

Tuesday, 2nd April, 1940

THE COUNCIL OF STATE DEBATES

VOLUME I, 1940

(16th February to 10th April, 1940)

SEVENTH SESSION OF THE FOURTH COUNCIL OF STATE, 1940



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COUNCIL OF STATE.

Tuesday, 2nd April, 1940.

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

MEMBERS SWORN :

The Honourable Sir Reginald Maitland Maxwell (Home Member).

The Honourable Mr. John Dawson Tyson (Education, Health and Lands Secretary).

QUESTIONS AND ANSWERS.

RELAXATION OF THE BAN ON EMIGRATION OF LABOUR TO CEYLON.

64. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) Will Government state whether representations have been made to them either directly or through the India Office either by the Government of Ceylon or the Planters' Association for relaxing the restrictions on the emigration of labour to Ceylon to enable the labourers detained in this country on account of the restrictions to rejoin their families which are in Ceylon ?

(b) What is the total number of such labourers ?

(c) Do Government propose to relax the ban on emigration for permitting such labourers to go to Ceylon ? If so, on what grounds ? Are they aware of the strong resentment which such action will create throughout the country ?

(d) Have Government arrived at an agreement with the Ceylon Government that if the labourers referred to above are allowed to go from India to Ceylon, the labourers in Ceylon whose families are in India will return to this country, or the Ceylon Government will revise their anti-Indian policy ?

THE HONOURABLE MR. J. D. TYSON : (a) Yes.

(b) From the 1st August, 1939 to the 10th February, 1940, the Commissioner of Labour, Madras, received 4,166 applications for exemptions. It is not possible to say how many of the total applications fall within the category referred to by the Honourable Member in part (a).

(c) No general relaxation in favour of such labourers is contemplated ; but the Commissioner of Labour, Madras, has discretion to grant exemption in hard cases.

(d) No.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Can not the Honourable Member give us any idea at all as regards the number of men who will benefit under the relaxation of restrictions ?

THE HONOURABLE MR. J. D. TYSON : From the 1st of August, 1939 to the 10th February, 1940, 1,289 exemptions have been given.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : How is it that these exemptions have been granted without coming to reciprocal arrangements with the Ceylon Government regarding the repatriation of people in similar circumstances from Ceylon ?

THE HONOURABLE MR. J. D. TYSON : I am afraid I must ask for notice of that, Sir.

PROCEDURE FOR SUBMITTING APPLICATIONS FOR EXEMPTIONS FROM THE BAN ON EMIGRATION TO CEYLON.

65. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) Are Government aware that exemptions from restrictions on emigration are applied by the Ceylon Emigration Commissioner stationed at Trichinopoly and not by the parties concerned ?

(b) Do Government propose to take steps to discourage this practice ?

THE HONOURABLE MR. J. D. TYSON : (a) Yes.

(b) Government do not consider it necessary to do so as applications are considered on their merits.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is not this method liable to abuse in as much as it makes applications for exemption depend partly on the need that may be felt by the authorities for Indian labourers in Ceylon ?

THE HONOURABLE MR. J. D. TYSON : Well, Sir, we expect the Commissioner of Labour to satisfy himself as to the correctness of the facts. He can correspond with the Agent in Ceylon to check the facts. We do not think there should be abuse.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is there any fear that this may lead to a sort of assisted emigration ?

THE HONOURABLE THE PRESIDENT : That is an argument.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : That is the reason why it is being criticised.

THE HONOURABLE MR. J. D. TYSON : I do not think it could be on any scale that would be likely to effect the strength of the measures we have taken.

REPATRIATION OF INDIAN DAILY-PAID WORKERS FROM CEYLON.

66. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Will Government state—

(a) whether the Government of Ceylon have repatriated all Indian workers with less than five years' service ;

(b) whether the voluntary repatriation scheme affecting those with more than five years' and less than ten years' service has been brought into effect and, if so, the number of persons repatriated so far ; and

- (c) whether their attention has been drawn to the speech of Major Kothawala reported in the *Times of Ceylon* of the 9th January in which he is reported to have stated that even the estate labour should be repatriated and that Sinhalese labour should be engaged instead ?

THE HONOURABLE MR. J. D. TYSON : (a) No.

(b) Yes. The number of persons who have returned to India under this scheme is 176.

(c) Yes.

RETALIATORY MEASURES AGAINST CEYLON.

67. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Will Government state what retaliatory measures they propose to take against Ceylon in order to vindicate the self-respect of India ?

THE HONOURABLE MR. J. D. TYSON : The Honourable Member is aware of the ban on emigration. The question whether any further action should be taken is engaging the attention of the Government of India.

INCREASE IN WAGES OF INDIAN LABOURERS ON ESTATES IN CEYLON.

68. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Have Government taken steps to bring about an increase in the standard rates of wages prescribed for Indian estate labourers in Ceylon which are based on family budgets prepared under conditions greatly different from those which now prevail ?

THE HONOURABLE MR. J. D. TYSON : I assume that the Honourable Member has in mind the increased cost of living due to war conditions. If that is correct, the reply is that the possibility of provision of increased wages by additions based upon the increased cost of living that has taken place is now engaging the attention of the authorities in Ceylon.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I did not refer to the war allowance. I merely asked whether any steps had been taken to raise the basic rates, apart from the conditions created by the war ?

THE HONOURABLE MR. J. D. TYSON : No.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : But has not that matter been under consideration for a long time ?

THE HONOURABLE MR. J. D. TYSON : I must ask for notice of that.

INCREASE IN WAGES OF INDIAN LABOURERS ON ESTATES IN CEYLON.

69. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) Have the prices of rubber, tea and copra risen considerably since the declaration of war ?

(b) Is there a considerable increase in the demand for tea resulting in an increase of the export quotas of the countries concerned ?

(c) Have the wages of Indian labourers on tea estates in Ceylon been raised in view of the rise in the price of tea and the increase in the cost of living?

THE HONOURABLE MR. J. D. TYSON : (a) There has been a substantial increase, though in varying degree, in the prices of these commodities.

(b) Yes.

(c) The attention of the Honourable Member is invited to the reply just given by me to his last question.

WAGES OF INDIAN LABOURERS IN MALAYA.

70. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) What was the price of rubber per pound in Malaya in February, 1938 and in February, 1940? What was the international quota for the production of rubber during the same period?

(b) What were the rates of wages of Indian labourers on rubber plantations in February, 1938, and what are the rates now?

THE HONOURABLE MR. J. D. TYSON : (a) The prices and quotas for the periods mentioned were :—February 1938, price 23 1/5 cents, quota 70 per cent. ; February 1940, price 38 cents, quota 80 per cent.

(b) 50 cents for men and 40 cents for women in both cases.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Have any steps been taken to have the wages of the Indian labourers raised?

THE HONOURABLE MR. J. D. TYSON : Wages were raised on the 1st October. They had been reduced after February, 1938 and they were raised again to the same level on the 1st of October, 1939.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : What I want to know is whether any effort is being made to go beyond the standard wages which the planters cut down a year or two ago?

THE HONOURABLE MR. J. D. TYSON : The present wage is above the latest gazetted standard rate already.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is not the Honourable Member's answer technical? It is true that the new rates demanded by the Government of India, that is 50 cents for men and 45 cents for women, have not been gazetted, but have not the Government of India insisted that the Government of Malaya should for all practical purposes regard these rates as if they had been gazetted?

THE HONOURABLE MR. J. D. TYSON : I am afraid I cannot answer that, Sir.

WAR ALLOWANCES FOR INDIAN LABOURERS IN MALAYA.

71. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) Have the Government of the Federated Malay States sanctioned the payment of war allowances to the labourers employed under any public authority? Was the allowance in January, 1940, \$1.60 per month for labourers whose daily rates of wages were not more than \$1?

(b) If so, have the Government of India taken any steps to secure similar allowances for Indian labourers employed on rubber estates ?

THE HONOURABLE MR. J. D. TYSON : (a) The Malayan Governments have sanctioned cost of living allowances at the rate mentioned by the Honourable Member.

(b) The Government of India have approached the Malayan Governments regarding labour conditions generally in Malaya as affected by the outbreak of war.

PROVIDENT FUND ON THE E. I. R.

72. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) Is it under the existing rules optional for skilled workmen and labourers on the E. I. R. to join the Provident Fund and can they join it whenever they like ?

(b) Are railway servants not allowed increases in pay unless they have been confirmed in their posts ?

(c) Is there a large number of railway servants holding permanent posts who were confirmed shortly after their appointment and were also given regular increases thereafter but who joined the Provident Fund much later ?

(d) When drawing up the co-ordinated scales of pay and adjusting such men in them in the Allahabad Division did the authorities adopt as their date of confirmation the date on which they joined the Provident Fund and not the date on which they were actually confirmed ?

(e) Has this action of the authorities been prejudicial to the interests of the men who are now being given salaries according to the new scales of pay instead of the old scales to which they would have been entitled had the adjustment of their salaries been based on the date on which they were confirmed and not on the date on which they joined the Provident Fund ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) Skilled workmen who are not workshop staff and who are governed by the State Railway Provident Fund Rules are eligible to join the Provident Fund on E. I. R. Such subscription is optional only if the employee's pay is less than Rs. 20 per mensem. Labourers who are not employees in workshops are not eligible to join the State Railway Provident Fund. The eligibility of workshop employees to join the State Railway Provident Fund is laid down in rule 6(d) of the State Railway Provident Fund Rules, a copy of which is in the Library of the House. Non-workshop employees governed by the rules of the old E. I. R. Co. have the option of subscribing if their pay is not less than Rs. 15 and is less than Rs. 20, the subscription being compulsory if their pay is Rs. 20 and over. In cases where subscription is optional, the option can be exercised at any time during an employee's service, but once the option is exercised future subscription is compulsory.

(b) This is dependent on the type of posts and whether the staff concerned are governed by the State Railway or the E. I. R. Co. rules. If the Honourable Member will let me know what staff he refers to, I shall endeavour to furnish a reply.

(c) Government have no information as to the actual number, but staff whose subscription to the Provident Fund is optional need not subscribe on confirmation.

(d) No. The date on which they joined the Provident Fund was taken as the date of confirmation only in those cases where there was no previous record of confirmation.

(e) Information has been called for and a reply will be laid on the table of the House in due course.

THE HONOURABLE MR. HOSSAIN IMAM : Does the Railway contribute in all cases to the Provident Fund ?

THE HONOURABLE SIR GUTHRIE RUSSELL : If a man subscribes himself, the Railway give a bonus of a 100 per cent.

**REAPPOINTMENT OF SKILLED WORKMEN IN THE ALLAHABAD DIVISION, E. I. R.,
RETRENCHED IN 1935 ON ECONOMICAL GROUNDS.**

73. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) Was a certain number of permanent skilled workmen on the Allahabad Division of the E. I. R. retrenched on the ground of economy in 1935 and were those very men reappointed a few months later to the very posts which they occupied before ?

(b) Was the break in their service condoned and were they given a lower starting salary and placed on the new scales of pay instead of their original scales of pay ?

(c) Do Government propose to enquire into their cases and to restore their old pay and grades ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) to (c). I have called for information and will lay a reply on the table of the House in due course.

GOVERNMENT OF INDIA PRESS, NEW DELHI.

74. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) Is there a registered and recognised Union of the Industrial employees of the Government of India Press, New Delhi ?

(b) Have some office bearers of the Union or some of their predecessors been recently superseded or soon will be superseded by their juniors ? Have any adverse remarks been made in their service records regarding their efficiency ?

(c) Are they being victimised for taking or having taken a prominent part in the management of the Union ?

THE HONOURABLE MR. M. S. A. HYDARI : (a) Yes.

(b) and (c). I am having enquiries made.

GOVERNMENT OF INDIA PRESS, NEW DELHI.

75. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) Is the grade of Rs. 200—10—250 for readers in the Government of India Presses a senior reader's grade according to Resolution No. A-31 of 1920 ?

(b) If so, why has this grade been declared to be a selection grade for the Delhi Press alone ?

THE HONOURABLE MR. M. S. A. HYDARI : (a) No.

(b) Does not arise.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is it not a fact that the Resolution does lay down a grade of Rs. 200—10—250 for readers ?

THE HONOURABLE MR. M. S. A. HYDARI : That is only one of the grades. There are four grades. To the last recruitment is made by an examination. Promotion to the others depends upon selection.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is it a fact that this reader's grade Rs. 200—10—250 has hitherto not been treated as a selection grade and there was a selection grade higher than this ?

THE HONOURABLE MR. M. S. A. HYDARI : That is not a fact, Sir.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Have you altered the Resolution of 1920 ?

THE HONOURABLE MR. M. S. A. HYDARI : It is rather a complicated matter. I could explain the position to the Honourable Member outside the House.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I will gladly accept the offer.

THE HONOURABLE THE PRESIDENT : Sir Ramaswami Mudaliar, I offer you congratulations on behalf of the Council and myself on your providential escape. (Applause.)

BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill to make certain provisions relating to service by European British subjects in the armed forces of, or in a civil capacity under, the Crown, which was passed by the Legislative Assembly at its meeting held on the 1st April, 1940.

INDIAN FINANCE BILL.

THE HONOURABLE MR. C. E. JONES (Finance Secretary) : Sir, I move :—

“ That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the rate of excise duty on sugar other than khandsari or palmyra sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary the rate of the excise and customs duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, and the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, as passed by the Legislative Assembly, be taken into consideration.”

This Bill, Sir, seeks to give legislative sanction to those Budget proposals which need such sanction and which have not been separately provided for as in the case of the excess profits tax, the Bill to impose which has been

[Mr. C. E. Jones.]

considered in, and passed by, this House. The background of these proposals and the reasons for them have, I think, been fully explained in my Budget speech which has formed the subject of a full-dress debate in this House. The only change in the proposals then contemplated and those embodied in the Bill now before the House is the small matter of detail that the enhanced excess duty on sugar will apply only to sugar actually produced on or after the 1st of March, 1940 instead of on sugar which was issued or on after the 1st of March, 1940. The Statement of Objects and Reasons embodies brief notes on the clauses of the Bill. The proposals, as I have said, have already been explained to, and discussed in, this House. I think Honourable Members are fully aware of them and therefore it is hardly necessary for me to say more in moving this Motion.

Sir, I moye.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA (Bihar : Non-Muhammadian) : Sir, the atmosphere in which we are discussing the Finance Bill this year is very much different from that which prevailed during several previous years. We have to take into consideration the grim European tragedy that has convulsed the world and shrouded the obscure future in greater obscurity ; and while doing so we have to recognise the impossibility of the task of estimating what we shall have to pay for completely annihilating the enemies of peace and liberty. The cautious way in which the Honourable the Finance Member has framed his Budget leads me to think that the Government shall have enough money to meet the calls of war expenditure during the current year without any further taxation and I hope that Government will see that alongside the maintenance of efficiency utmost economy is exercised in every item of expenditure.

I welcome the change that has been made in the Bill in the other House. By agreeing to exempt sugar produced on or before the 29th day of February, 1940, from the enhanced excise duty, the Honourable the Finance Member has exhibited his sense of justice and fairness and removed one of the manifold hardships which the various taxation measures have imposed on the sugar industry. The sweet reasonableness of which my Honourable friend has given abundant proofs will, I am sure, go a great way in winning for him the confidence of the taxpayers, which is so very essential at an abnormal time such as this.

Sir, I am an agriculturist first and anything else afterwards. I am aware that the burden of the bulk of taxation in this country falls on land ; and I feel that it should be the primary concern of Government to increase the capacity of land to bear the burden of taxation. In my opinion, this can be done by utilising the vast resources of the country for its industrial development and taking adequate steps to find a market for the consumption of Indian goods. I am sorry to say that, so far, Government have failed to do what they should have done in this respect. It is apprehended that the rise in the prices of agricultural commodities is a temporary phase and very soon we shall have a terrible fall. We are already experiencing the results of the fall in jute prices after a temporary rise. The cultivators in jute-producing areas had built great hopes when the prices had shown an upward tendency. But at present they do not know what to do. The most important question before them now is to sell or not to sell, because they do not know the future course of events and the demands of the necessities of their lives are pressing too heavily on them. The cultivators should be told where they stand and every

effort should be made to raise their standard of living. I feel that the industrialisation of this country can go a great way in achieving this object ; and as such in asking for an assurance from the Government to the effect that no further measure of taxation or other measures will be subsequently introduced which will react prejudicially on the industries, during the debate on the Excess Profits Tax Bill, I had primarily the interest of the agriculturists in mind. I agree with the suggestion of Dewan Bahadur C. S. Ratna Sahpathi Mudaliar that Government should organise a vigorous " export drive " and do everything possible towards strengthening the foundation of India's industrial position. As it is, on account of numerous factors, people are very shy in investing their money in Indian industries, with the result that they are not growing as they should. I would like the Government to constantly bear this aspect of the question in mind and by their action create a sense of security in the minds of those who would like to invest more and more money in Indian industries.

Sir, I have already expressed my opinion on the Budget when it was discussed in this House. At present, I do not want to say more than what I have said. The thought uppermost in our minds at this moment is the thought of winning the war. We have no doubt our differences with the British Government but they should in no case be allowed to be exploited by the enemies at this hour of peril. If we were in a position to defend our country independently of other powers, as so few countries are in the present-day world, things would have been different. But we know it too well that our country is safe today from foreign aggression simply because she forms part of a mighty Empire. To my mind, British Imperialism is any day preferable to Naziism or Bolshevism and even if India had been an independent country, the cause for which the British Empire is fighting would have made a greater appeal to her heart than the territorial ambition of the Dictators. We aspire to become a powerful nation. We demand the status of equality and freedom within the British Commonwealth of Nations. But these do not mean that we are anti-British. These, if I may say so, are our domestic affairs and we are sure to settle them. History has recorded many instances of such settlements and we know it for a fact that such settlements can be possible only with the British Government. The triumph of those who have destroyed individual liberty can never help India to attain her goal and it is the paramount duty of India to see that nothing is done to weaken the Empire. The House cannot do better than pass this Bill and thereby send its message to the world at large and to Adolf Hitler in particular to the effect that, in spite of his vile propaganda, India is solidly behind Britain and she will render her every possible help to gain victory in the present life and death struggle.

Sir, I support the Motion before the House.

THE HONOURABLE MR. SHANTIDAS ASKURAN (Bombay : Non-Muhammadan) : Sir, in discussing the Finance Bill as it has emerged from the other House, we are under a certain handicap. It is practically impossible to make any fresh changes in the Bill and we have to be satisfied with offering criticisms of the Government's financial and general policy.

Sir, in dealing with the Bill, I want to make certain general observations. It seems to be the present practice of the Government of India to reveal the truth to us in fragments. First came the Railway Budget with its enhancement of freights and fares. Since we have passed the Railway Budget, I will say no more about it but content myself with drawing the attention of the House to only one feature. Though the Chief Commissioner for Railways announced that the enhancement of freight rates was only 12½ per cent. the

[Mr. Shantidas Askuran.]

raising of the minimum rate from three to four annas means really an increase of 33 per cent. in a number of instances. Then, again, Sir, the excess profits duty, which has been debated at great length, is an imposition against which all classes in India have protested. The Finance Department has not accepted the view of non-official Members that the estimate of Rs. 3 crores as revenue from this source is a gross under-estimate. I would only point out in this connection that though some concessions have been made by the Honourable the Finance Member both in the Select Committee and in the debates in the other House, there has been no alteration in his estimate of receipts. This only confirms our suspicion that the Finance Department expects in reality much more from the excess profits duty than the Honourable the Finance Member has cared to admit in his speeches.

Sir, I do not wish to be misunderstood. We are grateful to the Honourable the Finance Member for his readiness to make concessions both in regard to the excess profits duty and the duty on sugar. It is no small matter that he should have agreed in the latter case to sacrifice Rs. 70 lakhs of revenue by the exemption he granted in respect of sugar manufactured before 29th February of this year. I am sure, Sir, that the country as a whole, and sugar interests in particular, will be extremely grateful to him for this consideration. At the same time, I would like to ask the Honourable the Finance Member, what happens to the necessity for balancing his Budget? On his original proposals, as introduced on 29th February, he would have had a small surplus of about Rs. 5 lakhs. Since then he has made concessions, one of which at least will mean a loss to him of Rs. 70 lakhs. I am referring to this, Sir, only to prove that he has not taken the House fully into his confidence in his original estimates, but sought to justify his new taxation proposals by a gross under-estimate of his revenue.

THE HONOURABLE THE PRESIDENT : All these estimates are liable to constant fluctuations.

THE HONOURABLE MR. SHANTIDAS ASKURAN : Quite right, Sir. He must have calculated properly according to his view. But we on other side and the business community as a whole had estimated at Rs. 10 crores or Rs. 8 crores and one of my friends was under-writing at about 5 crores when the Excess Profits Tax Bill was discussed in the other House after amendment.

Before I deal with some features of the Bill, I must express my appreciation of the Finance Member's decision to invite the advice of the Legislature regarding the financial arrangements which he must make now and hereafter. The proposal to reappoint a Standing Finance Committee to advise the Finance Department on expenditure must be generally welcome, and will go some way to allay the fears which naturally arise in and outside this House regarding new expenditure by the Government of India. In the same manner, I hope, an Estimates Committee functioning on the lines of a similar body in the British Parliament will soon be appointed, so that the Finance Department will get the advice of the representatives of the people in making the Budget Estimates.

THE HONOURABLE MR. HOSSAIN IMAM : Has the Government consented to that?

THE HONOURABLE MR. SHANTIDAS ASKURAN : No, Sir. I am proposing that. They are considering it, so far as I know.

Sir, while I recognise the force of the argument that a great deal of time of the Finance Department's officials will be taken up if they have to serve on, or to appear before, both committees, I would ask the Government to realise this fact : it is absolutely necessary from the very start to take the Legislature as far as possible into confidence in regard to the Government's proposals for new revenue as well as new expenditure.

THE HONOURABLE THE PRESIDENT : The Legislature may not be in session. I presume you mean that the Standing Committee on Finance should be taken into confidence.

THE HONOURABLE MR. SHANTIDAS ASKURAN : Yes, Sir.

Sir, I would like to remind the Honourable the Finance Member that while the excess profits duty came at the end of the last war, the Income Committee on retrenchment also came at that period. On this occasion the Honourable the Finance Member has deemed it necessary to impose the excess profits tax at the beginning of the war. May I not, therefore, plead that he should also have a strict eye on all expenditure, and particularly war expenditure, to avoid even rumours of needless extravagance ?

Coming to the details of the Bill, I shall first refer to the additional tax on petrol. The Marketing Department of the Government of India has organised several intensive marketing surveys only some of which have been so far published. I hope the other reports will be available without delay. For the first time we have authoritative information regarding the exact state of affairs in the rural areas so far as the marketing of different commodities produced by the agriculturist is concerned. I shall not take the time of the House by referring to the various defects in our existing marketing organisation thus brought to light, but will confine myself to one important point. All these inquiries have revealed that one of the greatest handicaps to the agriculturist in the realisation of proper returns for his produce is the lack of proper transport facilities. The railways are known to be unsympathetic. They think more in terms of their revenues and less in terms of the larger economic requirements of the country. There are many rural areas which are not at all linked with roads or railways, and there is considerable work to be done in this direction. At the same time, some useful work has been done mostly by private enterprise which has developed bus services in the interior and brought cheap and speedy transport within the reach of the agriculturist, thus enabling him to dispose of his produce in market centres with comparative ease and with the prospect of greater returns. You, Sir, are aware that various Provincial Governments have appointed Industrial Committees in recent times. These committees have been mainly concerned with small and cottage industries the development of which is a provincial subject. These committees have also brought to light the fact that the condition of transport in the rural areas is so unsatisfactory that little progress can be achieved unless transport facilities are encouraged. These authoritative conclusions should, in my opinion, be definite proof of the statement that the development of cheap and speedy transport is one of the most potent instruments of economic progress in the country, particularly in the rural areas. At a time when the Provincial Governments are straining their utmost to embark on schemes of rural development, at a time when the Central Government is also

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showing its sympathy in their own way for the rural population, at such a time it seems most inconsistent for the Finance Member to propose a measure which will definitely undo the good work that is already being done in the interests of rural transport facilities. The wiser course would have been to encourage by all means cheap transport, and thus allow rural conditions to prosper, which in its turn would have enabled the Government to find some means of raising revenue when prosperity has been actually realised, instead of checking prosperity by means of this additional tax on petrol. Sir, the existing tax on petrol is high enough. In the interests of rural progress I should have expected that this tax to be reduced, in normal times. I can appreciate the position that lowering of this tax in the present emergency is out of the question. But even in the present emergency the raising of a tax of this nature is most unsound and cannot be justified either by the principles of taxation or by the conditions of the country.

Regarding sugar, I have already pointed out in another connection that the assumption of the Finance Member that white sugar is not consumed by the masses is not true. It is true that some jaggery and brown sugar are consumed by the masses, and if white sugar becomes more expensive, perhaps the consumption of the same will decrease in favour of jaggery. There is no doubt about the fact that the duty will fall, partly at any rate, on the poorer sections of the community, in spite of the statements of the Finance Member to the contrary. So far as the production of sugar is concerned, it is paradoxical for the Government to encourage an industry by protection on the one hand, and to discourage the same industry by putting heavy burdens on production on the other. The policy of discriminating protection, though halting in many respects, has given an impetus to several industries in the country, one of the most important of which is sugar. This industry, though it has made remarkable progress during the last few years, needs careful nursing, if it is to be developed on proper foundations and maintained in the future without protective assistance. In fact, sugar is one of the commodities which in war time has assumed great importance particularly in belligerent countries, including England, where there is such a great scarcity of sugar. In any other country, the Government would have taken advantage of such a situation, and allowed the vast resources of raw materials of the industry to be properly exploited, so that the industry may not only cater for the needs of the country within but also find an export market with advantage. Instead of taking the correct view of things in this connection, in the larger economic interests of the country, the method of taxing sugar by an excise duty on production was adopted a few years ago. This duty was condemned by all concerned as being thoroughly wrong in principle. The consolation given to the producers by increasing the import duty in proportion is not satisfactory, because the inevitable rise in price, due to the combined effect of the import and excise duties, must have its reaction on consumption, and reduction in consumption must react adversely on the development of the industry. This obvious fact was ignored a few years ago and is now again put aside in the interests of revenue by increasing the duty by 50 per cent. I shall not be surprised if these increasing burdens seriously come in the way of several of the new factories which have still to build up their position, and in any case come definitely in the way of the starting of new factories. I wonder if these possible repercussions on this important industry have received adequate consideration from the Finance Member in his anxiety to find more revenue.

I make these observations, Sir, in order to point out that there are many anomalies in our taxation system. Sir James Grigg had emphasised some

anomalies which he disliked, whereas others are conscious of other anomalies which the Government conveniently ignores.

THE HONOURABLE THE PRESIDENT : Is any country free from those anomalies ?

THE HONOURABLE MR. SHANTIDAS ASKURAN : The condition of all the countries is not just the same, Sir.

In order to prove his pet ideas about the effects of tariff duties in this country, Sir James Grigg announced in the Assembly some time ago that the Government of India would arrange for a systematic study of the incidence of the taxation in this country, and that that problem would be one of the important tasks of the then newly appointed Economic Adviser to the Government of India. We heard a good deal about this proposed enquiry for a time, and rosy pictures were painted in the newspapers about the probable results of such enquiries which would ultimately put our system of taxation on scientific lines. But unfortunately, like many such promises this one too has vanished in thin air. Very few of us are aware of the work that Dr. Gregory, the Economic Adviser does ; and except for the issue of a few memoranda by his department we have no knowledge of any positive steps being taken by the Government in the direction of the proposed enquiry.

I refer to this, Sir, in order to emphasise the fact that very large additions to taxation were made in this country during the last war and in the years following it. The total expenditure incurred by India on the last war was about Rs. 311 crores of which the direct contribution from Indian revenues was Rs. 220 crores. Nearly two-thirds of this was found by borrowing. I am not including in these figures private gifts or the splendid contributions of the Indian States. But it is a matter of common knowledge that if British India's contributions towards war expenditure and the interest we have paid on war borrowings year after year had been utilised for wiping out our sterling debt, that debt would have been very small. In essence we are still making contributions to meet the obligations incurred in the last war. Sir, we have not even had the consolation that in raising this enormous amount of money, the Finance Members of the last twenty years have attempted to evolve a long-range financial and economic policy. Every year the Finance Member came to the Legislature with his taxation proposals without any thought for the anomalies which have crept in and still continue.

Sir, my point is that unless the whole tax system is scientifically examined with a view to find out the correct incidence on different classes of people, it will not be possible to remove some of the glaring anomalies in our system. Then only it will be possible for the Finance Member to convince the Legislature and the public that his measures are valid ; or perhaps if he is convinced that they are not, he would in time modify them. It is all the more necessary to institute such an inquiry at the present stage, because we have now two taxing authorities, the Central and the Provincial Governments, who are known often to tax the same commodity simultaneously as in the case of petrol. Every one, I am sure, will agree that it is difficult to convince the taxpayer who is already so heavily burdened and about whose capacity to pay there is such a known uncertainty, that he should be called upon to pay so heavily for a war in which he is a passive party. From all points of view, political and financial, I submit that such heavy taxation is not likely to conduce to that goodwill, the creation and maintenance of which is preached to us every day from the highest quarters. And, therefore, Sir, I do appeal most earnestly for greater consideration on the part of those in power before they venture on taxation measures.

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Sir, there is one point which I would like to raise before bringing my speech to a close. I know from personal conversations with His Highness the Jam Sahib that he and his brother Princes have given magnificent proofs of their anxiety to be of positive help to Britain in this war. His Highness the Chancellor of the Chamber of Princes has set aside one-tenth of the revenue of his State, amounting to about Rs. 8 lakhs a year, for the purpose of safeguarding the coastline of India. Other Rulers have made generous contributions in men, money and materials. Sir, I wish it were possible for some spokesman of the Government of India to indicate before the conclusion of the debate what is the total amount of help given by the States and how it is proposed to be utilised.

Sir, there is one final observation I would like to make. The Honourable the Finance Member has already issued a warning that there may be an increase in the expenditure on defence if the realities of the war should come nearer India. I am sure everyone realises that the forces of aggression in the world must be met and put down. It is a challenge which everyone who stands for liberty and democracy is bound to take up for the sake of peace and the decencies of international life. At the same time, Sir, I would like to ask the Government of India what steps they are going to take to bring this home to the patient cultivator at his plough. How are his moral sympathies going to be enlisted on the side of active co-operation in this war?

Everyone, I think, is bound to recognise with appreciation and admiration the sincerity and patience with which His Excellency the Viceroy has attempted to bring about by negotiation a friendly settlement of the political deadlock. It cannot be a matter of rejoicing to him or to any one else that the constitution is in suspension today in seven provinces. He has failed for reasons, I most regretfully admit, beyond his control. But, Sir, I hope that in the interests of maintaining friendly relations between the two countries, no effort will be spared to reach a settlement by negotiation. Statesmanship demands that a solution of the problem should not be abandoned in a spirit of despair or resignation. I am sure, Sir, that I would not be misunderstood when I say that without popular governments, both in the provinces and at the centre, the burden of administration is bound to be far heavier on those who have to undertake it. In this connection I must utter a word of protest against the manner in which the distribution of revenues as between the Central and Provincial Governments was amended recently by an Order-in-Council without consulting public opinion in India. Sir, it was only on Saturday that Sir Jagdish Prasad, in bidding farewell to this House, concluded his speech with a warning that it will be dangerous to assume that because the country is quiet today, therefore it will continue to be quiet for months and years that lie ahead. I am sure I am voicing the wishes of the business community in this country in appealing to the Government of India to realise the dangers inherent in the present situation. Not a moment should be lost, Sir, in enlisting the co-operation of all parties in this country in a positive effort not only to win the war, but to make India safe for democracy and freedom.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: Before the Honourable Member concludes his remarkable speech do we not deserve to know—

THE HONOURABLE THE PRESIDENT: Are you making a speech?

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : I want to know whether he supports or opposes the Bill ?

THE HONOURABLE THE PRESIDENT : This is not the time for you to know.

THE HONOURABLE MR. RAMADAS PANTULU (Madras : Non-Muham-madan) : Sir, I rise not to speak on the Finance Bill in general, nor do I propose to address myself to any political or economic issues. I am permitted by my Party to attend this Council only for a day in this session and I am normally not expected to participate in the general discussion on any Bill. But I owe it to myself to say a few words about a particular clause of this Bill, namely, clause 7. This House will remember that when the Income-tax Bill was before us, I raised a question regarding the taxation of co-operative societies. Co-operative societies occupied a very anomalous position under the scheme of income-tax law. In regard to super-tax co-operative banks paid much more than joint stock banks are paying on the same amount of profits. I said that the bank of which I was Chairman paid Rs. 1 lakh more in three years on the profits than it should have paid if it was a joint stock bank. Sir James Grigg very sympathetically said that his attention was not drawn to this fact till then and he assured me and this House that an early opportunity would be taken to afford legitimate redress to co-operative societies. Sir, I took up the matter later after Sir James left the shores of India with the Central Board of Revenue and I believe I interviewed my Honourable friend Mr. Jones also and left a memorandum with him a few months ago. I am glad to find that, though not by amendment of the income-tax law, but by a measure of special relief by means of a proviso to clause 7, co-operative societies are given the relief for which I prayed. Sir, this is no doubt an innocent-looking proviso, but it does give very substantial relief. There are some co-operative central banks which make profits of between Rs. 30,000 and Rs. 40,000 and up to Rs. 25,000 they are completely exempted from super-tax and above Rs. 25,000 they are now taxed at the flat rate of one anna per rupee. My bank was paying up to $7\frac{1}{4}$ annas in the rupee as super-tax, and I may say at once that in the current assessment year 1940-41 the bank of which I am Chairman will get a relief to the extent of Rs. 43,400 ; so also the provincial banks of Bengal, Bombay, and the Punjab will get a relief. I wish to tender the grateful thanks of all the co-operative societies in India to the Finance Department for the speedy action that they have taken and the way in which they have given effect to our prayer. We are not however satisfied with this mode of relief —

THE HONOURABLE THE PRESIDENT : Are you ever satisfied ?

THE HONOURABLE MR. RAMADAS PANTULU : I am asking for a permanent measure of relief by suitably amending the Income-tax Act—by taking away co-operative societies from the category of association of persons. That is where the difficulty comes in. Co-operative societies are not companies or joint families or firms. They are now treated as associations of persons which makes them liable to the highest super-tax under the Act. We want to be in a separate category by ourselves and we want the relief to be placed on a permanent statutory basis by a suitable amendment of the Income-tax Act. With this request I once more express my grateful thanks on behalf of co-operative societies in India.

THE HONOURABLE MR. J. H. S. RICHARDSON (Bengal Chamber of Commerce) : Sir, I wish to take this opportunity of expressing my personal

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gratification at the substantial concession made to the sugar industry by the acceptance of an amendment moved in the other House which releases certain stocks of sugar held at the end of February from the increased tax. Coming so soon after the plucking of several feathers from the Honourable Finance Member's particular bird of paradise in the form of the Excess Profits Tax Bill, this giving away of the little bit of sugar for the bird is indeed so remarkable that I am encouraged to hope it may be taken as indicating the desire of Government to give more sympathetic consideration to certain aspects in regard to industries which have already been protected than has been the case in the past. I am further encouraged in this hope by the recent statement made by the Honourable the Commerce Member in the other House regarding the development of industries during war time. The steady growth of all protected industries is of equal importance to the Revenue Department as it is to the development of the country itself but it is evident from specific instances before us that the revenue has not been forthcoming and development is in danger of being retarded.

The sugar industry is one of those particular cases which illustrates what I have in mind as also does the paper industry. Both were encouraged by the Government to develop under protection recommended by the Tariff Board. In order to ensure as far as possible that the full degree of protection necessary should actually be received by these industries during their building up period, protection from foreign competition was afforded in the usual manner. On this carefully prepared ground the seeds of the two industries were sown but as time went on several others passed over the same ground and although it was already fully planted they sowed more seeds. The result was that whilst foreign competition was provided against subsequent internal competition arose owing to over-production and considerably nullified the extent of protection which Government agreed with the Tariff Board was necessary to enable the industries eventually to stand on their own legs. In the case of the paper industry despite the outbreak of war, I understand that several of the mills are in a precarious position and some may have to close their doors.

Sir, I cannot help feeling that these illustrations disclose a flaw in the present system the timely removal of which might have supplied the Revenue Department with at least a part of its needs in the form of income-tax and super-tax from profitable concerns instead of the Department having to impose such a heavy excise duty on an industry which although protected cannot be said to be flourishing. I am not one of those who advocates a policy of protection merely for the favoured few. It is perfectly correct for industrialists who are willing to risk the investment of capital in any particular protected industry to do so provided the demand is sufficient to absorb the production of all such factories without bringing prices down to a level which nullifies the declared intention of protective measures passed by Government. To ensure against this wasteful result it appears to me that it is a question whether the word "protection" should not have a rather fuller meaning than that given to it today. The present position of Government seems to be like that of a dealer whose main concern is the mere selling of a specific article to the public and who eventually damages his business because his service after sale is defective. The Honourable the Commerce Member has stated that in regard to the development of the essential industries which are needed for the prosecution of the war, the ideas of his department are running on the lines of making a little liberalisation in the conditions of the Fiscal Commission regarding protection. May

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I hope that at the same time this question of the more liberal interpretation of the word "protection" may also be given some consideration? I wish to make it quite clear that I am referring only to protected industries and that I am entirely against indiscriminate Government control or interference in industry in the ordinary way. The actual conditions which have arisen in regard to the so-called protected sugar and paper industries are plain for all to see and so long as it is possible for similar conditions to arise in future in other industries which may be granted protection, I feel that in the interests of the industries themselves, of the Government whose revenue is affected and of the country, some steps would appear to be desirable to forestall and avoid a repetition of unhealthy internal competitive conditions. Whatever steps are taken, they should be adopted at a sufficiently early stage in the development of the industry. This might forestall the occurrence of these undesirable conditions and so render unnecessary any action at a later stage which, although it might be necessary to prevent the collapse of a protected industry, would nevertheless probably have to be of what I would call an interfering nature. The question is, would it be possible for some action to be taken at a sufficiently early stage to prevent these undesirable conditions arising? If they can be prevented, it follows that Government action at a later stage might become unnecessary and this is, I consider, most important since I visualise Government action at an early stage would not need to be in the undesirable interfering form probably necessary at a later stage of development when naturally more factories would be affected.

Over-production prevents the seed sown growing to a healthy maturity, does harm to the business of the country and in the end must make capital more shy than it inevitably is. I may be told that if industrialists are so foolish as to deliberately invest their money in the erection of factories for the production of protected materials at a stage in the development which renders it doubtful whether they can be absorbed without serious and harmful price cutting then it is their own fault and Government are not to be blamed. I agree that there is some substance in this argument and indeed I admit there have been remarkable instances where the investing public has supported the flotation of certain companies despite the fact that there were, readily available statistics which indicated the measure of return mentioned in the prospectus was largely exaggerated. This however still leaves unanswered the question as to whether in view of the fact that for various reasons these sort of things do happen, it is fair on those factories and concerns who were often pioneers and on whose cases the grant of protection was based. Although such grant is in fact an admission, provided of course certain conditions are fulfilled, of their right to a certain price for their goods which will enable them to grow, it is they who afterwards have to share in the losses brought about by internal competition due to over-production and it is this aspect of the matter which, in view of the illustrations of the two industries I have mentioned, I feel necessitates some consideration. Take the case of these new industries which Government wish to encourage. What guarantee have they that the prices they receive for the materials which they produce will not ultimately prove to be uneconomic by reason of the fact that Government encouragement or other factors may result in the erection of factories in excess of the demand? The other day the Honourable Rai Bahadur Lala Ram Saran Das asked the Honourable the Finance Member if Government would guarantee a percentage return on the capital invested in such industries. I entirely agree with the Honourable Finance Member's reply in the negative as it is obvious Government cannot undertake such a responsibility which

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is entirely one for those industrialists who choose to take the risk. At the same time I do suggest that Government should consider how doubts which may arise in the minds of industrialists as a result of past history can be met.

The suggestion has been made that a permanent Tariff Board should be established. Changed conditions may justify this but from my own experience of Tariff Boards and protected industries I believe that the Commerce Member was perfectly correct when he raised the question in another place, whether it was fair to the industry concerned to take up its roots over and over again or whether it be given a certain limited time to adjust itself, rationalise its own industry and see how far it could organise itself before the next enquiry. If a permanent Tariff Board could advise Government as to the possibility of increased demand for any particular protected material without upsetting those engaged in developing the industry, this might go some way towards a solution of the problem.

Sir, in conclusion I confess that at this stage the question I have raised is possibly more of an academic nature and there are many difficulties not the least of which are provincial ones, in the way of a practical solution. All I wish to say is that I welcome the Honourable Finance Member's attitude looking at it from the aspect which I have endeavoured to explain and I hope that when Government give encouragement to the development of certain protected industries under present war conditions they will if it is at all possible give some consideration to what I will call the "after protection" of such industries with the object of endeavouring to forestall internal conditions arising through over-production which are not only unfair to those who have accepted Government assurance and invested their money but are in my opinion definitely harmful to the interests of Government and the country as a whole.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadian) : Mr. President, for the first time after five years, the Finance Bill has come to us in an uncertified form. I am not sorry that it has come to us in an uncertified form because we can now discuss the Bill on the merits. Sir, in my observations on previous occasions, namely, the General Discussion on the Budget and the consideration stage of the Excess Profits Tax Bill, I made it clear that in my humble judgment the Finance Member was right in seeking to balance the Budget by the method of extra taxation. I repeat again that he would have been guilty of a grievous error had he either left the Budget uncovered or balanced it by loans. The burden sought to be imposed on the general taxpayer is not of a staggeringly heavy character and it would have been clearly wrong to finance defence expenditure by loans. Being, therefore, in general agreement with the Finance Member on this main question of principle I have, in determining my attitude towards the fiscal part of the Finance Bill because there is a political aspect with which I shall have to deal a little later had to consider whether the particular taxation proposals proposed by him are in the main right or not, and I have no hesitation in saying quite frankly that it is not possible for me to suggest any constructive alternative to the taxation proposals that he has put forward. The Excess Profits Tax Bill which was passed the other day by this House and I think we did the right thing in passing it will enable him to raise Rs. 3 crores. In addition to the excess profits tax, he has proposed two other measures of taxation, namely, an increase in the excise duty on sugar and an addition of 2 annas per gallon to the tax on petrol. I will, Sir, with your permission, briefly examine the case for these two measures. I must say I have a very

great deal of sympathy with the sugar industry. Normally I should not have agreed to an increase in the excise duty on sugar. Ultimately, the result of an excise duty is that the consumer has to pay more for his sugar. But the Finance Member has shown a spirit of reasonableness which needs appreciation. He has modified his original proposals in a manner acceptable to the more reasonable section of the sugar industry. He has accepted an amendment providing that the enhanced excise duty of Rs. 3 should be levied on sugar produced on or after the 1st March, 1940 and that the old duty of Rs. 2 should apply to sugar manufactured on or before the 29th February, that is, the date on which the Budget was introduced. The main consideration which weighed with the Finance Member, I think, was that the sugar produced before March was manufactured from cane brought at a higher price. This argument, Sir, reveals that the imposition of higher excise will depress the price of cane and thus leave the cane-grower at a disadvantage—

THE HONOURABLE MR. HOSSAIN IMAM : It has already done so.

THE HONOURABLE MR. P. N. SAPRU : I pointed out in my speech on the General Discussion of the Budget that in my province it has already done so. Prices of cane are fixed by Provincial Governments after the price of sugar has been determined by the Sugar Syndicate after a study of market conditions. This excise duty will, I am afraid, to some extent hit the agriculturist without benefiting the manufacturer or the consumer. I have already said, Sir, that the Finance Member has to some extent met the reasonable objections of the sugar industry, and in view of the reasonable attitude that he has adopted, I am not disposed to quarrel with him. I look upon this as an emergency piece of taxation and I am not, therefore, in view of the reasonable spirit that he has shown, disposed to quarrel with him so far as the sugar excise tax is concerned.

THE HONOURABLE THE PRESIDENT : But the difficulty is that it would involve the country in a loss of Rs. 70 lakhs.

THE HONOURABLE MR. P. N. SAPRU : The Rs. 70 lakhs will come from the country, Sir.

AN HONOURABLE MEMBER : From the consumer.

THE HONOURABLE MR. P. N. SAPRU : I will now say a few words on the duty on petrol. My first impulse was against the duty on petrol. The duty on petrol is already high. Not only the people who use the motor car will suffer but also the poor villager who has inadequate marketing facilities. He has often to use the lorry and the bus for the carriage of his goods for marketing purposes and for ordinary travel. But the consideration which has weighed with me is this. We have agreed to an increase in railway freights and fares. There is competition between the railways and the buses and as owners of the greatest State-managed railway system in the world, we ought not to place buses in a position of advantage as compared with the railways. The increase is not of a very appreciable character, and the Budget, as I said, has to be balanced and it has to be balanced by extra taxation. It strikes me that I can suggest no better tax myself except perhaps an increase in the super-tax. I, therefore, am not prepared to attack this particular tax either.

It will be seen, therefore, that I am not attacking the Finance Department on what it proposes to do. It is certainly subject to attack, from our point of view, on what it omits to do, and certainly, there are certain considerations of a political character which make it subject to attack. I do not

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say that I am in agreement with the policy behind the Finance Bill, and I will address myself to the question of the consideration of the policy behind the Bill. But before that I should like to say a few words about the Government's policy of price control.

In considering this question of price control we must remember that India is mainly an agricultural country and the welfare of the agriculturist must be supreme with us. The economic welfare of the country depends upon the prosperity of the cultivator. The agriculturist has had to pass through a very serious period of depression during the last decade or so. In the best of circumstances he is extremely poor. He has today to buy his own requirements, his agricultural implements, kerosene oil, clothes and other necessities at a higher price.

THE HONOURABLE THE PRESIDENT : But he is better off now.

THE HONOURABLE MR. P. N. SAPRŪ : The higher prices of agricultural products may have made him temporarily better off, but he has to buy his implements also at a higher price, and assuming that he is getting a better price for his produce it is undesirable, I think, to interfere too early with the rise in prices, because, firstly, he must be given an opportunity to recoup to some extent at all events his losses in lean years, and secondly, he should be enabled to purchase the goods he needs at their present rising prices. My suggestion therefore in regard to prices is that Government should not interfere with prices in the case of agricultural produce unless they show a tendency of shooting above the price level that was reached in 1928 which was a good normal year.

Another point on which I should like to say one or two words is this. I think we need more co-ordination and co-operation between the centre and the provinces in the matter of taxation. We have a federal constitution. Unfortunately the provincial part is not working. In a federal constitution overlapping of taxation often occurs, and there is, therefore, need for greater co-operation and co-ordination on the part of the centre and the provinces. Sugar and petrol are two important instances in point. Sugar has to pay an excise duty to the centre, and sugarcane bears a provincial tax which varies I believe in different provinces. Similarly, petrol has to pay an excise duty and it has to bear a provincial tax. There is therefore need for greater co-ordination and co-operation between the centre and the provinces in regard to these matters, and I hope that the Finance Member will devise some effective machinery which will ensure this co-ordination and co-operation.

Sir, I will leave the question of reduction in postage rates to my Honourable friend Mr. Hossain Imam, and I will go on to the question of the policy behind the Finance Bill, because it is with this policy with which I find myself—I will not say completely but in substantial—disagreement. Sir, no reflecting man will deny the need for spending adequately on the defences of India at this juncture. India cannot escape the effects of a major war such as we are witnessing in Europe today. Even if she had been an entirely independent country, even if she had been a country with no connection with Britain whatever, she would have had to face the problem which armaments race and major and minor wars in the world create for all, belligerents and neutrals alike. We are living in a world of aggressive nationalisms which seek to dominate the weaker races of mankind; and even a country which has professed so far extreme leftist ideals and to which extreme leftists have

often looked for their inspiration has not escaped the virus of imperialistic infection. That India's defences need to be strengthened is therefore common ground between us and the Government of India ; but the question how they should be strengthened and what part in the formulation of defence policies, defence programmes, defence organisation, defence requirements Indians should have is a different matter. Sir, the Indian attitude towards the Defence Department is mainly conditioned by the attitude of that Department towards Indian aspirations, and I confess that the Defence Department as at present constituted entirely lacks the confidence of the Indian members of the Legislatures. The head of the Defence Department, His Excellency the Commander-in-Chief, who is a Member of this Council hardly considers it worth while to listen to our debates or to answer criticism.

THE HONOURABLE THE PRESIDENT : I have already told you that during this session His Excellency the Commander-in-Chief will not be able to be present on account of his more important responsibilities elsewhere.

THE HONOURABLE MR. P. N. SAPRU : So far as this Legislature is concerned, it is of no importance to him at all. If he is a Member of this Council then I say he owes it also to this Council to show some responsibility to us.

THE HONOURABLE THE PRESIDENT : He has more important duties.

THE HONOURABLE MR. P. N. SAPRU : I protest against that word. Is it your suggestion that this Legislature is of no importance whatever ?

THE HONOURABLE THE PRESIDENT : He has certainly more important duties to perform, to watch the condition everywhere, all over India.

THE HONOURABLE MR. P. N. SAPRU : Then why is he a Member of the Viceroy's Executive Council ? If the Government of India Act can be changed in order to amend the Neimeyer Award, surely it can be changed to remove the Commander-in-Chief from the Executive Council and put in another civilian member in his place.

THE HONOURABLE THE PRESIDENT : Order, order. Do not get excited. The Act cannot be changed on the spur of the moment.

THE HONOURABLE MR. P. N. SAPRU : It has been changed to suit the purposes of Government.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is there any country where the War Minister absents himself from the Legislature ?

THE HONOURABLE MR. P. N. SAPRU : Surely the Commander-in-Chief has not got higher duties to perform than Mr. Winston Churchill who is the First Lord of the Admiralty and if Mr. Winston Churchill can answer the criticisms of Mr. Attlee and Sir Archibald Sinclair, we see no reason why the Commander-in-Chief should not be here to answer our criticisms. There is not a single member of the Defence Department to listen to what we have to say, to answer to what we have got to say. That is the respect that the Defence Department has got to show to us, non-official Members of the Legislature, and this, Sir, at a time when we are asked to help, when we want to help Britain. Is that the way in which His Majesty's Government, the Government of India and His Excellency the Commander-in-Chief expect to get the co-operation of the people of India ? I say, Sir, it is——

THE HONOURABLE THE PRESIDENT : It is unparliamentary behaviour.

THE HONOURABLE MR. P. N. SAPRU : I have said no word which is unparliamentary. If I am guilty of anything—I may have spoken with heat.

THE HONOURABLE THE PRESIDENT : Don't get excited and don't forget that you are a Member of the supreme Council of India.

THE HONOURABLE MR. P. N. SAPRU : If I have been guilty of any unparliamentary expression—

THE HONOURABLE THE PRESIDENT : You are guilty of excitement and only showing your excitement for nothing.

THE HONOURABLE MR. P. N. SAPRU : Sir, I shall try to be without excitement. We are all apt to get excited. I think I have justification for that.

THE HONOURABLE THE PRESIDENT : None whatsoever.

THE HONOURABLE MR. P. N. SAPRU : When we ask questions relating to defence personnel, the number of Indians employed as commissioned officers, temporary or permanent, or defence industries, we are put off with evasive answers which no self-respecting Legislature can tolerate. Eighteen months back I had the honour of moving a Resolution, a very modest Resolution, a Resolution which from my point of view was so modest that I was really amazed that I should have moved it—I am referring to the Resolution for the constitution of an Advisory Committee on Defence. I think, Sir, in the speech which I made, and I have re-read that speech for my own education, not for the education of the Defence Department, I used language which was as temperate as any that could be imagined. I put the case for the association of India and Indians with the formulation of defence policy as moderately as I could. And what was the answer that I got? I pointed out that, at all events after Federation had been established, the Joint Select Committee themselves had suggested the constitution of such a Committee; I pointed out, Sir, that I had the support of the Simon Commission in the proposal that I was making. And what was the answer, Sir, that I got? The answer that I got was an emphatic "No" and that emphatic negative came from an esteemed and respected Member of this House—I am referring to my friend the Honourable Mr. Williams—who, I am convinced had no heart in the cause he was pleading as an advocate before this House. Repeatedly we have asked that a policy which denies to provinces, which contribute even more in revenue than the Punjab, which satisfy tests which will be regarded from the point of view of military efficiency as normal in any normal country, should be changed. We have, in other words, suggested in season and out of season—and there can be no out of season so far as this question is concerned—that the defence forces should be recruited on a wider basis, that communities, classes and provinces which go unrepresented in the defence organisation in this country should have the chance given to them of serving their King and their country.

There has been, I regret to note, no change in this policy and even at this time, when Britain is at war, when it needs the help of India, it will not throw open the army to provinces and classes which, by every right, can claim a share in the defence organisation of their beloved motherland. I am not satisfied with the answers that have been given from time to time. What are those answers? The army is a small one. We are recruiting from classes which have a tradition of military service. The present system has worked

well. There is no legislative discrimination against any particular class. After all we have to recruit a certain number of men and we give preference to those who, we think, will satisfy our requirements. Supposing, Sir, it were administratively ruled in England that the army would only be drawn from the Welsh countries and men from other parts of England were refused admission to the army on one ground or the other, what would the rest of the English people have to say? Is such a possibility imaginable in any normal country?

Sir, the position is that while the so-called martial classes provide the fighting material, there are communities and areas in India which do not furnish a single man for the regular army. Before the Mutiny the army consisted not only of Punjabis and Sikhs and our independent friends the Gurkhas who have come to keep a watch over us in India but it was recruited from other parts of the country also and soldiers from other parts were able to give a good account of themselves. Twenty-five years after the Mutiny General Warre, Commander-in-Chief of the Bombay Army, gave this opinion of the Bombay Army:

"History has proved that the whole of the western coast is a military country producing a warlike population. The Southern Mahrattas have proved themselves in former days and are still equal to any other race in India as a fighting people. Their power has been broken and their military ardour wrenched by almost total disarmament but they are still a hardy people, in a mountainous district, inured to toil, and especially good in tracing their steps over the rough and impracticable Ghats. What more can you require to make soldiers?"

There is the opinion of another Commander-in-Chief, Sir Frederick Haines, who says:—

"I cannot admit for one moment that anything has occurred to disclose the fact that the Madras sepoy——"

—the Presidency from which my respected friend Sir David Devadoss comes——

THE HONOURABLE SIR DAVID DEVADOSS: I moved a Resolution in 1938.

THE HONOURABLE MR. P. N. SAPRU: That is why I described you as a respected Member.

"I cannot admit for one moment that anything has occurred to disclose the fact that the Madras sepoy is inferior as a fighting man. The facts of history warrant us in assuming the contrary. In drill, training and discipline the Madras sepoy is inferior to none, while in point of health, as exhibited by returns, he compares favourably with his neighbours".

Sir, the truth must be told, however unpalatable it may be to the tin gods and the military autocracy in India, that the composition of the present army is essentially political in character, motivated by considerations designed to perpetuate the Imperialist domination of India. Anyone who cares to read the earlier reports will find that my statements are correct. The Peel Commission, which was appointed, I think, in 1877, says that

"the Indian section of the army should be composed of different nationalities and castes which should as a general rule be mixed promiscuously in each regiment; and Europeans alone should, as far as possible, be employed in the scientific branch of the services".

Thus Imperialism perpetuates and preserves itself. Lord Ellenborough, concurring with the view of Lord Elphinstone, once said that

"it appears to be the concurrent opinion of all men that we should keep the artillery wholly in our hands".

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Lord Ellenborough's incarnation in this life, Lord Chatfield, would say :

" We must keep the mechanised army as the external defence army in our hands and thus perpetuate our domination ".

In order that divisions might continue, in order that India might never become independent in the matter of defence and defence might be trotted out as an obstacle in the way of India's advance towards Dominion Status, in order that the army might not get affected with the nationalist spirit and regard itself as a nationalist army for the defence of national interests, it is necessary to pamper certain classes. That is the way of imperialism all the world over and it is no use telling us that there is no political motive behind the present arrangements regarding the composition of the army. I look upon the question of the composition of the army as even more important than the question of the Indianisation of the officer ranks of the army, for without an army drawn from all classes, drawn from all communities, drawn from all provinces, self-government in this country cannot be safe, democracy in this country cannot be safe.

From this question of the composition of the army, I pass on to the cognate issue of the Indianization of the officer ranks of the army, navy and the air force. I will not repeat, Sir, what has been stated over and over again in this House. But I will say this. With 60 cadets we are not likely, at the rate at which we are going, to have an army officered by Indians now or in any immediate or even remote future. British officers are not being replaced by Indian officers. The increase to 60 in place of the original 29—that was the figure eligible for Sandhurst—has not improved our position. For before the abolition of the Viceroy's commission (which has only been abolished in the Indian units), the number of officers in a unit used to be 12 to 14. The number of officers in a British unit is even now 12 to 14. Now, in the Indianized units the number has been increased to 28. Therefore, out of the 60 admitted every year (and there is a nominal increase of 31), a considerable number replace the Viceroy's Commissioned officers. Therefore, the abolition of the Viceroy's commission means that we have taken a definitely retrograde step and Indianization, instead of being accelerated, is being actually retarded.

Sir, we all know the history of this question. The Thomas Committee, I think, Sir, our respected friend, the Honourable Sir Ramaswami Mudaliar, whom we are glad to see today after his accident—we are glad that he has recovered—I think, Sir, he was a Member of the Skeen Committee and also of the Thomas Committee of the Round Table Conference—the Thomas Committee had not contemplated that the English door would be shut against Indians. I think I am right in stating that. Sir, it will take a much longer time, with this scheme of Viceroy's commissions, to Indianize segregated Indian units than would have been the case if the Sandhurst scheme had continued. All this has been done in the name of efficiency. Of course, Sir, we Indian politicians, who have never handled a gun, who have never visited the frontier, who have never seen a dreadnought or battleship, who cannot distinguish between a cruiser and a destroyer, cannot know, Sir, the mysteries of defence organisation—

THE HONOURABLE THE PRESIDENT: And yet are competent to express an opinion !

THE HONOURABLE MR. P. N. SAPRU: Yes, Sir, because if we were in a normal country, we would be Ministers of Defence and we would make as good Ministers if not better Ministers than His Excellency the Commander-in-

Chief. We are not suffering from an inferiority complex. I said that sarcastically. But as men possessed of common sense, knowing that people who possess power are reluctant to part with it—I am quite sure that if India had hold of England she would be reluctant to part with it; I am just stating a psychological fact—as men possessed of common sense, knowing that people who have power are reluctant to part with it, we do understand, Sir, the psychology behind all these moves, and unless the spirit of our defence administration changes in this country, I do not think that you will be able to satisfy the people of this country that you are sincere by a hundred declarations that you may make about granting Dominion Status of the Statute of Westminster variety.

Sir, concrete steps taken now and immediately are worth more than a hundred paper declarations, which you may forget when you feel that you are strong and able to forget your promises. Therefore it is that I look upon this question of the nationalisation of the defence forces, the army, navy and air force, as a test of British sincerity in regard to the promises of Dominion Status of the Statute of Westminster variety. If you take some big step in the direction of nationalisation of the army, you will be able, I venture to assert with some confidence in this House, to improve the political situation in this country beyond recognition. But you will not do it. And you will not do it because you have not the courage, because you have not the will, because you have not the imagination to do it. Do you wonder, therefore, that India—and we must be frank, we must not give a picture of Indian support which is not true to fact—do you wonder, therefore, Sir, that India is not pulling her full weight in the war, that India, instead of being an asset to Britain, is a liability at the present moment? Why should we, as self-respecting men, as patriotic men who want freedom for our country within the framework of the Commonwealth—if possible, outside the framework of the Commonwealth—if you deny us a place of honour in your Commonwealth, co-operate with the Defence Department at any time, whether war or peace, when that Department refuses to co-operate with us? What has been our experience in the past? If the Defence Department changes its ways, we are also prepared to change our ways. There are small ways in which you can improve the situation. Why can't you place an Indian, preferably an Indian drawn from the Legislature, in charge of the Defence Department? Only a small change in the Government of India Act is necessary in order to enable you to take this course. Why can't, for example, our esteemed and respected friend, Sir Ramaswami Mudaliar, be placed in charge of the defence organisation of this country? How will he be worse than His Excellency the Commander-in-Chief? He certainly will be able to answer questions with greater knowledge, with greater intelligence, with greater clarity, in this House than the demi-gods of the Military Department.

Last year, Sir, you appointed a committee with very limited terms of reference, which was ignored by the two warring organisations, the Congress and the Muslim League. With our pathetic belief in the virtues of co-operation—and my respected friend, Pandit Kunzru is here to represent the traditions of the late Mr. Gokhale—we decided to accept your invitation to serve on this committee and three of our Members were appointed to that committee. The committee has been adjourned *sine die*. We do not know whether they are going to meet at all. My distinguished friend Sir A. P. Patro was a valued member of that committee. He too is without work. He has been put on the unemployed list. Why? Because of the war. • I should have thought that the war, in which you wanted India's help, had made the

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question of the defence of this country ever so much more urgent and important both from your point of view and from our point of view than it was ever before. You think that you can dispense with Indian co-operation. What, after all, is the value of Indian co-operation? What can the politician do to help you? That is your mentality. You think that you can have that co-operation on your own terms, even when we do sympathise ideologically with you. Do you wonder, therefore, that there is deep resentment among the politicians in this country at your policies? I have spoken with some heat and with some warmth on this question of the nationalisation of the defence forces. I do not wish to argue the case for nationalisation. It has been argued over and over again in this House. We are all familiar with these arguments. I am just formulating our demands. I have considered it my duty to dilate on this question of nationalisation at some length because that is a question to which Indian thought attaches very great importance. It is one of those issues which test your sincerity. If you can satisfy us on this question of nationalisation, if you can satisfy us that you mean to go ahead with this nationalisation of the army as rapidly as possible, then you will change the psychology of the people of this country towards you and towards the war that is in progress.

Sir, I have not touched upon the constitutional issue, but I must not be understood to say that I am satisfied with the manner in which that issue is being handled. I would not like to say much on the constitutional issue as I would not like to complicate matters by any observations that I may make here. I would only say this that it is essential that we all—Englishmen, Hindus, Mussalmans, Christians—should approach this question with a desire to arrive at an agreed solution. There should be the will on the part of all of us to find a solution of this *impasse*. It fills me with pain to think that in certain provinces we are being ruled by Governors today. The constitutional dead-lock ought to be settled in a manner satisfactory to all parties concerned. We all desire to see a free India, in perpetual partnership with Britain, established as early as possible in this country. We are all hankering, yearning, for that Dominion Status which has made Canada, Australia and New Zealand loyal to the British connection.

I would just like to say one word about the constitutional question. I do not think we shall ever be able to settle the minorities problem unless we place the constitution of India on a permanent basis. If you get a revision of the constitution every fifth year, you will have perpetual communal strife in this country. What you want now is a permanent solution of the Indian problem. The minorities problem has assumed a shape and form which makes it incumbent that India should be endowed with the full rights of a self-governing community.

But, these bigger issues apart, there are several small directions in which you can convince Indian opinion that you mean business, and I see no reason why you should not take those small steps. Why must you go on recruiting for the Civil Service and the Police Service in England? Why can't you do it in India? No amendment of the Government of India Act is necessary for this purpose. It is possible for you to stop recruitment in England for the Services. That will be a proof of your sincerity.

Sir, it will be clear from what I have said that while I have few criticisms to offer so far as the merits of the Finance Bill are concerned, there is a political aspect of it with which I cannot agree. So far as the ways and means portion is concerned, Sir Jeremy Raisman has done it very well. But I am

not in sympathy with the major policies of the Government of India behind the Finance Bill and it is, therefore, not easy for me to bless the policies of the Government of India which are reflected in the Finance Bill. These are all the observations which I have to make on the Finance Bill.

The Council then adjourned for Lunch till a Quarter to Three of the Clock.

The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE RAO BAHADUR K. GOVINDACHARI (Madras : Non-Muhammadan) : Sir, I rise to support the Motion made by the Honourable the Finance Member and in doing so may I briefly indicate the reasons which prompt me to do so ?

The world is now passing through a period of extreme crisis both political and financial, and in view of the great war in which we are now engaged it is only reasonable to expect that heavier sacrifices would be demanded of taxpayers.

The proposals of the Honourable the Finance Member in the circumstances seem to me to be quite modest and though he has been compelled to raise the excise duty on sugar and add to the existing taxation on petrol, these two imposts could not by any means be interpreted as additional burdens on the general run of taxpayers in the country.

Taking into account the ordinary economic circumstances of India, it will be agreed that the two commodities selected for additional taxation are in the nature of luxury goods and the sacrifice involved will fall on shoulders which are fully able to bear them without bringing any hardship on the general mass of the population. I therefore have only a cordial word of recognition for the Honourable the Finance Member and the country should feel grateful if the later budgets also are cast on the same lines.

THE HONOURABLE SIE A. P. PATRO (Nominated Non-Official) : Sir, the Motion before the House is acceptance of the Finance Bill, but the Motion covers a wide field and much that is relevant, irrelevant or nonsensical may be said on this Motion. Of course I cannot command the vehemence of a young man, and I cannot fire blank shots like those which were fired so ineffectually and which cannot affect the condition of things as they are. The Constitution is such that we cannot have any control over defence policy or defence charges. It is no doubt a false position for Members that they should be placed in such an impotent position by the Constitution that they should not be able to revolutionise the whole thing in a day or a month. But, Sir, viewing the question of defence from a dispassionate point of view—and I am not behind anybody in the matter of nationalising our defence forces—but I say the conditions of things as they are must be reviewed by us as practical politicians. It is not possible that in a moment we can have the whole of the Indian Army Indianized or that various arms of the defence forces should be controlled by Indians without previous training and knowledge of things. These considerations lead me to express the view that though from our point of view it is desirable that there should be more rapid nationalisation of the defence forces and that openings should be made at once for those

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who may be prepared and qualified to run the Defence Department, there must be method in our madness and we should work up to these things in a practical manner. Till then there is no use our being vehement or, if I may be pardoned for saying so, losing our heads over the matter. It is not in accord with the dignity of this House that we should make any such undesirable show.

Having said that, I should like to consider the whole question of industrial progress. We all desire industrial progress and that there should be greater support for our industries. There is no question that the industrial policy should be accelerated so that capital may be drawn from its hoarding place and the people encouraged to carry out industrial co-operation. But what is it that is necessary for that ? It is not merely capital, or the desire for progress ; it is the real spirit underlying all industrial development, namely, the business habit ; the habit of co-operation, the habit of not quarrelling over dividends after one year ; the habit of sinking all major and minor differences in the interests of the business concerned with a view to building up that business gradually. Perhaps business men will support me when I say that every new endeavour does not at once yield large revenues. It may not even be able to make large dividends for many years. They often suffer and ultimately it is only through persistent endeavour and skill which earns them their reward. Such must be our attitude when we think of industrial progress. Already, as we all know, during the war an endeavour has been made by the appointment of an expert committee to advise and encourage industries. But that is really nothing in view of all that the country requires in this connection. What is needed for real development ? We have to have raw materials to supply to the factories and mills for the purposes of industry. Has anything been done in this Budget in that connection ? I have scanned it very thoroughly to see if any steps have been taken with a view to encouraging agriculture on scientific lines by the introduction of new methods of cultivation or more advanced animal husbandry. In respect of all these matters I do not find any trace of support in the budget proposals. Sir, if you think that industrial progress should be made you must also develop agricultural processes accordingly. Otherwise you cannot have the necessary raw material to supply to industry. Therefore it seems to me very regrettable that nothing conspicuous has been done in the Budget for the purpose of the agricultural development of the country. We all know of the great Report of the Royal Commission on Agriculture which contains a mass of information which is not ordinarily available to the public or to the practical agriculturist. But what has been done with regard to giving practical effect to the proposals so carefully made ? Except for the Institute of Agricultural Research which is only for the purpose of making investigation and inquiry, nothing has been done to carry out the proposals of the Agricultural Commission. Sir, we have got only a Bill, a Bill to tax agricultural export with a view to support agricultural investigations. But has anything been done to carry the results of the scientific researches made in the central institute to the door of the agriculturist ? The agriculturist in this country is not an ignorant fool ; he has got strong commonsense. When once it is demonstrated to him that a particular method is profitable and economical, that it is within his reach, that he could adopt that method, the agriculturist and the cultivator are ready to adopt that method for the benefit of himself and his neighbours. It is no doubt the province of the Provincial Governments to carry the details of this agricultural research into action. But what encouragement has been

given to the provinces in this matter of carrying scientific information to the very door of the agriculturist so that he may be inspired by a desire to adopt these methods. I always advocated and pressed on the attention of both the Provincial and the Central authorities that this was the real step towards progress. If you do want to raise the economic condition of the ryot, it is not by building many mills, by multiplying Universities and turning out graduates in thousands, but it is by elevating the ryot and the cultivator. It has been suggested that if the Provinces and the Central Government are popularised, the whole thing could be done. My friend is not here, a theorist of the first water. If he would only come with me, I could demonstrate to him that all his theories, provincialisation or popularisation of the Governments, could do nothing. On the other hand, I would demonstrate to him that there has been a set-back in the agricultural development of certain provinces within the last two and a half years. I have said so in a lecture in Madras and I am prepared to say that statistics and information are available to show that within the last two and a half years no step has been taken to induce the cultivator to have greater faith in the Government than he had before. My friend has suggested in order to win the confidence of the ryot and the agriculturist that this is the remedy and you have to take it. But, Sir, this is only theoretical ; it would read very well on paper ; you should go to the countryside and see how people view the popular Governments which have been in existence before. Therefore it is idle to take that because of the change of a Government there would be revolution in the economic condition of the agriculturist. Work is necessary ; provision of funds is necessary and propaganda is necessary. What has been done in the central institute ? You have got experts no doubt who have passed examinations and who have gone through laboratories, but what is the use of this sort of enquiry and investigation when the results of the scientific investigation are not carried into effect, and are not useful to the ryot in order to raise his economic condition ? I could give you instances to show how the agricultural research institute has made certain suggestions. Those suggestions involve a large investment of capital. How could the ryot in his present condition find the funds for changing the method and adopting a new method with a view to increase production ? How is he to be financed and helped and how is he to be enabled to adopt the new and improved method ? That question is altogether passed over. Not even the popular Governments have done anything in this direction. They have heaped burdens on burdens on the poor struggling ryot. He has to pay a tobacco tax if he grows tobacco on his field. He has to pay for buying cloth if he is not to buy what is called khaddar cloth. The shopkeeper has to pay a licence fee for the purpose of selling foreign cloth and he imposes that tax upon the poor consumer. And then worst of all we have got the sales tax. (Kruschen salts which used to sell at Re. 1 is now sold at Rs. 1-6.) Things like that are going on. Therefore the question is, what have you done to enable the ryot to stand on his own legs ? If you do not help him to finance as you are ready to help the industrialists in the matter of industrial development, the agricultural industry in this country will be left in the lurch and is left to help itself. Whatever this Budget may be, it has not been useful to the agriculturist and the people. How could you expect the Government to be popular when the ryot knows that all these years you have done nothing for him and he is exactly where he was in his grandfather's days ? Therefore in order to win his sympathy, his support, it is necessary that the Government policy should be more liberal with a view to assist the agriculturist in this matter. That, Sir, is entirely absent in this Budget.

Then, Sir, it has been pointed out that if we have a change of constitution and other people come in and we send away those that are now working,

[Sir A. P. Patro.]

the work will be complete. How can you, in the name of reason and common-sense, think that because you will put your men there, the work will be carried on as honestly, as sincerely, as devotedly and as efficiently? There must be time for development in everything. You cannot precipitate matters. Then my friend wanted Dominion Status. The Liberal Party want Dominion Status at once. The Liberal Party has been very fond of it and has been urging it. On the other hand, our friends on the Opposition have always been very fond of saying that Dominion Status is a wretched thing, we cannot touch it, with a pair of tongs; we do not want Dominion Status. We want Independence; independence of the British, independence of the Britishers we want, and nothing short of it. It is a psychological occasion; the atmosphere is so very surcharged with liberalism. Therefore the British may be nervous, may be afraid of any agitation here and therefore they may concede. Sir, I need hardly say that such expectation of the courage of the Britisher and such estimate of British statesmanship show either bankruptcy of argument or that commonsense and reason are absolutely absent in such persons. All that we can urge is whether it is Dominion Status of a particular variety or whether it is independence, I am concerned with this: how are you going to do justice to the cause of the people? Past experience of the British, past experience of the Congress, has proved to me that the agriculturist cannot expect any justice from their hands. The British have neglected it cruelly hitherto. Even the Report of the Agricultural Commission, with so many useful practical suggestions in it to help the ryot, has not been given effect to either in the provinces or in the centre except as regards the Research Institute. And if you go with me into a village and talk to a villager, the first question he will ask you is, "Are you going to give us any seeds, are you going to give us any help in buying a better pair of buffaloes or bulls for cultivation purposes?" Those are the needs. Provide him with that and you have a contented India. No Congress, nothing will upset the confidence you will inspire. You will have in the British Raj, you will have in any Raj, contentment if you provide that the economic condition of the agriculturist is helped in this matter.

Sir, it has been suggested by some speakers that why should sugar be taxed? And why should the petrol licence be raised? It is true that it is taxed. Why should it not be? When they are receiving protection on the one hand, and the people's money is spent on developing the industry, and that industry has grown very largely at the expense of the people and now, when occasion arises, when the nation is faced with a deficit budget and the emergency requires that extra revenue should be raised for the purposes of extraordinary expenditure on defence, why should it not be taxed? But my point is this: as I said at the time of the Budget, the problem is, is taxation to be the only method or is it to be in the form of a loan? The present generation bears the burden from current revenue but why not also extend it to the future? There is a difference of opinion on that matter. The Finance Member the other day, in replying to me, said it is theoretical, it is bookish, and therefore it cannot be accepted by him. He said so in his Budget speech also elsewhere, that this question of raising a loan with a view to meeting the emergent deficit is not at all a practical solution nor a wise solution. But, Sir, there is a great deal of opinion in favour of it in the country. I do not speak of text-book writers who differ on the matter. Some text-book writers have said that in such cases there should be a loan. Other economists have said, no, it should be by taxation.

Whatever may be the difference, so far as the conditions of India are concerned, I think in my own view that it would be better that this is spread out for a number of years and that the future generations also should be made to share the burden which this generation incurs. Why should this generation bear all the burden on its head and not have it shared by future generations who are equally benefited? Therefore, Sir, to my mind taxation is not the only way in which the Budget deficit could have been made up and that would have avoided all the difficulties in regard to the industrial position, but it is necessary to remember that a loan could have been spread over many years and the burden of annual payments would be much lighter than otherwise. Therefore, I say it is a proposition which, though the Honourable the Finance Member did not accept it at the time, still I would insist that this should receive more serious consideration than he has given to it.

It has been suggested also that there should be economies in many directions and these economies may also help to meet the deficit. I am one of those who believe that everything possible has been done in the matter of the Services and it is unfair to suggest that that source would be available for the purpose of meeting Budget deficits. After all, what is it that you are going to have from a cut in the salaries of people? There is nothing. It is only a drop in the ocean. And why should you make your servants feel that they do not receive adequate remuneration for the work they are doing, what they are accustomed to receive to enable them to live according to a standard of life. Having adopted a standard of life, you want to cut short the whole thing and make them feel that they are badly treated and hence your work in carrying on the administration must necessarily suffer. Therefore, that is not a source that would be available for retrenchment. I have not heard any other source mentioned here or on the Budget debate in which economies could be effected so that the deficit may be met and I am sure the Honourable Mr. Hossain Imam will be able to point out any useful source that may be tapped.

Sir, on the whole, therefore, while supporting the Motion before the House, I would draw the attention of the Government to the points which I raised, namely, that agriculture has not been properly and adequately treated in the Budget, that it is necessary that greater attention should be paid to the development of agriculture and agricultural aid should be given to the rural areas and that the question of this taxation or loan should also be seriously considered.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, in my early youth I was warned against the profession of a policeman. There was a song in those days which said "A policeman's life is not a happy one". Five years in this House have led me to conclude that there is one other profession which I should have been warned against, and that is finance. The life of a Finance Member is not a happy one. This morning certain remarks made by the Honourable Mr. Sapru led me to the conclusion that I should no longer aspire to be Commander-in-Chief.

I was very glad to read in the speech made by the Leader of the House last week, when I was unfortunately not here, that he, in common with the Maharaja of Darbhanga, draws attention to the situation in which we now find ourselves. There is a war. So many people in this country are ignoring this point, both in the financial sense and in the political sense. This is surely a time when we should not air our quarrels. We should not even consider them. We should get on with the war and then we can think of our own difficulties.

[Mr. R. H. Parker.]

Then, I was surprised at my friend the Honourable Mr. Shantidas Askuran saying that he disapproved very strongly of the excess profits tax and that the whole of India did that too. I do not think he is right there.

THE HONOURABLE MR. SHANTIDAS ASKURAN : On a point of explanation, Sir. The Cotton Association which consists of all the European houses in Bombay sent their representative, Sir Purshotamdas Thakurdas, to the general meeting called in Bombay at the Cowasji Jehangir Hall, where Sir Purshotamdas declared that he had come to represent the whole body, including Europeans.

THE HONOURABLE MR. R. H. PARKER : That may be—the whole of the cotton group. But I do not think it is the whole of India still.

THE HONOURABLE MR. P. N. SAPRU : Sir, was the opposition to the excess profits tax continued after the amendments to the original Act ?

Several Honourable Members : No.

THE HONOURABLE MR. R. H. PARKER : I must admit that I find it extremely difficult myself to imagine any fairer tax and I notice that the Honourable Member has not suggested one himself.

The Finance Member was criticised by Mr. Shantidas Askuran on the sugar question. Here is where he is really having an unhappy life, because, year after year, in this House, he has been criticised on the ground that he has refused to consider criticism, he has refused to alter anything, and the moment he withdraws something for which there is good reason, he is criticised for doing so and told that he is thereby upsetting the Budget estimates.

I think it was Mr. Shantidas Askuran who referred to a sympathetic railway. I do not quite know what a sympathetic railway would look like. I would like to have a photo! I am not quite sure whether you would have Sir Guthrie Russell smiling at a broken down lorry or—

THE HONOURABLE MR. SHANTIDAS ASKURAN : They are very sympathetic towards us, travelling in first class.

THE HONOURABLE MR. R. H. PARKER : Is that it ? On the question of roads, I think we have got to face the fact that you cannot build roads out of income any more than you can build a railway out of income. You must have a capital account for roads. I think we must change the whole of our attitude on this point. The money must come from somewhere and it should be borrowed money.

The Honourable Member who spoke last, Sir A. P. Patro, said that we ought to borrow to pay for our current outgoings,—those which are provided for in this Budget. I must say that I think that that would be extremely unsound.

There was a reference by the Honourable Mr. Shantidas Askuran to the subject of the Economic Adviser and the slowness of the results of his labours. I do not know whether he has the slightest conception of the amount of preliminary labour which is involved in preparing the statistics and data which you must have before you can come even to a preliminary conclusion on matters of this kind. He must have time for that.

I notice that the Honourable Mr. Ramadas Pantulu came to plead a special cause this morning. I think it was rather an expensive journey.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, before I commence my remarks on the Bill, permit me to welcome Sir Reginald Maxwell as the Leader of the House. (Applause). He is an old colleague of ours and we welcome him back in his exalted capacity. We find today a great change in the Treasury Benches. We have today three members of the Viceroy's Council, although we have to be content with one only on most days.

The Honourable the Finance Member has done something which foretells that his term of office will be a smooth one. Sir James Grigg's first Finance Bill came in a certified form with the result that all the five Bills that he had to place had to come in the same form. Sir Jeremy Raisman has begun well. Not only has he done well, but in certain respects I think he has given too much concession ; and so, when the year is concluded and he comes back and we find that the estimates are fulfilled of course he will have a smiling face. But even if he does not balance the Budget, he can throw the blame on us as well. That shows that an element of responsibility is being introduced in the Budget of the Government of India. Although it is a very preliminary step, something like a beginning—A, B, C—it is some consolation that the Finance Department is acting up to the standard which could be expected after the announcement of the Secretary of State about the status of the Government of India in the future. But can it be said that the entire body known as the Government of India is behaving in that spirit ? I doubt if even the best champions of the Government of India can say that the whole Government is actuated by that spirit. I referred to the announcement which was made by Lord Zetland that the object of the British Government is the establishment of Dominion Status of the Westminster variety in India.

Sir, as Mr. Parker has pointed out, it is necessary that when we consider this Bill, we must keep the background clearly before us. You cannot consider this Bill without that essential background—the war. The background, as I see, is the existence of the war, and its consequent results, which must also be taken into consideration. We saw a representative of the Congress come here to this House—the Leader of the Congress Party—and state that he was satisfied with part of the work done by the Finance Department—the inclusion of the provision in clause 7. But the fact cannot be overlooked that the Congress is abstaining from attendance in the Central Legislature and that it has given up the Ministries in seven provinces. In the Central Legislature, the Opposition has lost much in strength, but I think we have gained something in persuasiveness, and if results are to be the deciding factor, then I do not think we have lost anything. But how long is this to continue ? The sweet reasonableness of the Finance Department, which may have been due to the inclusion of sugar, is not present everywhere. In other respects we find that there are places where there is a stiffening in the attitude of the Government of India and non-responsiveness in other respects. Take the case of the Legislative Assembly. It was elected for three years. On one excuse after another you have been giving extensions year after year, so much so that it has now doubled its normal life, and yet there is no prospect of re-election ; whereas Canada is holding an election in spite of the war and the great preparations that they are making. Is it not possible for the Government of India to hold elections and to shape its policy in the same manner as the Dominions are doing ?

Look at the provinces. In seven provinces there is no Parliamentary system of Government. The Governors were perfectly justified in appointing officials as their advisers because it was thought that the Congress might

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be coming back to office. So in order to have continuity of policy as well as not to disturb the political life, it was desirable that officials should fill the gap. But if, as seems to be apparent now, the differences between the Congress and the Government are big and more fundamental than they had appeared in the beginning, I think it is the duty of the Governor General in Council to have non-official advisers associated with the Governors, and in that body, he Mussalmans as well as other minorities should be properly represented.

The Honourable Mr. Parker reminded us of the existence of the war. We are not likely to forget it, not only because the newspapers are full of it, but also because every walk of life in India has been affected somehow or other by this war. When my Honourable friend Mr. Sapru flared up just now about the Defence Department there was something to be said in justification. The Defence Department, as apart from His Excellency the Commander-in-Chief, has not given proper consideration to Indian sentiments and especially to this House. Today the Defence Department is unrepresented on the Treasury Benches.

THE HONOURABLE THE PRESIDENT: They did not know that you were going to speak on Defence.

THE HONOURABLE MR. HOSSAIN IMAM: When the Finance Bill is discussed every Government must expect that all its Departments and especially the Defence Department is bound to come under criticism. (*An Honourable Member*: "Move an Adjournment Motion"). If the Government does not repair this defect I shall move an Adjournment Motion.

THE HONOURABLE THE PRESIDENT: Provided I agree.

THE HONOURABLE MR. HOSSAIN IMAM: It is not a question of agreement. A Member will be nominated to represent the Defence Department in this House on the Treasury Benches.

Now, I was saying, Sir, that an announcement has been made by the Secretary of State regarding the object— or as Mahatmaji has put it, the result of the war and its translation into actuality—that we are going to have Dominion Status. Well, do you think that Indians will as if by magic change then; and that as long as the war is continuing they are unfit to look into anything and have any responsibility on their shoulders? Is it contended that as soon as the war is ended Indians will become something else and be able to assume charge of the Government, though they are utterly unable to do so at the present moment? Sir, the Department presided over by Mr. Dow is a newly created Department. Out of 28 officers' posts in it he could not find more than five Indians to man it, and that number includes a Superintendent. If we are so lamentably incompetent as all that I think it is idle to talk of Dominion Status. You should say plainly that you are not going to give us anything. You gave power in the provinces, and did you see how the Secretariats have been filled up by Indians? At least I know about my own province. Whenever power is given to anybody he can find his compatriots to fill jobs and he denies while he is holding power ability on the other side. That is what happens in a democratic country. When the Conservatives are in power every appointment under the Crown is given to Conservatives, and when the Liberals are in power they appoint their own men. Now you are in power and you want to have all the advantages. If you were in power with our consent then you would have this power granted to you. It would be a real democratic form of

government, that the Party in power should have all the control that it desires. But when you are irremovable and you promise to give us—not in doses but at the earliest possible moment—Dominion Status, I think you should prepare us for it. If you think we are not fully prepared, it is your duty to prepare us for it. In that sense it is necessary that the Defence Department should get more and more Indians associated with it, if not for control at least for training. Primarily it is the responsibility of the British Government to fit us, otherwise it will become a vicious circle. If we are not competent to do our job then your stay here must be perpetuated. That, Sir, is a bad argument.

There are other activities in which we find that the old spirit still prevails. The amount of secrecy which is observed over even the smallest things in the Defence Department is simply surprising. It seems that victory is dependent on the information as to whether one or 100 Indians have been recruited in the army. If Hitler knows that 100 Indians have been given temporary commissions, he will collapse ; but if he learns that there were only 50, he will revive! What is this ? You are making a fetish of it. It is not that we do not realise that there are informations which should not percolate to the enemy. But can you include on it such small things, as the number of recruits, about which you say, "It is not in the public interest" ?

I have discussed up till now matters of general policy and I should like to revert to some of the special items with which this Bill and the Finance Member are concerned. Last year I discussed the Reserve Bank, and in that connection I drew the attention of the Honourable Member to the demand that stamp duty on usance Bills should be reduced. The Honourable the Finance Member interjected in the course of my speech that it would not increase our income by anything or that it would not give us one anna of extra profit, meaning thereby that this did not meet with the approval of the Government. But on the 13th of January the Honourable Member gave that concession.

THE HONOURABLE SIR JEREMY RAISMAN : The Honourable Member will permit me. I think his suggestion came, as far as I remember, in the course of a speech in which he was criticising the unremunerative character of the Reserve Bank, and that was when I interjected that it had nothing to do with yielding extra profits. I did not say that I was opposed to it.

THE HONOURABLE MR. HOSSAIN IMAM : But it took you, Sir, nine months and 16 days to give that concession.

THE HONOURABLE SIR JEREMY RAISMAN : The consent of the provinces was involved.

THE HONOURABLE MR. HOSSAIN IMAM : And I should like again to dwell on the unremunerativeness of the Reserve Bank. I should like the House as well as the public and the Government to realize what are the enormous resources at the disposal of the Reserve Bank, what was the yield from these heads when the Government was itself in charge of it and what the yield is now, with greatly increased resources. The justification for new taxation is that you cannot find money from old sources and you cannot decrease your expenses. Now, if your old sources could give you more money the justification for new taxation would cease to exist. The Reserve Bank controls at the moment the vast sum of Rs. 302 crores, out of which Rs. 111 crores are held in the shape of notes, rupee and other small coins, bullion and other uninvestible items, and the sum of Rs. 190 crores is held as investible. Out of this Rs. 190 crores, Rs. 136 crores, or 73 per cent., are held in sterling. The

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sum of Rs. 53 crores or nearabouts is held in Government of India permanent debts or in *ad hoc* securities. Now, on this huge investible capital of Rs. 190 crores the Reserve Bank made last year Rs. 1 crore and 22 lakhs. Out of that Rs. 1 crore and 22 lakhs Rs. 1 crore and 45 thousand was spent on management. The profits of the ordinary shareholders and of the deferred shareholders, the taxpayers of India, was the magnificent sum of Rs. 22 lakhs and 50 thousand. Out of that Rs. 22 lakhs, Rs. 17½ lakhs went to the ordinary shareholders of Rs. 5 crores and we, the general taxpayers, who had invested Rs. 20 crores from borrowed capital in the shape of Rs. 5 crores for the reserve fund and Rs. 15 crores in repayment of rupees returned to ourselves. We have invested Rs. 20 crores and we got Rs. 4,71,000 last year.

THE HONOURABLE SIR JEREMY RAISMAN: The payment for Rs. 15 crores presented back to us in the form of rupee coins is not an investment. It is only meeting your ordinary obligations.

THE HONOURABLE MR. HOSSAIN IMAM: We get a dead asset and in return for that we pay a live asset on which we have to pay interest to the Reserve Bank.

THE HONOURABLE SIR JEREMY RAISMAN: We pocketed the profit once.

THE HONOURABLE MR. HOSSAIN IMAM: We pocketed the profit once. We had contributed out of 40 millions sterling of the Gold Standard Reserve nearly Rs. 40 crores to the bank already on the day it was formed.

Sir, I was referring to the fact that in the year that has just concluded the Reserve Bank is going to pay us Rs. 4 lakhs and 71 thousand—a magnificent profit of a quarter of 1 per cent. from the best managed institution that India has got! If you compare it with the return of the Imperial Bank, you will find that they are able to pay their shareholders 12 per cent. on their invested capital. But why does it happen? Formerly the Government was able to invest its assets on longer-dated securities, whereas now a fetish has been made of its liquidity and in the portfolio of the Reserve Bank you do not have any security of the British Government of a currency of more than five years—or I think it is two years, I am not positive, because information is not published in the report which the Reserve Bank gives. The Reserve Bank gives its shareholders a report which deals with everything in India except the management of the Reserve Bank itself.

Last year I had drawn attention to the fact that there had been a greater contraction of currency in India than in any part of the world; and I am glad that this year on account of the pressure of the war they have expanded the currency, but they have expanded it against sterling. The expansion of currency is not dependent on the requirement of the trade, but on the vagaries of the exchange market in sterling. In no country the bank of issue looks down upon its own Government securities so much as the Reserve Bank of India does. The Reserve Bank of India does not contract the volume of its currency by open market operation by purchase and sale of Government securities. Expansion and contraction are co-related to the existence of sterling resources. We have a huge sterling backing of Rs. 136 crores, which is mostly invested either at call in the Bank of England or is held in the form of Treasury Bills of His Majesty's Government. His Majesty's Treasury Bills are available at less than a three-quarter of 1 per cent., whereas we have to

pay more than double that rate for our own accommodation. Although there is more money available in England, to the greater resource of England is added the slender resources of India ; but our own resources are not used to make cheap money available in India itself. I should remind the House that the gold value of the Bank of England has been changed successively from the statutory price to nearly double the price which prevailed in 1931, or, I might say, that it has been overvalued to double the amount of the pre-depression period. Now, the Government of India cannot even think of such a thing. It will be a sort of sacrilegious thing to suggest even that the gold should be revalued. The latest valuation which has been fixed by the Bank of England is 168 shillings per ounce, whereas we are valuing at less than half that value.

THE HONOURABLE SIR JEREMY RAISMAN : Exactly half.

THE HONOURABLE MR. HOSSAIN IMAM : Yes, on 1s. 6d. If the Government of India were to revalue its gold resources, they would have a magnificent sum of Rs. 44 crores available to them, which if used to repatriate our sterling debt would cause a reduction in our expenditure of possibly Rs. 1,75 lakhs or at least Rs. 1,50 lakhs for certain. All the Governments are doing this kind of thing. I do not know why the Government of India alone should stick to the more orthodox tenets of financial integrity of which there are no longer any votaries. I draw the attention of the Government particularly to this aspect, because the sinking fund provision for the last few years has been very much reduced. We were formerly making a provision of Rs. 6 crores for reduction or avoidance of debt. That was reduced to Rs. 3 crores, but in actual practice the provision during the last three accounts years has been less than Rs. 2 crores per year, because of the two years in which we had had deficits. You know when there is a deficit the first charge is on reduction and avoidance of debt to fill up that breach. In reality the provision that has been made was less than Rs. 2 crores per year. The justification for the reduction of the sinking fund was that we were not getting anything from the Railways. Now, this year you have received your full quota, not only your full quota, but you forced the Communications Member to pay you even the arrears of last year. If after all these payments we are not able to do the right thing to treat Burma annuities as a capital receipt, when will you be able to do it ? All this has to be done because you are sticking to exploded orthodoxy. If you could revalue your gold holdings you would have an additional income by which you could square up your accounts. I would, therefore, Sir, particularly urge upon the Government the desirability of so amending the Reserve Bank Act that the long-date securities of British Government and Indian Sterling securities could be held in our portfolio. This demand had been voiced once by the Directors of the Reserve Bank as well but it fell on deaf ears.

Sir, the other day, unfortunately due to my absence, a Motion standing in my name about the Woolley Committee Report fell through. Sir, I wanted the Government to give me an opportunity of discussing that on any Government day when there was no work. But the unresponsiveness of the Government continued. They thought perhaps if they gave us time to discuss that Report, we might say things which would upset the Government or might help Hitler ! Sir, the Woolley Report was one of those documents which unfortunately received attention neither from the Government nor from the Legislature, nor even from the Press. The Press did not take it up because there was nothing spicy in it. The Government did not take it up because it calls for some expenditure. And the Legislators and the public did not

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take it up because they did not get it. Mention was made of Dr. Gregory's activities. I think if Government had distributed his pamphlets to the Members of the Legislature there would not have been that amount of ignorance about his work that now prevails. Fortunately, I have read his books and appreciated them. Well, Sir, I was referring to the Woolley Report. The burden of that Report was that the Department as at present situated was unable to give direction and therefore to persist without intelligent direction and to continue to work was a misguided zeal. Further, it stated how we should reorganise the Department. Now, if you are spending lakhs of money on a certain department, I do think that as a business man you should see that you get your money's worth ; that you get services adequate to your expenses, and if a small bit of expenditure is called for, that should not be grudged. Otherwise all your expenditure is wasted. I do not wish to urge that expenditure should be uneconomic. But I do wish to urge the desirability of not looking at things from a restricted or small point of view. Government should take a long view of the thing and not be anxious to avoid discussion. Discussions and aerations help the Government a great deal.

Sir, I shall now deal with the petrol tax. The petrol tax, Sir, is one on which both kinds of opinion have been expressed in this House, in favour as well as against. My own contribution to its discussion, Sir, is not so much on the equity of taxation or whether it should not have been imposed ; but I wish to discuss what has been the action of the Government to control the prices. We have imposed, Sir, a tax of two annas a gallon and on that there has been a hue and cry in the Press and even from the European benches there has been some protest. But no one looked at it when the Burma Shell organisation and the Allied group of oil control raised the price without any justification. The price of petrol at Calcutta was Rs. 1-3-0 a gallon, and the price in Delhi, right up to August was Rs. 1-5-6 or in some places Rs. 1-6-0. Before raising the duty the price had gone up to Rs. 1-5-6 in Calcutta and Rs. 1-11-0 in Delhi. Now, you will understand, Sir, the cost of this rise when I tell you that for each anna rise there is a raid on the consumer's pocket and on the pocket of the Government to the tune of Rs. 173 lakhs per annum. If there is a rise of 4 annas on the average it means a burden of nearly Rs. 3 crores on the consumers and the Government of India, because the Government of India is a fairly big consumer of petrol. Now, Sir, we had all this organisation to control and check the rise in prices of commodities but there was no one to see whether there had been a rise in the price of petrol or note that the rise in the basic price of petrol was nearly 60 per cent. because the petrol price is made up of three items. Ten annas was the duty charged by the Government which has remained constant from the 1st September right up to the 29th February. That item did not rise. The railway freight had also remained stationary and the Department of Mr. Dow had been purchasing millions of gallons of petrol at a higher price without ever bothering to know how much of our money is wasted. Sir, there was a rise in prices in the other countries. I have with me the figures for the United States of America. The prices there rose by 1·5 cents per gallon on pre-war prices and they were not content with this. There was a control and afterwards, from October to December, for the three months for which I could get figures, the price rose from pre-war figure by 1·1 cents, which is ·4 cent lower than the figure of September.

THE HONOURABLE DEWAN BAHADUR SIR RAMASWAMI MUDALIAR :
I do not wish to interrupt the Honourable Member but I think in my speech on the General Discussion of the Budget I did make our policy of control clear.

At any rate, the Honourable Member may take it that these two commodities are controlled or at any rate have the sanction of the Government of India for the prices that prevail at present. The Honourable Member may rest assured that in my speech tomorrow I shall make the point further clear.

THE HONOURABLE MR. HOSSAIN IMAM : I am very grateful to the Honourable the Commerce Member for having promised to make the point clear, but I was urging upon him for consideration that in America the price rise due to the war was checked and brought down, whereas in India there has been no going down. The prices have risen up on account of the war out of all proportion to the increased cost, because as you know the main supply of India comes from Burma and the shipping rates between Burma and India have not materially changed. Further, Sir, I know that there is a Caltex and Shell group but their arrangements with the Burma company is such that the majority of the oil consumed in India comes from the Burma oilfields. I particularly draw attention, Sir, to the fact that this opportunity is not being utilised by the Government to support Indian industries. The United Provinces Legislature had passed an Act for compulsory mixing of power alcohol in the petrol. That Act has not been assented to by the Governor. Bihar and the United Provinces are producers of sugarcane and there they have got surplus molasses which is running waste. At this time when India is in need of petrol and when prices have gone up (the basic prices today are nearly 60 per cent. higher—if you take out from the price of the petrol the item of the railway freight handling and the duty, the price of the commodity at the port on landing is only 8½ annas) you should help power alcohol. On 8½ annas there has been a rise of 5 annas—basic price—and this is a 60 per cent. rise, and that extreme rise, if it had been made available to power alcohol, would have given a fillip to that industry. Formerly we had to base our calculation on the basis of 8 annas per gallon as the price of petrol and now the basis is 13 annas for the price of the petrol.

THE HONOURABLE SIR JEREMY RAISMAN : What is the price of molasses now ?

THE HONOURABLE MR. HOSSAIN IMAM : Whatever it might be, it would be better utilised because there is not enough market. The production exceeds the requirements. It is not the question of the price. There is no utility for it. It is the marginal utility which I wish to increase.

THE HONOURABLE SIR JEREMY RAISMAN : Then why has the price gone up so much ?

THE HONOURABLE MR. HOSSAIN IMAM : The price might have gone up somewhat because of the general rise in *gur* prices as well as in sugar prices.

A reference was made by Mr. Richardson to the policy to be pursued in giving protection. I am in entire agreement with him in certain respects. I would like to submit to Government for their consideration the point that not only should protection be more liberal, but the element of Government control must also come in. If the community consents to have itself taxed for the benefit of the industry, it has a right to demand a *quid pro quo* in the shape of a better availability of the materials and availability at a smaller price. The burden should not be continuous. If the fundamental principles that have been laid down, Sir, by the Fiscal Commission, of which you were a distinguished member, are to be changed, we demand that they should not be changed overnight and that we, members of the Legislature, should get an opportunity to discuss what should be the future basis. We also want that

[Mr. Hossain Imam.]

in shaping the future industrial development policy, the requirements of the agriculturist should not be neglected. Agriculturists form 70 per cent. of the population, and it is necessary that they should have an export market and their requirements in this respect should not be lost sight of. Neither should we forget that industries which do not consume the raw material produced at home should not continue to enjoy the protection as the industry of Ahmedabad, which flourishes on foreign imported cotton but has nothing to do with the cotton produced in India itself.

Sir, the Honourable the Finance Member has played his cards so well that he wins both ways—heads you win and tails we loose. He can come to us next year with his hopes fulfilled, or if they do not bear out, even then he can turn on us. He has done everything in his power to give in to Indian opinion and it would be unjust for us to refuse our co-operation to him in our support of the Bill.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadian) : Sir, I do not want to oppose the Bill, because this is a time when we want that the war should be prosecuted and every help that is possible ought to be given to Government to win the war. But I want to make a few observations and impress on the Government to kindly take some note of what I say and try to meet the public as far as they possibly can.

Sir, the increase of duty on petrol does not correspond with the increased fares and freights on railways. The percentage of rise in passenger fares is 6·25, and in goods fares, 12·50, while the increase of duty on petrol is by 30 per cent. As my Honourable colleagues have said, the difference in the increase should not be so much. We all expected that the increase in the price of petrol will be in proportion to the increase in the rates and fares. People in the rural areas where there are no railway facilities for transport ought to be helped, particularly in times of war, and increase in prices of petrol for the buses which now fill in the gap ought not to be more than 12·5 per cent. now. I hope that the Honourable the Finance Member will reduce the petrol duty to such a level as will not unnecessarily retard and put back the bus traffic and put the public to great inconvenience, especially the public in the rural areas.

As the war is being prosecuted, there has been practically not much increase in Indianization of the Army officers. My friends have already said that the Army Indianization Committee which was appointed last year has been adjourned *sine die*. The public were under the impression that material increase in Indianization will take place and it was a more suitable occasion to comply with the wishes of the public. A great number of people are coming forward to offer their services in the war. Particularly in the Punjab I know that the supply far exceeds the demand, and to refuse the pace of Indianization in the present war is not advisable. Sir, the Indian Army Reserve of Officers, who have offered their services for the war, have, I understand, been replied to by Government saying that they must resign their present Commissions in order to get admitted to the emergency Commissions. The Indian Army Reserve of Officers was meant to be taken in when there was need. I know that a few of these Indian Army Reserve of Officers have been taken, but now they are being refused admission until they resign their previous Commission. I cannot understand why there should be differentiation in these two Commissions. After all, Reserve is meant for war. It means that all the officers who are kept in reserve must put in duty in war. There is a strong feeling of resentment on this decision of the Government. I hope that Government will reconsider their position and let those who have been on the list of Army

Reserve of Officers serve in the war and prove their worth. It is unjust that Army Reserve Officers who have attained the rank of a Captain or a Major should now be asked to resign their Commission and join the emergency Commission as a Second Lieutenant. Is that just? This discourages the people. The war as the rumour goes and as we all anticipate is going to get into its big swing next month. You will be requiring officers and I do not think it is proper to discourage those officers who have been in the Reserve and who have not committed any fault for which they should be penalised at this moment and an injustice thus done to them.

Sir, it is our duty to thank the Honourable Sir Ramaswami Mudaliar, the

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Commerce Member, for his creation of a Board of Industrial Research. We wish that Government should take up the question of helping the establishment of industries particularly for all articles necessary for the prosecution of the war. As is being done in Canada and other Dominions, if the Government like, a factory for the manufacture of aeroplanes and lorries could easily be started in India. I think it is the duty of the Government of India to make India self-contained. Owing to the war even our industries are suffering because we cannot import all the stores that we need. In war it will be to the advantage of the Government that India should be self-contained and able to supply everything required for war. The Honourable Mr. Richardson said that the Honourable the Finance Member gave the right reply in not guaranteeing any amount of percentage of profit for new industries. Why did Government guarantee certain percentage of interest to Companies for Railways? Sir, I know that in the Punjab an industry to manufacture surgical instruments during the last war was founded at Sialkot. The instruments turned out were satisfactory and this concern got large Government orders during the last war. But when the war ended there was no patronage of that industry with the result that the industry collapsed. I hope Government will now see to it that those new industries which are established for the sake of supplying articles for the prosecution of the war will not be allowed to die down. There is a demand for surgical instruments all the year round. It may not be large but it is large enough to keep such an industry going. The Government should see that the supplies are not larger than the demand and take steps to control the establishment of new industries.

Then I come to the question of recruitment for the army in general. My impression has been that the Government had been good enough to open recruitment to all classes, but so far the recruitment from other than the present so-called martial classes has been very meagre. Now the times have changed. You do not require good physique alone. The army is being mechanised. You require people with intellect. If I rightly remember, some of the high army officers are of the opinion that now Government requires intellect and not only physique. Therefore the time is ripe for Government to take in able-bodied intellectuals into the army, and let recruitment be thrown open to all classes, or anyhow to all those classes who were martial before the present new classification was made. People are under the impression that classes who did very well in the army in the past were the first to be scored out. The Government should at this time restore the Viceroy's Commission and thus not penalise even martial classes who did distinguish themselves as well. Such Officers were a very useful link, and the general impression is that Viceroy's Commission was abolished only to find place for the Indian Academy Cadets. The officers who came out from Sandhurst started as Company Officers, as my Honourable friend Pandit Kunzru observed the other day; but now the product of the Indian Academy at Dehra Dun replace Viceroy's Commission and start as Platoon Commanders. Some people say it is an improvement. It is

[Rai Bahadur Lala Ram Saran Das.]

a copy of the personnel of officers in a British regiment. I say, Sir, now that the British have been ruling in certain parts of India for the last 200 years, during that time these Viceroy's Commissioned Officers have proved their sterling worth and have won lares. It is just in order that the new Indian Officers from Dehra Dun may not replace the British Officers that this step seems to have been taken. Government have violated their pledge in connection with Indianization of Army Officers as a result of acceptance of certain recommendations of the Skeen Committee. Let that pledge be honoured now. The sooner the Government reconsiders this question the better. There is great resentment about it. The Viceroy's Commissioned Officers served as a link between the sepoys and the officers which a cadet directly recruited cannot satisfactorily fulfil. Of course my lips are closed as far as the evidence of the various army officers summoned before the Army Indianization Committee is concerned, but I can say this, that the present cadets from the Indian Academy at Dehra Dun are being termed dignified Jamadars by the public. As regards their emoluments, I hope the officer representing the Army in the House will now inform me whether I am correct in holding that the Government has agreed to increase their salaries and allowances to bring them on a par with the Indian officers who passed out of Sandhurst, *minus* the overseas allowance.

My friend Mr. Sapru observed that the dignity of this House is not being kept owing to the continued absence of His Excellency the Commander-in-Chief and no officer of the Defence Department being here in the House. Sir, I have great respect for His Excellency and I realise that perhaps he is unable to come owing to highly important duties in his own department. But if His Excellency is too busy to attend himself, there ought to have been some officer representing the Military Department nominated to this House who could have dealt with all the observations relating to the army in the debate today. From what we see, Sir, this is not in keeping with the pledge regarding dignity of this House. I am not taking it as a personal matter. But the dignity of this House demands that when questions regarding the army are being debated some officer from that Department should be present. Even the Honourable Mr. Williams is not here today. That shows, Sir, that the dignity of this House is not being kept. I have observed before in this House that Members of this House are not taken on Joint Select Committees, notwithstanding an assurance by the Leader of this House some time back that Members of this House will be taken into Joint Select Committees. I therefore request our present respected Leader, the Honourable Sir Reginald Maxwell and also you, Sir, to see that the dignity of this House is maintained. It is for the Government to see that this House is regarded and given attention to in the same manner as the other House.

Then, Sir, I come to the question of recruitment of officers. I know many tribes have offered their services in thousands, and my information is that not even two per cent. of such people have been taken, barring so-called martial tribes. I wish Government would appease the feelings of the public by declaring what they really intend to do in this connection. People are getting rather discontented and there has been a great hue and cry from the non-martial tribes and the rumour is that so long as the supply from the martial tribes continues there is no chance of any appreciable recruitment of the present non-martial tribes. I know that in the last war certain classes belonging to the non-martial tribes —

THE HONOURABLE LT.-COL. SIR HISSAMUDDIN BAHADUR: Why do you call them martial classes? "Enlisted classes" is the proper expression.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: In case enlisted classes give a better expression of what I mean I will use the word "enlisted". I have not yet been able to find what was the basis of the entry of the various tribes into this enlisted list. I will not mention the name, but there are subadar-majors, risaldar-majors, jamedars and others from what we call the depressed classes who hold the Indian Order of Merit and Distinguished Service Medals.

THE HONOURABLE LT.-COL. SIR HISSAMUDDIN BAHADUR: When and where?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: One of such officers is a Mirasi. You have forced me to mention the class.

THE HONOURABLE NAWABZADA KURSHID ALI KHAN: It may be an exception.

THE HONOURABLE LT.-COL. SIR HISSAMUDDIN BAHADUR: By profession he may be a Mirasi, not by class.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: That person is a subedar-major holding high distinction and high medal. However, I say that any tribe, given proper training and proper education, will do just as well as the other, barring of course certain very low classes whose common-sense is very very poor.

THE HONOURABLE LT.-COL. SIR HISSAMUDDIN BAHADUR: Will you send your son to serve under the Mirasi?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: My son Rup Chand is an Officer in the Air Force stationed at Iraq and he will certainly serve under any senior officer.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: This is done in the Civil Service.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I might say to my respected friend, Colonel Hissamuddin, that as far as my personal case is concerned, my community even at present is said to be a half-martial tribe, but I hold it a full martial tribe. A number of my relations are holding Kings Commissions in the army as well as Viceroy's Commissions. My own great grandfather was an artillery Commander. That does not mean that any other person from any other community cannot be so. I know that the opinion of the high army officers is that as far as officers are concerned, whether they come from the martial or non-martial classes, they have proved equally capable. Therefore at a time of war the Government should not refuse those people anyhow who offer their lives for the service of the King and the country. I feel it because a number of people who had offered themselves came to me and told me that they were not taken. I know that the war will seriously commence in May and now it is the time for the Government to give encouragement to those who come forward loyally to serve the Government and they ought not to be refused recruitment.

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[Rai Bahadur Lala Ram Saran Das.]

I come now to the plight of industries. The Honourable the Finance Member knows that the prices of manufactured goods are going down every day and I think that as the conditions now are his forecast of income from excess profits may be correct. I was under the impression that it was a very low estimate, that it was on the low side. But now I think that as the prices are declining, the figure which he calculates may be safer. The present position of industries, barring two or three industries, is that they were just beginning to revive from the great economic depression have been given a set-back. They ought not to be put in such a position that they may collapse.

The Council then adjourned till Eleven of the Clock on Wednesday, the 3rd April, 1940.
