also, I find myself in disagreement with those who attempt to show that the process of under-estimating, which they allege the Finance Department has been guilty of, is responsible for the imposition of this tax. I, as all Members of my Group, am absolutely opposed to an uncovered deficit, and I entirely agree that the budget should be balanced. It is futile to say that the budget would easily be balanced if what is alleged to be under-estimating were proved to be right. After all, the question of estimation is a matter of opinion, and it must be assumed that the Honourable the Finance Member of the day, on balance, has the best information available in arriving at his estimates. I am quite prepared to face the fact, that fifty lakhs are required and that they must be raised by additional taxation. I would suggest to my Honourable friend, the Finance Member, that if this is an emergency budget, then this is not the time to give any relief from emergency taxation. On the other hand if it is not an emergency budget, then I say he has no right to tax a raw material which is not available in this country. There are other measures open to the Honourable the Finance Member whereby he can raise this amount, of which he must be perfectly well aware. It is not for me to advise him. I am sure it is not beyond his wits or that of

his advisers to raise this amount, which represents only 4 per cent. of his total budget. But I cannot possibly willingly agree to the imposition of this tax which I feel is wrong in principle and which I believe will inflict a serious damage on an important industry in the country.

**Mr. T. Chapman-Mortimer** (Bengal: European): Mr. President, we have just heard from my Honourable friend, Sir H. P. Mody, an attack on my Leader and on this Group. He taunted us with being the kind of people who voted for a certain tax or who accepted a certain tax because they themselves were not affected, that they were quite prepared to tax other people, but that when it came to themselves, they squealed. I propose to deal with that in a moment. One thing more, I should just like to say that I take strong exception to Sir H. P. Mody's remarks which I think were uncalled for and definitely unjust. Then he said that we had so little faith in our attitude that we had not been able to support it by argument. My Honourable friend, Mr. James, has explained to the House why we did not support it by arguments.

**Sir H. P. Mody:** Your Leader simply said that the *pros* and *cons* had been weighed, and, therefore, nothing need be said at all.

**Mr. T. Chapman-Mortimer:** My Honourable friend, Mr. James, explained why we did not give our reasons when we indicated the line we intended to take in the matter of this tax. But since my Honourable friend, Sir H. P. Mody, has requested that we should give arguments in favour of this tax, I propose to do so now.

The first argument is the one on which my Honourable friend, Mr. James, concluded, namely, the over-riding consideration of the balancing of the budget. Now, my friend, Mr. James, said that he himself could only support a tax of this nature if it was justified on the score of a great emergency. I think there is a very clear answer to that and I am quite sure the Finance Member, in due course, will give that answer. It is perfectly obvious to all of us that a very grave international situation necessitates the balancing of this budget and that the greatest care should be taken not to over-estimate but to strengthen the finances of Government in every possible way.

Secondly, we have seen in various Provincial budgets, since they were presented, a tendency to cut into sources of Central revenues which was not foreseen when my Honourable friend, the Finance Member, was preparing his budget. He himself, however, has dealt with this aspect of the case in his reply to the general discussion. But when Mr. James goes on to say that if this is an emergency,—and in that case he would accept this new taxation amounting to roughly 50 lakhs,—my Honourable friend, the Finance Member, had no right to give relief in other directions. Now, let me examine that argument. It is said that a certain burden is being cast upon a small section of a certain important industry and on the other hand, according to Mr. James' own admission, very large remissions of revenue have been given to other people. Now, who are these other people? They are the people who earn less than Rs. 12,000 a year, and they have benefited out of my Honourable friend's proposals to the tune of something like 93 lakhs. In other words, a large number of the poorer people of this country and of the middle class people for whom my Honourable friend, Mr. James, made out a case only a day or two ago are benefited, while a tax amounting to roughly three per-

[Mr. T. Chapman-Mortimer.]

cent. at the very worst is imposed on an industry that benefits from protection to the extent of 50 per cent. I am afraid, therefore, I cannot accept the arguments of my Honourable friend, Mr. James, in this connection. On balance, the Finance Member has endeavoured to ease the burden on a heavily taxed class of people who are watching the Provincial Governments steadily increase the taxation which bears on them, and to offset that he has imposed a tax of half an anna on the import duty on raw cotton.

Now, Sir, I should like to deal very briefly with an aspect of this case which has not yet, so far as I recollect, been dealt with in this House. We have heard a very great deal about the need for encouraging the spinning of finer counts in this country and the necessity, therefore, that we should import an increasing amount of foreign cotton. But I should like to draw the attention of this House to the fact that among our Members are people who have for a long time past been protesting that Government were not taking sufficiently prompt action to safeguard the position of all those producers of the less fine qualities of cotton and that Government were very culpable in their failure to do this. I have here, for example, the remarks of my Honourable friend, Mr. Satyamurti. My Honourable friend, Mr. Santhanam, required adequate action to be taken by Government in this connection and as my Honourable friend, Mr. Satyamurti, did not feel quite satisfied with what Government said in reply, this was how he ended up his cross-questioning of my Honourable friend, the Commerce Member:

"With regard to part (b) of this question, may I know whether Government, in view of the fact that this textile industry enjoys protection, will take steps to persuade them, and if necessary to compel them, as the price of this protection to buy more and more of Indian cotton and less and less of foreign cotton?"

Sir, while I am on this point I should like just to explain very briefly what was the position in regard to the import of United States cotton into this country. For the year ending the 31st March, 1937, only 900 tons (approximately) of American cotton were imported. In the year ending the 31st March, 1938, not less than 29,200 tons were imported; and this year we have seen a decline in the amount of import of American cotton. The reason for that decline is very significant and most important, and I would ask Honourable Members in all parts of this House to consider that situation very carefully. At the end of March, 1938, the carry-over of an enormous American cotton crop was something like 13 million bales as against 5·8 million bales in the previous year. Now, very naturally,—coming as it did at a moment when the tide of trade had definitely turned,—that created an enormous bear factor in the market, added to which there was the uncertainty with regard to the European situation which was causing many manufacturers, who required raw cotton in Europe, to stand out of the market for the time being. Anyway, that was the tendency. In India, however, the statistical position was such that had it not been for that bear influence from the United States the price of raw cotton in this country would not have been affected to anything like the extent that in fact it was affected by the downward movement in prices, which reacted so unfavourably on the producer. And here, Sir, I would again emphasise that I am not dealing with the finer counts at all nor with the type of cotton that is required by those who spin them. The result of this position was that whereas, in March, 1937, the price of American cotton in Liverpool was 7·96 pence it had fallen by October

to 4·32 pence and recovered a little to just over five pence in February, 1938. Now, Sir, at the end of 1937 the amount of American cotton that had been imported into this country up till that date, i.e., the 31st December, 1937, was approximately 9,000 tons. That is to say, it was ten times the amount imported in the previous year; as I said, that was due to the influence of the declining market price of American cotton which was already evident. When American prices began to weaken further and the whole position generally in Europe was such as to make it definitely to the advantage of the Indian manufacturer in this country to buy cheap American cotton, what did he do? In the next three months he bought no less than 20,000 tons of American cotton. The result of all this was that despite the sound statistical position of Indian cotton, between March, 1937, and March, 1938, the price of Broach per candy fell from Rs. 244 to Rs. 165 under the influence of these large foreign imports. Since this duty has been put on there is no doubt about it that Indian cotton prices have showed a firmer tendency, and if it has the effect as it obviously will have, of diverting people from buying quite so much American cotton,—that is not the grade in which my Honourable friend, Sir Homi Mody, is specially interested; he has been pleading all the time for those who spin the finer counts and who require Uganda and Egyptian cotton,—then, Sir, I think we may all agree, or should agree, that the tax is most definitely likely to do precisely what Sir William Roberts and other experts have said it would do,—viz., help the Indian producer of raw cotton.

**Sir Cowasji Jehangir:** May I ask the Honourable Member just one question? Does he mean to contend that this American cotton was used for any counts below 30 or 40 warp?

**Mr. T. Chapman-Mortimer:** I did not intend to convey that to the House at all. What I meant to convey to the House is simply that when it is more advantageous to buy American cotton that cotton is bought, and when it is less advantageous to buy that cotton, the equivalent grades in this country are bought. That is all I intended to convey . . .

**Sir Cowasji Jehangir:** That is to say, this American cotton replaces Indian cotton?

**Mr. T. Chapman-Mortimer:** No. I did not say that.

**Sir Cowasji Jehangir:** The Honourable Member must admit one or the other!

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member cannot argue now. Mr. Chapman-Mortimer is on his legs.

**Mr. T. Chapman-Mortimer:** I think I have made the point quite clear. . . .

**Mr. S. Satyamurti:** What is the point?

**Mr. T. Chapman-Mortimer:** In regard to the question of the neutralisation of protection, I have no doubt the Honourable the Finance Member will deal with that very adequately when he replies.

[Mr. T. Chapman-Mortimer.]

I end, Sir, as I began, on the question of the balancing of the budget. It has been very clearly indicated to this House that though we may see some of the Provincial budgets unbalanced the Indian situation, financially, would not be seriously upset by that; but you could not have the same result if the Central Budget was unbalanced. In the latter case the consequences would be very serious indeed and would inevitably lead to increased taxation. When we look round to see what alternative taxes there are, we are thrown back to the conclusion that if you do not raise 50 lakhs in this manner as proposed, you will be forced to raise it in some other way, either from sugar—well we have heard some Honourable Members' dislike of that—or from salt—we have heard how a great majority of my Honourable friends opposite would object to that—or from an increase in the income-tax equal to the portion of the old surcharge he has removed—and there I propose to deal with the charge made by my Honourable friend, Sir Homi Mody,—that we squeal when taxes are imposed on ourselves. Included in the new scale of rates of income-tax and super-tax, are definitely higher rates of tax for most of those whose incomes are over Rs. 12,000 a year and for all those whose incomes are over Rs. 24,000 a year. We support that because we believe that it is right and necessary at the present time that Government should be supported in proposing this new taxation; more especially are we able to do so when we have regard to the fact that on those who are least able to pay,—that is to say, those with incomes under Rs. 12,000 a year—the Honourable the Finance Member has definitely by his proposals eased the burden to an amount roughly equal to the balance of the old surcharge. Sir, I oppose the amendment.

**Mr. Manu Subedar** (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, it is very refreshing to find that in the European Party here whom I always took—whether they were European officials or non-officials—to be of one mind, there is some difference of opinion. If anything more was needed to show that the case pleaded by Sir Homi Mody is correct, that itself is a proof that he has a good case. Now, I do not wish to detain the House by going too much into the details of this matter which has been discussed very much, but I think it my duty to report to the House that about ten days ago, no less a man than the Chairman of the East India Cotton Association and the Vice-President of the Indian Central Cotton Committee walked into my house (Interruption.) He is a man who has spent thirty years of his life as the leading cotton merchant of India and he ought to know something and, in fact, he could teach the Finance Member a good deal about cotton. He said that the claim of the Finance Member that this duty would encourage the growth of long-staple cotton in this country was all piffle. He said that with the very best effort which this country could make in order to grow long staple cotton, it would take us no less than 15 to 20 years; and, in any case, he said a little duty like this would not have any direct effect whatsoever. He said that with the best effort during the last few years not more than 2,000 bales of what could really be called long staple cotton (in world language) was grown in this country altogether. Now, the Finance Member is very fond of throwing this House on the horns of a dilemma: it is the same kind of dilemma which that man had who said that if he said something: "*Ma mur jai*", and if he did not say it, "*Bap kutta khali*".

He is throwing the House into that kind of dilemma: that if we throw out this duty he will be left with an unbalanced budget and then all the other calamities which follow an unbalanced budget would come and the credit of India will go and all sorts of disasters would ensue. On the other hand if you withdraw this duty the poor cotton cultivators will suffer: a harrowing picture is drawn how prices have gone down and how this will hit the cultivator. Sir, we on this side have been drawing this harrowing picture of how cotton prices have had a phenomenal fall and how the cotton cultivator today cannot make what is regarded by the calculations of the Indian Central Cotton Committee as the cost of cultivation. We have been urging this and we have been thundering at the Government in order to take measures: we have been suggesting some of these measures. But have they taken those measures? No. They have now taken a measure by proposing this cotton duty at an opportune time, as it has been said over and over again, not with a view to help the Indian agriculturist but clearly in order to help Lancashire. Sir, if long staple cotton cultivation is to be encouraged in this country, why do not the Government think of giving a bounty on every bale of long staple cotton produced in this country? Let them give Rs. 10 or 20 or 30 to the grower and you will see the results. If the idea is that the money should come out of the textile industry, for this purpose, let them take it. At least, in that case the textile industry will have the satisfaction of feeling that every rupee which they have parted with has gone directly for the purpose of helping the agriculturist in Sind and in the Punjab in order to grow cotton and we shall have an accomplished fact in the course of a few years. Again, Sir, if he was so anxious to help the cotton cultivator the most normal and natural course for him would be to see the effect of the duty which he is levying upon the cost of production and the selling price of cloth and he would have then seen the justice of levying and proposing a countervailing duty on the import of yarn and cloth of superior counts. He has not done that. We have no power to propose it. Constitutionally he has seen that we are left powerless so that we must either agree to what he says or he holds up his hands in horror and says "You have spoiled my budget: I will withdraw it", and he will doubtless get it certified.

Now, Sir, in reply to the deputation which waited on him, he trotted out various specious replies, one of which was that what he was suggesting would not add to the price of cloth by more than one pie per yard of cloth. I assume that the Honourable the Finance Member calculated that on the cost of production of all cloth in this country of all counts, which is not a fair calculation. The proper method would have been, if he wanted to make such calculations, to take the direct burden on the cost of production of the higher counts, and it has been calculated that it was four per cent. My Leader said it was four per cent., and he disputed it. It is not a matter of two or three per cent. The Honourable the Finance Member has attempted,—I will not say to throw dust in the eyes of the House,—but he has attempted to raise a hare and to raise a controversy and then to pretend what is a pie yard, what is three or four per cent. of the cost of production. Now, Sir, I am glad to find that the Honourable Sir Muhammad Zafrullah Khan is just coming in: . .

**The Honourable Sir Muhammad Zafrullah Khan** (Member for Commerce and Labour): I was in the House at the other end.

**Mr. Mann Subedar:** I beg your pardon. I am very happy to see you in your seat, because I am going to devastate the logic of the Honourable the Finance Member with regard to these percentages. It was a difference of opinion between the non-official advisers and British Government of something like between 2½ to 5 per cent. which took the Government of India three years for negotiations, which took the non-official advisers three times to England, which deprived us of the services and the benefit of the guidance of the Honourable the Commerce Member more than twice in the course of his career as Commerce Member. Sir, it is not a question of two and five per cent. This search for extra 2 per cent. by Lancashire had led to threats. They went for the Indian Government, they moved heaven and earth, they held out various other threats such as the boycott of Indian cotton. I wish the non-official advisers' reports had not been censored in the manner they have been, otherwise we might have known a little more of the hostile attitude of the other side. However, we shall deal with these topics when we come to them later on. I am only illustrating that a matter of five per cent. is a matter of life and death. Lancashire knows it, the Honourable the Finance Member knows it, and it is no use his trotting out to this House and to the deputation of the millowners which waited on him that it was only a small addition to the cost of production.

Then, Sir, the Honourable the Finance Member has relied in levying this duty very largely upon the imports during 1937-38 of foreign cotton into this country. These imports were undoubtedly heavy. They were almost double the quantity that was imported in 1933-34, but there was a special reason for these imports. My friend said that he had levied this duty on the only item in the customs list under which there was an increased revenue, and because there was an increased revenue in the previous year, therefore, he felt justified in raising this duty. Now, Sir, he has not given the benefit to this House of the correct facts in this regard. There was an increased importation of foreign cotton in 1937-38 on account of exceptional reasons, that Japanese supplies suddenly failed. They failed because all the cotton was probably used for war purposes, the cost of freight was heavy or it was not available, because there was no finance probably to buy the cotton with which Japan would deal with the exports to this country, and there were many other causes; but because of this adventitious failure of Japan to send goods, the Indian mills took advantage to buy a larger number of bales, and they filled up the gap which was caused by the temporary disaster on Japanese imports. In the course of this they purchased a larger amount of cotton, they paid extra duty to the Honourable the Finance Member, but hardly did they know that this extra purchase would be made in the first instance an occasion for the levy of the larger duty on the plea that the raw cotton item had been giving an increasing return. They did not know that the little extra money which they made in that year would be made the ground for imposing a burden, a very direct burden, calculated to disable them in their legitimate fight in order to get a share of the major share of the market in this country.

Now, Sir, the Honourable the Finance Member in his previous speeches mentioned to us that there are taxes in the Centre, there are taxes in the provinces and there should be mutual forbearance. The textile industry has to bear another kind of burden on its resources, and that is in the search for increased wages. I, Sir, am perfectly sympathetic towards this last

search. An increase of wages has been given recently in Bombay, and it has caused a severe drain on the surpluses which the textile industry were said to have got. But I am very apprehensive that if the Honourable the Finance Member is allowed to impose this burden which he is seeking to impose, the mill-owners will promptly try on that plea to seek a reduction of wages. It is a plea, unfortunately, which does count even with the tribunals which Government appoints,—and I ask my friend, Professor Ranga, to consider to what extent the imposition of this duty will not directly bear on the problem of the wages level in Bombay at all events.

Sir, I am sorry that Mr. Chapman-Mortimer should have thought it desirable, in his zeal to assist the Finance Member, to invoke a world crisis, and even to invoke the assistance of Herr Hitler to the help of the Honourable the Finance Member with regard to the budget. Sir, the word 'crisis' is used in almost every political speech anywhere in the world in any age and at any time, and it is one of the dodges of public life that we regard a situation as a critical one in order to get those who are opposing which we are proposing to suppress their judgment and to submit to the operation. But he himself admitted in another connection that there was no emergency.

Sir, I am told by my friend, Sardar Sant Singh—no, I fear it was Sardar Mangal Singh that the prices of cotton in Lyallpur of a particular long staple, what is called long staple in Indian phraseology, because it is not long staple (Laughter)—I must not be held responsible. Sir, for the implication of this laughter as I have not suggested a token cut in the long staple beard of my friend,—I was told that prices have risen in Lyallpur. Now, Sir, the explanation for the rise in price is very simple. The local people thought that as the Finance Member was levying a duty, promptly the prices would rise, and they were holding out for better prices.

**Sardar Sant Singh:** What about Bombay prices?

**Mr. Manu Subedar:** That is exactly what I am going to say.

I do not grudge the Lyallpur merchants who deal in cotton who are holding out getting higher prices if they can get them. The position has been, however, that the moment the news of this duty went out, prices in Kenya have fallen by Rs. 20 and Rs. 30, and advices have now been received—I am in possession of direct information,—that a hundred thousand bales of Uganda cotton at rather panicky reduced prices have been purchased by Japan. The position, Sir, will be, if I may explain with all humility to my friends from Sind and the Punjab, that when Japan sends down the cotton yarn spun from this cotton to India and when the yarn prices in India are ruined, the Indian demand would automatically go down, the prices in Lyallpur would topple down not by a natural process of say eight annas by which it has risen to what it was before the levy, but by say two or three rupees.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member can continue his speech tomorrow.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 23rd March, 1939.